

# SCHULTE HOSPITALITY

MANAGEMENT ANALYSIS, UPSIDES AND HOW WE GET THERE



**ACE HOTEL PALM SPRINGS**

shg





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# PRO FORMA – BRAND SCENARIOS

SHG has ran three operating scenarios for the Ace Hotel - a (i) franchise, (ii) independent, and (iii) Tribute by Marriott Scenario.

- A Franchise Scenario:** SHG is projecting TTM 6/24 Adj. GOP / GOP margin of **\$9.3m / 36.9%** assuming the asset was operated as a franchised Ace under SHG management over the past 12 months
- B Independent Scenario:** Schulte is estimating TTM 6/24 Adj. GOP / GOP margin of **\$9.1m / 37.4%** assuming the asset was operated as an independent hotel under SHG management over the past 12 months
- C Tribute Scenario:** Schulte is underwriting TTM 6/24 Adj. GOP / GOP margin of **\$9.6m / 35.7%** assuming the asset was operated as a franchised Tribute Portfolio by Marriott Hotel under SHG management over the past 12 months

	Ace Hotel & Swim Club Palm Springs (ACE Franchise vs. Independent vs. Marriott Tribute Scenario)																				
	Actual			Scenarios																	
	TTM 6/24 (Actual)			TTM 6/24 (ACE Franchise)			TTM 6/24 (Independent)			TTM 6/24 (Marriott Tribute)			Franchise vs. TTM 6/24 Actual			Independ. vs. TTM 6/24 Actual			Tribute vs. TTM 6/24 Actual		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy %	56.5%			59.5%			58.7%			61.0%			3.0%			2.2%			4.5%		
ADR	\$271.7			\$304.8			\$300.8			\$311.5			\$33.1			\$29.0			\$39.8		
RevPAR	\$153.6			\$181.3			\$176.6			\$190.0			\$27.7			\$23.0			\$36.4		
<b>Revenue</b>																					
Rooms Revenue	\$10,063	48.4%	\$271.7	\$11,878	47.1%	\$304.8	\$11,572	47.5%	\$300.8	\$12,448	46.4%	\$311.5	\$1,815	(1.3%)	\$33.1	\$1,509	(0.9%)	\$29.0	\$2,385	(2.0%)	\$39.8
F&B Revenue	8,371	40.3%	226.0	10,795	42.8%	277.0	10,279	42.2%	267.2	11,785	43.9%	294.9	2,424	2.5%	51.0	1,908	1.9%	41.1	3,414	3.6%	68.9
Resort Fee	1,352	6.5%	36.5	1,423	5.6%	36.5	1,405	5.8%	36.5	1,459	5.4%	36.5	71	(0.9%)	-	53	(0.7%)	-	107	(1.1%)	-
Spa / Retail Revenue	698	3.4%	18.9	809	3.2%	20.7	798	3.3%	20.7	829	3.1%	20.7	110	(0.2%)	1.9	100	(0.1%)	1.9	131	(0.3%)	1.9
Swim Club Revenue	173	0.8%	4.7	182	0.7%	4.7	180	0.7%	4.7	187	0.7%	4.7	9	(0.1%)	-	7	(0.1%)	-	14	(0.1%)	-
Other/Misc Revenue	125	0.6%	3.4	132	0.5%	3.4	130	0.5%	3.4	135	0.5%	3.4	7	(0.1%)	-	5	(0.1%)	-	10	(0.1%)	-
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$25,128</b>	<b>100.0%</b>	<b>\$647.1</b>	<b>\$24,364</b>	<b>100.0%</b>	<b>\$633.2</b>	<b>\$26,843</b>	<b>100.0%</b>	<b>\$671.7</b>	<b>\$4,435</b>	<b>-</b>	<b>\$85.9</b>	<b>\$3,581</b>	<b>-</b>	<b>\$72.0</b>	<b>\$6,060</b>	<b>-</b>	<b>\$110.5</b>
<b>Departmental Expenses</b>																					
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,312	19.5%	\$59.3	\$2,283	19.7%	\$59.3	\$2,273	18.3%	\$56.9	(\$282)	(6.3%)	(\$10.7)	(\$311)	(6.0%)	(\$10.7)	(\$320)	(7.5%)	(\$13.1)
F&B Expense	6,026	72.0%	162.7	7,285	67.5%	186.9	6,936	67.5%	180.3	7,953	67.5%	199.0	1,259	(4.5%)	24.2	910	(4.5%)	17.6	1,927	(4.5%)	36.3
Spa / Retail Expense	568	81.3%	15.3	606	74.9%	15.5	598	74.9%	15.5	621	74.9%	15.5	38	(6.3%)	0.2	30	(6.3%)	0.2	53	(6.3%)	0.2
Other/Misc Expense	86	68.3%	2.3	90	68.3%	2.3	89	68.3%	2.3	92	68.3%	2.3	4	-	-	3	-	-	7	-	-
<b>Total Department Expenses</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$10,292</b>	<b>40.8%</b>	<b>\$264.1</b>	<b>\$9,906</b>	<b>40.7%</b>	<b>\$257.5</b>	<b>\$10,939</b>	<b>40.8%</b>	<b>\$273.7</b>	<b>\$1,020</b>	<b>(8.8%)</b>	<b>\$13.7</b>	<b>\$633</b>	<b>(4.0%)</b>	<b>\$7.1</b>	<b>\$1,667</b>	<b>(3.9%)</b>	<b>\$23.4</b>
<b>Gross Operating Income</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$14,926</b>	<b>59.2%</b>	<b>\$383.0</b>	<b>\$14,458</b>	<b>59.3%</b>	<b>\$375.8</b>	<b>\$15,904</b>	<b>59.2%</b>	<b>\$398.0</b>	<b>\$3,415</b>	<b>3.8%</b>	<b>\$72.2</b>	<b>\$2,947</b>	<b>4.0%</b>	<b>\$65.0</b>	<b>\$4,393</b>	<b>3.9%</b>	<b>\$87.2</b>
<b>Undist. Expenses</b>																					
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	4.1%	\$26.8	\$1,045	4.3%	\$27.2	\$1,045	3.9%	\$26.1	(\$202)	(1.9%)	(\$6.8)	(\$202)	(1.7%)	(\$6.5)	(\$202)	(2.1%)	(\$7.5)
Credit Card Commissions	790	3.8%	21.3	859	3.4%	22.0	830	3.4%	21.6	915	3.4%	22.9	70	(0.4%)	0.7	40	(0.4%)	0.3	125	(0.4%)	1.6
Info & Telecommunications	374	1.8%	10.1	347	1.4%	8.9	347	1.4%	9.0	249	0.9%	6.2	(27)	(0.4%)	(1.2)	(27)	(0.4%)	(1.1)	(124)	(0.9%)	(3.8)
Sales & Marketing	1,230	5.9%	33.2	1,418	5.6%	36.4	1,674	6.9%	43.5	1,318	4.9%	33.0	188	(0.3%)	3.2	445	1.0%	10.3	88	(1.0%)	(0.2)
Franchise Fees	416	4.1%	11.2	491	4.1%	12.6	-	-	-	1,322	10.6%	33.1	75	-	1.4	(416)	(4.1%)	(11.2)	906	6.5%	21.8
Repairs & Maintenance	845	4.1%	22.8	854	3.4%	21.9	854	3.5%	22.2	854	3.2%	21.4	10	(0.7%)	(0.9)	10	(0.6%)	(0.6)	10	(0.9%)	(1.4)
Utilities	571	2.7%	15.4	601	2.4%	15.4	593	2.4%	15.4	616	2.3%	15.4	30	(0.4%)	-	22	(0.3%)	-	45	(0.5%)	-
<b>Total Undist. Expenses</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$5,614</b>	<b>22.3%</b>	<b>\$144.1</b>	<b>\$5,343</b>	<b>21.9%</b>	<b>\$138.9</b>	<b>\$6,319</b>	<b>23.5%</b>	<b>\$158.1</b>	<b>\$143</b>	<b>(4.1%)</b>	<b>(\$3.7)</b>	<b>(\$128)</b>	<b>(4.4%)</b>	<b>(\$8.8)</b>	<b>\$848</b>	<b>(2.8%)</b>	<b>\$10.4</b>
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,311</b>	<b>36.9%</b>	<b>\$238.9</b>	<b>\$9,114</b>	<b>37.4%</b>	<b>\$236.9</b>	<b>\$9,585</b>	<b>35.7%</b>	<b>\$239.9</b>	<b>\$3,272</b>	<b>7.9%</b>	<b>\$75.9</b>	<b>\$3,075</b>	<b>8.4%</b>	<b>\$73.8</b>	<b>\$3,546</b>	<b>6.6%</b>	<b>\$76.8</b>
Base Mgmt. Fee	623	3.0%	16.8	757	3.0%	19.4	731	3.0%	19.0	805	3.0%	20.2	133	-	2.6	107	-	2.2	182	-	3.3
Property Taxes	1,046	5.0%	28.2	1,046	4.1%	26.8	1,046	4.3%	27.2	1,046	3.9%	26.2	-	(0.9%)	(1.4)	-	(0.7%)	(1.1)	-	(1.1%)	(2.1)
Insurance	234	1.1%	6.3	234	0.9%	6.0	234	1.0%	6.1	234	0.9%	5.9	-	(0.2%)	(0.3)	-	(0.2%)	(0.2)	-	(0.3%)	(0.5)
Rental Expense	57	0.3%	1.5	57	0.2%	1.5	57	0.2%	1.5	57	0.2%	1.4	-	(0.0%)	(0.1)	-	(0.0%)	(0.1)	-	(0.1%)	(0.1)
Ground Lease Rent	443	2.1%	11.9	504	2.0%	12.9	487	2.0%	12.7	537	2.0%	13.4	62	(0.1%)	1.0	45	(0.1%)	0.7	94	(0.1%)	1.5
FF&E Reserve	831	4.0%	22.4	1,009	4.0%	25.9	975	4.0%	25.3	1,074	4.0%	26.9	177	-	3.4	143	-	2.9	242	-	4.4
<b>NOI</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>	<b>\$5,705</b>	<b>22.6%</b>	<b>\$146.4</b>	<b>\$5,585</b>	<b>22.9%</b>	<b>\$145.1</b>	<b>\$5,832</b>	<b>21.7%</b>	<b>\$145.9</b>	<b>\$2,900</b>	<b>9.1%</b>	<b>\$70.6</b>	<b>\$2,780</b>	<b>9.4%</b>	<b>\$69.4</b>	<b>\$3,027</b>	<b>8.2%</b>	<b>\$70.2</b>

# ACE HOTEL - SUMMARY SCENARIOS - ASSUMPTIONS

SHG has ran three operating scenarios for the Ace Hotel - a (i) franchise, (ii) independent, and (iii) Tribute by Marriott Scenario.

Ace Hotel & Swim Club Palm Springs (ACE Franchise vs. Independent vs. Marriott Tribute Scenario)													
	Actual			Scenarios - Assumptions									
	TTM 6/24 (Actual)			TTM 6/24 (ACE Franchise)			TTM 6/24 (Independent)			TTM 6/24 (Marriott Tribute)			Details
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	
Occupancy %	56.5%			59.5%			58.7%			61.0%			
ADR	\$271.7			\$304.8			\$300.8			\$311.5			
RevPAR	\$153.6			\$181.3			\$176.6			\$190.0			
<b>Revenue</b>													
Rooms Revenue	\$10,063	48.4%	\$271.7	\$11,878	47.1%	\$304.8	\$11,572	47.5%	\$300.8	\$12,448	46.4%	\$311.5	<b>Rooms:</b> Slightly higher RevPAR as an Ace franchise vs. Independent; Tribute scenario is highest RevPAR <b>F&amp;B:</b> Increase in F&B POR under SHG management due to revamped approach to managing F&B. Ace scenario is higher POR vs. independent due to pull of Ace brand - which resonates with a younger crowd. F&B PORs are higher at Marriott due to strength of Bonvoy program - which will be a significant boost to group business, and will also drive more occupancy
F&B Revenue	8,371	40.3%	226.0	10,795	42.8%	277.0	10,279	42.2%	267.2	11,785	43.9%	294.9	
Resort Fee	1,352	6.5%	36.5	1,423	5.6%	36.5	1,405	5.8%	36.5	1,459	5.4%	36.5	
Spa / Retail Revenue	698	3.4%	18.9	809	3.2%	20.7	798	3.3%	20.7	829	3.1%	20.7	
Swim Club Revenue	173	0.8%	4.7	182	0.7%	4.7	180	0.7%	4.7	187	0.7%	4.7	
Other/Misc Revenue	125	0.6%	3.4	132	0.5%	3.4	130	0.5%	3.4	135	0.5%	3.4	
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$25,218</b>	<b>100.0%</b>	<b>\$647.1</b>	<b>\$24,364</b>	<b>100.0%</b>	<b>\$633.2</b>	<b>\$26,843</b>	<b>100.0%</b>	<b>\$671.7</b>	
<b>Departmental Expenses</b>													
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,312	19.5%	\$59.3	\$2,283	19.7%	\$59.3	\$2,273	18.3%	\$56.9	Savings driven by PTEB, replacement of reservations dept. with SHG GRACE, and public area attendant staffing
F&B Expense	6,026	72.0%	162.7	7,285	67.5%	186.9	6,936	67.5%	180.3	7,953	67.5%	199.0	Lower F&B margins driven by PTEB savings, lower cost of sales
Spa / Retail Expense	568	81.3%	15.3	606	74.9%	15.5	598	74.9%	15.5	621	74.9%	15.5	PTEB savings
Other/Misc Expense	86	68.3%	2.3	90	68.3%	2.3	89	68.3%	2.3	92	68.3%	2.3	
<b>Total Department Expenses</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$10,292</b>	<b>40.8%</b>	<b>\$264.1</b>	<b>\$9,906</b>	<b>40.7%</b>	<b>\$257.5</b>	<b>\$10,939</b>	<b>40.8%</b>	<b>\$273.7</b>	
<b>Gross Operating Income</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$14,926</b>	<b>59.2%</b>	<b>\$383.0</b>	<b>\$14,458</b>	<b>59.3%</b>	<b>\$375.8</b>	<b>\$15,904</b>	<b>59.2%</b>	<b>\$398.0</b>	
<b>Undist. Expenses</b>													
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	4.1%	\$26.8	\$1,045	4.3%	\$27.2	\$1,045	3.9%	\$26.1	Removal of accounting clerks and PTEB savings
Credit Card Commissions	790	3.8%	21.3	859	3.4%	22.0	830	3.4%	21.6	915	3.4%	22.9	CC Commission % adj. to '22A levels of 3.4%; conservative as still below 3.0% levels in '18A / '19A
Info & Telecommunications	374	1.8%	10.1	347	1.4%	8.9	347	1.4%	9.0	249	0.9%	6.2	Reduced contract services expenses in franchise / independent; reduced in-line with comps for Tribute
Sales & Marketing	1,230	5.9%	33.2	1,418	5.6%	36.4	1,674	6.9%	43.5	1,318	4.9%	33.0	Higher cost from hiring additional seller, revenue manager; also impact from negative bonus accrual in T12 P&L
Franchise Fees	416	4.1%	11.2	491	4.1%	12.6	-	-	-	1,322	10.6%	33.1	Assumes Ace franchise fees in-line with current Ace marketing fees; Tribute franchise fees in-line with FDD
Repairs & Maintenance	845	4.1%	22.8	854	3.4%	21.9	854	3.5%	22.2	854	3.2%	21.4	Slightly higher vs. trailing due comparing current wages with historical P&L
Utilities	571	2.7%	15.4	601	2.4%	15.4	593	2.4%	15.4	616	2.3%	15.4	
<b>Total Undist. Expenses</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$5,614</b>	<b>22.3%</b>	<b>\$144.1</b>	<b>\$5,343</b>	<b>21.9%</b>	<b>\$138.9</b>	<b>\$6,319</b>	<b>23.5%</b>	<b>\$158.1</b>	
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,311</b>	<b>36.9%</b>	<b>\$238.9</b>	<b>\$9,114</b>	<b>37.4%</b>	<b>\$236.9</b>	<b>\$9,585</b>	<b>35.7%</b>	<b>\$239.9</b>	
Base Mgmt. Fee	623	3.0%	16.8	757	3.0%	19.4	731	3.0%	19.0	805	3.0%	20.2	Management fees remain at 3.0% of revenue
Property Taxes	1,046	5.0%	28.2	1,046	4.1%	26.8	1,046	4.3%	27.2	1,046	3.9%	26.2	In-line with historical TTM 6/24 P&L (note taxes expected to decrease in projected years per JRK assumptions)
Insurance	234	1.1%	6.3	234	0.9%	6.0	234	1.0%	6.1	234	0.9%	5.9	In-line with historical TTM 6/24 P&L
Rental Expense	57	0.3%	1.5	57	0.2%	1.5	57	0.2%	1.5	57	0.2%	1.4	In-line with historical TTM 6/24 P&L
Ground Lease Rent	443	2.1%	11.9	504	2.0%	12.9	487	2.0%	12.7	537	2.0%	13.4	Based on 2.0% of revenues
FF&E Reserve	831	4.0%	22.4	1,009	4.0%	25.9	975	4.0%	25.3	1,074	4.0%	26.9	FF&E Reserves remain at 4.0% of revenue
<b>NOI</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>	<b>\$5,705</b>	<b>22.6%</b>	<b>\$146.4</b>	<b>\$5,585</b>	<b>22.9%</b>	<b>\$145.1</b>	<b>\$5,832</b>	<b>21.7%</b>	<b>\$145.9</b>	

# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

Schulte Hospitality Group (“Schulte” or “SHG”) is pleased to present our preliminary underwriting for the Ace Hotel & Swim Club Palm Springs. Schulte sees significant upside opportunities, particularly in regaining lost RevIndex, driving weekday and group business as well as optimizing expense structure. Schulte believes we are equipped to right the ship at this asset through analysis of current financials, our COO Sam Grabush’s tour notes as well as underwriting from our boutique Commercial and Operations teams. The below materials outline how Schulte would approach right sizing operations and lessons we have learned from our other boutique assets. Schulte would be honored to expand its successful partnership with JRK and unlock this asset’s potential.

- **Schulte Relevant Experience**

- Schulte manages 60+ boutique/independent and soft-branded assets and is the 4<sup>th</sup> largest operator of boutique hotels in the US
- Additionally, Schulte has developed a specialized experience within its Boutique + Lifestyle division of working with growing lifestyle brands
  - Schulte has been the **only 3rd party operator of Hoxton, Marine & Lawn Resorts, 21c, as well as the Graduate hotel brand** and has experience harnessing the best of a design led and experiential brand company while giving the corporate support, institutional rigor and attention to detail of a professionalized 3<sup>rd</sup> party operator
  - SHG also has substantial experience in rebrands / relaunches, having executed 40+ over the past five years
  - California is Schulte’s 2<sup>nd</sup> largest state, with **12 hotels** under management. The majority of these keys are in Southern California
- Schulte’s B&L team that will oversee the Ace has **>100 years** of collective lifestyle operating experience across the US and is a team that has together, overseen luxury / lifestyle hotels that have received widespread acclaim / awards from hotel publications globally
- Schulte manages over **\$250m** of F&B revenue across its hotels as well as free standing restaurants. Schulte has significant expertise in revamping and repositioning outlets as well as high touch service execution. F&B is critical to the success of the Ace not just for profitability, but also as it is a key piece of the stay decision for its customer base that is highly leisure, SMERF and discretionary/FIT group
- Schulte Commercial team within Boutique + Lifestyle is top notch and has provided thoughts on digital, ecommerce and other techniques we have deployed successfully that would be part of the starting playbook we would employ at the Ace
- SHG’s team will additionally provide significant value on day 1 through Schulte’s in-house contact center – which will reduce the Ace’s current reservations fees expenses immediately, with no need for on property reservations payroll

## Schulte Boutique + Lifestyle Awards



## EXECUTIVE SUMMARY (CON'T)

- **Rooms Revenue Opportunity:**

- Schulte has included a summary of the key commercial strategies that our Boutique + Lifestyle team has successfully executed in other markets to improve web presence, drive group and midweek performance
- The summary outlines strategies that have been successful for pure independents, and also strategies that have been additive when dealing with a growing brand. Shifting advertising dollars from generic brand marketing to property or local specific marketing is a big strategy we would look to implement, backed up with robust data on digital ROAS
- SHG would seek to drive weekday business and win back lost RGI from historical levels (TTM 6/24 weekday RGI is **-28.0%** vs. '22A levels)
- Based on SHG's tour of the asset – we learnt that the number of weddings held at the Ace has significantly decreased from peak levels. We can see evidence of this by comparing the growth of the asset's group mix (**22.5% of RNs TTM 6/24; +1.6%** vs. '19 levels) with the Kalibri comp set group mix (**24.7%; +4.8%** vs. '19 levels). SHG believes there is significant opportunity to re-focus group sales efforts to drive group business

- **Expense Margin Opportunity:**

- Schulte conducted a detailed, line-by-line review and ground-up labor model to compare against the TTM 6/24 financials. We conservatively found **\$849k (~410 bps GOP)** in expense savings, however this is underestimated as it assumes full staffing throughout the year (no open positions) as well as current wages/salaries
- The asset's expense structure has not flowed at all despite a substantial increase in the quality of its RevPAR, delivering a lower GOP margin in TTM 6/24 (**29.1%**) on **+\$38** higher ADR and **-12%** lower occ than in '19A
- Schulte believes there are significant expense savings opportunities through a revamped approach to managing employee benefits – taking current PTEB down to **32.5%** (further details provided in PTEB analysis slides)
- Schulte additionally found significant labor savings by making changes to rooms staffing and A&G – where the asset is currently running heavy on accounting staff. Schulte is known for its focus on centralized service, which can take certain functions off of the property at no cost to ownership

- **F&B Opportunity:**

- F&B is a critical component to the success of the hotel, comprising over 40% of total revenue and needs to be the heart of this hotel. As the hotel is removed from the downtown core, the goal & strategy associated with F&B should be to provide price points and concept offerings which keep hotel guests on campus for three meals a day and cocktails at night
- F&B performance represents a large opportunity. Revenue has dropped significantly (**-\$1.2m / -12.4%** vs. '22A levels). Schulte believes we will be able to drive revenue back towards and above historical levels through a re-vamped approach to managing the outlets and through driving group sales efforts
- The decline has occurred in B&C (down **-\$636k / -19.8% vs. '22A levels**) and in Amigo Room **-\$875k / -59.8%** in particular
- Aside from providing excellent and consistent service execution and guest experience, other F&B opportunities identified include:
  - Revamping current QR code-only ordering at Short Bus to include servers. SHG would seek to use QR opportunities for the pool to complement not replace servers
  - Adjusting the outlet pricing model and in-house marketing centered around keeping guests on campus all day, to maximize in-house and day-use capture and prevent guests from venturing downtown
  - Marketing to robust local residential single-family developments adjacent to the resort to drive outside capture

## EXECUTIVE SUMMARY (CON'T)

- **Ace Recent Performance:**

- TTM 6/24 GOP of **\$6.0m (29.1% GOP margin)** is **-\$1.6m / -21.1%** vs. '22A GOP of **\$7.6m (31.6% GOP margin)**. Additionally, The Ace's YTD 6/24 GOP of **\$4.2m (36.1% GOP margin)** is below YTD 6/23 GOP by **-\$553k / -11.5%**
- The hotel's TTM 6/24 RevPAR of **\$153.6** is **-\$36.6 / -19.2%** below '22A RevPAR of **\$190.2**. Further, the ACE's YTD RevPAR of **\$183.2** is **-\$30.1 / -14.1%** vs. YTD 6/23 RevPAR of **\$213.4**
- F&B revenue has also fallen from **\$9.6m** in '22A to **\$8.4m** in TTM 6/24 (a fall of **-\$1.2m / -12.4%**). The downward trend in F&B revenue has continued YTD with F&B revenue of **\$4.5m, -\$740k / also -14.1%** vs. prior year YTD F&B revenue of **\$5.2m**
- While the broader Palms Springs market has declined post its COVID boost, the Ace's RevPAR has fallen more than its broader comp set (TTM 6/24 RGI of **113.6%** is **-19.8%** vs. '22A levels of **133.4%**). This is due in part to a lack of focus on group and a significant miss on weekday business

- **Rooms Revenue Recent Performance:**

- The asset has seen RevPAR Index performance drop significantly both vs. '19A (**-23.8%**) as well as vs. '22A (**-19.8%**) levels. Additionally, YTD RevPAR index is down **-8.8%**
- **Day of Week Index:** The Ace has lost RGI on every day of the week vs. '22A levels, but has lost a higher amount of index on weekdays (**-28.0%** vs. '22A levels) vs. weekends (**-10.0%** vs. '22A levels). Specifically, The asset's performance from Sunday – Tuesday has fallen significantly, with TTM 6/24 Sunday / Monday / Tuesday RGI down **-24.9% / -36.2% / -32.0%** vs. '22A levels
- On Weekdays, both ADR / Occ Index (**-13.0% / -12.3%**) are down double digits vs 2022. On weekends, ADR index has declined (**-11.9%** vs. '22A levels), with Occ Index slightly above '22A levels at **+2.1%**
- **Group Index:** The asset's group index has fallen **-22.2%** from **118.2%** in '22A to **95.9%** in TTM 6/24. SHG believes there has been a lack of focus on selling the asset's meeting spaces – which has resulted in a decline in wedding / other SMERF group business. Importantly SMERF group revenue is down **-\$617k / -61.1%** in TTM 6/24 vs. '22A levels from **\$1.6m to \$1.0m**
- **Transient Index:** The asset has seen a similar degradation in transient index with TTM 6/24 transient index of **121.5%** down **-18.7%** from a **140.2%** index in '22A

# EXECUTIVE SUMMARY (CON'T)

- **Palm Springs Market:**

- The Palm Springs market saw a substantial run up through COVID but has seen comp set RevPAR decline by **-5.0%** from '22A to TTM 6/24 levels and T3 6/24 comp set RevPAR is down **-9.9%**. The market is substantially above pre-COVID on ADR but occupancy has not recovered, citing a shift in mix
- Ace has a strong history and reputation in Palm Springs, however substantial competitive supply has entered over the past few years. The hotel has lost market positioning vs the Drift (2023 opening), Kimpton (2017 opening), and Riviera conversion to a Margaritaville after a \$15.6m / ~\$40k per key renovation (inferior location, but substantial meeting space competes for group business)
- The Palm Springs market will also see the opening of the 168 key Thompson hotel in 4Q '24 (conversion of the former Andaz hotel) – which will be 2.0 miles away from the Ace, and is expected to be a competitive product to the Ace and the luxury lifestyle product in the submarket
- With the upcoming opening of the Thompson as well as potential other supply/renovations in the market, regaining the asset's place of prominence within the Palm Springs market and its comp set is paramount

- **Branding/SHG Underwriting:**

- Schulte has underwritten three scenarios – including an (i) Ace franchise (Base Case), (ii) Independent, and (iii) Marriott Tribute scenario
- Schulte was instructed to use the Ace franchise case as the base case. While the Ace has built a strong reputation over years in the market, we believe the brand has taken its eye off the ball and the brand may not be adding much value above the 4% cost of its marketing fee
- **Schulte believes the best potential branding option is Hoxton.** Schulte is the only 3<sup>rd</sup> party operator of Hoxton and while Hoxton does not currently franchise, Schulte has been told we are the only manager they would allow to franchise. Hoxton's hip brand and substantial F&B programming is the perfect fit for this asset, Hoxton's financial performance in other assets is strong and the brand is growing unit count as well as customer awareness
- There could be upside to rebranding as a Tribute. While there is already more Marriott product (**1.5 keys** within a **10 mile** radius) the conversion of the Riviera (Tribute) to Margaritaville in 2021 is supportive. Key money and PIP will drive this decision as well given Marriott's potential reno scope
- The negotiation with Ace will likely dictate the next phase of the branding analysis, but Schulte would also be supportive of maintaining Ace on a short term franchise so that SHG can augment operations while we determine how much value the brand is adding. We have not assumed an additional Ace franchise fee in the underwriting and are just maintaining the current ~4% Ace marketing fee in this scenario

Ace Hotel & Swim Club Palm Springs Financials Summary (Franchise / Independent / Tribute Scenarios)									
Line Item	Historical					SHG TTM 6/24 pf			
	2018A	2019A	2022A	2023A	TTM 6/24	Franchise	Independent	Tribute	
Occupancy	66.9%	68.9%	60.6%	59.0%	56.5%	59.5%	58.7%	61.0%	
ADR	\$237.2	\$233.7	\$314.0	\$285.8	\$271.7	\$304.8	\$300.8	\$311.5	
RevPAR	\$158.7	\$161.0	\$190.2	\$168.7	\$153.6	\$181.3	\$176.6	\$190.0	
RevPAR Growth		1.5%	18.1%	(11.3%)	(9.0%)	18.0%	(2.6%)	7.6%	
Total Revenue	\$21,358	\$21,932	\$24,206	\$22,490	\$20,783	\$25,218	\$24,364	\$26,843	
GOP	\$6,631	\$6,588	\$7,650	\$6,618	\$6,039	\$9,311	\$9,114	\$9,585	
GOP Margin	31.0%	30.0%	31.6%	29.4%	29.1%	36.9%	37.4%	35.7%	
NOI	\$4,163	\$3,616	\$4,310	\$3,368	\$2,805	\$5,705	\$5,585	\$5,832	
NOI/key	\$23	\$20	\$24	\$19	\$16	\$32	\$31	\$33	
NOI Growth		(13.1%)	19.2%	(21.9%)	(16.7%)	103.4%	(2.1%)	4.4%	

Note: TTM 6/24 pf scenarios assume SHG managed the hotel as fully stabilized over the TTM 6/24 period.

# HISTORICAL PERFORMANCE OVERVIEW AND OPPORTUNITIES



# HISTORICAL PERFORMANCE

As of TTM 6/24, the Ace has achieved \$6.0m of GOP, on a \$153.6 RevPAR and 29.1% GOP margin, down by -\$1.6m / -21.1% vs. '22A historical peak of \$7.6m of GOP on \$190.2 RevPAR and 31.6% GOP Margin.

- A** The Ace's RevPAR has fallen more than its comp set (TTM 6/24 RGI of 113.6% is -19.8% vs. '22A levels of 133.4%) – due to a lack of focus on group and a significant miss on weekday business (average RGI loss of -28.0% on weekdays – which has further contributed to a lack of revenue / lower GOP
- B** GOP margins have fallen by 250 bps vs. '22A levels – while the asset's (and broader submarket's) RevPAR has normalized post-Covid, Ace has maintained a heavy staffing operation with excessive managerial levels

## Ace Hotel & Swim Club Palm Springs – Historical Performance ('18A – TTM 6/24)

	Ace Hotel & Swim Club Palm Springs														
	2018A			2019A			2022A			2023A			TTM 6/24		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Keys	179			179			179			179			179		
Rooms Available	65,335			65,335			65,335			65,335			65,514		
Occupied Rooms	43,721			45,025			39,583			38,570			37,034		
Occupancy %	66.9%			68.9%			60.6%			59.0%			56.5%		
ADR	\$237.2			\$233.7			\$314.0			\$285.8			\$271.7		
RevPAR	\$158.7			\$161.0			\$190.2			\$168.7			\$153.6		
<b>Revenue</b>															
Rooms Revenue	\$10,369	48.5%	\$237.2	\$10,521	48.0%	\$233.7	\$12,427	51.3%	\$314.0	\$11,025	49.0%	\$285.8	\$10,063	48.4%	\$271.7
F&B Revenue	8,634	40.4%	197.5	8,926	40.7%	198.2	9,554	39.5%	241.4	9,110	40.5%	236.2	8,371	40.3%	226.0
Resort Fee	1,238	5.8%	28.3	1,289	5.9%	28.6	1,247	5.1%	31.5	1,377	6.1%	35.7	1,352	6.5%	36.5
Spa / Retail Revenue	920	4.3%	21.0	994	4.5%	22.1	902	3.7%	22.8	725	3.2%	18.8	698	3.4%	18.9
Swim Club Revenue	131	0.6%	3.0	105	0.5%	2.3	39	0.2%	1.0	150	0.7%	3.9	173	0.8%	4.7
Other/Misc Revenue	65	0.3%	1.5	97	0.4%	2.1	37	0.2%	0.9	103	0.5%	2.7	125	0.6%	3.4
<b>Total Revenue</b>	<b>\$21,358</b>	<b>100.0%</b>	<b>\$488.5</b>	<b>\$21,932</b>	<b>100.0%</b>	<b>\$487.1</b>	<b>\$24,206</b>	<b>100.0%</b>	<b>\$611.5</b>	<b>\$22,490</b>	<b>100.0%</b>	<b>\$583.1</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>
<b>Departmental Expenses</b>															
Rooms Expense	\$2,664	25.7%	\$60.9	\$2,725	25.9%	\$60.5	\$2,889	23.2%	\$73.0	\$2,911	26.4%	\$75.5	\$2,594	25.8%	\$70.0
F&B Expense	6,233	72.2%	142.6	6,495	72.8%	144.3	6,901	72.2%	174.3	6,463	70.9%	167.6	6,026	72.0%	162.7
Spa / Retail Expense	735	79.9%	16.8	789	79.4%	17.5	738	81.8%	18.7	603	83.1%	15.6	568	81.3%	15.3
Other/Misc Expense	129	197.9%	2.9	143	148.6%	3.2	195	533.5%	4.9	124	120.4%	3.2	86	68.3%	2.3
<b>Total Department Expenses</b>	<b>\$9,761</b>	<b>45.7%</b>	<b>\$223.3</b>	<b>\$10,152</b>	<b>46.3%</b>	<b>\$225.5</b>	<b>\$10,723</b>	<b>44.3%</b>	<b>\$270.9</b>	<b>\$10,100</b>	<b>44.9%</b>	<b>\$261.9</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>
<b>Gross Operating Income</b>	<b>\$11,597</b>	<b>54.3%</b>	<b>\$265.3</b>	<b>\$11,779</b>	<b>53.7%</b>	<b>\$261.6</b>	<b>\$13,482</b>	<b>55.7%</b>	<b>\$340.6</b>	<b>\$12,389</b>	<b>55.1%</b>	<b>\$321.2</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>
<b>Undist. Expenses</b>															
Administrative & General	\$1,469	6.9%	\$33.6	\$1,469	6.7%	\$32.6	\$1,581	6.5%	\$39.9	\$1,339	6.0%	\$34.7	\$1,246	6.0%	\$33.7
Credit Card Commissions	632	3.0%	14.5	667	3.0%	14.8	825	3.4%	20.8	834	3.7%	21.6	790	3.8%	21.3
Info & Telecommunications	279	1.3%	6.4	291	1.3%	6.5	298	1.2%	7.5	362	1.6%	9.4	374	1.8%	10.1
Sales & Marketing	956	4.5%	21.9	1,003	4.6%	22.3	1,132	4.7%	28.6	1,315	5.8%	34.1	1,230	5.9%	33.2
Franchise Fees	391	3.8%	8.9	439	4.2%	9.7	484	3.9%	12.2	450	4.1%	11.7	416	4.1%	11.2
Repairs & Maintenance	856	4.0%	19.6	900	4.1%	20.0	866	3.6%	21.9	833	3.7%	21.6	845	4.1%	22.8
Utilities	382	1.8%	8.7	423	1.9%	9.4	646	2.7%	16.3	639	2.8%	16.6	571	2.7%	15.4
<b>Total Undist. Expenses</b>	<b>\$4,966</b>	<b>23.3%</b>	<b>\$113.6</b>	<b>\$5,192</b>	<b>23.7%</b>	<b>\$115.3</b>	<b>\$5,833</b>	<b>24.1%</b>	<b>\$147.3</b>	<b>\$5,771</b>	<b>25.7%</b>	<b>\$149.6</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>
<b>Gross Operating Profit</b>	<b>\$6,631</b>	<b>31.0%</b>	<b>\$151.7</b>	<b>\$6,588</b>	<b>30.0%</b>	<b>\$146.3</b>	<b>\$7,650</b>	<b>31.6%</b>	<b>\$193.3</b>	<b>\$6,618</b>	<b>29.4%</b>	<b>\$171.6</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>
<b>Base Mgmt. Fee</b>	<b>\$641</b>	<b>3.0%</b>	<b>\$14.7</b>	<b>\$658</b>	<b>3.0%</b>	<b>\$14.6</b>	<b>\$726</b>	<b>3.0%</b>	<b>\$18.3</b>	<b>\$675</b>	<b>3.0%</b>	<b>\$17.5</b>	<b>\$623</b>	<b>3.0%</b>	<b>\$16.8</b>
Property Taxes	155	0.7%	3.6	508	2.3%	11.3	614	2.5%	15.5	911	4.0%	23.6	\$1,046	5.0%	28.2
Insurance	354	1.7%	8.1	453	2.1%	10.1	445	1.8%	11.2	208	0.9%	5.4	\$234	1.1%	6.3
Rental Expense	37	0.2%	0.9	41	0.2%	0.9	105	0.4%	2.7	79	0.4%	2.1	\$57	0.3%	1.5
Ground Lease Rent	427	2.0%	9.8	435	2.0%	9.7	482	2.0%	12.2	477	2.1%	12.4	\$443	2.1%	11.9
FF&E Reserve	854	4.0%	19.5	877	4.0%	19.5	968	4.0%	24.5	900	4.0%	23.3	\$831	4.0%	22.4
<b>NOI</b>	<b>\$4,163</b>	<b>19.5%</b>	<b>\$95.2</b>	<b>\$3,616</b>	<b>16.5%</b>	<b>\$80.3</b>	<b>\$4,310</b>	<b>17.8%</b>	<b>\$108.9</b>	<b>\$3,368</b>	<b>15.0%</b>	<b>\$87.3</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>

# YTD 6/24 PERFORMANCE vs. BUDGET AND vs. LAST YEAR

The Ace's YTD 6/24 GOP of \$4.2m (36.1% GOP) is below budget by -29.5% and below 2023 YTD by -11.5%. Total revenue is down by -20.4% vs. budget and below 2023 YTD by -12.6%.

- A** The ACE's YTD 6/24 RevPAR of \$183.2 is below budget of \$227.5 by -\$44.3 / prior year of \$213.4 by -\$30.1. This performance is down substantially in both Occ and ADR
- B** In addition to rooms revenue, YTD 6/24 F&B revenue of \$4.5m is lower vs. budget by -\$1.5m, and lower vs. prior year by -\$740k. F&B margins have also increased with expense margins of 69.1% YTD vs. budget of 61.2% and prior year YTD of 67.7%

Ace Hotel & Swim Club Palm Springs (YTD 6/24 vs. 6/23)															
	YTD 6/24A			YTD 6/24 Budget			YTD 6/24 vs. Budget			YTD 6/23A			YTD 6/24 vs. Prior Year		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Keys	179			179			-			179			-		
Rooms Available	32,578			32,578			-			32,399			179		
Occupied Rooms	19,590			23,051			(3,461)			21,126			2,126		(1,536)
Occupancy%	60.1%			70.8%			(10.6%)			65.2%			(5.1%)		
ADR	\$304.7			\$321.6			(\$16.8)			\$327.2			(\$22.5)		
RevPAR	\$183.2			\$227.5			(\$44.3)			\$213.4			(\$30.1)		
<b>Revenue</b>															
Rooms Revenue	\$5,969	50.8%	\$304.7	\$7,412	50.2%	\$321.6	(\$1,443)	0.6%	(\$16.8)	\$6,913	51.4%	\$327.2	(\$943)	(0.6%)	(\$22.5)
F&B Revenue	4,500	38.3%	229.7	5,981	40.5%	259.5	(1,481)	(2.2%)	(\$29.7)	5,240	39.0%	248.0	(740)	(0.7%)	(\$18.3)
Resort Fee	734	6.2%	37.5	846	5.7%	36.7	(113)	0.5%	0.7	759	5.6%	35.9	(25)	0.6%	1.5
Spa / Retail Revenue	388	3.3%	19.8	416	2.8%	18.0	(27)	0.5%	1.8	415	3.1%	19.6	(26)	0.2%	0.2
Swim Club Revenue	117	1.0%	6.0	102	0.7%	4.4	14	0.3%	1.5	94	0.7%	4.4	23	0.3%	1.5
Other/Misc Revenue	\$41	0.3%	2.1	\$10	0.1%	0.5	\$30	0.3%	1.6	\$18	0.1%	0.9	\$22	0.2%	1.2
<b>Total Revenue</b>	<b>\$11,749</b>	<b>100.0%</b>	<b>\$599.8</b>	<b>\$14,768</b>	<b>100.0%</b>	<b>\$640.7</b>	<b>(\$3,019)</b>	<b>-</b>	<b>(\$40.9)</b>	<b>\$13,438</b>	<b>100.0%</b>	<b>\$636.1</b>	<b>(\$1,689)</b>	<b>-</b>	<b>(\$36.3)</b>
<b>Departmental Expenses</b>															
Rooms Expense	\$1,250	20.9%	\$63.8	\$1,537	20.7%	\$66.7	(\$288)	0.2%	(\$2.9)	\$1,569	22.7%	\$74.3	(\$319)	(1.8%)	(\$10.5)
F&B Expense	3,110	69.1%	158.8	3,659	61.2%	158.7	(549)	7.9%	0.0	3,547	67.7%	167.9	(437)	1.4%	(9.1)
Spa / Retail Expense	305	78.6%	15.6	324	77.9%	14.1	(19)	0.6%	1.5	340	82.0%	16.1	(35)	(3.5%)	(0.5)
Other/Misc Expense	49	121.0%	2.5	24	228.4%	1.0	26	(107.4%)	1.5	88	474.9%	4.2	(38)	(353.9%)	(1.6)
<b>Total Department Expenses</b>	<b>\$4,714</b>	<b>40.1%</b>	<b>\$240.6</b>	<b>\$5,545</b>	<b>37.5%</b>	<b>\$240.5</b>	<b>(\$830)</b>	<b>2.6%</b>	<b>\$0.1</b>	<b>\$5,544</b>	<b>41.3%</b>	<b>\$262.4</b>	<b>(\$830)</b>	<b>(1.1%)</b>	<b>(\$21.8)</b>
<b>Gross Operating Income</b>	<b>\$7,035</b>	<b>59.9%</b>	<b>\$359.1</b>	<b>\$9,223</b>	<b>62.5%</b>	<b>\$400.1</b>	<b>(\$2,188)</b>	<b>(2.6%)</b>	<b>(\$41.0)</b>	<b>\$7,894</b>	<b>58.7%</b>	<b>\$373.7</b>	<b>(\$859)</b>	<b>50.9%</b>	<b>\$559.4</b>
<b>Undist. Expenses</b>															
Administrative & General	\$636	5.4%	\$32.5	\$725	4.9%	\$31.4	(\$89)	0.5%	\$1.0	\$728	5.4%	\$34.5	(\$92)	(0.0%)	(\$2.0)
Credit Card Commissions	437	3.7%	22.3	538	3.6%	23.3	(100)	0.1%	(1.0)	482	3.6%	22.8	(45)	0.1%	(0.5)
Info & Telecommunications	172	1.5%	8.8	178	1.2%	7.7	(6)	0.3%	1.1	161	1.2%	7.6	11	0.3%	1.2
Sales & Marketing	580	4.9%	29.6	796	5.4%	34.5	(216)	(0.5%)	(4.9)	666	5.0%	31.5	(86)	(0.0%)	(1.9)
Franchise Fees	235	3.9%	12.0	295	4.0%	12.8	(61)	(0.1%)	(0.8)	269	3.9%	12.7	(34)	0.0%	(0.7)
Repairs & Maintenance	444	3.8%	22.7	379	2.6%	16.5	65	1.2%	6.2	437	3.3%	20.7	7	0.5%	2.0
Utilities	291	2.5%	14.9	299	2.0%	13.0	(8)	0.5%	1.9	359	2.7%	17.0	(68)	(0.2%)	(2.1)
<b>Total Undist. Expenses</b>	<b>\$2,796</b>	<b>23.8%</b>	<b>\$142.7</b>	<b>\$3,211</b>	<b>21.7%</b>	<b>\$139.3</b>	<b>(\$415)</b>	<b>2.1%</b>	<b>\$3.4</b>	<b>\$3,102</b>	<b>23.1%</b>	<b>\$146.9</b>	<b>(\$306)</b>	<b>0.7%</b>	<b>(\$4.1)</b>
<b>Gross Operating Profit</b>	<b>\$4,239</b>	<b>36.1%</b>	<b>\$216.4</b>	<b>\$6,013</b>	<b>40.7%</b>	<b>\$260.8</b>	<b>(\$1,774)</b>	<b>(4.6%)</b>	<b>(\$44.5)</b>	<b>\$4,792</b>	<b>35.7%</b>	<b>\$226.8</b>	<b>(\$553)</b>	<b>0.4%</b>	<b>(\$10.4)</b>
Base Mgmt. Fee	\$352	3.0%	\$18.0	\$443	3.0%	\$19.2	(\$91)	-	(\$1.2)	\$403	3.0%	\$19.1	(\$51)	-	(\$1.1)
Property Taxes	422	3.6%	21.5	406	2.7%	17.6	16	0.8%	3.9	287	2.1%	13.6	135	1.5%	8.0
Insurance	114	1.0%	5.8	132	0.9%	5.7	(18)	0.1%	0.1	88	0.7%	4.2	26	0.3%	1.7
Rental Expense	31	0.3%	1.6	29	0.2%	1.3	2	0.1%	0.3	53	0.4%	2.5	(22)	(0.1%)	(0.9)
Ground Lease Rent	235	2.0%	12.0	295	2.0%	12.8	(61)	(0.0%)	(0.8)	269	2.0%	12.7	(35)	(0.0%)	(0.8)
FF&E Reserve	470	4.0%	24.0	591	4.0%	25.6	(121)	-	(1.6)	538	4.0%	25.4	(68)	-	(1.5)
<b>NOI</b>	<b>\$2,615</b>	<b>22.3%</b>	<b>\$133.5</b>	<b>\$4,117</b>	<b>27.9%</b>	<b>\$178.6</b>	<b>(\$1,502)</b>	<b>(5.6%)</b>	<b>(\$45.1)</b>	<b>\$3,154</b>	<b>23.5%</b>	<b>\$149.3</b>	<b>(\$539)</b>	<b>(1.2%)</b>	<b>(\$15.8)</b>

# STR ANALYSIS – SCENARIO 1: ACE FRANCHISE (BASE CASE)

*Schulte is underwriting the asset to stabilize at a 133.9% RGI, slightly above the asset's '22A RGI of 133.4%, as an Ace franchise under Schulte management.*

- **RGI Index:** Schulte is underwriting a return to RGI slightly above '22A levels based on the (i) existing ongoing renovation, and also (ii) revamped revenue and (iii) sales strategies geared towards driving increased group business and improving both weekend / weekday RGI losses vs. historical levels
  - RGI has previously declined by **-19.8%** as of TTM 6/24 vs. '22A levels driven by declines in both weekday (**-28.0%**) and weekend (**-10.0%**) RGI levels vs. '22A levels

ACE HOTEL & SWIM CLUB PALM SPRINGS														
	Historical								Pro Forma					
	2017A	2018A	2019A	2020A	2021A	2022A	2023A	TTM 6/24	2025P	2026P	2027P	2028P	2029P	2030P
<b>Occupancy</b>														
Subject	65.9%	67.0%	69.0%	49.3%	62.7%	60.6%	59.0%	56.5%	60.0%	64.2%	66.6%	68.3%	70.1%	70.1%
Comp Set	59.3%	59.4%	56.9%	37.5%	43.3%	51.0%	51.7%	50.4%	52.4%	54.4%	56.4%	57.9%	59.4%	59.4%
Rank	4 of 8	3 of 8	3 of 8	3 of 8	2 of 8	2 of 8	3 of 8	3 of 8						
Index	111.0%	112.8%	121.1%	131.5%	144.9%	118.7%	114.0%	112.1%	114.5%	118.0%	118.0%	118.0%	118.0%	118.0%
<b>ADR</b>														
Subject	\$225.4	\$237.4	\$233.8	\$233.1	\$272.3	\$314.0	\$284.9	\$272.1	\$295.7	\$317.2	\$326.7	\$333.2	\$339.9	\$346.7
Comp Set	\$198.2	\$205.5	\$206.1	\$219.8	\$248.1	\$279.3	\$270.4	\$268.5	\$271.3	\$279.4	\$287.8	\$293.6	\$299.4	\$305.4
Rank	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8						
Index	113.7%	115.5%	113.4%	106.0%	109.7%	112.4%	105.3%	101.3%	109.0%	113.5%	113.5%	113.5%	113.5%	113.5%
<b>RevPAR</b>														
Subject	\$148.4	\$159.0	\$161.3	\$115.0	\$170.7	\$190.2	\$168.0	\$153.8	\$177.5	\$203.6	\$217.5	\$227.7	\$238.3	\$243.0
Comp Set	\$117.6	\$122.0	\$117.4	\$82.5	\$107.4	\$142.5	\$139.9	\$135.4	\$142.2	\$152.0	\$162.4	\$170.0	\$177.9	\$181.5
Rank	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8	4 of 8						
Index	126.2%	130.3%	137.4%	139.4%	159.0%	133.4%	120.1%	113.6%	124.8%	133.9%	133.9%	133.9%	133.9%	133.9%

**SHG anticipates being able to drive RGI back closer towards and above historical levels based on the (i) existing ongoing renovation, and also revamped (ii) revenue and (iii) sales strategies**

Comp Set	Keys	Open Date
Ace Hotel & Swim Club Palm Springs	179	196606
The Saguaro Palm Springs	244	197706
The Colony Palms Hotel and Bungalows	57	193006
Hotel ZOSO	162	198706
Avalon Hotel & Bungalows Palm Springs	71	192906
Parker Palm Springs	144	195906
Margaritaville Resort Palm Springs	398	195906
Hyatt Palm Springs	197	198511

Note: Shows TTM 6/24 Ace RevPAR of \$153.8 vs. \$153.6 in the P&L; there are sometimes minor variances between STR / P&L-reported data generally due to timing of postings.

# HISTORICAL STR PERFORMANCE

The Ace Palm Springs is running a \$153.8 RevPAR on a 113.6% RevPAR Index vs. the set as of TTM 6/24, -19.8% vs. '22A levels. RevPAR of \$153.8 in the TTM 6/24 period is down from \$190.2 in '22A, through a combination of ADR and Occupancy loss.

- A Occ Index:** The asset is currently running a **112.1%** OccIndex and a **56.5%** overall Occ TTM 6/24. The Ace has lost occupancy share vs. '22A levels (-6.6% vs. '22A occ index of **118.7%**, and also **-1.9%** vs. '23A OccIndex levels)
- B ADR Index:** The asset is running a **101.3%** ADR Index vs the set as of TTM 6/24, **-14.2%** below the '18A ADR index peak and **-11.1%** vs. '22A ADR index of **112.4%**. Pre-Covid, the asset had previously run ADR indexes above **110.0%** (**113.7% / 115.5% / 113.4%** ADR index from '17A - '19A)

## ACE HOTEL & SWIM CLUB PALM SPRINGS

	Historical							
	2017A	2018A	2019A	2020A	2021A	2022A	2023A	TTM 6/24
<b>Occupancy</b>								
Subject	65.9%	67.0%	69.0%	49.3%	62.7%	60.6%	59.0%	56.5%
Comp Set	59.3%	59.4%	56.9%	37.5%	43.3%	51.0%	51.7%	50.4%
Rank	4 of 8	3 of 8	3 of 8	3 of 8	2 of 8	2 of 8	3 of 8	3 of 8
Index	<b>111.0%</b>	<b>112.8%</b>	<b>121.1%</b>	<b>131.5%</b>	<b>144.9%</b>	<b>118.7%</b>	<b>114.0%</b>	<b>112.1%</b>

<b>ADR</b>								
Subject	\$225.4	\$237.4	\$233.8	\$233.1	\$272.3	\$314.0	\$284.9	\$272.1
Comp Set	\$198.2	\$205.5	\$206.1	\$219.8	\$248.1	\$279.3	\$270.4	\$268.5
Rank	4 of 8							
Index	<b>113.7%</b>	<b>115.5%</b>	<b>113.4%</b>	<b>106.0%</b>	<b>109.7%</b>	<b>112.4%</b>	<b>105.3%</b>	<b>101.3%</b>

<b>RevPAR</b>								
Subject	\$148.4	\$159.0	\$161.3	\$115.0	\$170.7	\$190.2	\$168.0	\$153.8
Comp Set	\$117.6	\$122.0	\$117.4	\$82.5	\$107.4	\$142.5	\$139.9	\$135.4
Rank	4 of 8							
Index	<b>126.2%</b>	<b>130.3%</b>	<b>137.4%</b>	<b>139.4%</b>	<b>159.0%</b>	<b>133.4%</b>	<b>120.1%</b>	<b>113.6%</b>

Comp Set	Keys	Open Date
Ace Hotel & Swim Club Palm Springs	179	196606
The Saguaro Palm Springs	244	197706
The Colony Palms Hotel and Bungalows	57	193006
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Hyatt Palm Springs	197	198511

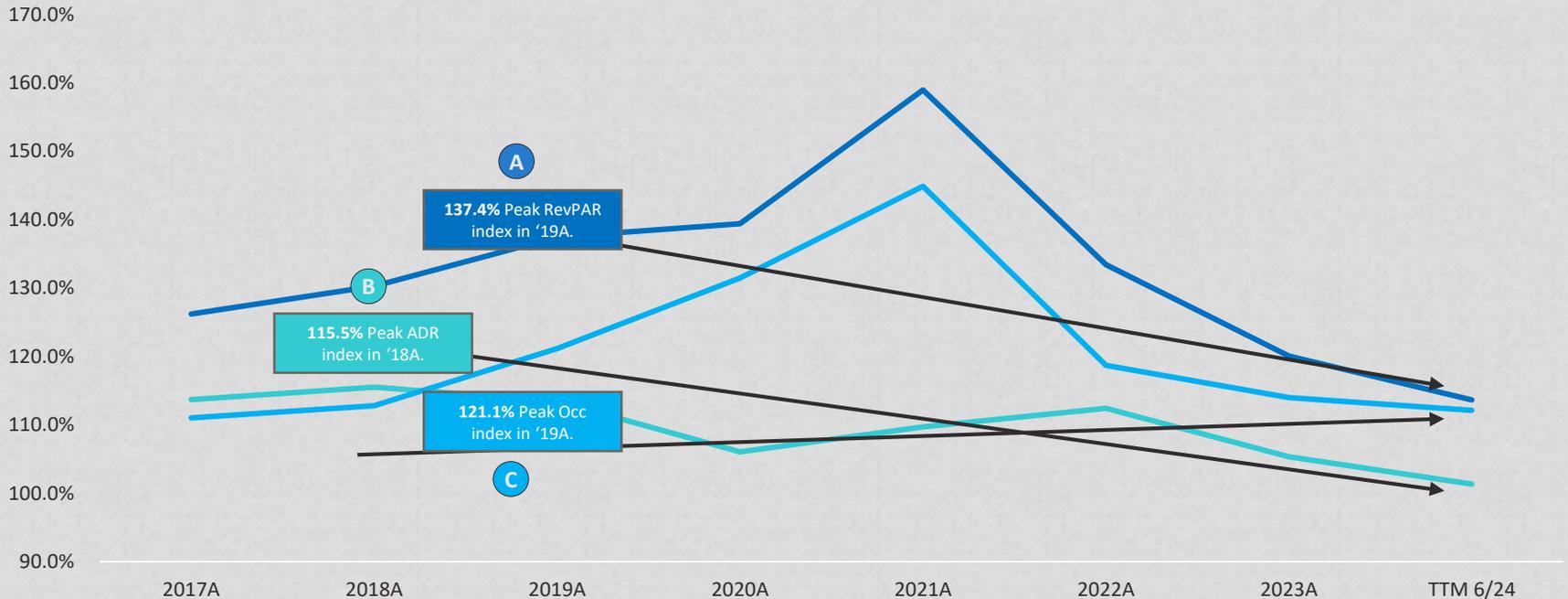
The Ace Hotel Palm Springs has seen RGI fall by **-19.8%** from '22A to TTM 6/24. RGI has also fallen by **-23.8%** from peak pre-Covid RGI of **137.4%** in '19.

Note: Shows TTM 6/24 Ace RevPAR of \$153.8 vs. \$153.6 in the P&L; there are sometimes minor variances between STR / P&L-reported data generally due to timing of postings.

# HISTORICAL STR PERFORMANCE (CON'T)

The Ace Palm Springs is running a \$153.8 RevPAR on a 113.6% RevPAR Index vs the set, significantly below peak and '22A levels.

Historical STR Indexes (2017A – TTM 6/24A)



Letter	Commentary
A	Peak RevPAR index has fallen from <b>137.4%</b> in '19A to <b>113.6%</b> in TTM 6/24. RGI has also fallen by <b>-19.8%</b> vs. '22A levels
B	Peak ADR Index has fallen from <b>115.5%</b> in '18A to <b>101.3%</b> in TTM 6/24. ADR index has also fallen by <b>-11.1%</b> vs. '22A levels
C	Peak Occ index has fallen from <b>121.1%</b> in '19A to <b>112.1%</b> in TTM 6/24. Occ index has also fallen by <b>-6.6%</b> vs. '22A levels

Note: Peak index years exclude indexes during covid-impacted years of '20A – '21A.

TTM STR 6/24 Ace RevPAR of \$153.8 vs. \$153.6 in the P&L; there are sometimes minor variances between STR / P&L-reported data generally due to timing of postings.

# RECENT STR PERFORMANCE

The Ace's T3 RevIndex as of 6/24 is down -14.2% vs. STLY. Occupancy is -20.4% and Occ Index is -13.8%, with ADR index relatively stable.

## Recent STR Performance

A

TTM / YTD / T3 6/24 STR Trend

B

Monthly STR Performance (1/22 – 6/24)

### Ace Hotel & Swim Club Palm Springs - STR Trend

#### Historical Performance (6/24)

	TTM	YTD	T3
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#### Occupancy

Subject	56.5%	60.1%	54.8%
Comp Set	50.4%	57.5%	52.7%
Rank	3 of 8	3 of 8	3 of 8
Index	112.1%	104.7%	104.0%

1 % Change STLY

Subject	-2.5%	-7.6%	-20.4%
Comp Set	-5.2%	-4.4%	-7.6%
Index	2.8%	-3.3%	-13.8%

#### ADR

Subject	\$272.1	\$305.5	\$310.6
Comp Set	\$268.5	\$295.9	\$287.7
Rank	4 of 8	4 of 8	4 of 8
Index	101.3%	103.3%	108.0%

2 % Change STLY

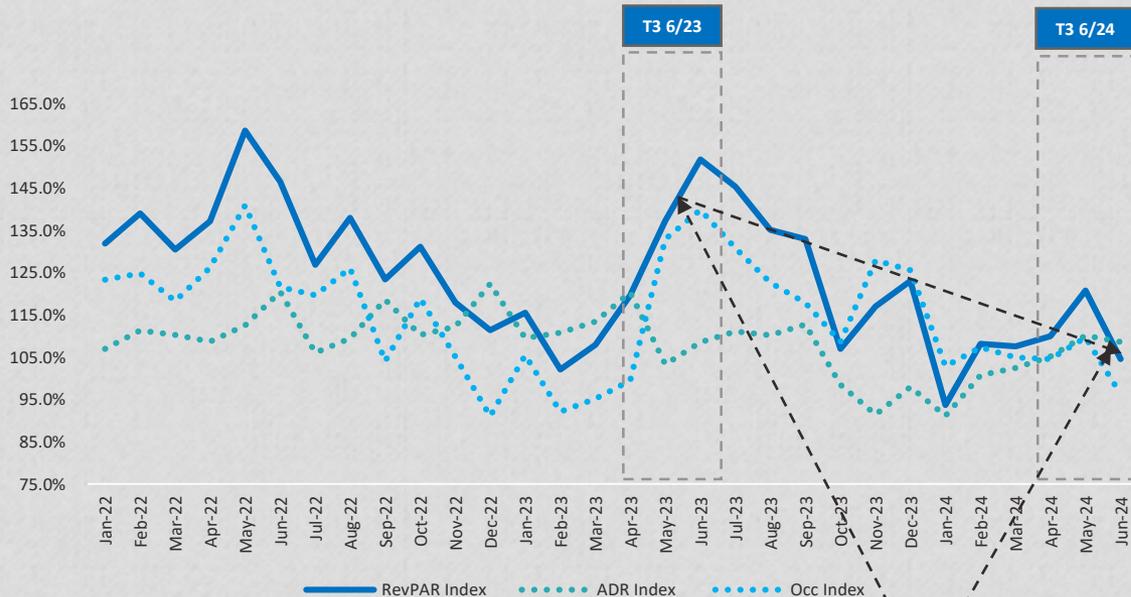
Subject	-9.2%	-6.4%	-2.9%
Comp Set	-1.0%	-0.7%	-2.5%
Index	-8.3%	-5.7%	-0.4%

#### RevPAR

Subject	\$153.8	\$183.7	\$170.2
Comp Set	\$135.4	\$170.0	\$151.6
Rank	4 of 8	4 of 8	4 of 8
Index	113.6%	108.1%	112.3%

3 % Change STLY

Subject	-11.5%	-13.5%	-22.7%
Comp Set	-6.1%	-5.1%	-9.9%
Index	-5.8%	-8.8%	-14.2%



Comp Set	Keys	Open Date
Ace Hotel & Swim Club Palm Springs	179	196606
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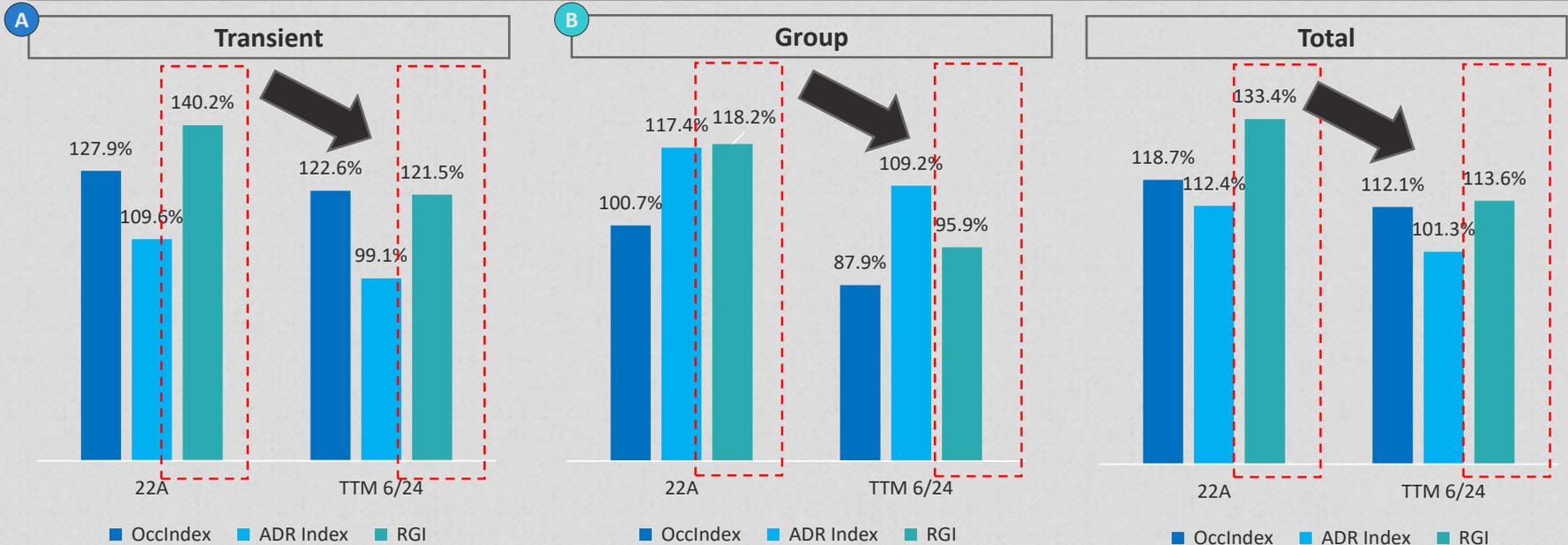
The asset's T3 RevPAR index as of 6/24 has fallen by -14.2%

# STR SEGMENTATION REVIEW

*The Ace's -19.8% RGI decline from TTM 6/24 to '22A levels has been driven by both transient and group index declines.*

- A Group Index:** The asset's group index has fallen **-22.2%** from **118.2%** in '22A to **95.9%** in TTM 6/24. SHG believes there has been a lack of focus on selling the asset's meeting spaces – which has resulted in a decline in wedding / other SMERF group business. Importantly SMERF group revenue is down **-\$617k / -61.1%** in TTM 6/24 vs. '22A levels from **\$1.6m** to **\$1.0m**
- B Transient Index:** The asset has seen a similar degradation in transient index with TTM 6/24 transient index of **121.5%** down **-18.7%** from a **140.2%** index in '22A

## ACE Segmentation Trends ('22A to TTM 6/24)



# STR DAY OF WEEK ANALYSIS

The Ace has lost RGI on every day of the week vs. '22A levels, but has lost a higher amount of index on weekdays (-28.0% vs. '22A levels) vs. weekends (-10.0% vs. '22A levels).

- A Weekdays:** Both Weekday ADR and Occ Index are down double digits vs '22A. The asset has lost RevIndex of -24.9% / -36.2% / -32.0% / -23.7% / -26.0% from Sunday to Thursday
- B Weekends:** Weekend ADR index is the largest issue, with Occ Index roughly flat. The Ace has fared slightly better on weekends than weekdays but is still down -9.3% / -10.5% vs. '22A levels on Thursday and Friday

## ACE Day of Week STR Trends ('22A to TTM 6/24)

	TTM 6/24									TTM 6/24 vs. '22A levels								
	Occupancy			ADR			RevPAR			Occupancy			ADR			RevPAR		
	Subject	Comp Set	Index	Subject	Comp Set	Index	Subject	Comp Set	Index	Subject	Comp Set	Index	Subject	Comp Set	Index	Subject	Comp Set	Index
Sunday	54.5%	47.8%	114.1%	\$232.6	\$250.5	92.8%	\$126.9	\$119.7	106.0%	(6.0%)	(0.7%)	(10.9%)	(40.7)	(10.7)	(11.8%)	(38.7)	(6.8)	(24.9%)
Monday	47.5%	39.2%	121.2%	\$208.6	\$222.1	93.9%	\$99.1	\$87.0	113.9%	(4.9%)	1.7%	(18.6%)	(33.1)	(3.2)	(13.4%)	(27.5)	2.7	(36.2%)
Tuesday	45.7%	41.0%	111.4%	\$214.7	\$228.7	93.9%	\$98.1	\$93.8	104.7%	(4.0%)	2.7%	(18.1%)	(28.6)	(2.0)	(11.6%)	(22.7)	5.4	(32.0%)
Wednesday	48.7%	41.8%	116.6%	\$216.4	\$237.6	91.1%	\$105.4	\$99.3	106.2%	(2.7%)	(0.4%)	(5.2%)	(30.1)	6.5	(15.6%)	(21.4)	1.7	(23.7%)
Thursday	56.1%	48.3%	116.2%	\$237.7	\$261.7	90.8%	\$133.4	\$126.4	105.6%	(5.2%)	(0.2%)	(10.2%)	(29.3)	5.0	(13.2%)	(30.3)	1.9	(26.0%)
Friday	68.5%	63.3%	108.3%	\$343.4	\$312.2	110.0%	\$235.3	\$197.6	119.1%	(3.4%)	(4.0%)	1.5%	(50.9)	(15.8)	(10.2%)	(48.3)	(23.3)	(9.3%)
Saturday	74.3%	70.9%	104.9%	\$372.5	\$315.7	118.0%	\$276.8	\$223.7	123.7%	(2.1%)	(3.9%)	2.7%	(74.2)	(24.2)	(13.4%)	(64.5)	(30.5)	(10.5%)
Weekday	50.5%	43.6%	115.8%	\$222.9	\$241.4	92.4%	\$112.6	\$105.3	107.0%	(4.5%)	0.6%	(12.3%)	(32.6)	(1.2)	(13.0%)	(28.1)	1.0	(28.0%)
Weekend	71.4%	67.1%	106.5%	\$358.7	\$314.1	114.2%	\$256.2	\$210.8	121.6%	(2.7%)	(4.0%)	2.1%	(62.9)	(20.2)	(11.9%)	(56.5)	(26.9)	(10.0%)
<b>Total</b>	<b>56.5%</b>	<b>50.4%</b>	<b>112.2%</b>	<b>\$272.1</b>	<b>\$269.2</b>	<b>101.1%</b>	<b>\$153.8</b>	<b>\$135.6</b>	<b>113.5%</b>	<b>(4.0%)</b>	<b>(0.7%)</b>	<b>(6.3%)</b>	<b>(41.9)</b>	<b>(10.2)</b>	<b>(11.3%)</b>	<b>(36.3)</b>	<b>(7.1)</b>	<b>(19.8%)</b>

	'22A								
	Occupancy			ADR			RevPAR		
	Subject	Comp Set	Index	Subject	Comp Set	Index	Subject	Comp Set	Index
Sunday	60.6%	48.4%	125.1%	\$273.3	\$261.2	104.6%	\$165.6	\$126.5	130.9%
Monday	52.4%	37.4%	139.9%	\$241.7	\$225.3	107.3%	\$126.6	\$84.4	150.1%
Tuesday	49.7%	38.3%	129.6%	\$243.3	\$230.6	105.5%	\$120.9	\$88.4	136.7%
Wednesday	51.4%	42.2%	121.8%	\$246.5	\$231.1	106.6%	\$126.8	\$97.6	129.9%
Thursday	61.3%	48.5%	126.5%	\$267.1	\$256.8	104.0%	\$163.7	\$124.4	131.6%
Friday	71.9%	67.3%	106.8%	\$394.3	\$328.0	120.2%	\$283.6	\$220.9	128.4%
Saturday	76.4%	74.8%	102.1%	\$446.7	\$339.9	131.4%	\$341.3	\$254.2	134.3%
Weekday	55.1%	43.0%	128.1%	\$255.5	\$242.6	105.3%	\$140.7	\$104.3	134.9%
Weekend	74.2%	71.1%	104.3%	\$421.5	\$334.3	126.1%	\$312.7	\$237.7	131.6%
<b>Total</b>	<b>60.6%</b>	<b>51.1%</b>	<b>118.6%</b>	<b>\$314.0</b>	<b>\$279.3</b>	<b>112.4%</b>	<b>\$190.2</b>	<b>\$142.6</b>	<b>133.3%</b>

Note: Very minor index deltas in Day of Week STR sheet vs. summary sheet in STR report.

# SCHULTE REVENUE AND SALES STRATEGIES SUMMARY

*Schulte's commercial team reviewed the Ace commercial strategies in the '23 business plan provided during DD. Our commercial team's assessment is the segment strategies in the business plan lack direction and focus (strategies are essentially the same for each quarter). Generally, based on the Business Plan document, it does not appear that there is a highly engaged and specific commercial strategy.*

*Our commercial team identified the following strategies we would implement for the Ace if we were overseeing the commercial function (additional details for each strategy are available in our SHG Ace commercial playbook):*

## Revenue and Sales Strategy Summary

Strategy	Summary
<p style="text-align: center;"><b>A</b></p> <p><b>Commercial Strategy Opportunities</b></p>	<p>SHG's team would continually assess strengths and weaknesses of the hotel's commercial strategy. Based on a preliminary review – SHG identified several opportunities including:</p> <ul style="list-style-type: none"> <li>• <b>Website Content:</b> Current website lacks pertinent content and information about hotel, pool, spa and amenity details</li> <li>• <b>Imagery:</b> SHG suggests that a gallery page is added to showcase breadth of product and surroundings. Need to get better digital assets/video to post on the website and throughout the web for the property</li> <li>• <b>Mobile Performance:</b> Performance on mobile should be improved by: (i) Compressing images, (ii) Eliminating render blocking resources, and (iii) Leveraging browser caching</li> <li>• <b>Google Advertising:</b> Run search and display campaigns targeting keywords relating to: (i) Boutique Hotels, (ii) Palm Spring Hotels, (iii) Weekend Getaways, and (iv) Events in Palm Springs. This will maximize awareness, exposure and maintain competitive edge</li> <li>• <b>Social Media Advertising:</b> Use Facebook and Instagram ads to target specific demographics and interests. Promote events, special offers and seasonal promotions</li> <li>• <b>Retargeting:</b> Run retargeting campaigns to reach visitors who have previously visited the website but did not book</li> <li>• <b>Metasearch:</b> Improve parity and bid on top placements to enforce brand authority and direct bookings</li> <li>• <b>OTA Travel Ads:</b> Improve ranking and visibility on OTAs by bidding on sponsored placement</li> </ul>
<p style="text-align: center;"><b>B</b></p> <p><b>Marketing Tactics</b></p>	<p>Our team identified <u>several partnerships and tactics</u> we would deploy for Ace, including:</p> <ul style="list-style-type: none"> <li>• <b>Web development:</b> SHG maintains a &gt;= 2.5% conversion rate on all websites across our portfolio (<b>Industry standard is 1.5%-2.0%</b>)</li> <li>• <b>Paid media partners:</b> Schulte's average ROAS is 20:1 across the portfolio (<b>Industry standard is 10:1</b>)</li> <li>• <b>E-mail marketing:</b> SHG maintains an average CTR of 24% (<b>Industry standard is 20%</b>)</li> <li>• <b>Social Media:</b> Our engagement % are Facebook: 4.5%, Instagram 3% (<b>Industry standard: Facebook: 0.27% Instagram 1.2%</b>)</li> <li>• <b>Public Relations:</b> We would seek to partner with local and national agencies to ensure success in the Palm Springs market. We know from a review of the P&amp;L that the Ace is currently working with agencies; SHG would conduct a detailed review to assess whether the Ace is working with the right agencies to drive business to its specific Palm Springs market</li> </ul>

# SCHULTE REVENUE AND SALES STRATEGIES SUMMARY (CON'T)

## Revenue and Sales Strategy Summary

Strategy	Summary
<b>C</b> RevRaise	<p><b>SHG recommends switching to the RevRaise booking engine</b>, which enhances performance for hotels that use SynXis as their engine. RevRaise provides a customized front-end design that integrates a hotel's booking engine into its own website and streamlines the user experience for simplicity, speed and conversion rate.</p> <p>RevRaise conducted an A/B Test for three Graduate hotels comparing their previous booking engines to its custom booking engine and the <b>test showed that RevRaise converted ~9% to 20% higher per asset.</b></p>
<b>D</b> Upselling	Schulte noticed in the business plan that upselling is listed as an opportunity. <b>Schulte would recommend considering a pre-arrival upsell program, such as Upsell Guru</b> , which messages guests pre-arrival to offer upgrade options.
<b>E</b> Optimize Cvent Listings	Schulte would <b>optimize Cvent listings</b> by offering promotions. Ace does not have any promotions listed on the CVENT platform – which is likely one of the reasons why B&C business has declined vs. historical levels. Schulte aggressively promotes its hotels on relevant platforms like Cvent to target new business (Note: Cvent is a software for event management planners that assists in marketing and attendee engagement and also helps hotels win business through venue sourcing).
<b>F</b> Sales Strategy	<p>Development of <b>comprehensive sales strategy by segment / accountability metrics</b> (detailed considerations in commercial playbook). These strategies / accountability metrics would include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• <b>Direct Business:</b> Specific strategies to drive business away from OTAs and into direct channels</li> <li>• <b>Group Team Structure:</b> Optimizing group team structure to ensure maximum contribution from each individual</li> <li>• <b>Group Sales Efforts:</b> This includes, but is not limited to (i) establishing productivity and activity goals for each manager to ensure accountability (response time, % of responses, etc.), (ii) re-vamping all client facing sites, ensuring promos and hot dates are listed, and (iii) client onsite hosting and open houses – particularly with third parties to expand reach for hotel</li> <li>• <b>Comp Set Analysis:</b> Weekly evaluations of various reports including Knowland, D360 / A360 to (i) identify group and transient opportunities in coming weeks / months, (ii) share shift from the comp set, and (iii) identify compression nights to maximize rates</li> </ul>
<b>G</b> Group Sales Playbook	Building on the strategies above – we will implement an Ace-specific Group playbook. <b>Group sales efforts will be a massive part of the turnaround strategy at Ace</b> , and we have devised a turnaround blueprint focused on (i) evaluating the commercial team & optimizing deployment, (ii) building ideal segmentation by weekday / weekend for each demand period and season, and (iii) setting specific parameters for the hotel to optimize group sales and profitability including group minimums, ceilings, and minimum acceptable rates.
<b>H</b> Meetings & Events	Schulte has had success in redesigning meetings and event pages for other properties within our portfolio. <b>We would consider redesigning the Ace Palm Springs pages to showcase the property and meeting space attributes to be more appealing to potential clients.</b>
<b>I</b> Visiting Media	<b>We would plan to partner with Visiting Media</b> to allow customers to view meeting and events spaces through 3D models.

# ACE PALM SPRINGS HISTORICAL F&B PERFORMANCE

F&B is a critical component to the success of the hotel, comprising over **40% of total revenue for the asset in TTM 6/24**, F&B should be a major focus and has to be the heart of the hotel. As the hotel is removed from the downtown core, the goal & strategy associated with F&B should be to provide price points and concept offerings which keep hotel guests on campus for three meals a day and cocktails at night.

**F&B Current Situation:** The hotel offers three distinct F&B Outlets as well as **10k sf** of flexible indoor / outdoor meeting space. The F&B department in total did **\$8.4m (\$226 POR)** of revenue on a **72% F&B** expense margin TTM 6/24

- **Kings Highway:** King's Highway is the Ace Palm Spring's primary F&B concept, positioned as a 'Roadside Diner' the outlet operates as a three-meal concept, offering American style offerings from 7am-10pm
  - As of TTM 6/24, King's Highway was doing **\$2.4m (\$65 POR)** in F&B revenue and has been relatively stabilized since '18A, generating between **\$2.4m-\$2.6m** of revenue every year since '18A
- **Amigo Room:** The Ace Palm Spring's bar concept, set in a dark / cool desert cave, offering cocktails and craft beers from 3pm – late night
  - As of TTM 6/24, the Amigo Room was doing **\$600k (\$16 POR)**, down significantly from the **'18A Peak of \$1.8m (\$42 POR)** and is the primary contributor to the F&B underperformance from historical years
- **Short Bus:** The hotel's Pool Bar offering, serving hotel guests and swim club members – the outlet is currently doing **\$2.5m (\$67 POR)** in F&B revenues and has seen strong growth vs. historical years (**\$1.9m | \$48 POR '22A, \$1.7m | \$38 POR '19A**)
- **Banquet & Catering:** The hotel offers **10k sf** of meeting space, including the Commune (**5.5k sf**), Clubhouse 1<sup>st</sup> (**1.7k sf**) and Clubhouse 2<sup>nd</sup> Floors (**2.4k sf**) and the multi-purpose stargazing deck (**500 sf**)
  - As of TTM 6/24, the hotel was doing **\$2.6m (\$69 POR)** of B&C business, down significantly from its **peak of \$3.2m (\$81 POR)** in '22A

ACE PALM SPRINGS F&B OUTLETS																		
	2018A			2019A			2021A			2022A			2023A			TTM 6/24		
	\$	%	POR															
Occupancy %	66.9%			68.9%			59.1%			60.6%			59.0%			56.5%		
ADR	\$237.2			\$233.7			\$272.1			\$314.0			\$285.8			\$272.2		
RevPAR	\$158.7			\$161.0			\$160.7			\$190.2			\$168.7			\$153.9		
Room Revenue	10,369			10,521			10,502			12,427			11,025			10,081		
Kings Highway	2,402	27.8%	54.9	2,516	28.2%	55.9	1,248	16.8%	32.3	2,509	26.3%	63.4	2,623	28.8%	68.0	2,412	28.8%	65.1
Amigo Room	1,818	21.7%	41.6	1,807	20.2%	40.1	1,261	16.9%	32.7	1,464	15.3%	37.0	1,042	11.4%	27.0	589	7.0%	15.9
Short Bus	1,923	22.3%	44.0	1,722	19.3%	38.2	2,820	37.9%	73.1	1,910	20.0%	48.2	2,312	25.4%	60.0	2,480	29.6%	67.0
B&C	2,086	24.2%	47.7	2,485	27.8%	55.2	1,535	20.6%	39.8	3,204	33.5%	80.9	2,762	30.3%	71.6	2,568	30.7%	69.3
Other	405	4.7%	9.3	396	4.4%	8.8	583	7.8%	15.1	466	4.9%	11.8	371	4.1%	9.6	322	3.8%	8.7
<b>Total F&amp;B Revenue</b>	<b>\$8,634</b>	<b>100.0%</b>	<b>\$197.5</b>	<b>\$8,926</b>	<b>100.0%</b>	<b>\$198.2</b>	<b>\$7,448</b>	<b>100.0%</b>	<b>\$193.0</b>	<b>\$9,554</b>	<b>100.0%</b>	<b>\$241.4</b>	<b>\$9,110</b>	<b>100.0%</b>	<b>\$236.2</b>	<b>\$8,371</b>	<b>100.0%</b>	<b>\$226.0</b>
Cost of Sales	1,841	21.3%	42.1	1,898	21.3%	42.2	1,545	20.7%	40.0	2,018	21.1%	51.0	1,930	21.2%	50.1	1,714	20.5%	46.3
Wages & Salaries	2,573	29.8%	58.9	2,749	30.8%	61.1	2,271	30.5%	58.8	3,082	32.3%	77.9	2,644	29.0%	68.6	2,542	30.4%	68.6
PTBE	1,102	42.8%	25.2	1,117	40.6%	24.8	876	38.6%	22.7	1,092	35.4%	27.6	1,130	42.7%	29.3	1,073	42.2%	29.0
Other Expenses	717	8.3%	16.4	731	8.2%	16.2	535	7.2%	13.9	708	7.4%	17.9	758	8.3%	19.7	697	8.3%	18.8
<b>F&amp;B Expenses</b>	<b>\$6,233</b>	<b>72.2%</b>	<b>\$142.6</b>	<b>\$6,495</b>	<b>72.8%</b>	<b>\$144.3</b>	<b>\$5,227</b>	<b>70.2%</b>	<b>\$135.4</b>	<b>\$6,901</b>	<b>72.2%</b>	<b>\$174.3</b>	<b>\$6,463</b>	<b>70.9%</b>	<b>\$167.6</b>	<b>\$6,026</b>	<b>72.0%</b>	<b>\$162.7</b>
<b>F&amp;B Margin</b>	<b>\$2,401</b>	<b>27.8%</b>	<b>\$231.6</b>	<b>\$2,431</b>	<b>27.2%</b>	<b>\$231.1</b>	<b>\$2,222</b>	<b>29.8%</b>	<b>\$211.6</b>	<b>\$2,653</b>	<b>27.8%</b>	<b>\$213.5</b>	<b>\$2,648</b>	<b>29.1%</b>	<b>\$240.2</b>	<b>\$2,345</b>	<b>28.0%</b>	<b>\$232.6</b>

The Amigo Room's revenue has fallen from **\$1.8m / \$41.6 POR** in '18A to **\$589k / \$15.9 POR** as of TTM 6/24

The Short Bus's revenue has increased from **\$1.9m / \$44.0 POR** in '18A to **\$2.5m / \$67.0 POR** as of TTM 6/24

## F&B OPPORTUNITIES & PROGRAMMING

*Schulte has identified the following opportunities to drive increased F&B traffic, revenue, and profitability.*

### **A** Capture:

- There needs to be a **full review of pricing model and in-house marketing** centred around keeping guests on campus all day, to maximise in-house and day-use capture and **prevent guests from venturing downtown**

### **B** Marketing to robust local residential single-family developments adjacent to the resort:

- Themed evenings (Diners, Drive-In & Dives)
- Tasting menus, experiences
- Bottomless mimosa, Bloody Mary Sunday Brunches

### **C** QR code ordering:

- We believe that only offering QR code ordering at Short Bus is a miss, and there is a need to re-establish servers
- **QR code ordering can be useful for the pool, but to complement, not replace, servers**
- Consider mobile bar carts, on-demand frozen beverages, fun/festive mixed cocktails (margarita cart)

### **D** Food truck:

- Rotating food truck series, with local favourites and pool-side food (tacos, power bowls, poke, sashimi, speciality burgers and sandwiches, lobster rolls, etc.)

### **E** Cooking demonstrations:

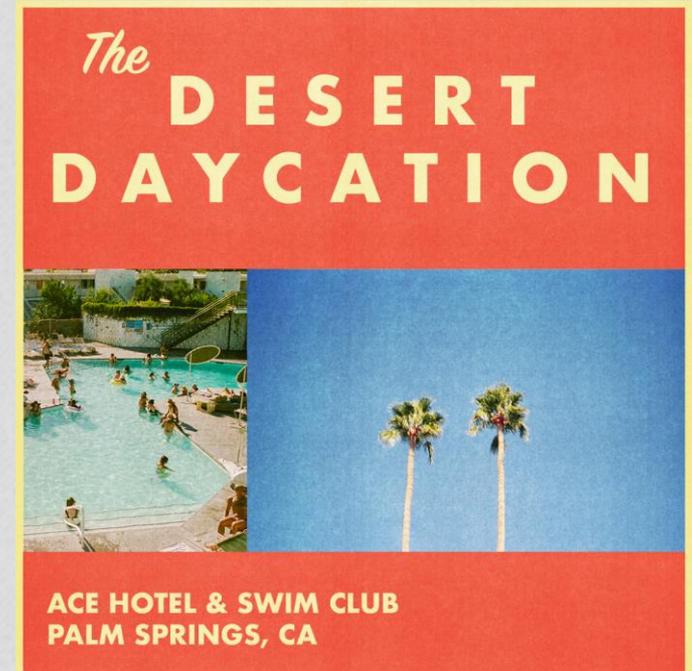
- Regular cooking demonstrations on the patio at Short Bus – engaging and interactive

### **F** Beverage tasting:

- Beverage tasting series in the Amigo Room with respective spirit experts
- Mescal, tequilas, bourbons, exotic whiskeys and wine

### **G** Music acts:

- With pool expansion, it would be an idea to look at concert series with local talent to medium-size live music acts, known DJs



# F&B OPPORTUNITIES & PROGRAMMING (CONT'D)

## H Cabana experience:

- Revitalization and "super-charging" of Cabana Experience, moving to a more sophisticated luxury experience
- Bottle service, butler, high-end menu such as caviar selections and sashimi
- High-priced and exclusive

## I Capitalise on rich art scene in Palm Springs:

- Cultural art programming with works of art on display in the resort (reminiscent of and inspired by Miami's "art Basel" scene)
- Artist series that discuss/present their work complemented with food and drink
- In-residence artists creating their works in public studios on campus

## J Health and wellness programming in concert with the spa:

- Self-care (pampering) inspired seminars with healthy, organic fare lunch / brunch menus
- Add an on-premise herb/vegetable garden, bee-hive with Ace honey for sale

## K Return status to most sought-after wedding venue in the market:

- Dedicated sales, unique and aggressive packaging, refreshed menus and upgrading of amenities
- Dedicated "Wedding Planner to handle affair "a to z"



# ACE PALM SPRINGS: F&B UNDERWRITING ASSUMPTIONS

Schulte is underwriting a **\$10.8m total revenue on a 67.5% F&B expense margin in the stabilized period under Schulte management**. Underwriting considers planned enhancements to the King's Highway and Amigo outlets as well as the pool area but no additional major capital expenditure.

**A Outlet Revenue:** Schulte is underwriting total outlet revenue of **-\$185.0 POR and \$7.2m total outlet revenue in the stabilized period, \$1.2m (\$30 POR)** higher than peak outlet revenue in 2023A

- Schulte sees significant opportunity through (1) the planned renovations of King's Highway | Amigo Room and the Pool, as well as through strategic improvements (see opportunities and programming on previous slides) to increase F&B performance
- Schulte would explore whether price points specifically at the King's Highway may be too aggressive for the clientele. With the benefit of the hotel being removed from the downtown core, price points / offerings should be tailored with the goal of keeping guests on campus for three meals a day, creating a cohesive / diverse F&B operation between each of the outlets

**B B&C:** Schulte is underwriting a total B&C revenue of **-\$80 POR (\$3.1m), \$11 POR higher vs. TTM 6/24** and in-line with 2022A on a POR basis

- Wedding business and Group business represents a strong opportunity and should be a key focus of the hotel. Wedding & Group business historically has been a significant driver to the hotel but has fallen off significantly recently. **Schulte would make wedding & group business a key focus for the new sales team, improving sales & marketing efforts and online presence**

**C F&B Expense Margin:** Schulte is underwriting a modest decrease to a stabilized **67.5% F&B expense margin**. There are opportunities through PTEB savings as well as improved COGS through higher margin B&C | improved outlet beverage mix

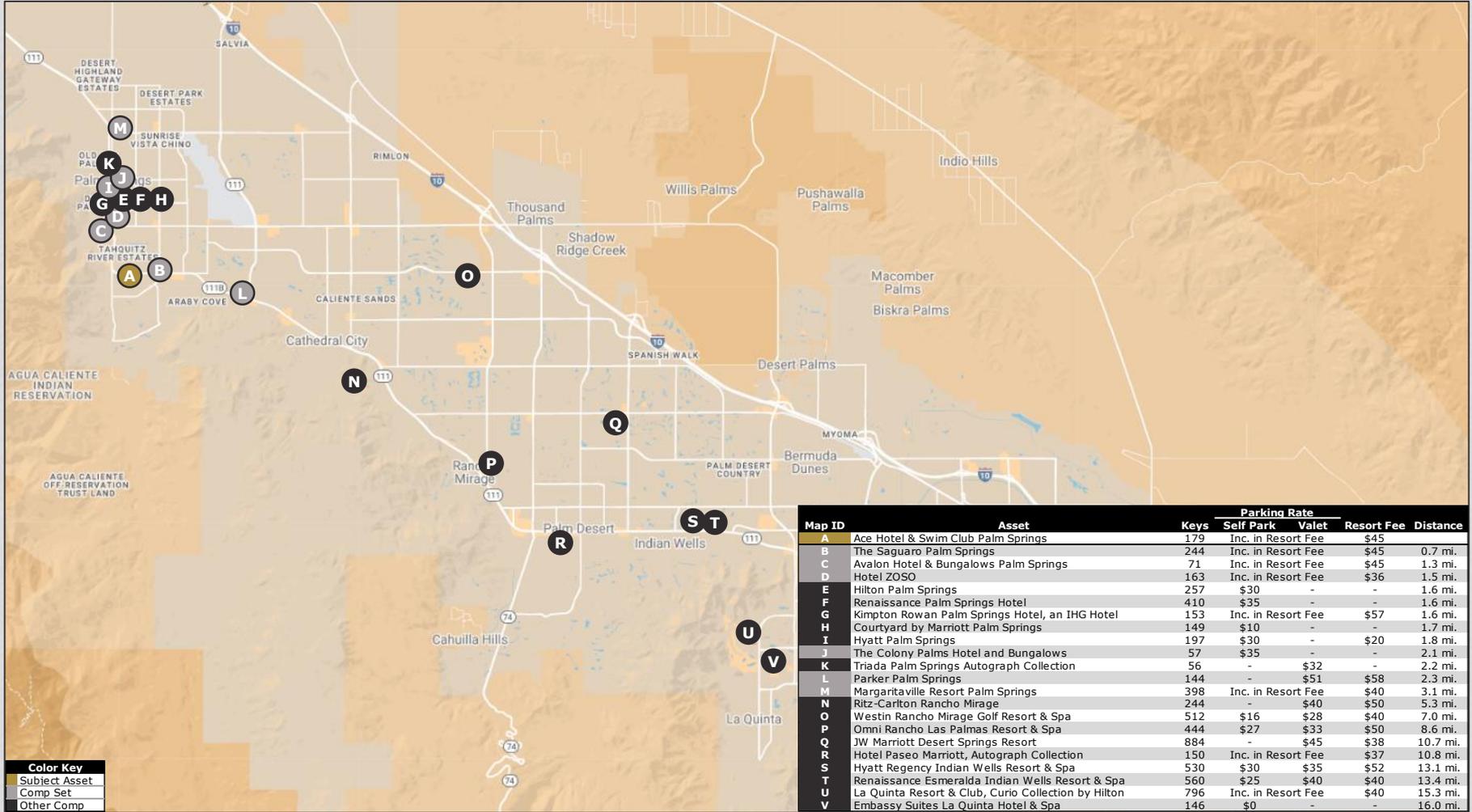
ACE PALM SPRINGS F&B OUTLETS															
	2022A			2023A			TTM 6/24			TTM 6/24 Exp. Adj.			TTM 6/24 pf		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy %	60.6%			59.0%			56.5%			56.5%			59.5%		
ADR	\$314.0			\$285.8			\$272.2			\$272.2			\$304.8		
RevPAR	\$190.2			\$168.7			\$153.9			\$153.9			\$181.3		
Kings Highway	2,509	26.3%	63.4	2,623	28.8%	68.0	2,412	28.8%	65.1	2,412	28.8%	65.1	2,728	25.3%	70.0
Amigo	1,464	15.3%	37.0	1,042	11.4%	27.0	589	7.0%	15.9	589	7.0%	15.9	1,364	12.6%	35.0
Short Bus	1,910	20.0%	48.2	2,312	25.4%	60.0	2,480	29.6%	67.0	2,480	29.6%	67.0	3,118	28.9%	80.0
<b>Outlet Revenue</b>	<b>5,884</b>	<b>61.6%</b>	<b>148.6</b>	<b>5,978</b>	<b>65.6%</b>	<b>155.0</b>	<b>5,481</b>	<b>65.5%</b>	<b>148.0</b>	<b>5,481</b>	<b>65.5%</b>	<b>148.0</b>	<b>7,210</b>	<b>66.8%</b>	<b>185.0</b>
B&C	3,204	33.5%	80.9	2,762	30.3%	71.6	2,568	30.7%	69.3	2,568	30.7%	69.3	3,118	28.9%	80.0
Other	466	4.9%	11.8	371	4.1%	9.6	322	3.8%	8.7	322	3.8%	8.7	468	4.3%	12.0
<b>Total F&amp;B Revenue</b>	<b>\$9,554</b>	<b>100.0%</b>	<b>\$241.4</b>	<b>\$9,110</b>	<b>100.0%</b>	<b>\$236.2</b>	<b>\$8,371</b>	<b>100.0%</b>	<b>\$226.0</b>	<b>\$8,371</b>	<b>100.0%</b>	<b>\$226.0</b>	<b>\$10,795</b>	<b>100.0%</b>	<b>\$277.0</b>
Cost of Sales	2,018	21.1%	51.0	1,930	21.2%	50.1	1,714	20.5%	46.3	1,599	19.1%	43.2	2,062	19.1%	52.9
Wages & Salaries	3,082	32.3%	77.9	2,644	29.0%	68.6	2,542	30.4%	68.6	2,542	30.4%	68.6	3,278	30.4%	84.1
PTEB	1,092	35.4%	27.6	1,130	42.7%	29.3	1,073	42.2%	29.0	811	32.5%	21.9	1,046	32.5%	26.8
Other Expenses	708	7.4%	17.9	758	8.3%	19.7	697	8.3%	18.8	697	8.3%	18.8	899	8.3%	23.1
<b>F&amp;B Expenses</b>	<b>\$6,901</b>	<b>72.2%</b>	<b>\$174.3</b>	<b>\$6,463</b>	<b>70.9%</b>	<b>\$167.6</b>	<b>\$6,026</b>	<b>72.0%</b>	<b>\$162.7</b>	<b>\$5,649</b>	<b>67.5%</b>	<b>\$152.5</b>	<b>\$7,285</b>	<b>67.5%</b>	<b>\$186.9</b>
<b>F&amp;B Margin</b>	<b>\$2,653</b>	<b>27.8%</b>	<b>\$213.5</b>	<b>\$2,648</b>	<b>29.1%</b>	<b>\$240.2</b>	<b>\$2,345</b>	<b>28.0%</b>	<b>\$232.6</b>	<b>\$2,722</b>	<b>32.5%</b>	<b>\$73.5</b>	<b>\$3,510</b>	<b>32.5%</b>	<b>\$90.1</b>

SHG is underwriting the asset's F&B operations to generate revenue above historical levels (stabilized TTM 6/24 pf revenue of **\$10.8m**) driven by the various outlet initiatives it will seek to implement – which Schulte has been successful at when operating other F&B outlets in its portfolio.

Schulte is underwriting F&B expense margins of **67.5%** driven by lower PTEB %, and also slightly lower cost of sales expenses.

# PARKING FEE & RESORT FEE COMPS

An unmodeled upside opportunity is to further explore whether to charge for self parking on top of the resort fee to further drive revenue and profitability (similar to the Hyatt Palm Springs, Parker, Ritz Carlton, Westin, and Omni). See table below for further details:



# EXPENSE MARGIN BUILDUP



# MARGIN PERFORMANCE vs. PALM SPRINGS COMPS

The Ace Palm Springs is running a higher rooms department expense load vs. Palm Spring comps. Additionally, the asset's F&B expense margins are much worse than the Renaissance Palm Springs, and are generally lower vs. SHG comps.

	Ace Hotel & Swim Club Palm Springs			Palm Spring Comps								
	TTM 6/24			Renaissance Palm Springs TTM 1/24			Margaritaville - '23A			Margaritaville - '24AF		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Keys	179			410			398			399		
Rooms Available	65,514			149,650			145,270			145,668		
Occupied Rooms	37,034			104,542			81,934			90,170		
Occupancy %	56.5%			69.9%			56.4%			61.9%		
ADR	\$271.7			\$197.0			\$217.8			\$214.6		
RevPAR	\$153.6			\$137.6			\$122.9			\$132.8		
<b>Revenue</b>												
Rooms Revenue	\$10,063	48.4%	\$271.7	\$20,592	71.4%	\$197.0	\$17,847	57.4%	\$217.8	\$19,347	58.0%	\$214.6
F&B Revenue	8,371	40.3%	226.0	7,369	25.5%	70.5	9,357	30.1%	114.2	10,030	30.1%	111.2
Parking Revenue	\$0	-	-	\$448	1.6%	4.3	-	-	-	-	-	-
Resort Fee	1,352	6.5%	36.5	-	-	-	2,053	6.6%	25.1	2,386	7.2%	26.5
Spa / Retail Revenue	698	3.4%	18.9	-	-	-	805	2.6%	9.8	839	2.5%	9.3
Swim Club Revenue	173	0.8%	4.7	-	-	-	-	-	-	-	-	-
Other/Misc Revenue	\$125	0.6%	3.4	\$441	1.5%	4.2	\$1,040	3.3%	12.7	\$730	2.2%	8.1
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$28,850</b>	<b>100.0%</b>	<b>\$276.0</b>	<b>\$31,102</b>	<b>100.0%</b>	<b>\$379.6</b>	<b>\$33,332</b>	<b>100.0%</b>	<b>\$369.7</b>
<b>Departmental Expenses</b>												
Rooms Expense	\$2,594	25.8%	\$70.0	\$4,480	21.8%	\$42.9	\$5,398	30.2%	\$65.9	\$5,607	29.0%	\$62.2
F&B Expense	6,026	72.0%	162.7	4,296	58.3%	41.1	6,858	73.3%	83.7	6,892	68.7%	76.4
Parking Expense	-	-	-	-	-	-	-	-	-	-	-	-
Spa / Retail Expense	568	81.3%	15.3	-	-	-	583	72.4%	7.1	641	76.4%	7.1
Other/Misc Expense	86	68.3%	2.3	274	62.1%	2.6	592	56.9%	7.2	701	96.0%	7.8
<b>Total Department Expenses</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$9,050</b>	<b>31.4%</b>	<b>\$86.6</b>	<b>\$13,431</b>	<b>43.2%</b>	<b>\$163.9</b>	<b>\$13,841</b>	<b>41.5%</b>	<b>\$153.5</b>
<b>Gross Operating Income</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$19,800</b>	<b>68.6%</b>	<b>\$189.4</b>	<b>\$17,671</b>	<b>56.8%</b>	<b>\$215.7</b>	<b>\$19,491</b>	<b>58.5%</b>	<b>\$216.2</b>
<b>Undist. Expenses</b>												
Administrative & General	\$1,246	6.0%	\$33.7	\$1,590	5.5%	\$15.2	\$1,744	5.6%	\$21.3	\$1,798	5.4%	\$19.9
Credit Card Commissions	790	3.8%	21.3	667	2.3%	6.4	830	2.7%	10.1	929	2.8%	10.3
Info & Telecommunications	374	1.8%	10.1	381	1.3%	3.6	723	2.3%	8.8	778	2.3%	8.6
Sales & Marketing	1,230	5.9%	33.2	1,802	6.2%	17.2	2,267	7.3%	27.7	2,264	6.8%	25.1
Franchise Fees	416	4.1%	11.2	1,338	6.5%	12.8	392	2.2%	4.8	424	2.2%	4.7
Repairs & Maintenance	845	4.1%	22.8	1,295	4.5%	12.4	1,934	6.2%	23.6	2,202	6.6%	24.4
Utilities	571	2.7%	15.4	1,463	5.1%	14.0	1,847	5.9%	22.5	1,572	4.7%	17.4
<b>Total Undist. Expenses</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$8,536</b>	<b>29.6%</b>	<b>\$81.7</b>	<b>\$9,737</b>	<b>31.3%</b>	<b>\$118.8</b>	<b>\$9,967</b>	<b>29.9%</b>	<b>\$110.5</b>
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$11,264</b>	<b>39.0%</b>	<b>\$107.7</b>	<b>\$7,934</b>	<b>25.5%</b>	<b>\$96.8</b>	<b>\$9,524</b>	<b>28.6%</b>	<b>\$105.6</b>

A  
B

A The Ace's rooms expense POR of **\$70.0** is significantly higher vs. the Renaissance Palm's Springs **\$42.9** POR, and slightly higher vs. the Margaritaville's **\$62.2** POR in '24AF. SHG has found significant expense savings in Ace's rooms department particularly in managerial staffing levels which SHG believes is excessive, more efficient scheduling, and switching the hotel's current reservations set-up (mix of labor and non-labor expense) with SHG's Contact Center reservations system.

B The ACE's TTM 6/24 F&B margin of **72.0%** is higher vs. the Renaissance at **58.3%** (TTM 1/24) and also the Margaritaville (**68.7%**) in '24AF.

Margaritaville is still ramping; have shown comparisons vs. the Margaritaville '23A and '24AF.

# BASE CASE (ACE FRANCHISE) – DETAILED EXPENSE ANALYSIS

Schulte performed a detailed expense analysis of the rooms, F&B and the undistributed departments, and found \$849k (410 bps GOP) in net TTM 6/24 P&L expense savings.

- Labor expense underwriting by department has been detailed in the following slides and summarized in the below table
- Non-Labor expense savings have been summarized in the below table
- Schulte is assuming a 32.5% PTEB expense load (details in our PTEB analysis on the following slides)

ACE HOTEL & SWIM CLUB PALM SPRINGS - SCHULTE EXPENSE SAVINGS					
Dept.	Line Item	\$	% of Revenue	POR	Comments
<b>A</b>	<b>Rooms</b>				
	Non-Contract Labor				
	Contract Labor				
	Wages & Salaries	199,789	1.0%	5.4	Lowered Wages & Salaries from \$33.5 to \$28.1, closer in-line with SHG-managed comps
	PTEB	155,108	0.7%	4.2	Adj. PTEB from 39.6% to 32.5% based on SHG's benefit plan
	OPERATING SUPPLIES	21,932	0.1%	0.6	Lowered OPERATING SUPPLIES from \$1.7 to \$1.1, closer in-line with SHG-managed comps
	CABLE TELEVISION	11,775	0.1%	0.3	Lowered CABLE TELEVISION from \$0.9 to \$0.6, closer in-line with SHG-managed comps
	UNIFORMS	7,858	0.0%	0.2	Lowered UNIFORMS from \$0.5 to \$0.3, closer in-line with SHG-managed comps
	<b>Rooms Total</b>	<b>396,463</b>	<b>1.9%</b>	<b>10.7</b>	
<b>B</b>	<b>F&amp;B</b>				
	PTEB	261,741	1.3%	7.1	Adj. PTEB from 42.2% to 32.5% based on SHG's benefit plan
	F&B Cost of Sales	115,379	0.6%	3.1	Based on SHG F&B Margin Analysis, utilizing SHG and market comps
	<b>F&amp;B Total</b>	<b>377,120</b>	<b>1.8%</b>	<b>10.2</b>	
<b>C</b>	<b>A&amp;G</b>				
	Non-Contract Labor				
	Contract Labor				
	Wages & Salaries	110,491	0.5%	3.0	Lowered Wages & Salaries from \$19.8 to \$16.8, closer in-line with SHG-managed comps
	PTEB	48,462	0.2%	1.3	Adj. PTEB from 35.0% to 32.5% based on SHG's benefit plan
	Corporate Office Reimbursables	28,645	0.1%	0.8	Lowered Corporate Office Reimbursables from \$0.8 to \$0.0, closer in-line with SHG-managed comps
	HUMAN RESOURCES	24,634	0.1%	0.7	Lowered HUMAN RESOURCES from \$0.9 to \$0.1, closer in-line with SHG-managed comps
	PAYROLL PROCESSING FEE	43,450	0.2%	1.2	Lowered PAYROLL PROCESSING FEE from \$2.3 to \$1.2, closer in-line with SHG-managed comps
	SHG Accounting Fee	-54,000	-0.3%	-1.5	SHG Accounting fee
	<b>A&amp;G Total</b>	<b>201,682</b>	<b>1.0%</b>	<b>5.4</b>	
<b>D</b>	<b>S&amp;M</b>				
	Non-Contract Labor				
	Contract Labor				
	Wages & Salaries	-167,905	-0.8%	-4.5	Increased Wages & Salaries due to current open position and revenue manager
	PTEB	-29,043	-0.1%	-0.8	Adj. PTEB from 38.2% to 32.5% based on SHG's benefit plan
	Corporate Office Reimbursables	8,833	0.0%	0.2	Lowered Corporate Office Reimbursables from \$0.2 to \$0.0, closer in-line with SHG-managed comps
	<b>S&amp;M Total</b>	<b>-188,115</b>	<b>-0.9%</b>	<b>-5.1</b>	
<b>E</b>	<b>IT</b>				
	Contract Services	26,945	0.1%	0.7	Reduced contract services expenses pending further diligence
	<b>IT Total</b>	<b>26,945</b>	<b>0.1%</b>	<b>0.7</b>	
<b>F</b>	<b>Spa</b>				
	PTEB	44,331	0.2%	1.2	Adj. PTEB from 59.9% to 32.5% based on SHG's benefit plan
	<b>Spa Total</b>	<b>44,331</b>	<b>0.2%</b>	<b>1.2</b>	
<b>G</b>	<b>RM</b>				
	Non-Contract Labor				
	Contract Labor				
	Wages & Salaries	-19,261	-0.1%	-0.5	Lowered Wages & Salaries from \$7.1 to \$7.6, closer in-line with SHG-managed comps
	PTEB	9,691	0.0%	0.3	Adj. PTEB from 38.6% to 32.5% based on SHG's benefit plan
	<b>RM Total</b>	<b>-9,569</b>	<b>0.0%</b>	<b>-0.3</b>	
	<b>Total Expense Savings</b>	<b>\$848,857</b>	<b>4.1%</b>	<b>\$22.9</b>	

Ace Expense Savings Summary			
Summary of Expense Savings			
Expense Saving	(\$)	% of Rev	% of Total
PTEB	490,292	2.4%	57.8%
Wages & Salaries	123,114	0.6%	14.5%
F&B Cost of Sales	115,379	0.6%	13.6%
Payroll Processing Fee	43,450	0.2%	5.1%
SHG Accounting Fee	(54,000)	(0.3%)	(6.4%)
Other	\$130,622	0.6%	15.4%
<b>Total</b>	<b>\$848,857</b>	<b>4.1%</b>	<b>100.0%</b>

SHG is projecting \$849k / 4.1% GOP margin of expense savings driven largely by:

- PTEB Savings of \$490k / 57.8% of total
- Wages & Salary Reductions of \$123k / 14.5% of total savings (note Wage & Salary reductions would have been \$310k if not for open positions in S&M currently / the addition of a revenue manager on-property – which SHG believes would have true ROI)
- F&B CoS decreases of \$115k / 13.6% of total

Note: SHG is also u/w a reduction in cc commissions expense of 3.8% TTM 6/24 back down to historical levels experienced in '22A of 3.4% (conservative, as still higher vs. 3.0% expense incurred in '18A and '19A).

# BASE CASE - ROOM LABOR BUILD-UP

Schulte completed a ground-up rooms labor build, which utilizes wages as per the current employee roster and overall Palm Springs market wages where relevant. Overall, Schulte identified \$355k (\$9.6 POR; 171 bps) of savings.

**A Wages and Salaries:** Schulte is underwriting \$200k / \$5.4 POR of wages and salary reductions driven by (i) the reduction of reservations staff in the rooms department, (ii) replacing an existing salaried AFOM with an hourly Housekeeping Supervisor, and (iii) reducing the current number of public area attendant shifts from 25 to 21 weekly

**B PTEB:** Additionally, Schulte has found an additional \$155k / \$4.2 POR of PTEB savings from switching the current Ace benefit plan with the Schulte plan

## Ace Hotel Palm Springs – Rooms Labor Build

Rooms Department	Schulte Underwriting			Savings to TTM 6/24
	U/W	%	POR	
Front Office Manager	71,126	0.3%	\$1.92	
Guest Service Representative	116,480	0.6%	\$3.15	
Auditor	66,976	0.3%	\$1.81	
Front Office Supervisor	43,600	0.2%	\$1.18	
Public Areas Attendant	177,348	0.9%	\$4.79	
Bonus - Rooms	17,440	0.1%	\$0.47	
<b>Total Rooms</b>	<b>\$492,969</b>	<b>2.4%</b>	<b>\$13.31</b>	
				Savings to TTM 6/24
Housekeeping	U/W	%	POR	
Contract Labor Rm Attendant	26,332	0.1%	\$0.71	
Room Attendant	342,730	1.6%	\$9.25	
Rooms Inspector	45,760	0.2%	\$1.24	
Houseman	65,761	0.3%	\$1.78	
Housekeeping Manager	68,390	0.3%	\$1.85	
<b>Total Housekeeping</b>	<b>\$548,973</b>	<b>2.6%</b>	<b>\$14.82</b>	
<b>Total Rooms Labor</b>	<b>\$1,041,943</b>	<b>5.0%</b>	<b>\$28.13</b>	<b>(\$199,789)</b>
Total Rooms Labor (Ex. Contract)	\$1,015,611			(\$210,081)
				Savings to TTM 6/24
Total Rooms Benefits	U/W	%	POR	
<b>Total Rooms Benefits</b>	<b>\$330,074</b>	<b>32.5%</b>	<b>\$8.91</b>	<b>(\$155,108)</b>
<b>Total Rooms Labor and PTEB</b>	<b>\$1,372,016</b>	<b>6.6%</b>	<b>\$37.05</b>	<b>(\$354,898)</b>
POR	\$37.0			(\$9.6)
% of Revenue	6.6%			(1.71%)

Driver	U/W Assumptions						Explanation
	Salaried		General Hourly		Rooms Hourly		
	# of Employ.	Avg. Salary	Rate (\$/hr)	Total Hrs per Week	Rate (\$/hr)	Minutes per Room	
Salaried	1.0	\$71,126					Front Office Manager (in-line with current staffing)
Gen Hrly			\$20.00	112			14 shifts week of GSR (in-line with current staffing)
Gen Hrly			\$23.00	56			1x Night Auditor 7x a week (in-line with current staffing)
Gen Hrly			\$20.96	40			Replaced existing salaried AFOM (\$67k) with hourly supervisor (wages in-line with Palm Springs market)
Gen Hrly			\$20.30	168			Public Area Attendant 3 shifts / 7x a week (21 shifts per week; slight reduction from current 25 shifts)
Salaried	1.0	\$17,440					12.5% bonus on FOM and Housekeeping Manager
Driver	# of Employ.	Avg. Salary	Rate (\$/hr)	Total Hrs per Week	Rate (\$/hr)	Minutes per Room	Explanation
Rms Hrly					\$27.37	1.6	Assumed 28 MPOR
Rms Hrly					\$21.00	26.4	Assumed 28 MPOR
Gen Hrly			\$22.00	40			In-line with current staffing
Gen Hrly			\$19.76	64			In-line with current staffing
Salaried	1.0	\$68,390					Housekeeping Manager (in-line with current staffing)
Driver	# of Employ.	Avg. Salary	Rate (\$/hr)	Total Hrs per Week	Rate (\$/hr)	Minutes per Room	Explanation

SHG is projecting \$355k of Rooms Dept. Savings largely from PTEB savings (\$155k), the removal of reservations staff (\$85k excluding bonuses), and more efficient public area attendant staffing (\$34k)

# BASE CASE - UNDISTRIBUTED EXPENSE LABOR BUILD-UP

Schulte completed a ground-up labor build for the A&G, S&M, and R&M departments.

- A A&G:** Schulte is underwriting cost-savings of **\$159k (\$110k of wages / \$48k PTEB) / 76 bps** vs. the TTM 6/24 P&L driven by reductions in the hotel's A&G department (Schulte is retaining the hotel's Director of Finance, but removing the accounting clerks) – which SHG believes is currently over-staffed
- B S&M:** SHG is underwriting a cost-increase of **\$197k (\$168k of wages + \$29k of PTEB) / 95 bps** vs. the TTM 6/24 P&L, primarily due to an open sales manager role, the addition of a revenue manager and an accounting induced ~\$50k addition due to a negative S&M bonus accrual in the YTD S&M P&L – which SHG is not considering in our staffing build
- C R&M:** In-line with current staffing (slight mismatch in overall expenses due to comparing current wage rates with historical TTM wages)

## Ace Hotel Palm Springs – Undistributed Build

	Schulte Underwriting				U/W Assumptions					
	U/W	%	POR	Savings to TTM 6/24	Salaried		Hourly			
					Driver	# of Employees	Avg. Salary	Rate (\$/hr)	Total Hrs per Week	Explanation
<b>A Administrative &amp; General</b>										
General Manager	216,300	1.0%	\$5.84		Salaried	1.0	\$216,300			General Manager (in-line with current staffing)
Human Resources Manager	121,797	0.6%	\$3.29		Salaried	1.0	\$121,797			Human Resources Manager (in-line with current staffing)
Director Of Finance	132,500	0.6%	\$3.58		Salaried	1.0	\$132,500			Director of Finance (in-line with current staffing)
Security	93,018	0.4%	\$2.51		Hourly			\$22.36	80	In-line with current staffing
Bonus	58,825	0.3%	\$1.59		Salaried	1.0	\$58,825			
<b>Total A&amp;G Payroll</b>	<b>\$622,439</b>	<b>3.0%</b>	<b>\$16.81</b>	<b>(110,491)</b>						
<i>Total A&amp;G Labor (Ex. Contract)</i>	<i>\$622,439</i>									
<b>Total A&amp;G Benefits</b>	<b>\$202,293</b>	<b>32.5%</b>	<b>\$5.46</b>	<b>(48,462)</b>						
<b>B Sales &amp; Marketing</b>										
Director Of Sales	133,766	0.6%	\$3.61		Salaried	1.0	\$133,766			Director of Sales (in-line with current staffing)
Sales Manager	160,788	0.8%	\$4.34		Salaried	2.0	\$80,394			2x Sales Manager at Current Salary; accounts for current sales manager - group position (assumes group sales manager is paid current sales and business development manager salary)
Catering Manager	95,040	0.5%	\$2.57		Salaried	1.0	\$95,040			Catering Manager (in-line with current staffing)
Sales Assistant	24,960	0.1%	\$0.67		Hourly			\$20.00	24	Sales Assistant (in-line with current staffing)
Revenue Manager	100,100	0.5%	\$2.70		Salaried	1.0	\$100,100			Revenue Manager (in-line with Palm Springs wages)
Marketing Manager	77,126	0.4%	\$2.08		Salaried	1.0	\$77,126			Community & Marketing Manager at Current Salary (outsourced per staffing roster received)
Incentives	60,803	0.3%	\$1.64		Salaried	1.0	\$60,803			
<b>Total S&amp;M Payroll</b>	<b>\$652,583</b>	<b>3.1%</b>	<b>\$17.62</b>	<b>\$167,905</b>						
<i>Total S&amp;M Labor (Ex. Contract)</i>	<i>\$652,583</i>									
<b>Total S&amp;M Benefits</b>	<b>\$212,090</b>	<b>32.5%</b>	<b>\$5.73</b>	<b>29,043</b>						
<b>C Repairs &amp; Maintenance</b>										
Chief Engineer	\$86,700	0.4%	\$2.34		Salaried	1.0	\$86,700			Chief Engineer (in-line with current staffing)
Maintenance Engineer	\$183,040	0.9%	\$4.94		Hourly			\$22.00	160	Maintenance Engineers (in-line with current staffing)
Incentives	\$10,838	0.1%	\$0.29		Salaried	1.0	\$10,838			
<b>Total R&amp;M Payroll</b>	<b>\$280,578</b>	<b>1.3%</b>	<b>\$7.58</b>	<b>\$19,261</b>						
<i>Total R&amp;M Labor (Ex. Contract)</i>	<i>\$280,578</i>									
<b>Total R&amp;M Benefits</b>	<b>\$91,188</b>	<b>32.5%</b>	<b>\$2.46</b>	<b>(9,691)</b>						
<b>Total Undistributed Payroll</b>	<b>\$1,555,600</b>	<b>7.5%</b>	<b>42.00</b>	<b>\$76,675</b>						
<b>Total Benefits</b>	<b>\$505,570</b>	<b>2.4%</b>	<b>13.65</b>	<b>(\$29,111)</b>						
<b>Total Undistributed Payroll and PTEB</b>	<b>\$2,061,170</b>	<b>9.9%</b>	<b>55.66</b>	<b>\$47,564</b>						

SHG is underwriting overall **\$48k** of savings in undistributeds driven by:

- A&G:** Retaining Director of Finance and removing accounting clerks
- S&M:** A&G / other PTEB savings offset by addition of one sales manager (current open position), and an on-site revenue manager – which SHG believes will have ROI
- R&M:** Expenses in-line with existing wages (some delta due to comparing current wages with a TTM P&L)

Note: SHG believes there are additional expense savings opportunities that could be generated through a more detailed review of annual security schedules, IT spend, and overall media spend in the S&M department.

## ADDITIONAL AREAS OF POTENTIAL EXPENSE SAVINGS

*While not modeled, Schulte believes that there may be additional expense savings that could be generated through a detailed review of the following line-items.*

### Additional Expense Savings Opportunities – Pending Diligence

- A** **S&M:** There are currently high levels of non-labor spend in a few line items including (i) Media - **\$287k**, (ii) Dues and Subscriptions - **\$62k** (iii) Website - **\$31k**, (iv) Photography - **\$27k**, and Agency Fees (**\$59k**) – combined **\$466k** – which SHG believes is excessive and pending a more detailed review of the hotel’s current marketing strategies could yield expense savings
- B** **Meals (PTEB):** Additional savings of **~\$34k** by cutting down three meal periods to two meals
- C** **IT:** The asset’s IT expense of **\$374k** seems high and there are a number of line items – for which expenses are hard to gauge – e.g. rooms IT expense of **\$96k** / S&M IT expense of **\$76k** / A&G IT expense of **\$37k**. SHG has removed **\$27k** of cost from the IT department by cutting existing contract services expenses by **~50.0%** - but believes there could be further room to reduce expenses pending a detailed review of the asset’s current tech stack
- D** **Potential Ace Corporate Costs:** Note: SHG has removed line items labeled as corporate reimbursables in the P&L (combined **\$37k** in the TTM 6/24 P&L). We believe that there is likely more hidden Ace-related expenses in marketing, media and IT that would go away under SHG management but we have not aggressively modeled these
- E** **Commissions:** SHG believes there are also opportunities to save on the current commissions expenses being incurred in the P&L through a mix shift in the segmentation and would seek to drive additional savings by shifting more business towards direct channels and away from OTAs

# SHG EXPENSE SAVINGS COMPS

*Schulte operates several boutique and lifestyle assets that generate high RevPARs, lower F&B expense margins vs. the ACE, and also high GOP margins.*

**Ace Palm Springs TTM 6/24 and TTM 6/24 Adj. vs SHG Comps**

	Ace Hotel & Swim Club Palm Springs						SHG B&L Comp 1			SHG B&L Comp 2			SHG B&L Comp 3			SHG B&L Comp 4			SHG B&L Comp 5			SHG B&L Comp 6			SHG B&L Comp 7			
	TTM 6/24			TTM 6/24 Schulte Pro Forma			2024AF																					
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	
Keys	179			179			466			207			275			216			182			175			136			
Rooms Available	65,514			65,514			170,556			75,762			100,650			79,056			66,612			64,050			49,776			
Occupied Rooms	37,034			38,971			127,785			57,258			63,903			55,341			54,525			54,888			34,260			
Occupancy %	56.5%			59.5%			74.9%			75.6%			63.5%			70.0%			81.9%			85.7%			68.8%			
ADR	\$271.7			\$304.8			\$209.0			\$330.3			\$200.0			\$203.4			\$305.5			\$319.7			\$274.5			
<b>RevPAR</b>	<b>\$153.6</b>			<b>\$181.3</b>			<b>\$156.6</b>			<b>\$249.7</b>			<b>\$127.0</b>			<b>\$142.4</b>			<b>\$250.0</b>			<b>\$274.0</b>			<b>\$188.9</b>			
<b>Revenue</b>																												
Rooms Revenue	\$10,063	48.4%	\$271.7	\$11,878	47.1%	\$304.8	\$26,703	63.1%	\$209.0	\$18,914	81.1%	\$330.3	\$12,783	61.1%	\$200.0	\$11,258	58.6%	\$203.4	\$16,656	91.0%	\$305.5	\$17,548	96.1%	\$319.7	\$9,405	81.3%	\$274.5	
F&B Revenue	8,371	40.3%	226.0	10,795	42.8%	277.0	12,601	29.8%	98.6	2,588	11.1%	45.2	7,343	35.1%	114.9	6,800	35.4%	122.9	563	3.1%	10.3	495	2.7%	9.0	1,962	17.0%	57.3	
Parking Revenue							1,891	4.5%	14.8	745	3.2%	13.0	615	2.9%	9.6	797	4.1%	14.4	626	3.4%	11.5							
Resort Fee	1,352	6.5%	36.5	1,423	5.6%	36.5				27	0.1%	0.5	26	0.1%	0.4	23	0.1%	0.4							25	0.2%	0.7	
Spa / Retail Revenue	698	3.4%	18.9	809	3.2%	20.7	481	1.1%	3.8																			
Swim Club Revenue	173	0.8%	4.7	182	0.7%	4.7																						
Other/Misc Revenue	125	0.6%	3.4	132	0.5%	3.4	614	1.5%	4.8	1,034	4.4%	18.1	145	0.7%	2.3	337	1.8%	6.1	450	2.5%	8.3	226	1.2%	4.1	181	1.6%	5.3	
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$25,218</b>	<b>100.0%</b>	<b>\$647.1</b>	<b>\$42,290</b>	<b>100.0%</b>	<b>\$331.0</b>	<b>\$23,308</b>	<b>100.0%</b>	<b>\$407.1</b>	<b>\$20,912</b>	<b>100.0%</b>	<b>\$327.2</b>	<b>\$19,215</b>	<b>100.0%</b>	<b>\$347.2</b>	<b>\$18,295</b>	<b>100.0%</b>	<b>\$335.5</b>	<b>\$18,270</b>	<b>100.0%</b>	<b>\$332.9</b>	<b>\$11,573</b>	<b>100.0%</b>	<b>\$337.8</b>	
<b>Departmental Expenses</b>																												
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,312	19.5%	\$59.3	\$5,647	21.1%	\$44.2	\$3,064	16.2%	\$53.5	\$2,999	23.5%	\$46.9	\$2,719	24.2%	\$49.1	\$3,695	22.2%	\$67.8	\$3,728	21.2%	\$67.9	\$1,699	18.1%	\$49.6	
<b>F&amp;B Expense</b>	<b>6,026</b>	<b>72.0%</b>	<b>162.7</b>	<b>7,285</b>	<b>67.5%</b>	<b>186.9</b>	<b>7,653</b>	<b>60.7%</b>	<b>59.9</b>	<b>1,925</b>	<b>74.4%</b>	<b>33.6</b>	<b>4,367</b>	<b>59.5%</b>	<b>68.3</b>	<b>3,692</b>	<b>54.3%</b>	<b>66.7</b>	<b>75</b>	<b>13.4%</b>	<b>1.4</b>	<b>71</b>	<b>14.3%</b>	<b>1.3</b>	<b>1,252</b>	<b>63.8%</b>	<b>36.6</b>	
Parking Expense							1,249	66.0%	9.8	530	71.2%	9.3	427	69.4%	6.7	284	35.6%	5.1	445	71.1%	8.2							
Spa / Retail Expense	568	81.3%	15.3	606	74.9%	15.5	435	90.5%	3.4																			
Other/Misc Expense	86	68.3%	2.3	90	68.3%	2.3	75	12.2%	0.6	(8)	(0.8%)	(0.1)	(18)	(12.3%)	(0.3)	(18)	(5.2%)	(0.3)	45	9.9%	0.8	44	19.4%	0.8	(13)	(7.3%)	(0.4)	
<b>Total Department Expenses</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$10,292</b>	<b>40.8%</b>	<b>\$264.1</b>	<b>\$15,058</b>	<b>35.6%</b>	<b>\$117.8</b>	<b>\$5,511</b>	<b>23.6%</b>	<b>\$96.2</b>	<b>\$7,775</b>	<b>37.2%</b>	<b>\$121.7</b>	<b>\$6,677</b>	<b>34.7%</b>	<b>\$120.7</b>	<b>\$4,260</b>	<b>23.3%</b>	<b>\$78.1</b>	<b>\$3,843</b>	<b>21.0%</b>	<b>\$70.0</b>	<b>\$2,938</b>	<b>25.4%</b>	<b>\$85.7</b>	
<b>Gross Operating Income</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$14,926</b>	<b>59.2%</b>	<b>\$383.0</b>	<b>\$27,232</b>	<b>64.4%</b>	<b>\$213.1</b>	<b>\$17,797</b>	<b>76.4%</b>	<b>\$310.8</b>	<b>\$13,138</b>	<b>62.8%</b>	<b>\$205.6</b>	<b>\$12,538</b>	<b>65.3%</b>	<b>\$226.6</b>	<b>\$14,035</b>	<b>76.7%</b>	<b>\$257.4</b>	<b>\$14,427</b>	<b>79.0%</b>	<b>\$262.8</b>	<b>\$8,635</b>	<b>74.6%</b>	<b>\$252.1</b>	
<b>Undist. Expenses</b>																												
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	4.1%	\$26.8	\$2,221	5.3%	\$17.4	\$828	3.6%	\$14.5	\$1,081	5.2%	\$16.9	\$649	3.4%	\$11.7	\$971	5.3%	\$17.8	\$1,102	6.0%	\$20.1	\$441	3.8%	\$12.9	
Credit Card Commissions	790	3.8%	21.3	859	3.4%	22.0	1,004	2.4%	7.9	761	3.3%	13.3	523	2.5%	8.2	450	2.3%	8.1	598	3.3%	11.0	649	3.6%	11.8	366	3.2%	10.7	
Info & Telecommunications	374	1.8%	10.1	347	1.4%	8.9	506	1.2%	4.0	279	1.2%	4.9	326	1.6%	5.1	267	1.4%	4.8	319	1.7%	5.9	231	1.3%	4.2	223	1.9%	6.5	
Sales & Marketing	1,230	5.9%	33.2	1,418	5.6%	36.4	2,488	5.9%	19.5	1,129	4.8%	19.7	1,307	6.3%	20.5	1,186	6.2%	21.4	1,097	6.0%	20.1	1,154	6.3%	21.0	622	5.4%	18.2	
Franchise Fees	416	4.1%	11.2	491	4.1%	12.6	2,761	10.3%	21.6	1,008	5.3%	17.6	757	5.9%	11.8	691	6.1%	12.5	732	4.4%	13.4	723	4.1%	13.2	490	5.2%	14.3	
Repairs & Maintenance	845	4.1%	22.8	854	3.4%	21.9	1,226	2.9%	9.6	686	2.9%	12.0	572	2.7%	9.0	546	2.8%	9.9	943	5.2%	17.3	821	4.5%	15.0	322	2.8%	9.4	
Utilities	571	2.7%	15.4	601	2.4%	15.4	1,507	3.6%	11.8	372	1.6%	6.5	504	2.4%	7.9	515	2.7%	9.3	446	2.4%	8.2	653	3.6%	11.9	218	1.9%	6.4	
<b>Total Undist. Expenses</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$5,614</b>	<b>22.3%</b>	<b>\$144.1</b>	<b>\$11,713</b>	<b>27.7%</b>	<b>\$91.7</b>	<b>\$5,062</b>	<b>21.7%</b>	<b>\$88.4</b>	<b>\$5,070</b>	<b>24.2%</b>	<b>\$79.3</b>	<b>\$4,305</b>	<b>22.4%</b>	<b>\$77.8</b>	<b>\$5,105</b>	<b>27.9%</b>	<b>\$93.6</b>	<b>\$5,334</b>	<b>29.2%</b>	<b>\$97.2</b>	<b>\$2,682</b>	<b>23.2%</b>	<b>\$78.3</b>	
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,311</b>	<b>36.9%</b>	<b>\$238.9</b>	<b>\$15,519</b>	<b>36.7%</b>	<b>\$121.4</b>	<b>\$12,735</b>	<b>54.6%</b>	<b>\$222.4</b>	<b>\$8,068</b>	<b>38.6%</b>	<b>\$126.2</b>	<b>\$8,232</b>	<b>42.8%</b>	<b>\$148.8</b>	<b>\$8,930</b>	<b>48.8%</b>	<b>\$163.8</b>	<b>\$9,093</b>	<b>49.8%</b>	<b>\$165.7</b>	<b>\$5,953</b>	<b>51.4%</b>	<b>\$173.8</b>	

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# PTEB ANALYSIS



# SHG PTEB ASSUMPTIONS

*Overall, after applying Schulte's total benefit package, we are UW total PTEB % of payroll of 32.5%, compared to 40.2% as of 2023. This implies theoretical savings of \$454k (200 bps of GOP) on 2023 staffing levels.*

- Given Schulte's size, scale, and wide-range of benefit plan options for our employees, we are able to keep costs low for both employers and employees. Across Schulte's portfolio the average PTEB % of payroll is **25%**, compared to Ace at **40%**. Ace's size and geographic locations would prohibit them from being competitive relative to Schulte's diverse employee base
- Based on the information we have received, Ace has **\$629k** of total benefit costs across **50 FTEs – \$12.6k benefit costs / employee**. Schulte's average benefit costs / employee is **\$7.7k**. Applying this **\$7.7k** to the **50 FTEs** with insurance and conservatively adding a **15%** premium would total **\$441k, or \$189k of benefit savings on the current employee base**
- Schulte believes this assumption is conservative, see some additional context below:
  - In addition to PPO / HMO plans, Schulte also offers MEC (minimum employee contribution) plans, which many other operators do not offer. These plans are low cost for both employee / employer – across our portfolio the average employer cost is **\$1.5k / employee, compared to \$7.7k benefit cost / employee for our standard plans**. On average, **25%** of employees select MEC plans across SHG's portfolio. If we applied the MEC average cost / employee to **25%** of FTEs enrolled in plans, the total average benefit cost / employee would be **\$6.1k, saving an additional-\$100k**
  - Across SHG's portfolio, on average **34%** of employees enroll in our benefit plans (**26% standard plan / 8% MEC plan**). Ace currently has nearly **2x (63%)** enrollment in their medical plans
  - Schulte is applying a **15%** premium to the benefit cost / FTE because we do not have visibility into the employee / employer costs split. Schulte's plan is **67% employer / 33% employee**. Given the difficult labor market, we're adding the premium to ensure there is no large increase in cost to the employee and thus causing turnover
- Schulte's Worker's Comp plan has an average of **\$3 / \$100 of wages. \$5.9m** in 2023 wages at this rate totals to **\$177k vs. \$277k** currently
- We're applying Schulte's average PTO and supplemental pay as % of payroll for our CA comp assets. This totals to **6.5% vs. 9.4%** currently.
- Schulte is assuming that total payroll taxes stay equal to 2023 levels at **12.3% of wages**. SHG'S CA payroll costs are **9.0%** of wages – this is a large delta that should be explored further
- Schulte is assuming Employee meal costs remain the same. However, we may recommend a potential to reduce this to **two meal periods**, which would save an additional **\$34k** (unmodeled)

ACE PTEB Savings	
ACE Benefit Cost Analysis	
Ace Total Benefit Costs	629,152
FTEs w/ Benefits	50
<b>Benefit Cost / FTE</b>	<b>12,583</b>
SHG Benefit Cost / FTE	7,661
Benefit Cost w/ SHG Costs	383,038
<b>Premium Added</b>	<b>15.0%</b>
<b>Total Benefit Costs</b>	<b>440,493</b>
<b>Savings w/ Current Staffing</b>	<b>188,659</b>

# SHG PTEB ASSUMPTIONS (Cont.)

- As seen below, Schulte's same store California comps have an average PTEB % of payroll of **28.3%**, with the highest being **32.3%** - compared to Ace at **40.2%**
- After applying Schulte's per employee benefit costs, worker's comp plan, and PTO plan, Schulte has identified **\$454k (200 bps of GOP)** of total PTEB savings, based on the 2023 staffing. This equates to **32.5%** of payroll costs, which is at the high-end of SHG's California comps.
- Schulte believes these assumptions are conservative and that there are likely to be additional savings found.

## ACE Palm Springs and Beach Club - PTEB Summary - '23A

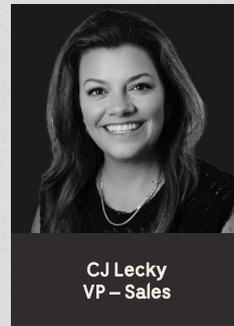
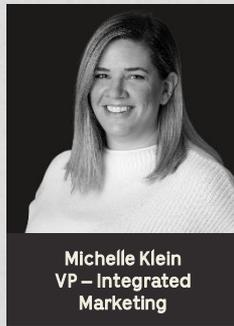
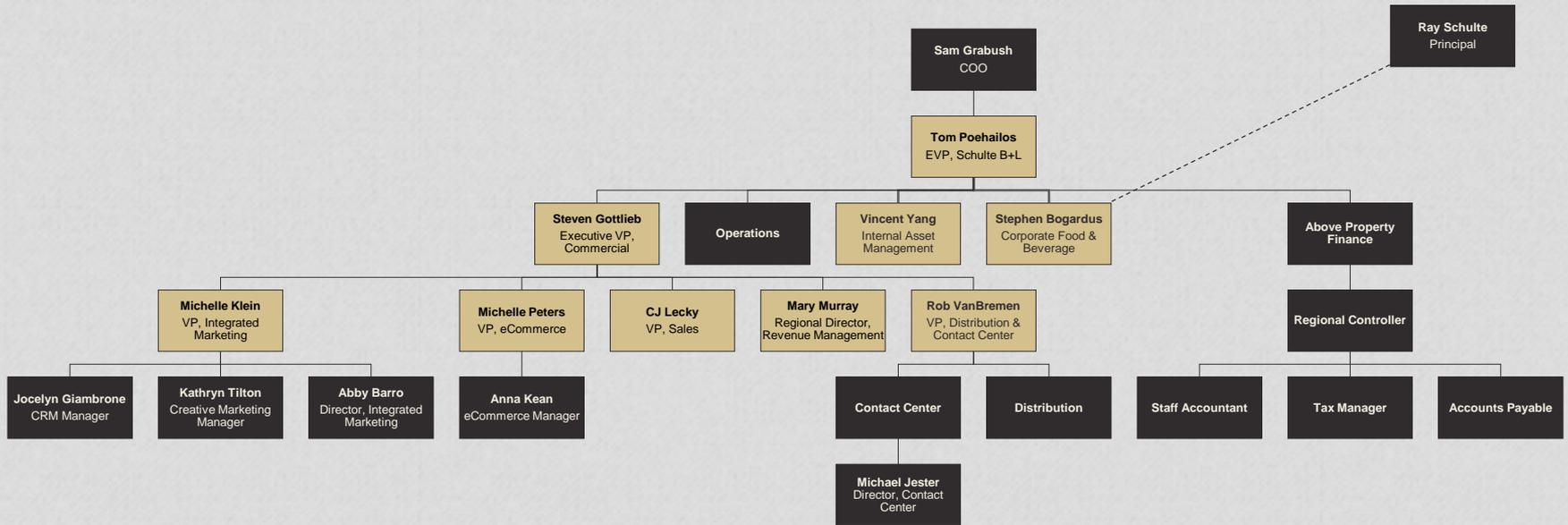
	2023A \$				24AF						
	Actual		SHG Adj.		Graduate			Total			
	\$	% PTEB	\$	% PTEB	Berkeley	Palo Alto	HWS Napa Valley	San Bernardino	SBS Napa Valley	\$	% PTEB
<b>Total Wages</b>	<b>6,025,701</b>		<b>6,025,701</b>								
<b>Total Wages Ex. Contract</b>	<b>5,907,979</b>		<b>5,907,979</b>		<b>2,158,990</b>	<b>2,774,669</b>	<b>844,115</b>	<b>936,723</b>	<b>836,044</b>	<b>7,550,541</b>	
<b>Payroll Taxes</b>											
National Retirement Contribution	519,245	8.8%	519,245	8.8%							
National Medical Insurance	122,368	2.1%	122,368	2.1%							
National Unemployment Insurance	20,302	0.3%	20,302	0.3%							
State Disability Insurance	2,016	0.0%	2,016	0.0%							
State Unemployment Insurance	55,260	0.9%	55,260	0.9%							
<b>Total Payroll Taxes</b>	<b>719,191</b>	<b>12.2%</b>	<b>719,191</b>	<b>12.2%</b>	<b>188,253</b>	<b>251,697</b>	<b>75,888</b>	<b>88,382</b>	<b>79,066</b>	<b>683,286</b>	<b>9.0%</b>
<b>Employee Benefits</b>											
401k	81,624	1.4%	81,624	1.4%	35,342	52,243				87,585	1.2%
Dental Insurance	9,778	0.2%	9,778	0.2%							
Meals	101,830	1.7%	101,830	1.7%							
Nonunion Insurance	629,152	10.6%	440,493	7.5%	83,212	102,791	49,537	41,347	23,623	300,510	4.0%
Workers' Compensation	276,739	4.7%	180,000	3.0%	117,315	263,488	64,304	70,308	60,035	575,450	7.6%
<b>Total Employee Benefits</b>	<b>1,099,123</b>	<b>18.6%</b>	<b>813,725</b>	<b>13.8%</b>	<b>235,869</b>	<b>418,522</b>	<b>113,841</b>	<b>111,655</b>	<b>83,658</b>	<b>963,545</b>	<b>12.8%</b>
<b>Supplemental Pay</b>											
Vacation / PTO	372,798	6.3%	300,942	5.1%	126,423	125,283	64,016	33,046	35,843	384,611	5.1%
Personal	5,286	0.1%	-	0.0%							
Holiday	156,934	2.7%	-	0.0%							
Sick	5,990	0.1%	-	0.0%							
Severance	13,811	0.2%	-	0.0%							
Other Supplemental Pay		0.0%	85,101	1.4%	31,266	45,286	19,229	7,519	5,461	108,761	1.4%
<b>Supplemental Pay</b>	<b>554,819</b>	<b>9.4%</b>	<b>386,043</b>	<b>6.5%</b>	<b>157,689</b>	<b>170,569</b>	<b>83,245</b>	<b>40,565</b>	<b>41,304</b>	<b>493,372</b>	<b>6.5%</b>
<b>Total Payroll Related</b>	<b>2,373,133</b>	<b>40.2%</b>	<b>1,918,959</b>	<b>32.5%</b>	<b>581,811</b>	<b>840,788</b>	<b>272,974</b>	<b>240,602</b>	<b>204,028</b>	<b>2,140,203</b>	<b>28.3%</b>
<b>Savings</b>			<b>454,174</b>								
<b>% of Total Wages Ex. Contract</b>	<b>40.2%</b>		<b>32.5%</b>		<b>26.9%</b>	<b>30.3%</b>	<b>32.3%</b>	<b>25.7%</b>	<b>24.4%</b>	<b>28.3%</b>	

# SCHULTE SUPPORT SERVICES & RELEVANT EXPERIENCE



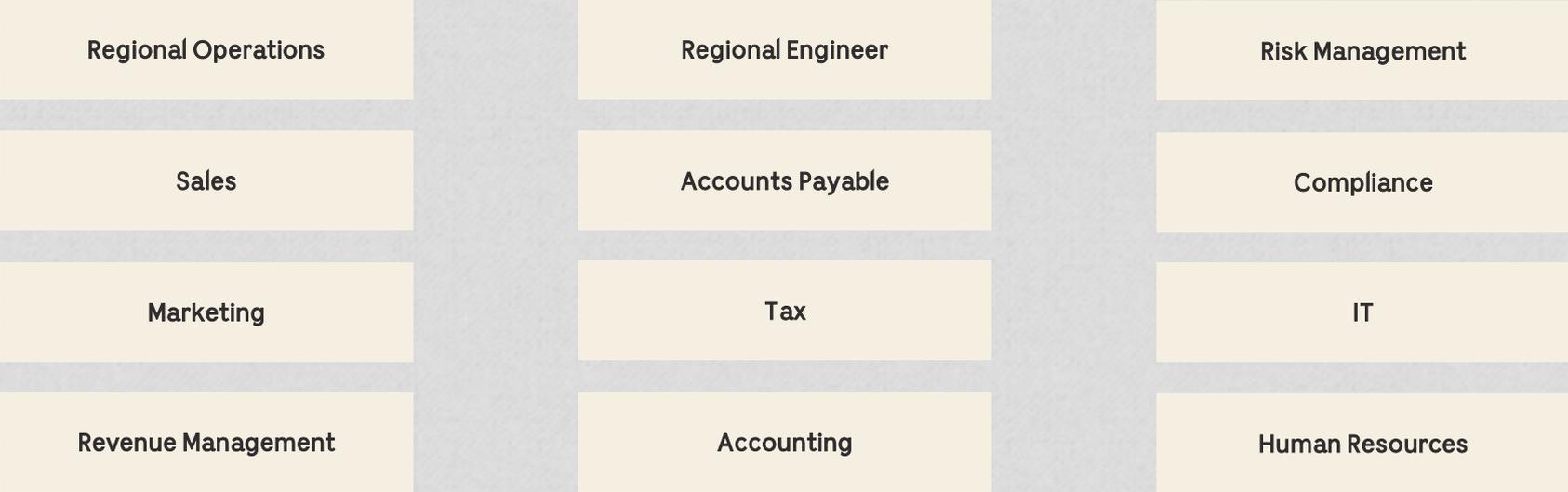
# ACE ABOVE PROPERTY ORG CHART

Below in tan are the individuals who would be directly responsible for the Ace Hotel Palm Springs.



# SHG CORPORATE SUPPORT

The properties would benefit from significant corporate support at Schulte’s corporate HQ, which would not be billed back to the property level. Schulte employs over 250 corporate associates at its headquarters across a number of operational, construction, and acquisition-related departments.



**Schulte generates significant cost-savings for its managed hotels through its comprehensive corporate headquarters operations and centralized services model.**

# SHG CENTRALIZED SERVICES

- Schulte has an ownership mentality because we are one. Schulte distinguishes itself from other management companies through a wide array of centralized services offered above property at no additional cost to the client (i.e. accounting, HR, IT, Revenue Management, Sales, etc.), which provides alignment and transparency to ownership
- Minor property-specific corporate reimbursables and systems expenses, outlined below, are billed to the property at cost without a markup from Schulte (i.e. regional travel, accounting systems, etc.)

## SHG Centralized Services

Item	Amount	Description
<b>Revenue Management</b>		- No additional fees are charged for SHG's Revenue Management services
<b>Centralized Marketing Fee</b>		- No additional fees are charged for SHG's Marketing services
<b>Centralized Acct Fee</b>		- No additional fees are charged for SHG's Centralized Acct Fee services
<b>Centralized IT Fee</b>		- No additional fees are charged for SHG's Centralized IT Fee services
<b>HR Recruiting</b>		- No additional fees are charged for SHG's HR Recruiting services
<b>HR Admin</b>		- No additional fees are charged for SHG's HR Admin services
<b>PCI Compliance</b>		- No additional fees are charged for SHG's PCI Compliance services
<b>National or Group Sales</b>		- No additional fees are charged for SHG's Regional Sales services
<b>Chain Services Fee</b>		- No additional fees are charged for SHG's Chain Services Fee services
<b>Risk Management</b>		- No additional fees are charged for SHG's Risk Management services

## SHG ACCOUNTING DEPARTMENT

- Schulte has a robust corporate accounting department with experience working with a variety of institutional ownership groups, including REITs, hedge funds, and private equity funds.
- The majority of the property-level accounting takes place at Schulte's corporate office, allowing the properties to benefit from reduced accounting labor. The cost of Schulte's corporate accounting team is not passed through to the properties, but is included within Schulte's flat Corporate Overhead Fee.
- Each ownership group has specific accounting and reporting requirements and we have the ability to customize our reporting package to fit each ownership group. Schulte's typical accounting reporting package includes the items below, but this can be modified based on the needs of our capital partner.
- The Appendix includes examples of our monthly asset management reports, which are fully customizable to our capital partners needs.

*In addition to the below typical accounting reports, SHG's asset management team produces a robust asset management reporting deck, which are fully customizable for our capital partners' needs.*

### Typical Accounting Reporting Package

- Detailed YTD P&L
- Detailed TTM P&L
- Group Pace
- Balance Sheet
- Trial Balance
- Management Fee Calculation
- Bank Reconciliation
- AP Check Register
- AP Open Item
- AR Report
- FF&E Report
- Summary of reimbursable expenses billed by manager
- General Ledger Details
- Utility Bills and Utility Summary
- Insurance Summary
- Tax Summary
- Form of Certificate for Hotel Operators – if required

# BRAND SCENARIOS



# ACE FRANCHISE – BASE CASE – FIVE YEAR PF

SHG is projecting '26P GOP of \$10.6m as a franchised Ace under SHG management.

- A Actual TTM 6/24:** Actual TTM 6/24 performance
- B Schulte Pro Forma:** Assumes SHG had operated the asset as a franchised hotel over the TTM 6/24 time period
- C Schulte Five-Year Pro Forma:** Schulte five-year pf – which projects forward five-years based on the Schulte pf

	A TTM 6/24			B SHG TTM 6/24 pf			C 2025P			2026P			2027P			2028P			2029P			2030P		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy	56.5%			59.5%			60.0%			64.2%			66.6%			68.3%			70.1%			70.1%		
Average Daily Rate (ADR)	\$271.7			\$304.8			\$295.7			\$317.2			\$326.7			\$333.2			\$339.9			\$346.7		
RevPAR	\$153.6			\$181.3			\$177.5			\$203.6			\$217.5			\$227.7			\$238.3			\$243.0		
<b>Revenue</b>																								
Rooms Revenue	\$10,063	48.4%	\$271.7	\$11,878	47.1%	\$304.8	\$11,594	45.2%	\$295.7	\$13,305	46.3%	\$317.2	\$14,207	46.3%	\$326.7	\$14,918	46.0%	\$333.2	\$15,567	45.8%	\$339.9	\$15,879	45.5%	\$346.7
F&B Revenue	8,371	40.3%	226.0	10,795	42.8%	277.0	11,353	44.3%	289.6	12,511	43.5%	298.2	13,360	43.5%	307.2	14,165	43.7%	316.4	14,927	43.9%	325.9	15,375	44.1%	335.7
Resort Fee	1,352	6.5%	36.5	1,423	5.6%	36.5	1,496	5.8%	38.2	1,649	5.7%	39.3	1,761	5.7%	40.5	1,867	5.8%	41.7	1,968	5.8%	43.0	2,027	5.8%	44.2
Spa / Retail Revenue	698	3.4%	18.9	809	3.2%	20.7	850	3.3%	21.7	937	3.3%	22.3	1,001	3.3%	23.0	1,061	3.3%	23.7	1,118	3.3%	24.4	1,152	3.3%	25.1
Swim Club Revenue	173	0.8%	4.7	182	0.7%	4.7	191	0.7%	4.9	211	0.7%	5.0	225	0.7%	5.2	239	0.7%	5.3	252	0.7%	5.5	259	0.7%	5.7
Other/Misc Revenue	125	0.6%	3.4	132	0.5%	3.4	139	0.5%	3.5	153	0.5%	3.6	163	0.5%	3.8	173	0.5%	3.9	182	0.5%	4.0	188	0.5%	4.1
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$25,218</b>	<b>100.0%</b>	<b>\$647.1</b>	<b>\$25,624</b>	<b>100.0%</b>	<b>\$653.5</b>	<b>\$28,765</b>	<b>100.0%</b>	<b>\$685.7</b>	<b>\$30,717</b>	<b>100.0%</b>	<b>\$706.3</b>	<b>\$32,423</b>	<b>100.0%</b>	<b>\$724.2</b>	<b>\$34,014</b>	<b>100.0%</b>	<b>\$742.6</b>	<b>\$34,879</b>	<b>100.0%</b>	<b>\$761.5</b>
<b>Departmental Expenses</b>																								
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,312	19.5%	\$59.3	\$2,449	21.1%	\$62.5	\$2,712	20.4%	\$64.7	\$2,910	20.5%	\$66.9	\$3,101	20.8%	\$69.3	\$3,283	21.1%	\$71.7	\$3,398	21.4%	\$74.2
F&B Expense	6,026	72.0%	162.7	7,285	67.5%	186.9	7,661	67.5%	195.4	8,443	67.5%	201.3	9,015	67.5%	207.3	9,559	67.5%	213.5	10,073	67.5%	219.9	10,375	67.5%	226.5
Spa / Retail Expense	568	81.3%	15.3	606	74.9%	15.5	637	74.9%	16.2	702	74.9%	17.2	750	74.9%	17.2	795	74.9%	17.8	837	74.9%	18.3	863	74.9%	18.8
Other/Misc Expense	86	68.3%	2.3	90	68.3%	2.3	95	68.3%	2.4	104	68.3%	2.5	111	68.3%	2.6	118	68.3%	2.6	125	68.3%	2.7	128	68.3%	2.8
<b>Total Departmental Exp</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$10,292</b>	<b>40.8%</b>	<b>\$264.1</b>	<b>\$10,842</b>	<b>42.3%</b>	<b>\$276.5</b>	<b>\$11,961</b>	<b>41.6%</b>	<b>\$285.1</b>	<b>\$12,787</b>	<b>41.6%</b>	<b>\$294.0</b>	<b>\$13,573</b>	<b>41.9%</b>	<b>\$303.2</b>	<b>\$14,319</b>	<b>42.1%</b>	<b>\$312.6</b>	<b>\$14,764</b>	<b>42.3%</b>	<b>\$322.3</b>
<b>Total Dept Profit</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$14,926</b>	<b>59.2%</b>	<b>\$383.0</b>	<b>\$14,782</b>	<b>57.7%</b>	<b>\$377.0</b>	<b>\$16,804</b>	<b>58.4%</b>	<b>\$400.6</b>	<b>\$17,931</b>	<b>58.4%</b>	<b>\$412.3</b>	<b>\$18,850</b>	<b>58.1%</b>	<b>\$421.1</b>	<b>\$19,696</b>	<b>57.9%</b>	<b>\$430.0</b>	<b>\$20,115</b>	<b>57.7%</b>	<b>\$439.2</b>
<b>Undistributed Expenses</b>																								
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	4.1%	\$26.8	\$1,084	4.2%	\$27.7	\$1,111	3.9%	\$26.5	\$1,139	3.7%	\$26.2	\$1,168	3.6%	\$26.1	\$1,197	3.5%	\$26.1	\$1,227	3.5%	\$26.8
Credit Card Commissions	790	3.8%	21.3	859	3.4%	22.0	873	3.4%	22.3	980	3.4%	23.4	1,047	3.4%	24.1	1,105	3.4%	24.7	1,159	3.4%	25.3	1,189	3.4%	25.9
Info & Telecommunications	374	1.8%	10.1	347	1.4%	8.9	360	1.4%	9.2	369	1.3%	8.8	378	1.2%	8.7	387	1.2%	8.7	397	1.2%	8.7	407	1.2%	8.9
Sales & Marketing	1,230	5.9%	33.2	1,418	5.6%	36.4	\$1,471	5.7%	\$37.5	\$1,508	5.2%	\$35.9	\$1,546	5.0%	\$35.5	\$1,584	4.9%	\$35.4	\$1,624	4.8%	\$35.5	\$1,664	4.8%	\$36.3
Franchise Fees	416	4.1%	11.2	491	4.1%	12.6	479	4.1%	12.2	550	4.1%	13.1	587	4.1%	13.5	616	4.1%	13.8	643	4.1%	14.0	656	4.1%	14.3
Repairs & Maintenance	845	4.1%	22.8	854	3.4%	21.9	892	3.5%	22.7	978	3.4%	23.3	1,039	3.4%	23.9	1,097	3.4%	24.5	1,150	3.4%	25.1	1,179	3.4%	25.7
Utilities	571	2.7%	15.4	601	2.4%	15.4	628	2.4%	16.0	688	2.4%	16.4	731	2.4%	16.8	772	2.4%	17.2	809	2.4%	17.7	829	2.4%	18.1
<b>Total Undistributed Exp</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$5,614</b>	<b>22.3%</b>	<b>\$144.1</b>	<b>\$5,787</b>	<b>22.6%</b>	<b>\$147.6</b>	<b>\$6,184</b>	<b>21.5%</b>	<b>\$147.4</b>	<b>\$6,467</b>	<b>21.1%</b>	<b>\$148.7</b>	<b>\$6,729</b>	<b>20.8%</b>	<b>\$150.3</b>	<b>\$6,979</b>	<b>20.5%</b>	<b>\$152.4</b>	<b>\$7,151</b>	<b>20.5%</b>	<b>\$156.1</b>
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,311</b>	<b>36.9%</b>	<b>\$238.9</b>	<b>\$8,996</b>	<b>35.1%</b>	<b>\$229.4</b>	<b>\$10,620</b>	<b>36.9%</b>	<b>\$253.2</b>	<b>\$11,464</b>	<b>37.3%</b>	<b>\$263.6</b>	<b>\$12,122</b>	<b>37.4%</b>	<b>\$270.8</b>	<b>\$12,717</b>	<b>37.4%</b>	<b>\$277.6</b>	<b>\$13,964</b>	<b>37.2%</b>	<b>\$283.0</b>
Base Mgmt. Fee	\$623	3.0%	\$16.8	\$757	3.0%	\$19.4	\$769	3.0%	\$19.6	\$863	3.0%	\$20.6	\$922	3.0%	\$21.2	\$973	3.0%	\$21.7	\$1,020	3.0%	\$22.3	\$1,046	3.0%	\$22.8
Insurance	234	1.1%	\$6.3	234	0.9%	\$6.0	253	1.0%	\$6.5	261	0.9%	\$6.2	269	0.9%	\$6.2	277	0.9%	\$6.2	285	0.8%	\$6.2	294	0.8%	\$6.4
Property Taxes	1,046	5.0%	28.2	1,046	4.1%	26.8	852	3.3%	21.7	869	3.0%	20.7	886	2.9%	20.4	904	2.8%	20.2	922	2.7%	20.1	941	2.7%	20.5
Rental Expense	57	0.3%	1.5	57	0.2%	1.5	59	0.2%	1.5	61	0.2%	1.4	62	0.2%	1.4	64	0.2%	1.4	65	0.2%	1.4	67	0.2%	1.5
Ground Rent	443	2.1%	11.9	504	2.0%	12.9	512	2.0%	13.1	575	2.0%	13.7	614	2.0%	14.1	648	2.0%	14.5	680	2.0%	14.9	698	2.0%	15.2
<b>EBITDA</b>	<b>\$3,637</b>	<b>17.5%</b>	<b>\$98.2</b>	<b>\$6,714</b>	<b>26.6%</b>	<b>\$172.3</b>	<b>\$6,550</b>	<b>25.6%</b>	<b>\$167.1</b>	<b>\$7,991</b>	<b>27.8%</b>	<b>\$190.5</b>	<b>\$8,710</b>	<b>28.4%</b>	<b>\$200.3</b>	<b>\$9,256</b>	<b>28.5%</b>	<b>\$206.7</b>	<b>\$9,743</b>	<b>28.6%</b>	<b>\$212.7</b>	<b>\$9,919</b>	<b>28.4%</b>	<b>\$216.5</b>
FF&E Reserve	\$831	4.0%	\$22.4	\$1,009	4.0%	\$25.9	\$1,025	4.0%	\$26.1	\$1,151	4.0%	\$27.4	\$1,229	4.0%	\$28.3	\$1,297	4.0%	\$29.0	\$1,361	4.0%	\$29.7	\$1,395	4.0%	\$30.5
<b>Net Operating Income</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>	<b>\$5,705</b>	<b>22.6%</b>	<b>\$146.4</b>	<b>\$5,525</b>	<b>21.6%</b>	<b>\$140.9</b>	<b>\$6,841</b>	<b>23.8%</b>	<b>\$163.1</b>	<b>\$7,482</b>	<b>24.4%</b>	<b>\$172.0</b>	<b>\$7,959</b>	<b>24.5%</b>	<b>\$177.8</b>	<b>\$8,383</b>	<b>24.6%</b>	<b>\$183.0</b>	<b>\$8,523</b>	<b>24.4%</b>	<b>\$181.1</b>

# INDEPENDENT CASE – FIVE YEAR PF

SHG is projecting '26P GOP of \$10.4m as an independent hotel under SHG management.

- A** **Actual TTM 6/24:** Actual TTM 6/24 performance
- B** **Schulte Pro Forma:** Assumes SHG had operated the asset as an independent hotel over the TTM 6/24 time period
- C** **Schulte Five-Year Pro Forma:** Schulte five-year pf – which projects forward five-years based on the Schulte pf

	<b>A</b> TTM 6/24			<b>B</b> SHG TTM 6/24 pf			<b>C</b> 2025P			2026P			2027P			2028P			2029P			2030P		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy	56.5%			58.7%			59.2%			63.4%			65.7%			67.5%			69.2%			69.2%		
Average Daily Rate (ADR)	\$271.7			\$300.8			\$280.8			\$313.0			\$322.4			\$328.8			\$335.4			\$342.1		
RevPAR	\$153.6			\$176.6			\$166.3			\$198.4			\$211.9			\$221.8			\$232.1			\$236.8		
<b>Revenue</b>																								
Rooms Revenue	\$10,063	48.4%	\$271.7	\$11,572	47.5%	\$300.8	\$10,865	45.1%	\$280.8	\$12,962	46.9%	\$313.0	\$13,841	46.7%	\$322.4	\$14,533	46.4%	\$328.8	\$15,166	46.2%	\$335.4	\$15,470	45.9%	\$342.1
F&B Revenue	8,371	40.3%	226.0	10,279	42.2%	267.2	10,571	43.9%	273.2	11,767	42.6%	284.1	12,717	42.9%	296.2	13,484	43.1%	305.1	14,210	43.3%	314.2	14,636	43.4%	323.6
Resort Fee	1,352	6.5%	36.5	1,405	5.8%	36.5	1,477	6.1%	38.2	1,628	5.9%	39.3	1,739	5.9%	40.5	1,843	5.9%	41.7	1,943	5.9%	43.0	2,001	5.9%	44.2
Spa / Retail Revenue	698	3.4%	18.9	798	3.3%	20.7	839	3.5%	21.7	925	3.3%	22.3	988	3.3%	23.0	1,047	3.3%	23.7	1,104	3.4%	24.4	1,137	3.4%	25.1
Swim Club Revenue	173	0.8%	4.7	180	0.7%	4.7	189	0.8%	4.9	208	0.8%	5.0	222	0.7%	5.2	236	0.8%	5.3	248	0.8%	5.5	256	0.8%	5.7
Other/Misc Revenue	125	0.6%	3.4	130	0.5%	3.4	137	0.6%	3.5	151	0.5%	3.6	161	0.5%	3.8	171	0.5%	3.9	180	0.5%	4.0	186	0.6%	4.1
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$24,364</b>	<b>100.0%</b>	<b>\$633.2</b>	<b>\$24,078</b>	<b>100.0%</b>	<b>\$622.3</b>	<b>\$27,641</b>	<b>100.0%</b>	<b>\$667.4</b>	<b>\$29,669</b>	<b>100.0%</b>	<b>\$691.0</b>	<b>\$31,315</b>	<b>100.0%</b>	<b>\$708.5</b>	<b>\$32,851</b>	<b>100.0%</b>	<b>\$726.4</b>	<b>\$33,685</b>	<b>100.0%</b>	<b>\$744.9</b>
<b>Departmental Expenses</b>																								
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,283	19.7%	\$59.3	\$2,417	22.2%	\$62.5	\$2,678	20.7%	\$64.7	\$2,873	20.8%	\$66.9	\$3,061	21.1%	\$69.3	\$3,242	21.4%	\$71.7	\$3,355	21.7%	\$74.2
F&B Expense	6,026	72.0%	162.7	6,936	67.5%	180.3	7,133	67.5%	184.3	7,940	67.5%	191.7	8,582	67.5%	199.9	9,099	67.5%	205.9	9,589	67.5%	212.0	9,876	67.5%	218.4
Spa / Retail Expense	568	81.3%	15.3	598	74.9%	15.5	629	74.9%	16.2	693	74.9%	16.7	740	74.9%	17.2	785	74.9%	17.8	827	74.9%	18.3	852	74.9%	18.8
Other/Misc Expense	86	68.3%	2.3	89	68.3%	2.3	94	68.3%	2.4	103	68.3%	2.5	110	68.3%	2.6	117	68.3%	2.6	123	68.3%	2.7	127	68.3%	2.8
<b>Total Departmental Exp</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$9,906</b>	<b>40.7%</b>	<b>\$257.5</b>	<b>\$10,273</b>	<b>42.7%</b>	<b>\$265.5</b>	<b>\$11,414</b>	<b>41.3%</b>	<b>\$275.6</b>	<b>\$12,305</b>	<b>41.5%</b>	<b>\$286.6</b>	<b>\$13,062</b>	<b>41.7%</b>	<b>\$295.5</b>	<b>\$13,780</b>	<b>41.9%</b>	<b>\$304.7</b>	<b>\$14,210</b>	<b>42.2%</b>	<b>\$314.2</b>
<b>Total Dept Profit</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$14,458</b>	<b>59.3%</b>	<b>\$375.8</b>	<b>\$13,805</b>	<b>57.3%</b>	<b>\$356.8</b>	<b>\$16,227</b>	<b>58.7%</b>	<b>\$391.8</b>	<b>\$17,364</b>	<b>58.5%</b>	<b>\$404.4</b>	<b>\$18,253</b>	<b>58.3%</b>	<b>\$413.0</b>	<b>\$19,071</b>	<b>58.1%</b>	<b>\$421.7</b>	<b>\$19,475</b>	<b>57.8%</b>	<b>\$430.7</b>
<b>Undistributed Expenses</b>																								
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	4.3%	\$27.2	\$1,084	4.5%	\$28.0	\$1,111	4.0%	\$26.8	\$1,139	3.8%	\$26.5	\$1,168	3.7%	\$26.4	\$1,197	3.6%	\$26.5	\$1,227	3.6%	\$27.1
Credit Card Commissions	790	3.8%	21.3	830	3.4%	21.6	820	3.4%	21.2	942	3.4%	22.7	1,011	3.4%	23.5	1,067	3.4%	24.1	1,119	3.4%	24.8	1,148	3.4%	25.4
Info & Telecommunications	374	1.8%	10.1	347	1.4%	9.0	360	1.5%	9.3	369	1.3%	8.9	378	1.3%	8.8	387	1.2%	8.8	397	1.2%	8.8	407	1.2%	9.0
Sales & Marketing	1,230	5.9%	33.2	1,674	6.9%	43.5	\$1,737	7.2%	\$44.9	\$1,781	6.4%	\$43.0	\$1,825	6.2%	\$42.5	\$1,871	6.0%	\$42.3	\$1,918	5.8%	\$42.4	\$1,966	5.8%	\$43.5
Franchise Fees	416	4.1%	11.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Repairs & Maintenance	845	4.1%	22.8	854	3.5%	22.2	891	3.7%	23.0	978	3.5%	23.6	1,039	3.5%	24.2	1,097	3.5%	24.8	1,150	3.5%	25.4	1,179	3.5%	26.1
Utilities	571	2.7%	15.4	593	2.4%	15.4	619	2.6%	16.0	679	2.5%	16.4	722	2.4%	16.8	762	2.4%	17.2	799	2.4%	17.7	819	2.4%	18.1
<b>Total Undistributed Exp</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$5,343</b>	<b>21.9%</b>	<b>\$138.9</b>	<b>\$5,512</b>	<b>22.9%</b>	<b>\$142.5</b>	<b>\$5,860</b>	<b>21.2%</b>	<b>\$141.5</b>	<b>\$6,115</b>	<b>20.6%</b>	<b>\$142.4</b>	<b>\$6,351</b>	<b>20.3%</b>	<b>\$143.7</b>	<b>\$6,580</b>	<b>20.0%</b>	<b>\$145.5</b>	<b>\$6,745</b>	<b>20.0%</b>	<b>\$149.2</b>
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,114</b>	<b>37.4%</b>	<b>\$236.9</b>	<b>\$8,293</b>	<b>34.4%</b>	<b>\$214.3</b>	<b>\$10,367</b>	<b>37.5%</b>	<b>\$250.3</b>	<b>\$11,249</b>	<b>37.9%</b>	<b>\$262.0</b>	<b>\$11,902</b>	<b>38.0%</b>	<b>\$269.3</b>	<b>\$12,491</b>	<b>38.0%</b>	<b>\$276.2</b>	<b>\$12,730</b>	<b>37.8%</b>	<b>\$281.5</b>
Base Mgmt. Fee	\$623	3.0%	\$16.8	\$731	3.0%	\$19.0	\$722	3.0%	\$18.7	\$829	3.0%	\$20.0	\$890	3.0%	\$20.7	\$939	3.0%	\$21.3	\$986	3.0%	\$21.8	\$1,011	3.0%	\$22.3
Insurance	234	1.1%	\$6.3	234	1.0%	\$6.1	253	1.1%	\$6.5	261	0.9%	\$6.3	269	0.9%	\$6.3	277	0.9%	\$6.3	285	0.9%	\$6.3	294	0.9%	\$6.5
Property Taxes	1,046	5.0%	28.2	1,046	4.3%	27.2	852	3.5%	22.0	869	3.1%	21.0	886	3.0%	20.6	904	2.9%	20.5	922	2.8%	20.4	941	2.8%	20.8
Rental Expense	57	0.3%	1.5	57	0.2%	1.5	59	0.2%	1.5	61	0.2%	1.5	62	0.2%	1.4	64	0.2%	1.4	65	0.2%	1.4	67	0.2%	1.5
Ground Rent	443	2.1%	11.9	487	2.0%	12.7	482	2.0%	12.4	553	2.0%	13.3	593	2.0%	13.8	626	2.0%	14.2	657	2.0%	14.5	674	2.0%	14.9
<b>EBITDA</b>	<b>\$3,637</b>	<b>17.5%</b>	<b>\$98.2</b>	<b>\$6,559</b>	<b>26.9%</b>	<b>\$170.5</b>	<b>\$5,924</b>	<b>24.6%</b>	<b>\$153.1</b>	<b>\$7,794</b>	<b>28.2%</b>	<b>\$188.2</b>	<b>\$8,548</b>	<b>28.8%</b>	<b>\$199.1</b>	<b>\$9,091</b>	<b>29.0%</b>	<b>\$205.7</b>	<b>\$9,576</b>	<b>29.1%</b>	<b>\$211.8</b>	<b>\$9,745</b>	<b>28.9%</b>	<b>\$215.5</b>
FF&E Reserve	\$831	4.0%	\$22.4	\$975	4.0%	\$25.3	\$963	4.0%	\$24.9	\$1,106	4.0%	\$26.7	\$1,187	4.0%	\$27.6	\$1,253	4.0%	\$28.3	\$1,314	4.0%	\$29.1	\$1,347	4.0%	\$29.8
<b>Net Operating Income</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>	<b>\$5,585</b>	<b>22.9%</b>	<b>\$145.1</b>	<b>\$4,961</b>	<b>20.6%</b>	<b>\$128.2</b>	<b>\$6,688</b>	<b>24.2%</b>	<b>\$161.5</b>	<b>\$7,361</b>	<b>24.8%</b>	<b>\$171.4</b>	<b>\$7,839</b>	<b>25.0%</b>	<b>\$177.3</b>	<b>\$8,262</b>	<b>25.1%</b>	<b>\$182.7</b>	<b>\$8,397</b>	<b>24.9%</b>	<b>\$185.7</b>

# TRIBUTE CASE – FIVE YEAR PF

SHG is projecting '26P GOP of \$10.9m as a Marriott Tribute hotel under SHG management.

**A Actual TTM 6/24:** Actual TTM 6/24 performance

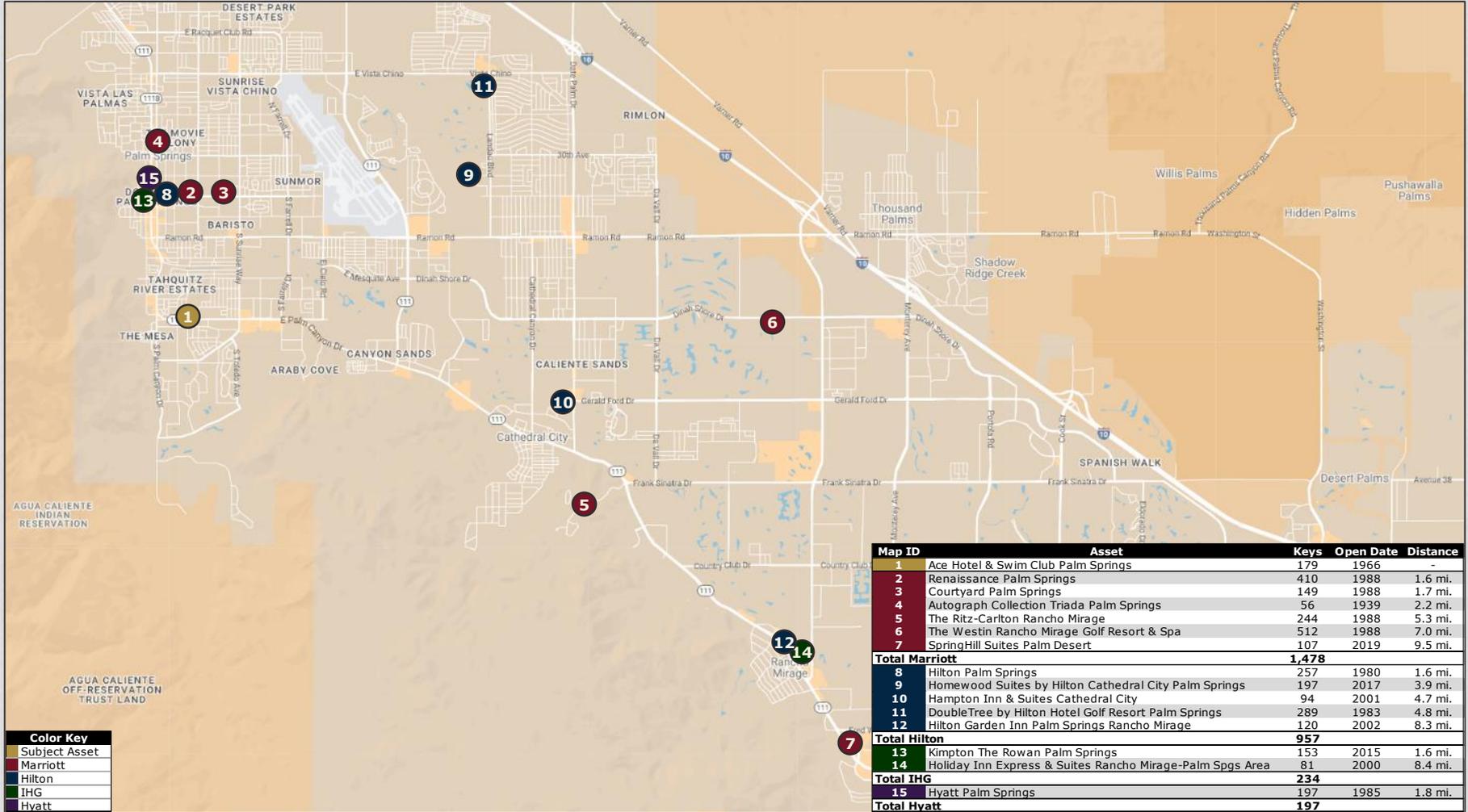
**B Schulte Pro Forma:** Assumes SHG had operated the asset as a franchised Marriott Tribute hotel over the TTM 6/24 time period

**C Schulte Five-Year Pro Forma:** Schulte five-year pf – which projects forward five-years based on the Schulte pf

	A TTM 6/24			B SHG TTM 6/24 pf			C 2025P			2026P			2027P			2028P			2029P			2030P		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy	56.5%			61.0%			61.8%			65.8%			68.3%			70.1%			71.9%			71.9%		
Average Daily Rate (ADR)	\$271.7			\$311.5			\$298.4			\$324.1			\$333.9			\$340.6			\$347.4			\$354.3		
RevPAR	\$153.6			\$190.0			\$184.6			\$213.4			\$227.9			\$238.6			\$249.7			\$254.7		
<b>Revenue</b>																								
Rooms Revenue	\$10,063	48.4%	\$271.7	\$12,448	46.4%	\$311.5	\$12,059	44.2%	\$298.4	\$13,943	45.6%	\$324.1	\$14,889	45.6%	\$333.9	\$15,634	45.4%	\$340.6	\$16,315	45.2%	\$347.4	\$16,641	45.0%	\$354.3
F&B Revenue	8,371	40.3%	226.0	11,785	43.9%	294.9	12,434	45.6%	307.7	13,618	44.5%	316.6	14,525	44.5%	325.7	15,384	44.7%	335.1	16,194	44.8%	344.8	16,662	45.0%	354.8
Resort Fee	1,352	6.5%	36.5	1,459	5.4%	36.5	1,542	5.7%	38.2	1,691	5.5%	39.3	1,806	5.5%	40.5	1,915	5.6%	41.7	2,018	5.6%	43.0	2,078	5.6%	44.2
Spa / Retail Revenue	698	3.4%	18.9	829	3.1%	20.7	876	3.2%	21.7	961	3.1%	22.3	1,026	3.1%	23.0	1,088	3.2%	23.7	1,146	3.2%	24.4	1,181	3.2%	25.1
Swim Club Revenue	173	0.8%	4.7	187	0.7%	4.7	197	0.7%	4.9	216	0.7%	5.0	231	0.7%	5.2	245	0.7%	5.3	258	0.7%	5.5	266	0.7%	5.7
Other/Misc Revenue	125	0.6%	3.4	135	0.5%	3.4	143	0.5%	3.5	157	0.5%	3.6	167	0.5%	3.8	178	0.5%	3.9	187	0.5%	4.0	193	0.5%	4.1
<b>Total Revenue</b>	<b>\$20,783</b>	<b>100.0%</b>	<b>\$561.2</b>	<b>\$26,843</b>	<b>100.0%</b>	<b>\$671.7</b>	<b>\$27,251</b>	<b>100.0%</b>	<b>\$674.4</b>	<b>\$30,586</b>	<b>100.0%</b>	<b>\$711.0</b>	<b>\$32,645</b>	<b>100.0%</b>	<b>\$732.0</b>	<b>\$34,443</b>	<b>100.0%</b>	<b>\$750.3</b>	<b>\$36,118</b>	<b>100.0%</b>	<b>\$769.0</b>	<b>\$37,021</b>	<b>100.0%</b>	<b>\$788.2</b>
<b>Departmental Expenses</b>																								
Rooms Expense	\$2,594	25.8%	\$70.0	\$2,273	18.3%	\$56.9	\$2,420	20.1%	\$59.9	\$2,667	19.1%	\$62.0	\$2,861	19.2%	\$64.2	\$3,049	19.5%	\$66.4	\$3,228	19.8%	\$68.7	\$3,341	20.1%	\$71.1
F&B Expense	6,026	72.0%	162.7	7,953	67.5%	199.0	8,391	67.5%	207.7	9,189	67.5%	213.6	9,802	67.5%	219.8	10,381	67.5%	226.1	10,928	67.5%	232.7	11,244	67.5%	239.4
Spa / Retail Expense	568	81.3%	15.3	621	74.9%	15.5	656	74.9%	16.2	720	74.9%	16.7	769	74.9%	17.2	815	74.9%	17.8	859	74.9%	18.3	885	74.9%	18.8
Other/Misc Expense	86	68.3%	2.3	92	68.3%	2.3	98	68.3%	2.4	107	68.3%	2.5	114	68.3%	2.6	121	68.3%	2.6	128	68.3%	2.7	132	68.3%	2.8
<b>Total Departmental Exp</b>	<b>\$9,273</b>	<b>44.6%</b>	<b>\$250.4</b>	<b>\$10,939</b>	<b>40.8%</b>	<b>\$273.7</b>	<b>\$11,565</b>	<b>42.4%</b>	<b>\$286.2</b>	<b>\$12,683</b>	<b>41.5%</b>	<b>\$294.8</b>	<b>\$13,546</b>	<b>41.5%</b>	<b>\$303.8</b>	<b>\$14,366</b>	<b>41.7%</b>	<b>\$312.9</b>	<b>\$15,143</b>	<b>41.9%</b>	<b>\$322.4</b>	<b>\$15,601</b>	<b>42.1%</b>	<b>\$332.2</b>
<b>Total Dept Profit</b>	<b>\$11,510</b>	<b>55.4%</b>	<b>\$310.8</b>	<b>\$15,904</b>	<b>59.2%</b>	<b>\$398.0</b>	<b>\$15,686</b>	<b>57.6%</b>	<b>\$388.2</b>	<b>\$17,903</b>	<b>58.5%</b>	<b>\$416.2</b>	<b>\$19,099</b>	<b>58.5%</b>	<b>\$428.3</b>	<b>\$20,076</b>	<b>58.3%</b>	<b>\$437.3</b>	<b>\$20,975</b>	<b>58.1%</b>	<b>\$446.6</b>	<b>\$21,419</b>	<b>57.9%</b>	<b>\$456.0</b>
<b>Undistributed Expenses</b>																								
Administrative & General	\$1,246	6.0%	\$33.7	\$1,045	3.9%	\$26.1	\$1,084	4.0%	\$26.8	\$1,111	3.6%	\$25.8	\$1,139	3.5%	\$25.5	\$1,168	3.4%	\$25.4	\$1,197	3.3%	\$25.5	\$1,227	3.3%	\$26.1
Credit Card Commissions	790	3.8%	21.3	915	3.4%	22.9	929	3.4%	23.0	1,042	3.4%	24.2	1,112	3.4%	24.9	1,174	3.4%	25.6	1,231	3.4%	26.2	1,261	3.4%	26.9
Info & Telecommunications	374	1.8%	10.1	249	0.9%	6.2	259	0.9%	6.4	265	0.9%	6.2	272	0.8%	6.1	279	0.8%	6.1	286	0.8%	6.1	293	0.8%	6.2
Sales & Marketing	1,230	5.9%	33.2	1,318	4.9%	33.0	\$1,367	5.0%	\$33.8	\$1,402	4.6%	\$32.6	\$1,437	4.4%	\$32.2	\$1,473	4.3%	\$32.1	\$1,509	4.2%	\$32.1	\$1,547	4.2%	\$32.9
Franchise Fees	416	4.1%	11.2	1,322	10.6%	33.1	1,280	10.6%	31.7	1,480	10.6%	34.4	1,581	10.6%	35.5	1,660	10.6%	36.2	1,732	10.6%	36.9	1,767	10.6%	37.6
Repairs & Maintenance	845	4.1%	22.8	854	3.2%	21.4	896	3.3%	22.2	978	3.2%	22.7	1,039	3.2%	23.3	1,097	3.2%	23.9	1,150	3.2%	24.5	1,179	3.2%	25.1
Utilities	571	2.7%	15.4	616	2.3%	15.4	647	2.4%	16.0	706	2.3%	16.4	750	2.3%	16.8	791	2.3%	17.2	830	2.3%	17.7	850	2.3%	18.1
<b>Total Undistributed Exp</b>	<b>\$5,471</b>	<b>26.3%</b>	<b>\$147.7</b>	<b>\$6,319</b>	<b>23.5%</b>	<b>\$158.1</b>	<b>\$6,462</b>	<b>23.7%</b>	<b>\$159.9</b>	<b>\$6,984</b>	<b>22.8%</b>	<b>\$162.4</b>	<b>\$7,330</b>	<b>22.5%</b>	<b>\$164.4</b>	<b>\$7,640</b>	<b>22.2%</b>	<b>\$166.4</b>	<b>\$7,934</b>	<b>22.0%</b>	<b>\$168.9</b>	<b>\$8,124</b>	<b>21.9%</b>	<b>\$173.0</b>
<b>Gross Operating Profit</b>	<b>\$6,039</b>	<b>29.1%</b>	<b>\$163.1</b>	<b>\$9,585</b>	<b>35.7%</b>	<b>\$239.9</b>	<b>\$9,224</b>	<b>33.8%</b>	<b>\$228.3</b>	<b>\$10,918</b>	<b>35.7%</b>	<b>\$253.8</b>	<b>\$11,768</b>	<b>36.1%</b>	<b>\$263.9</b>	<b>\$12,436</b>	<b>36.1%</b>	<b>\$270.9</b>	<b>\$13,041</b>	<b>36.1%</b>	<b>\$277.7</b>	<b>\$13,295</b>	<b>35.9%</b>	<b>\$283.1</b>
Base Mgmt. Fee	\$623	3.0%	\$16.8	\$805	3.0%	\$20.2	\$818	3.0%	\$20.2	\$918	3.0%	\$21.3	\$979	3.0%	\$22.0	\$1,033	3.0%	\$22.5	\$1,084	3.0%	\$23.1	\$1,111	3.0%	\$23.6
Insurance	234	1.1%	\$6.3	234	0.9%	\$5.9	253	0.9%	\$6.3	261	0.9%	\$6.1	269	0.8%	\$6.0	277	0.8%	\$6.0	285	0.8%	\$6.1	294	0.8%	\$6.3
Property Taxes	1,046	5.0%	28.2	1,046	3.9%	26.2	852	3.1%	21.1	869	2.8%	20.2	886	2.7%	19.9	904	2.6%	19.7	922	2.6%	19.6	941	2.5%	20.0
Rental Expense	57	0.3%	1.5	57	0.2%	1.4	59	0.2%	1.5	61	0.2%	1.4	62	0.2%	1.4	64	0.2%	1.4	65	0.2%	1.4	67	0.2%	1.4
Ground Rent	443	2.1%	11.9	537	2.0%	13.4	545	2.0%	13.5	612	2.0%	14.2	653	2.0%	14.6	689	2.0%	15.0	722	2.0%	15.4	740	2.0%	15.8
<b>EBITDA</b>	<b>\$3,637</b>	<b>17.5%</b>	<b>\$98.2</b>	<b>\$6,906</b>	<b>25.7%</b>	<b>\$172.8</b>	<b>\$6,697</b>	<b>24.6%</b>	<b>\$165.7</b>	<b>\$8,199</b>	<b>26.8%</b>	<b>\$190.6</b>	<b>\$8,919</b>	<b>27.3%</b>	<b>\$200.0</b>	<b>\$9,469</b>	<b>27.5%</b>	<b>\$206.3</b>	<b>\$9,962</b>	<b>27.6%</b>	<b>\$212.1</b>	<b>\$10,143</b>	<b>27.4%</b>	<b>\$216.0</b>
FF&E Reserve	\$831	4.0%	\$22.4	\$1,074	4.0%	\$26.9	\$1,090	4.0%	\$27.0	\$1,223	4.0%	\$28.4	\$1,306	4.0%	\$29.3	\$1,378	4.0%	\$30.0	\$1,445	4.0%	\$30.8	\$1,481	4.0%	\$31.5
<b>Net Operating Income</b>	<b>\$2,805</b>	<b>13.5%</b>	<b>\$75.7</b>	<b>\$5,832</b>	<b>21.7%</b>	<b>\$145.9</b>	<b>\$5,607</b>	<b>20.6%</b>	<b>\$138.8</b>	<b>\$6,975</b>	<b>22.8%</b>	<b>\$162.2</b>	<b>\$7,613</b>	<b>23.3%</b>	<b>\$170.7</b>	<b>\$8,092</b>	<b>23.5%</b>	<b>\$176.3</b>	<b>\$8,517</b>	<b>23.6%</b>	<b>\$181.3</b>	<b>\$8,662</b>	<b>23.4%</b>	<b>\$184.4</b>

# BRAND SATURATION WITHIN 10 MILES

Schulte understands that a Tribute is available for a potential brand change. Schulte is constructive on the Tribute brand and has run a Tribute scenario. SHG believes there could be significant upside through re-branding as a Tribute. While there is already more Marriott product (1.5 keys within a 10 mile radius) than other brands, the Marriott brand recently lost 398 keys when the Riviera, a Tribute portfolio hotel converted to a Margaritaville in late '21.



**SCHULTE  
DIFFERENTIATOR -  
SUCCESS MANAGING  
LIFESTYLE BRANDS**





Graduate Seattle



Hoxton Chicago



Marine & Lawn Rusacks

## BRAND WHITE LABEL EXPERIENCE

- Schulte has been successful in “White Label” management of numerous small, growing boutique brands – the first and only management company to execute on this
- In Schulte’s experience, brands are great at telling their story and cultivating an ethos, but are not equipped for operations and achieving financial goals
- Since 2018, Schulte has taken on the following brands under “White Label” management:
  - Graduate Hotels: Aided growth from 6 to 34 hotels across US / UK, recently selling brand to Hilton
  - Hoxton: Only non-brand manager of two US assets and in discussion to takeover entire US portfolio. Schulte was able to increase RevPAR & GOP >30% compared to pre
  - Marine & Lawn: 4/5 Star assets on famous golf courses throughout UK. Supporting the to brand grow from 0 to 6
  - Memoir: Residential/Short-Term Housing concept; recently opened first three assets and expected to launch three more in next 12 months
- Schulte has been successful in operating and aiding in growth of these brands by implementing Schulte’s operating procedures, placing assets within our national vendor contracts, overhauling websites, e-commerce, and marketing strategies - all while embracing the brand ethos and atmosphere that the brand is focused on. This allows the brands to focus on their strengths and to continue growing the brand

the hoxton Graduate  
HOTELS

Marine & Lawn  
Hotels & Resorts

Memoir

# HOXTON CASE STUDIES





## HOXTON RESULTS

What We have Done:

Improved **GOP margins by ~~80.0%~~** from pre-Schulte takeover to current levels

- Hoxton Chicago: **~~32.5%~~** improvement in GOP margin post-SHG taking over management
- Hoxton Williamsburg: **~~34.4%~~** improvement in GOP margin post-SHG taking over management

Increase RevPAR **~~20.0%~~**:

- Hoxton Chicago: **21.3% or \$33.9** increase post-SHG taking over management
- Hoxton Williamsburg: **23.2% or \$42.0** increase post-SHG taking over management

How We Did It:

- Implemented Schulte operating procedures, evaluated and renegotiated all contracts and introduced our technology stack to improve operational efficiency
- Dedicated best-in-class Director of Revenue Management to support both Hoxton Chicago and Hoxton Williamsburg with oversight from our corporate revenue team
- Collaborated with Hoxton Brand Marketing as well as Boka (3rd party F&B operator) to activate all F&B spaces in the hotel. This included renovating and rebranding the roof top bar concept from Summerly to Laser Wolf

# SHG HOXTON – FINANCIAL OUTPERFORMANCE

- Schulte took over management of Hoxton Chicago and Williamsburg three years ago in July 2021. Performance at both assets has been phenomenal as we have continuously outperformed our original pro forma and annual budgets.
- Across both properties in the 24/25 budget is projected to exceed its original UW RevPAR by \$30 (+13%), total revenue by \$5.3m (+17%), and GOP by \$4.1m (+29%). Flowthrough to GOP on excess revenue was 77% and GOP margin is 4.6% higher. Despite 25% wage growth across the US (well above underwriting), rooms expense per occupied room is up \$2.1 (+3.2%) from our original assumptions, due to additional efficiencies in how the department was structured.

## Hoxton Chicago & Williamsburg - Actual Performance v. Original UW

Rooms Stats	24/25B			23/24A			YoY Delta			24/25 Orig. PF			24/25B v. Orig. PF		
	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR	\$	%	POR
Occupancy	84.5%			82.6%			1.9%			78.9%			5.7%		
Average Daily Rate (ADR)	\$306.9			\$304.5			\$2.4			\$290.5			\$16.4		
RevPAR	\$259.4			\$251.5			\$7.9			\$229.1			\$30.3		
<b>Revenue</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>
Rooms Revenue	\$33,806	93.2%	\$306.9	\$32,868	94.0%	\$304.5	\$938	(0.8%)	\$2.4	\$29,940	96.7%	\$290.5	\$3,866	(3.4%)	\$16.4
Other/Misc Revenue	2,451	6.8%	22.2	2,092	6.0%	19.4	359	0.8%	2.9	1,034	3.3%	10.0	1,418	3.4%	12.2
<b>Total Revenue</b>	<b>\$36,257</b>	<b>100.0%</b>	<b>\$329.1</b>	<b>\$34,960</b>	<b>100.0%</b>	<b>\$323.9</b>	<b>\$1,297</b>	<b>-</b>	<b>\$5.2</b>	<b>\$30,973</b>	<b>100.0%</b>	<b>\$300.5</b>	<b>\$5,283</b>	<b>-</b>	<b>\$28.6</b>
<b>Departmental Expenses</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>
Rooms Expense	\$7,457	22.1%	\$67.7	\$7,095	21.6%	\$65.7	\$362	0.5%	\$2.0	\$6,761	22.6%	\$65.6	\$696	(0.5%)	\$2.1
Other/Misc Expense	680	27.7%	6.2	667	31.9%	6.2	13	(4.1%)	(0.0)	564	54.6%	5.5	116	(26.9%)	0.7
<b>Total Departmental Exp</b>	<b>\$8,137</b>	<b>22.4%</b>	<b>\$73.9</b>	<b>\$7,762</b>	<b>22.2%</b>	<b>\$71.9</b>	<b>\$375</b>	<b>0.2%</b>	<b>\$2.0</b>	<b>\$7,325</b>	<b>23.6%</b>	<b>\$71.1</b>	<b>\$812</b>	<b>(1.2%)</b>	<b>\$2.8</b>
<b>Total Dept Profit</b>	<b>\$28,119</b>	<b>77.6%</b>	<b>\$255.2</b>	<b>\$27,198</b>	<b>77.8%</b>	<b>\$252.0</b>	<b>\$921</b>	<b>(0.2%)</b>	<b>\$3.3</b>	<b>\$23,648</b>	<b>76.4%</b>	<b>\$229.5</b>	<b>\$4,471</b>	<b>1.2%</b>	<b>\$25.8</b>
<b>Undistributed Expenses</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>	<b>\$</b>	<b>%</b>	<b>POR</b>
Administrative & General	\$2,135	5.9%	\$19.4	\$2,148	6.1%	\$19.9	(\$13)	(0.3%)	(\$0.5)	\$2,170	7.0%	\$21.1	(\$35)	(1.1%)	(\$1.7)
Credit Card Commissions	1,042	2.9%	9.5	1,006	2.9%	9.3	36	(0.0%)	0.1	774	2.5%	7.5	267	0.4%	1.9
Info & Telecommunications	521	1.4%	4.7	491	1.4%	4.5	31	0.0%	0.2	583	1.9%	5.7	(62)	(0.4%)	(0.9)
Sales & Marketing	2,090	5.8%	\$19.0	\$2,022	5.8%	\$18.7	\$68	(0.0%)	\$0.2	\$2,266	7.3%	\$22.0	(\$176)	(1.6%)	(\$3.0)
Brand & Centralized Fees	1,427	3.9%	13.0	1,421	4.1%	13.2	6	(0.1%)	(0.2)	1,094	3.5%	10.6	333	0.4%	2.3
Repairs & Maintenance	1,756	4.8%	15.9	1,806	5.2%	16.7	(49)	(0.3%)	(0.8)	1,720	5.6%	16.7	36	(0.7%)	(0.8)
Utilities	1,107	3.1%	10.0	1,043	3.0%	9.7	63	0.1%	0.4	1,060	3.4%	10.3	47	(0.4%)	(0.2)
<b>Total Undistributed Exp</b>	<b>\$10,078</b>	<b>27.8%</b>	<b>\$91.5</b>	<b>\$9,936</b>	<b>28.4%</b>	<b>\$92.1</b>	<b>\$141</b>	<b>(0.6%)</b>	<b>(\$0.6)</b>	<b>\$9,667</b>	<b>31.2%</b>	<b>\$93.8</b>	<b>\$411</b>	<b>(3.4%)</b>	<b>(\$2.3)</b>
<b>Gross Operating Profit</b>	<b>\$18,042</b>	<b>49.8%</b>	<b>\$163.8</b>	<b>\$17,262</b>	<b>49.4%</b>	<b>\$159.9</b>	<b>\$780</b>	<b>0.4%</b>	<b>\$3.8</b>	<b>\$13,981</b>	<b>45.1%</b>	<b>\$135.7</b>	<b>\$4,061</b>	<b>4.6%</b>	<b>\$28.1</b>

# SCHULTE DIFFERENTIATOR - CONTACT CENTER



## SCHULTE CONTACT CENTER – OVERVIEW

The differentiating factor of the hospitality industry is the focus on providing each guest with a highly personalized and high-touch level of service. However, in our experience, many contact center service providers operate across many industries and fail to deliver services that align with hospitality expectations so we created the contact center to fill that void.

Schulte Contact Center has now grown into a leading hospitality-focused contact center that books thousands of reservations each year and helps hotel owners, developers, and brands achieve unparalleled success. We have industry-leading conversion rates and average speed of answers to ensure that you will not miss out on opportunities. Also, with our brand and guest-focused approach, we function as part of the on-property team to enable hotels, resorts, and other hospitality establishments to drive growth in a highly competitive market and elevate their guest experiences.

### Unrivaled Experience

With years in the industry, we grasp hospitality's unique challenges and opportunities.

### Skilled Team

Passionate agents trained to embody your hotel's essence to provide exceptional and memorable service.

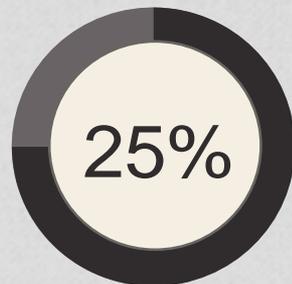
### Cutting-Edge Technology

Utilizing state-of-the-art contact center systems and analytics for optimal performance and results.

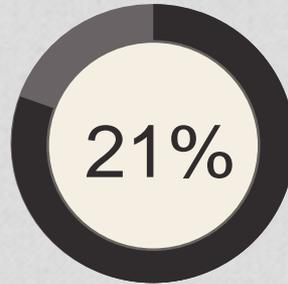
## SCHULTE CONTACT CENTER – OUR PERFORMANCE



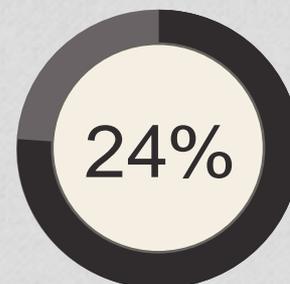
Answer Rate vs 75%  
Industry Standard



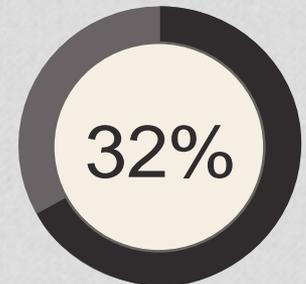
Conversion Rate vs  
18% Industry Standard



Higher ADR  
vs OTAs



Fewer Cancellations  
vs OTAs



Longer LOS  
vs OTAs



## SHG CONTACT CENTER - CASE STUDY

Schulte took over management of the contact center for a global brand with its in-house department from a third-party provider, Cloud 5, in 2021. Schulte was able to **generate significant savings with better operational metrics.**

- **Characteristics: Schulte Contact Center vs Cloud 5:**
  - Schulte Contact Center is experiential vs transactional in our conversations with guests
  - Schulte Contact Center converted 29% of our calls into bookings in YTD 23' vs 22% under Cloud 5
  - Schulte Contact Center is knowledgeable on all details of the properties we answer for vs being part of a huge pool of hotels like Cloud 5
  - Schulte Contact Center does room lists, group bookings, and other tasks that allows the front desk to focus on in-house guest's vs Cloud 5 who only answers calls
- **Expenses: Schulte Contact Center vs Cloud 5 (T12 April 2023)**
  - Cloud 5 charges a fee of \$0.95 per minute, if Cloud 5 had handled all the minutes that Schulte Contact Center handled in the same period; it would result in a total expense of \$1.7 million
  - Schulte Contact Center had a total expense of \$1.6 million in the T12 April 23' period, resulting in **\$117k in savings vs Cloud 5**
- **Statistics: Schulte Contact Center:**
  - Schulte Contact Center is coming off a record-setting YTD 2023 with \$23 million in booking revenue, up +59% during the same period in 2022
  - In YTD 2023, Schulte Contact Center achieved an answer rate of 79% (+46% vs LY) and a conversion rate of 29% (+7% vs LY), which has led to a remarkable number of reservations ~47k (+51% vs LY)
  - The \$ per Reservation in YTD 2023 was \$492 (+5% vs LY)

# PROPOSED MANAGEMENT TERMS



# SCHULTE FEE TERMS

## Full Hotel Management Agreement Terms:

- **Base Management Fee:** 3.00% of gross revenues
- **Accounting Fee:** \$4,500.00 per month to Schulte Hospitality Group. Schulte's corporate overhead fee is all inclusive and there are not other corporate fees charged for accounting, IT, revenue management, etc. The HMA monthly bill will include only Base, Incentive and Overhead fees plus reimbursables – nothing else is charged to Owner
- **Incentive Fee:** 10% of the amount by which Gross Operating Profit for such year exceeds the annual budgeted GOP
- **Length of Term:** 60 Months, provided that termination for convenience shall be allowed subject to 36 month LD provision
- **Schulte In House Contact Center:** This service is available with pricing upon request and after understanding of scope
- **Expenses:** Regular reimbursed expenses such as mileage, food, postage and overnights will be billed monthly. (Extraordinary expenses such as out-of-town meetings, etc. will be pre-approved by the owner on an item-by-item basis)
- **Start Date:** ASAP
- **Schulte Design & Construction / Schulte Purchasing Group:** In addition, you will have the option to engage us for project management or procurement services, both of which can be provided on a similar white label basis. The terms of such engagement would include the following:
  - Project Management Fee: 5.0% of total project cost
  - Accounting Fee: \$2,500 per month for the duration of the project
  - Procurement Fee: 5.0% fee for total of FF&E purchased