AMERICAN
BANKRUPTCY
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Real Estate Committee Webinar Panel

Hospitality Deep Dive:
"Understanding the Recovery and Lingering Distress"
June 26, 2024 – 12:30-1:45/2:00 ET (11:30-12:45 /1:00 CT)

CLE Materials and Speaker Biographies

Moderators:
Patrick Potter, Pilsbury
David Levy, Keen-Summit Capital Partners and Summit Investment Management

Panelist:
Francis "Frank" Nardozza, REH Capital Partners, LLC

REH Capital Partners, LLC

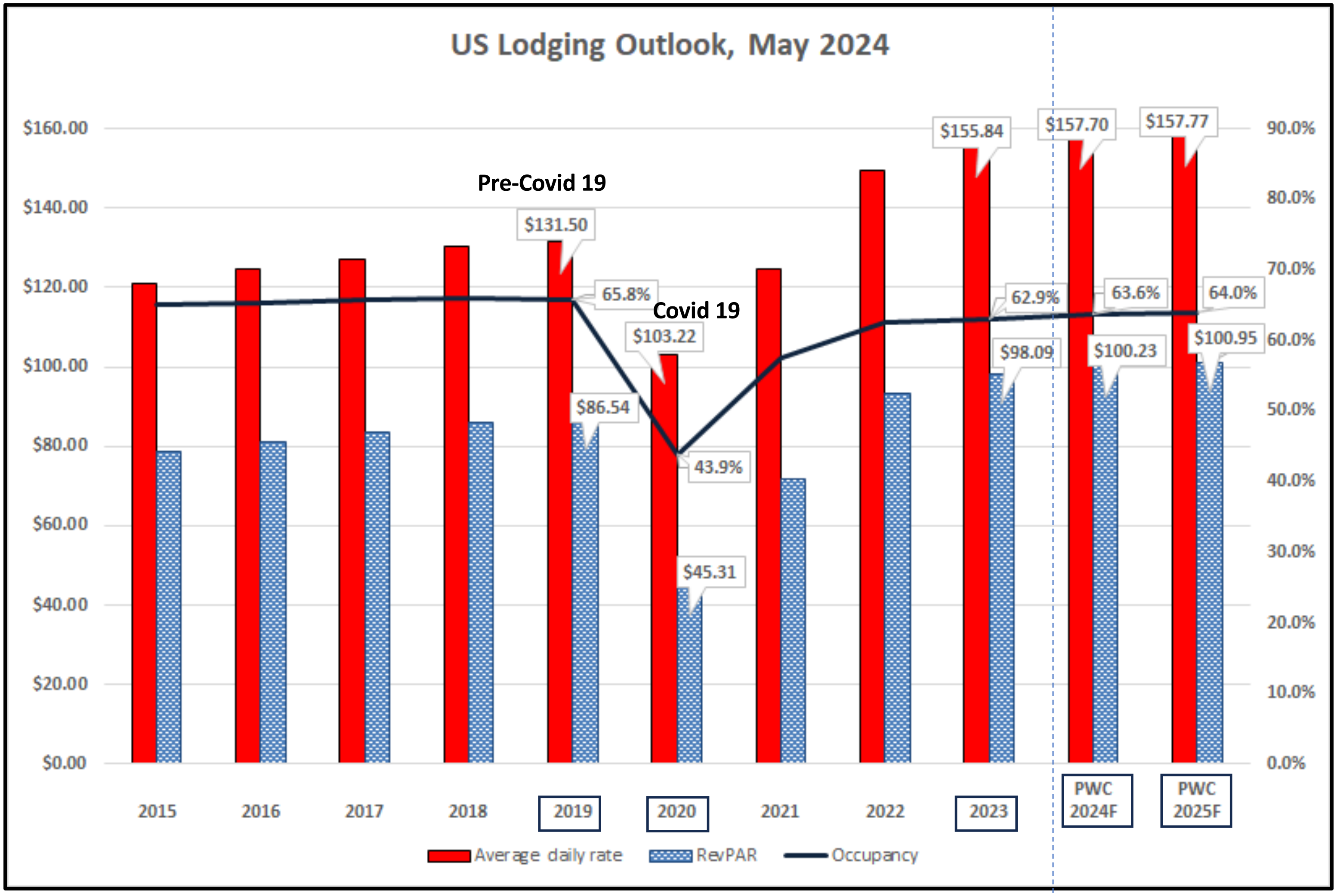
American Bankruptcy Institute Presentation:

"Hospitality Deep Dive: Understanding the Recovery and Lingering Distress"

June 26, 2024

2023 US Lodging ADR & RevPAR Higher than Pre-Covid 2019, Occupancy Near Recovery, Flatter Growth Forecast for 2024 and 2025

Real RevPAR vs. 2019
2023: -4.9%
2024F: -6.2%
2025F: -6.1%



Source: REH Data Graphing, PWC Hospitality Directions May 2024, STR

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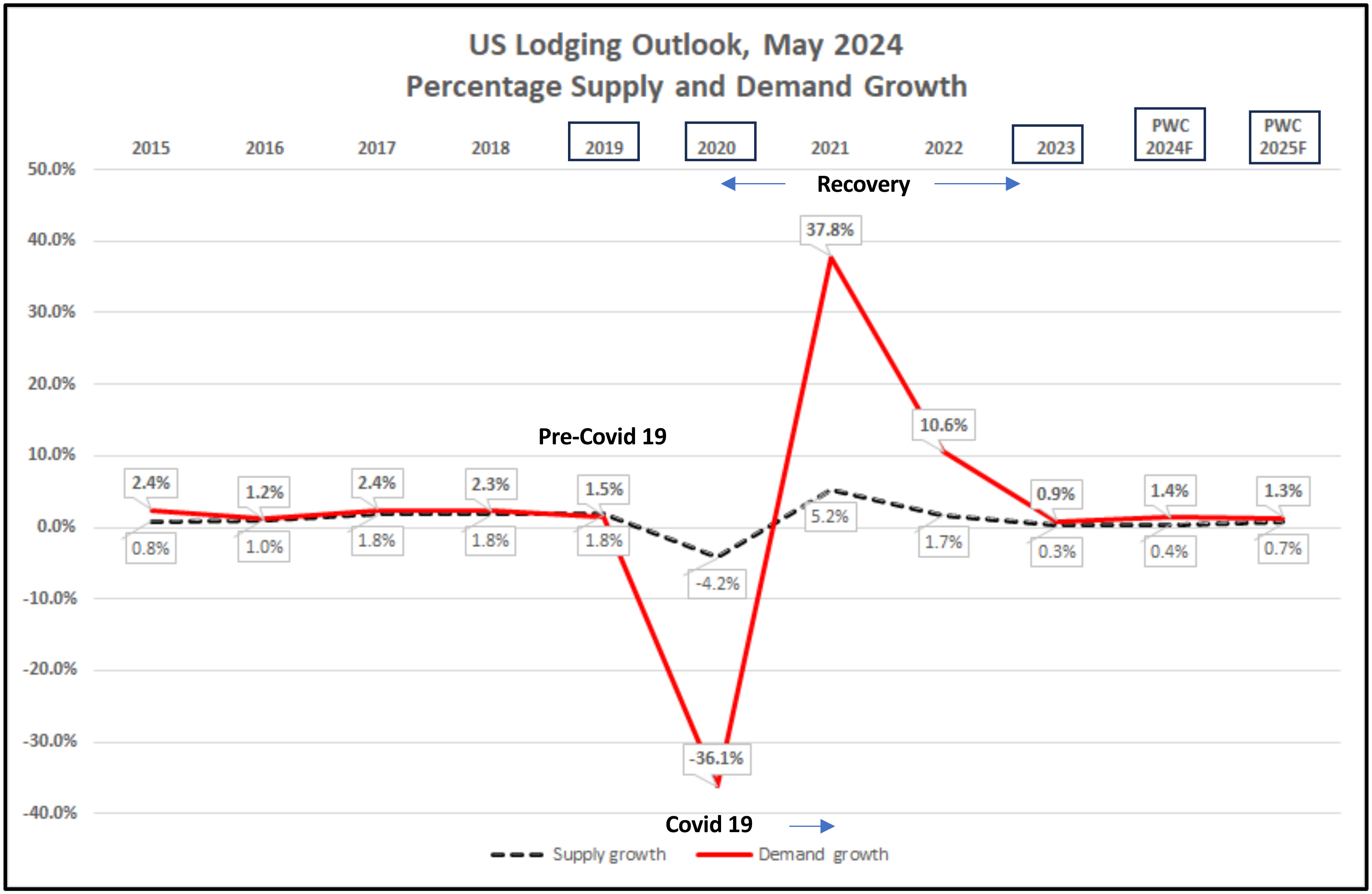
Demand Growth Far Outpaced Supply Growth Post-Covid 19 Through 2022, but Tighter With Supply Growth in 2023 and Forecast 2024 and 2025



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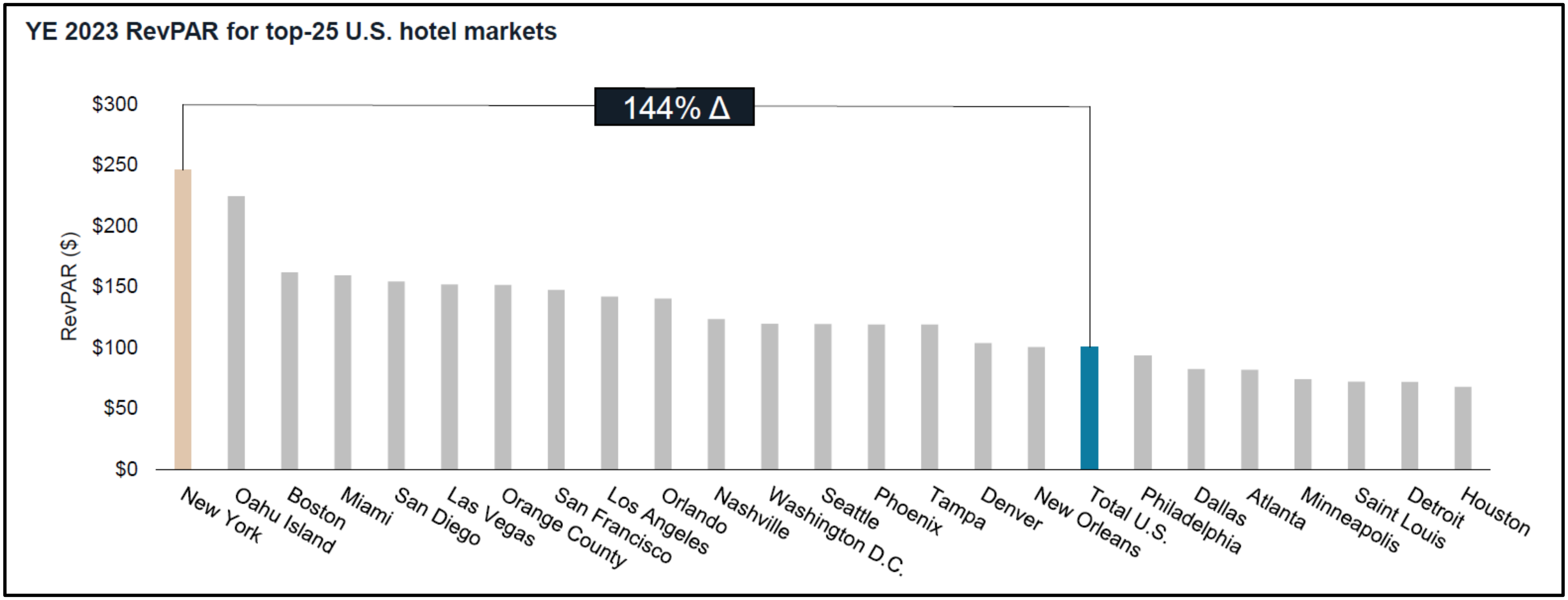
Source: REH Data Graphing, PWC Hospitality Directions May 2024, STR

NYC RevPAR Finished 2023 Strong at 144% of Top 25 MSA's After Initial Difficult Recovery

2023 US Lodging ADR and RevPAR Higher than Pre-Covid 2019; Occupancy Near Recovery, with Minor Overall Growth Forecast in 2024 and 2025

NYC RevPAR recovery in 2023 was approx. 115% of 2019 levels driven mainly by ADR growth, while occupancy had not fully recovered in 2023 at approximately 85% of 2019 levels.



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Source: JLL, CoStar/STR

2023 US Hotel GOPPAR Performance Was Below 2019 for Most Top 25 MSA's/Gateways

Hotel GOPPAR above 100% of 2019
(In order by highest percentage)

- Tampa (~135%)
- Miami (~88%)
- Nashville
- San Diego
- Orlando
- New York City (~110%)
- Orange County (CA)
- Phoenix
- Houston
- Dallas (100%+)

Hotel GOPPAR below 100% of 2019
(In order by highest percentage)

- US Avg. Top 25 MSA (98%)
- Oahu (~99%)
- Washington DC
- Chicago
- Boston
- Denver
- New Orleans
- Los Angeles (~88%)
- Atlanta
- Detroit
- Seattle
- Philadelphia
- Minneapolis
- St. Louis (~70%)
- San Francisco (Below 40%)

GOPPAR = Gross Operating Profit Per Available Room – Non inflation adjusted.

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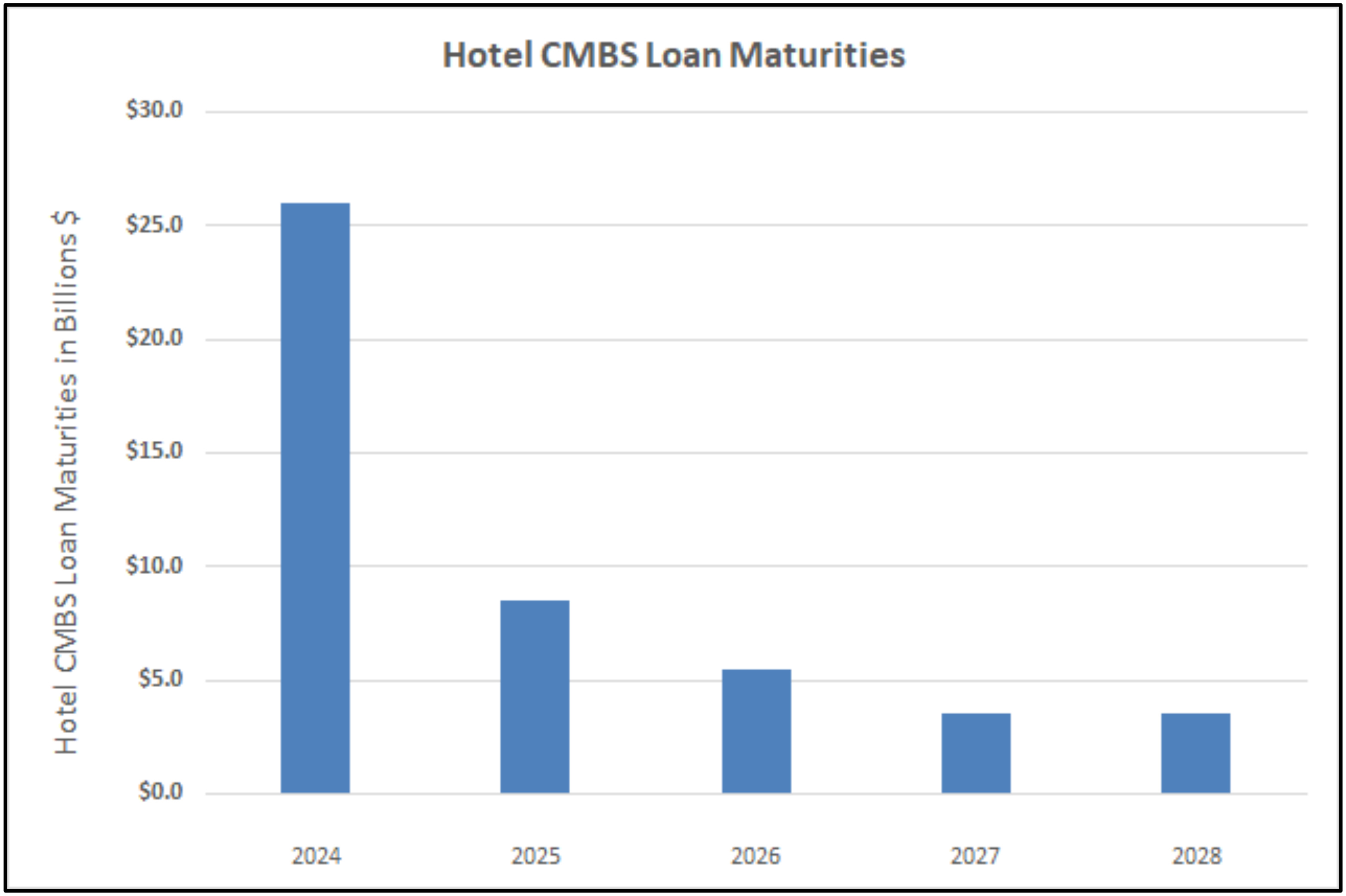
Source: JLL and Str/CoStar May 2024

Over $25 Billion in CMBS Loan Maturities Are Due in 2024

2023 US Lodging ADR and RevPAR Higher than Pre-Covid 2019, Occupancy Near Recovery, with Minor Overall Growth Forecast for 2024 and 2025



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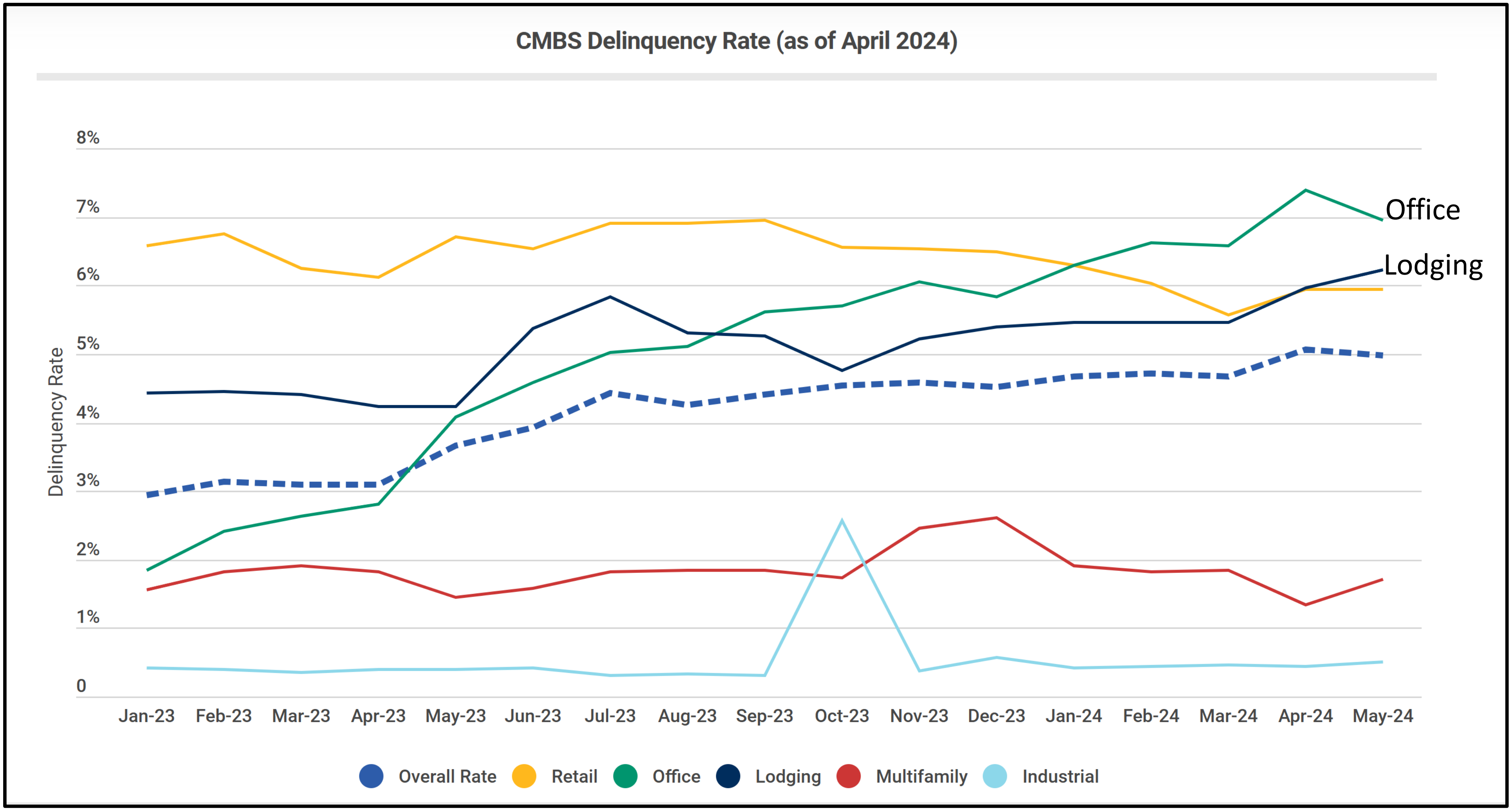
Source: REH Data Graphing, CoStar December 2023

CMBS Lodging Loan Delinquencies Increased To Above 6% in May 2024



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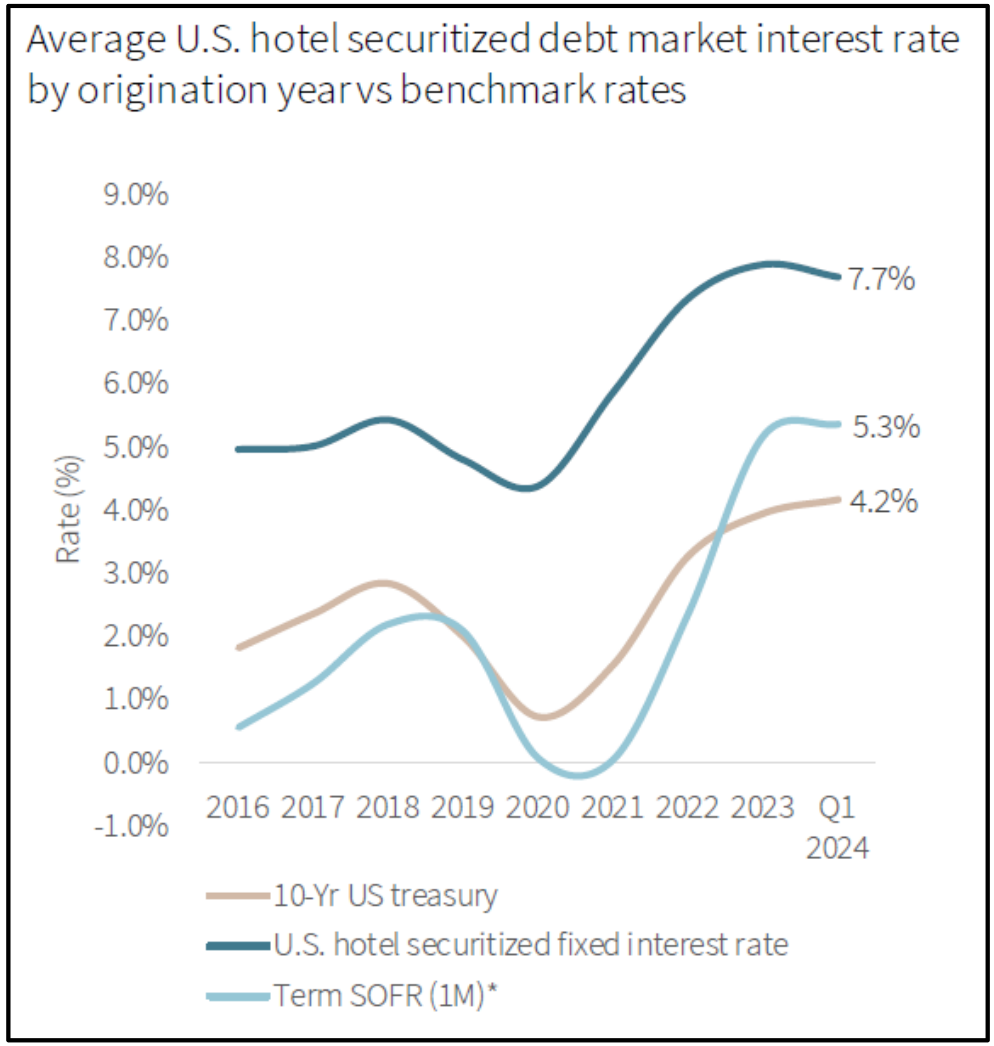
Source: Trepp, June 2024

Higher Borrowing Costs on Securitized Hotel Debt a Major Challenge to Hotel Owners

- Fixed and floating interest rates by origination year are up 250 to 325 bps in 2023 vs. 2020 on U.S. hotel securitized loans (CMBS & CRE CLOs).
- Most new CMBS hotel loan originations are SASB* loans.

*Single Asset/Single Borrower.



Source: JLL, Trepp, FRED May 2024

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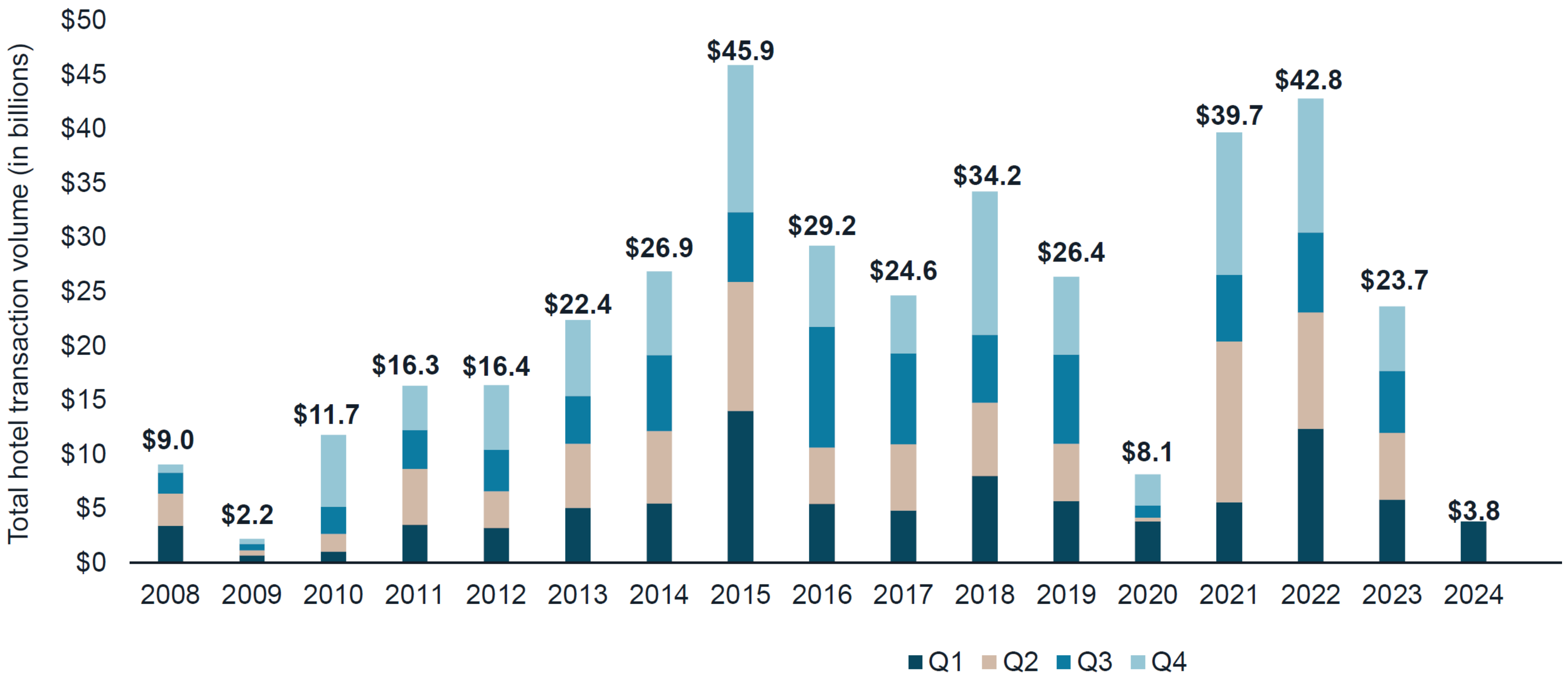
Hotel Investment Sales Activity Was Weak in 2023 and Q1 2024, But Expected to Increase

Quarterly U.S. hotel investment volume



Note: Figures shown above each bar represent total volume by year. Includes all transactions $5M+ excluding casinos.

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Source: JLL Q1 2024

Hotel Cap Rates Are Up, Therefore Implied Valuations Are Down Since 2019

Source: HVS and PWC

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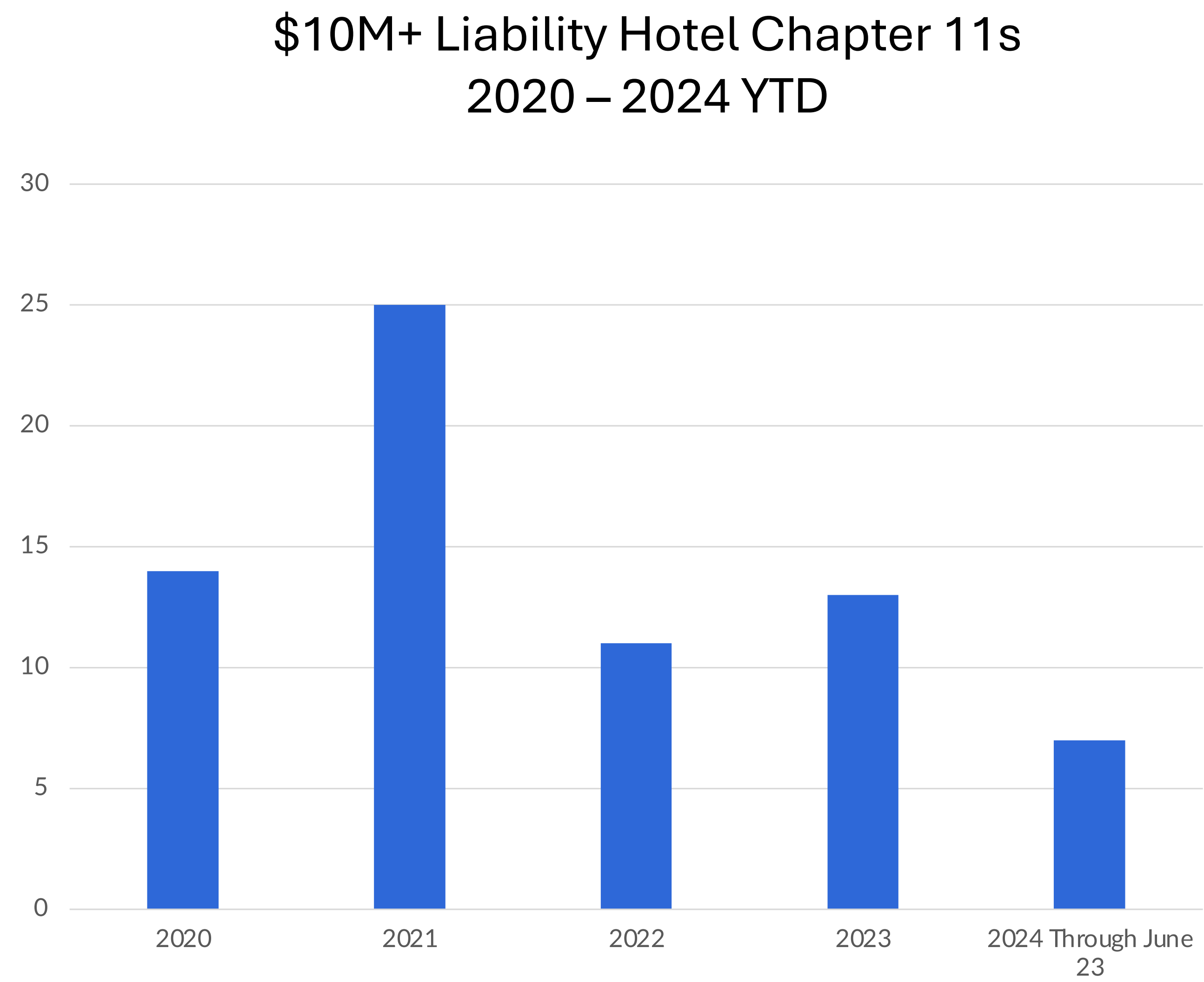
What are the major financial stress points facing hotels today?

- **Maturing Loans and Higher Borrowing Costs**
  - Floating Rate Loans (Cash Flowing Assets) – 275 to 400 bps above SOFR (5.33%) = 8% to 9%+
  - Fixed Rate Loans (Cash Flowing Assets) – 300 to 400 bps above 10-Yr US Treasuries (4.25%) = 7.25% to 8.25%+
  - Debt Yields 11 to 13%
  - Rates up 250 to 300 bps since 2020
  - According to research by JLL (March 2024), in 21 of the Top-25 U.S. markets, borrowers that refinance at maturity in 2024 will observe moderate to critical stress, totaling $2.1 billion in debt volume.
  - Critical stress is for loans with DSCR below 1.0.
  - Many traditional lenders are "full" om hotel debt with many existing loans not repaying on schedule and increased stress.
- **Major Strains on Hotel Net Operating Income**
  - Revenue (RevPAR) growth flattening.
  - Increasing Labor Costs/Union Impacts.
  - Escalating Insurance Costs (up 15% to 40% in some coastal states).
  - Sticky inflation on products and supplies procurement.
- **Capex/Deferred Maintenance Requirements**
  - Major deferred maintenance.
  - Existing PIP /Renovations Required (Hotel brand pressures).
  - Depleted FF&E Reserve Funds.
  - Unavailability of affordable financing for deferred maintenance and PIP remediation.
- **Lender and Brand Patience Strained**
  - Burn-off of lender and brand standard forbearances resulting in necessary equity infusions.
  - This may likely lead to restructuring and capital markets transactions, as well as additional foreclosures and bankruptcies.



Source: Reorg Research Inc.

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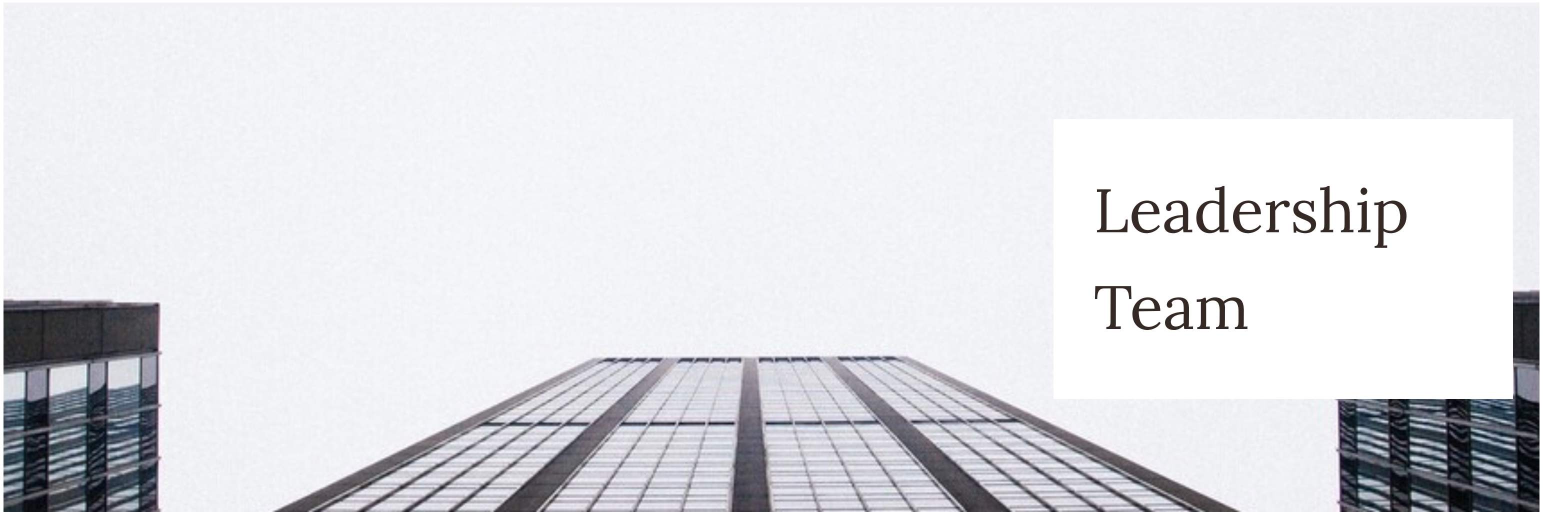

Leadership Team

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Tel: 954 712 7460

Francis J. Nardozza, Chairman & CEO

Francis ("Frank") J. Nardozza is Chairman and CEO of REH Capital Partners, LLC, whose primary focus is on investment, transactional services and advisory services to the real estate and hospitality industries.   Mr. Nardozza has over 45 years of diversified experience in the areas of investment, finance, development, operations, project planning, and market

Mr. Nardozza is also a frequent speaker at major industry conferences including those of the Urban Land Institute, American Hotel & Lodging Association, ALIS, UCLA, New York University, and others. He has authored many articles and is quoted on real estate and lodging topics in a variety of business and industry trade publications including the Wall Street Journal, New York Times, and business strategy within the real estate and hospitality industries. Mr. Nardozza is recognized nationally and internationally for his work in the areas of enterprise-wide strategic planning, mergers and acquisitions, deal structuring, transactional services and business performance improvement, and has advised on over $15 billion in real estate and hospitality transactions throughout his professional career.

Prior to launching REH, Mr. Nardozza was a partner and served as National and Global Real Estate and Hospitality Consulting Practice Leader for KPMG, LLP and KPMG Consulting, Inc. where his tenure with the firms spanned over 25 years. He is the founding Chairperson of the US Lodging Industry Investment Council (LIIC), serves as Executive Board Chair of the Real Estate Center at Florida State University, and serves on the Executive Advisory Committee of the New York University Hospitality Business Week, Urban Land Institute, Miami Herald, Florida Trend, Lodging, Lodging Hospitality and other key trade publications.

In 2000, Mr. Nardozza was selected and profiled by Lodging Magazine as one of the top 75 leaders of the US lodging industry for the new millennium and is the recipient of the 2003 Florida State University Real Estate Program's Annual Award for Significant Contribution to Real Estate. He is a past honored member of “Who’s Who Worldwide” for his accomplishments in the consulting and advisory disciplines. In April 2013, Mr. Nardozza was honored by his induction into the Florida State University College of Business Hall of Fame.

Mr. Nardozza has established and endowed the “Nardozza Real Estate Scholars Program” at Florida State University and serves on the Board of Directors of the H.O.P.E. Outreach Center in Broward

Investment Conference and the American Lodging Investment Summit ("ALIS"). He is also past Chairman of the “Market, Finance, and Investment Analysis Committee” of the American Hotel & Lodging Association and past Chairman of the Association’s “E-Business Committee”. Included among his current and past clients are many of the world’s largest real estate and hospitality companies and investment funds.

County, Florida.

Mr. Nardozza is a Certified Public Accountant in the State of Florida and a graduate of Florida State University - B.S. Accounting, 1977. Additionally, in May 1993, he completed an executive certificate program on international business at The Wharton School, University of Pennsylvania.

REH Stands Ready To Assist Clients In Achieving Their Strategic Business Objectives

REH principals are well known and well connected on a global basis in the real estate and hospitality industries, with decades of capability and experience in business planning, market and financial analysis, due diligence, business performance improvement, finance and funding structures, and worldwide partner/investor contacts.

REH assists real estate and hospitality clients in a variety of ways in meeting their strategic business objectives, including any combination of the following:

- Assist in formulating business plans and objectives for projects and investments.
- Advise and assist in stressed asset turn-around strategies and facilitating business performance improvement.
- Assist in asset and portfolio analysis, evaluation, due diligence, management and oversight.
- Advise on recapitalization strategies, loan resolution and structured finance solutions.
- Advise on acquisitions, dispositions and development.
- Advise on partner, brand, manager, and capital sourcing, selection, negotiations, restructurings, due diligence and definitive agreements.

Patrick Potter, Partner

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1200 Seventeenth Street, NW
Washington DC 20036

Patrick Potter is a Washington, D.C. Partner in Pillsbury Winthrop Shaw Pittman's Insolvency & Restructuring Group. He has been practicing corporate chapter 11 (representing debtors, creditors, creditor committees, and other constituents), for 35 years. Over his career he has appeared before more than 50 bankruptcy judges nationally. His clients are involved in a broad range of industries, including commercial real estate, construction, health care, hospitality, and energy. Patrick served as lead debtor's counsel in the San Jose Fairmont chapter 11 case, where the debtor rebranded the hotel, restructured $200 million in mortgage debt, raised more than $20 million in "key" money and subordinated debt, and discharged/restructured more than $20 million in unsecured debts. He has worked on capacity building in the MENA region (including statute and rule drafting and implementation), since 2014. He has been a speaker and presenter at more than 30 conferences, seminars, workshops, roundtables, and cases study programs in and with MENA member states, with a particular emphasis on bankruptcy development and implementation in Saudi Arabia, Bahrain, and Morocco.

His full bio is at the following link:
https://www.pillsburylaw.com/en/lawyers/patrick-potter.html

David Levy

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Managing Director

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David is head of the Summit Investment Management and Keen-Summit Capital Partners Chicago office. He responsible for all aspects of business development and execution in connection with the company's distressed debt acquisitions and opportunistic credit transactions, plus real estate brokerage and auction, investment banking, and lease modification and restructuring services. David has more than 13 year's experience in real estate advisory and transaction experience, with particular expertise in workout, bankruptcy, and other special situations.

EDUCATION, LICENSES, & CERTIFICATES

- MBA, Miami University
- BS, Business Administration/Marketing, Miami University
- Illinois Real Estate Managing Broker
- Illinois Auctioneer
- Illinois Notary
- Wisconsin Auctioneer
- Texas Auctioneer
- Certificate Commercial Investment Member (CCIM) Designee
- Certified Auctioneers Institute (CAI)
- Accredited Auctioneer of Real Estate (AARE)

REPRESENTATIVE CLIENTS

FINANCIAL & PRIVATE EQUITY

- Bank of America
- Chase Bank
- BB&T Bank
- Hanmi Bank
- National Credit Union Association

CLIENTS CATEGORIES

- Bankruptcy and Real Estate Attorneys
- Trustees
- Receivers
- Turnaround Consultants
- US Marshals Service

PROFESSIONAL AND INDUSTRY EXPERIENCE:

- David has more than 13 year's experience in real estate advisory and transaction experience, with particular expertise in workout, bankruptcy, and other special situations. David began his career in general management and marketing roles for various consumer product companies., and most recently as the Vice President of NRC Realty & Capital Advisors.

- David holds both the Certified Commercial Investment Member (CCIM) and Certified Auctioneers Institute (CAI) designations, making one of fewer than fifty professionals in the United States to hold both. He is a frequent speaker and moderator on real estate restructuring programs, a member of the Turnaround Management Association Chicago/Midwest Board of Directors, and has held various leadership roles on the American Bankruptcy Institute Real Estate Committee.