

MCR HOSPITALITY FUND IV LP

January 2024



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Forward-looking statements, discussions of the business environment and investment strategy of the Fund and investment performance included herein (e.g., with respect to financial markets, business opportunities, demand, investment pipeline and other conditions) are subject to the ongoing novel coronavirus outbreak (“COVID-19”). The ultimate and lasting impact of COVID-19 is particularly uncertain and difficult to predict; therefore, such forward-looking statements do not reflect COVID-19's ultimate potential effects, which may substantially and adversely impact the Fund's execution of its investment strategy.

Any specific investments or case studies identified in this Presentation were selected for inclusion on the basis of being representative of investments or commitments to invest that the Firm believes are comparable to investments that the Fund may seek to make. It should not be assumed that investments identified were or will be profitable, that their performance is necessarily representative of the Firm's overall performance, that MCR will be able to effect similar changes or improvements in the strategies, business or operations of any future investments or that decisions MCR or the Fund will make in the future will be comparable. Improved portfolio investment results are due to a number of factors in addition to MCR's asset management approach, including the skills and capabilities of portfolio investment management, contributions by consortium partners, industry trends and conditions and general economic and financial conditions. Actual results may differ materially, positively or negatively, from those reflected in this Presentation. The asset management approach of MCR to each portfolio investment is unique and depends on the facts and circumstances of that particular company. The asset management approaches described in any specific investments or case studies identified in this Presentation may or may not be used for the Fund but are representative of the approaches MCR may employ. No assurances are given that any such asset management approach will be employed by MCR or will achieve any particular result. The portfolio investments included herein are based primarily on the Firm's internal projections and research conducted leading up to the initial investment in the relevant transaction. Except where otherwise indicated, such information has not been updated subsequent to the making of such internal analysis, is not intended to provide an update of company performance, and at the time made was and remains today subject to a number of actual contingencies which are generally not discussed herein. References to the investments included in the case studies should not be construed as a recommendation of any particular investment or security.

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HOTEL SHARPSHOOTER



Track Record

\$2.0B of equity invested since inception in 2006

Own

3rd largest hotel owner-operator in the US (invested in 194 hotels across 37 states)

Operate

Vertically-integrated (investment manager + experienced hotel operator)

Build

Developed 17 hotels (\$600MM in total development costs)

Renovate

Completed 110 renovation projects (\$160MM in total costs)



THE HIGH LINE HOTEL



ROYALTON
NEW YORK

PASADENA HOTEL & POOL



INK 48
HOTEL

Note: The inclusion of the above third-party firm and/or company names, brands and/or logos does not imply any affiliation with these firms or companies. None of these firms or companies have endorsed MCR, the Fund or any associated entities or personnel.



VERTICALLY-INTEGRATED PLATFORM

Hotel Investment Manager

Above-Property

Investments, Construction, Operations, Revenue Management, Finance, Payroll, Creative, etc.



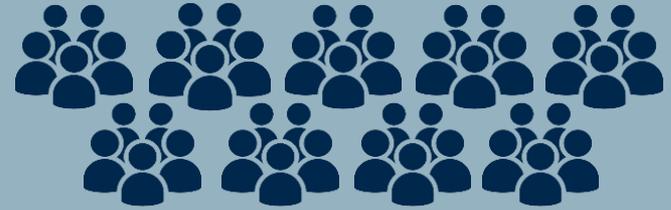
250 team members

MCR

Hotel Operating Company

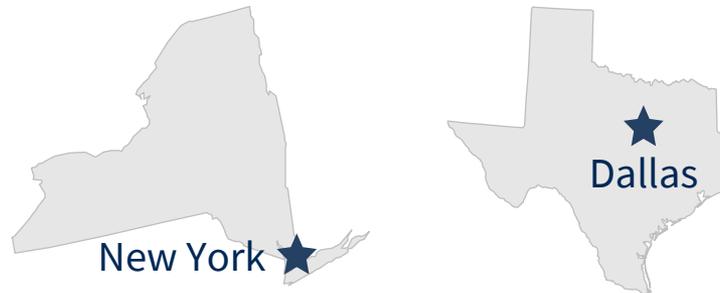
Property-Level

General Managers, Sales Directors, Executive Housekeepers, Front Desk Agents, Maintenance Engineers, etc.



6,000 team members

MCR Headquarters

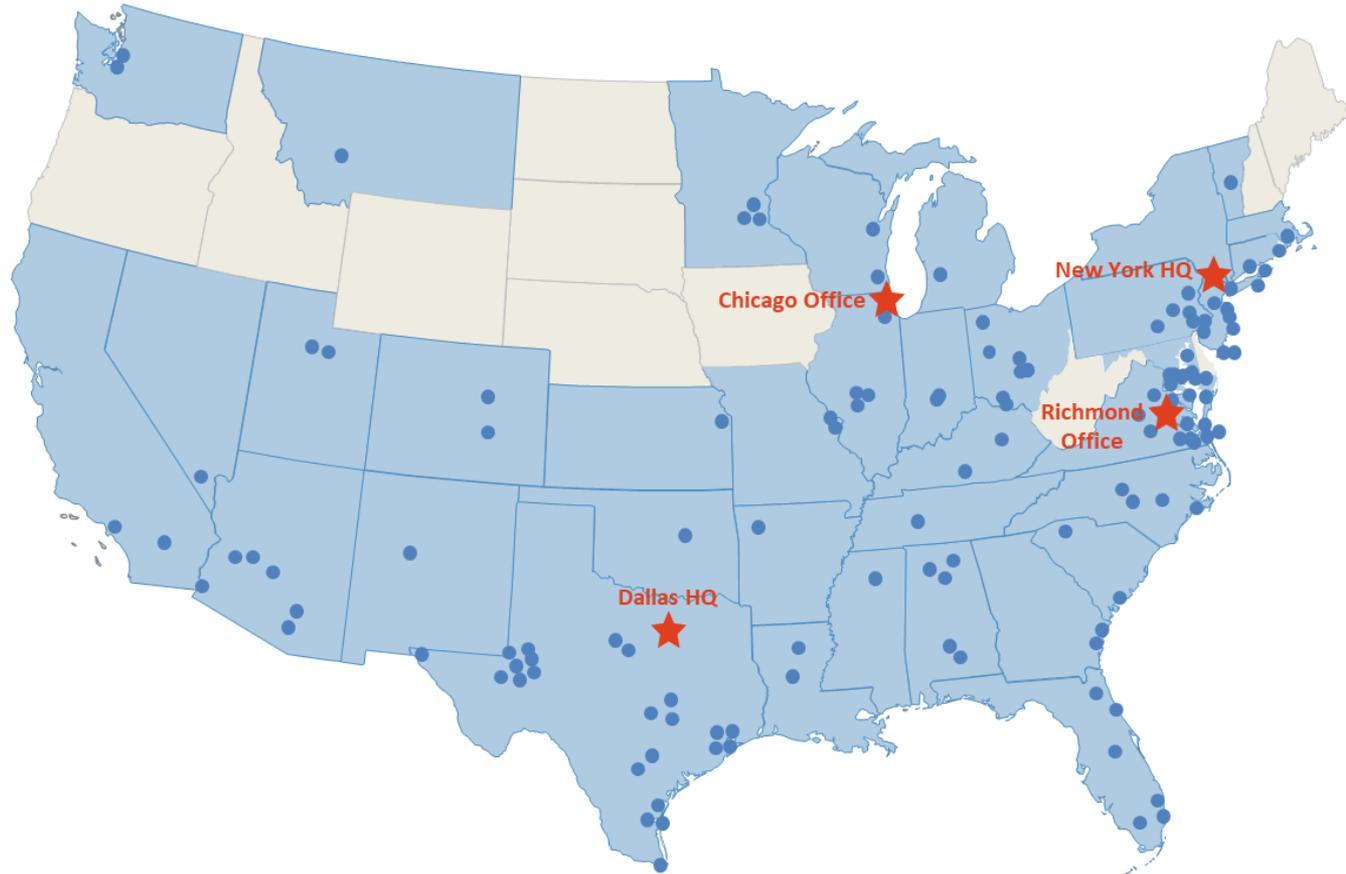


MCR Value Add



Note: The Firm and its affiliates will provide services (such as property management) to MCR Hospitality Fund IV LP and/or its portfolio investments. Compensation paid to persons for such services will be borne by the MCR fund and/or its applicable portfolio investments. No such compensation will result in offsets to, or reductions of, any investment management fees.

INVESTED IN 194 HOTELS ACROSS 102 CITIES AND 37 STATES



6,600+ TEAM MEMBERS LED BY EXPERIENCED EXECUTIVE TEAM



Tyler Morse
Founder, CEO, Managing Partner
*Experience: Starwood Hotels & Resorts,
Bliss Spa, Morgan Stanley, Ernst & Young*

Executive Team



Russ Shattan
Partner
Starwood Hotels



William White
Chief Financial Officer
*NYC Economic
Development Corp.*



Joe Delli Santi
Chief Investment
Officer
*Starwood Capital,
J.P. Morgan*



Nathan Logan
General Counsel
Latham & Watkins

Senior Professionals



Lisa Ross
Chief Accounting
Officer
*Behringer Harvard,
Hampstead Group*



Trey Tschoepe
Chief Administrative
Officer
OSG USA, CPS Energy



Jaimee Zanzinger
SVP, Creative
*US Weekly,
Glamour Magazine*



Sameer Mehra
Chief Revenue
Officer
*Hersha Hospitality,
Highgate*



Chad Newman
SVP, Hotel Execution
*Island Hospitality,
Briad Hotel Group*



Cheryl Sinclair
VP, Human Resources
*Farmers Insurance,
Princess Cruises*



Karlie Hamilton
VP, Infrastructure &
Process Design
Island Hospitality



Nandu Kuppuswamy
VP, Investor Relations
*University of
Richmond (Spider
Management)*



STRONG TRACK RECORD

18% gross IRR (13% net IRR) on MCR hotel investment strategies (similar to Fund IV)

Investment (\$MM)	Vintage	Capital Committed (A)	Capital Invested (B)	Gross IRR (C)	Gross Multiple (D)	Net IRR (E)	Net Multiple (F)
<u>Realized</u>							
MCR St. Louis	2016	\$10.3	\$10.3	45.7%	2.0x	36.9%	1.8x
MCR Dulles	2016	\$11.9	\$11.9	6.9%	1.4x	5.9%	1.2x
MCR Florida	2012	\$6.4	\$6.4	33.6%	3.8x	28.8%	3.2x
MCRB Portfolio	2012	\$84.2	\$84.2	21.8%	2.0x	19.5%	1.9x
MCRS Portfolio	2010	\$104.0	\$104.0	17.2%	1.9x	15.2%	1.8x
Sub-Total (Realized)	-	\$216.7	\$216.7	20.3%	2.0x	17.8%	1.8x
<u>Partially Realized</u>							
MCR Hospitality Fund II LP ("Fund II")	2020	\$451.0	\$235.0	29.1%	1.5x	17.5%	1.3x
MCR Opportunity Fund I LP ("Fund III")	2020	\$127.2	\$127.2	11.5%	1.3x	9.4%	1.2x
MCR Hospitality Fund LP ("Fund I")	2017	\$300.0	\$267.0	9.4%	1.3x	5.8%	1.2x
T53 Portfolio	2015	\$316.6	\$316.6	12.9%	1.9x	11.6%	1.7x
Sub-Total (Partially Realized)	-	\$1,194.8	\$945.8	18.0%	1.5x	12.1%	1.4x
Total (Realized & Partially Realized)	-	\$1,411.5	\$1,162.5	18.3%	1.6x	13.0%	1.4x

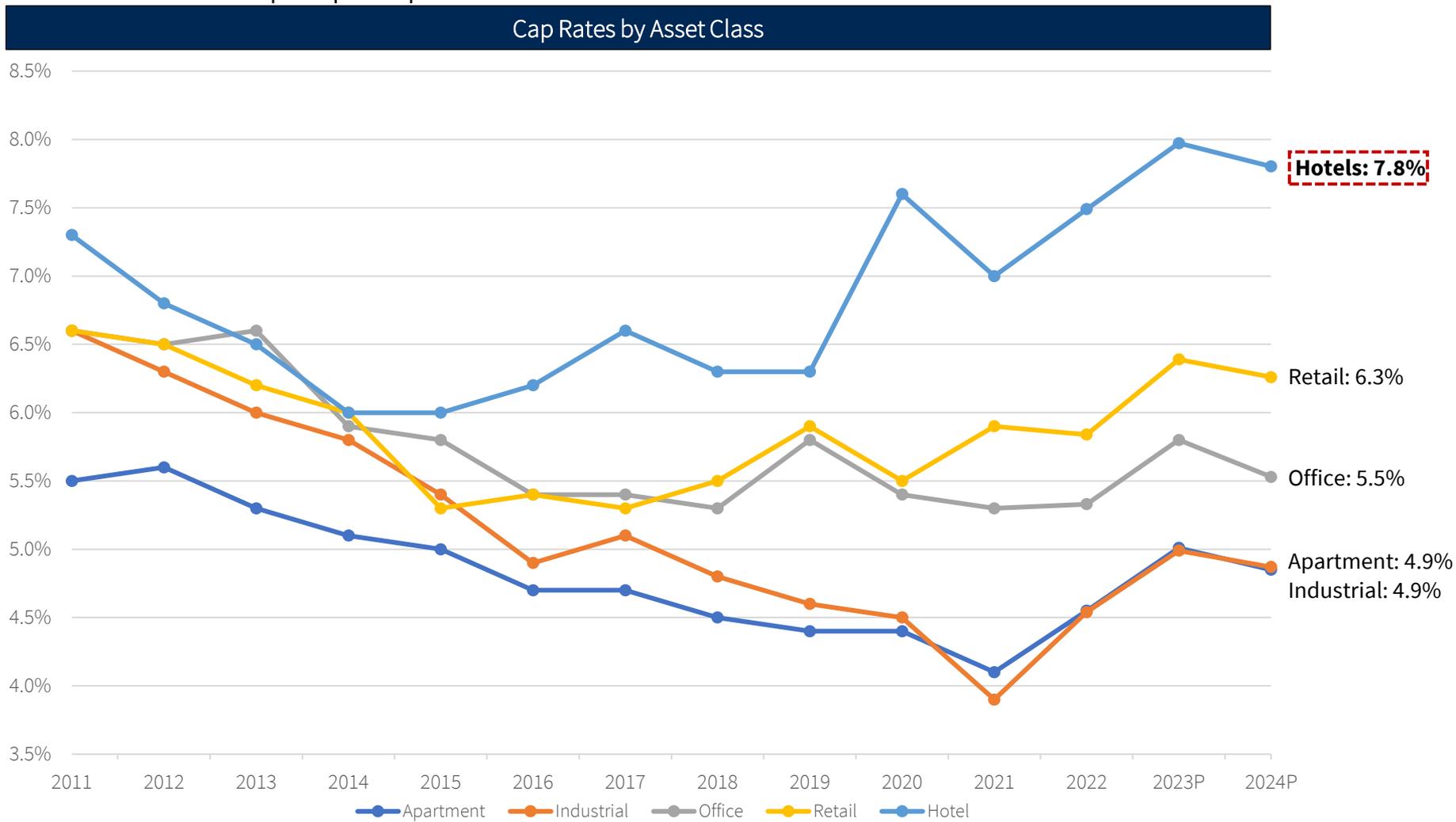
Note: Past performance is not necessarily indicative, or a guarantee, of future results. Track record as of September 30, 2023.

- "Capital Committed" represents the total equity raised by MCR, along with any financial partners, where MCR was responsible for the sourcing, structuring and ongoing management of the transaction.
- "Capital Invested" represents the total equity invested by MCR, along with any financial partners, where MCR was responsible for the sourcing, structuring and ongoing management of the transaction. For partially realized investments, Capital Invested includes actual contributions upon acquisition and through the life of each investment through September 30, 2023.
- "Gross IRR" represents the gross aggregate, annual, compound, internal rate of return on investments, calculated on a gross basis and does not reflect the deduction of management fees, carried interest, and other expenses borne or expected to be borne by investors, which in the aggregate are expected to be substantial. In the case of partially realized investments, Gross IRRs are calculated assuming those investments were realized at their fair market value as of September 30, 2023.
- "Gross MOIC" or "Gross Multiple" represents the multiple of invested capital, calculated on a gross basis, and does not reflect the deduction of management fees, carried interest, and other expenses borne or expected to be borne by investors, which in the aggregate are expected to be substantial. In the case of partially realized investments, Gross MOICs are calculated assuming those investments were realized at their fair market value as of September 30, 2023.
- "Net IRR" reflects the deduction of management fees, carried interest, and other expenses from the Gross IRR on investments. In the case of partially realized investments, Net IRRs are calculated assuming those investments were realized at their fair market value as of September 30, 2023.
- "Net MOIC" or "Net Multiple" reflects the deduction of management fees, carried interest, and other expenses from the Gross MOIC on investments. In the case of partially realized investments, Gross MOICs are calculated assuming those investments were realized at their fair market value as of September 30, 2023.



MCR INVESTS IN HOTELS BECAUSE OF THE YIELD

Hotels trade at 300+ bps cap rate premium to other real estate asset classes



Source: Rosen Consulting Group and American Council of Life Insurers.

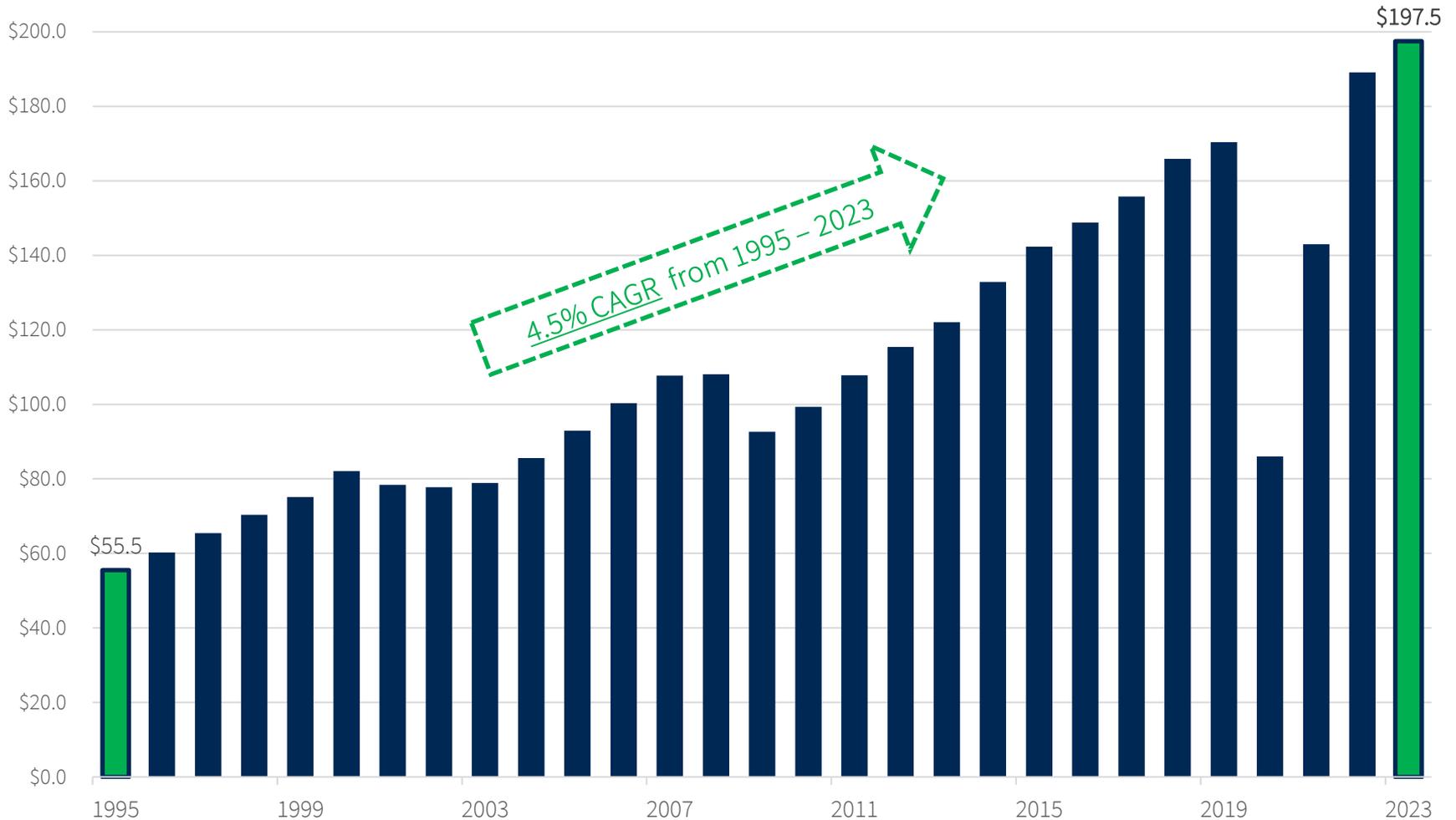
Note: There can be no assurance that any historical trends will continue over the life of the Fund or any investment that the Fund or its future investments or any investment will achieve comparable results to those presented herein.



AND BECAUSE THE FUNDAMENTALS ARE SOLID

4.5% revenue CAGR over nearly 30-year period (\$56B of room revenue in 1995 → \$198B in 2023)

Annual US Hotel Room Revenue (\$ in Billions)

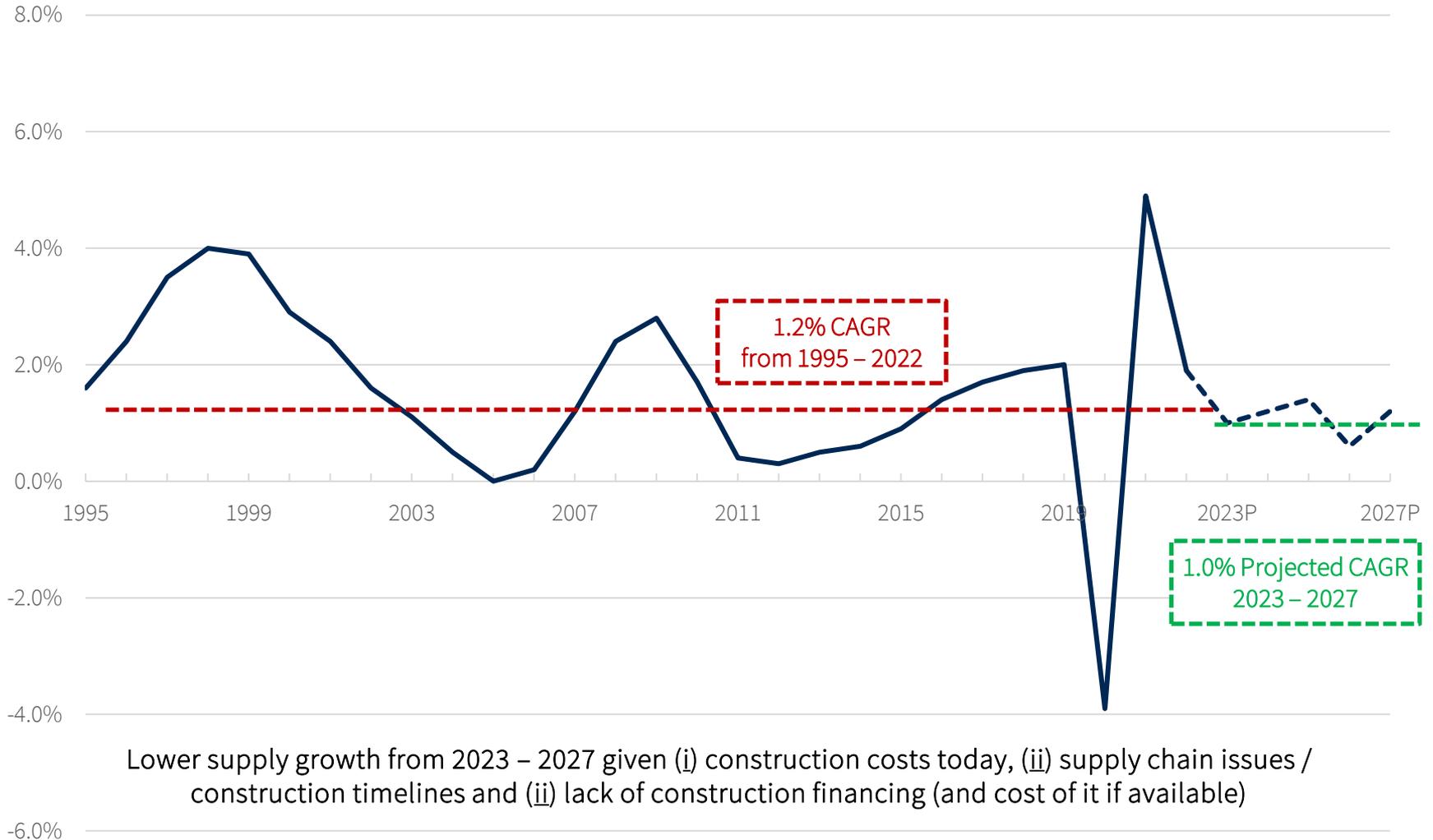


\$198B of Room Revenue + \$92B of Food & Beverage / Other Revenue = \$290B Industry in US in 2023

AND BECAUSE THE FUNDAMENTALS ARE SOLID (CONT'D)

4.5% revenue CAGR vs. only 1.2% supply growth CAGR historically

US Hotel Room Openings as % of Existing Inventory



THE TRICK IS MITIGATING THE VOLATILITY

Hotels (daily leases) are more volatile than other real estate asset classes (longer-term leases)

MCR mitigates that volatility via:

#1) Experienced in-house operations team

MCR runs hotels better than its competitors

#2) Low leverage

Borrow at <65% LTV / 1.5x debt service coverage; can withstand recession and not breach loan covenants

#3) Focus on rooms business (high margins), not food and beverage or spas (low margins)

Projected Incremental Profit from Guestroom Sale

Sample Hotel Operating Statement ⁽¹⁾		
<u>Revenue</u>	<u>\$ Amt.</u>	<u>%</u>
Revenue from Guestroom Sales	\$100	100.0%
<u>Operating Expenses</u>		
Housekeeping Wages (30 Minutes at \$12/Hour to Clean Room)	\$6	6.0%
Complimentary Breakfast	3	3.0%
Reservation Fees	2	2.0%
Guest Supplies / Toiletries (Shampoo, Coffee, etc.)	1	1.0%
Franchise Fees (Paid to Marriott / Hilton)	10	9.6%
Credit Card Commissions	3	2.8%
Total Operating Expenses	\$24	24.4%
Gross Operating Profit	\$76	75.6%

Generally, 76% of revenue flows through to the bottom line from the sale of a guestroom

(1) The above table (sample operating statement of a hypothetical select service hotel) is for illustrative purposes only.

MCR INVESTMENT STRATEGY: BUY IT. FIX IT. SELL IT.

Step #1) Buy It

- Single-asset acquisitions and portfolios
- Distressed deals (foreclosure auctions, non-performing loans, loan-to-own, etc.)
- Limited service and full-service hotels
- <15 years old
- Fee simple
- Strong, growing primary and secondary markets across the US
- 20%+ discounts to replacement cost

Step #2) Fix It

- Always: Run hotels 350 – 400+ bps in margin better than other operators
- Sometimes: Lightly renovate (typically spend less than \$20K per guestroom)
- Rarely: Re-brand (convert from independent or weaker brands like Choice and InterContinental to stronger brands like Marriott and Hilton)

Step #3) Sell It

- Sell opportunistically
- Single-assets or portfolios (depends on what maximizes investor profits)
- Potential buyers: Public REIT's, private equity firms, other owner / operators, etc.

Positioned to participate in all stages of the cycle given track record in (i) acquisitions (incl. via bankruptcy / foreclosure auctions), (ii) development, (iii) non-performing loans and (iv) public equities

Illustrative Investments

MCRB Portfolio (Dec. 2012)

10-hotel select service portfolio acquisition



20% net IRR / 1.9x multiple (5-Year Hold)

MCR Florida (May 2012)

2-hotel select service portfolio acquisition



29% net IRR / 3.2x multiple (6-Year Hold)

Killington Mountain Lodge (June 2020)

Independent to Hilton brand conversion



52% net IRR / 1.7x multiple (2-Year Hold)

Note: Past performance is not necessarily indicative, or a guarantee, of future results. The composite performance information herein is included for illustrative purposes only. Please see page 17 for a list of MCR investments, including the performance of each such investment, and footnotes for important information, including regarding composite return figures included herein and the calculation of performance metrics used herein.



Step #1) Buy It

- Acquired non-performing, defaulted loan for \$23.3MM in Apr. 2021
- Took title to hotel via foreclosure auction on courthouse steps very next day
- Off-market deal (direct to lender)
- Non-institutional hotel sponsor with <5 hotels (0 in California)
- \$117K per guestroom purchase price = 60%+ discount to replacement cost

Step #2) Fix It

- Terminated InterContinental brand management at closing (via foreclosure)
- MCR took NOI from \$250K at acquisition (Apr. 2021) to \$1.5MM at sale (Apr. 2022)
 - Doubled RevPAR from \$54 to \$93 (\$2MM+ of revenue)
 - Started charging for parking (\$200K of incremental income)
 - Terminated unnecessary computer, telecommunications, mechanical etc. equipment leases via foreclosure (\$150K of annual savings)

Step #3) Sell It

- Sold for \$30.0MM to private equity firm in Apr. 2022
- 5.0% cap rate on in-place NOI at exit
- Driving factors of cap rate: (i) demand for drive-to leisure locations during COVID and (ii) MCR secured Homewood conversion option upon sale (better Hilton brand)



Purchase Price (Apr. 2021): \$23.3MM

Sale Price (Apr. 2022): \$30.0MM

Net IRR: 84%

Net Equity Multiple: 1.9x

Whole Dollar Profit: \$8.4MM

Hold Period: 1 year

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Step #1) Buy It

- Bought for \$21.5MM from publicly traded REIT in Dec. 2016
- Broken process (originally marketed as part of 10-hotel portfolio that didn't trade)
- Orphan asset (no ownership oversight on operations)
- \$110K per guestroom purchase price = 50%+ below replacement cost

Step #2) Fix It

- Terminated Hilton brand management at acquisition closing; transitioned to MCR
- Increased NOI from \$1.6MM at acquisition (Dec. 2016) to \$2.5MM at sale (Sept. 2018)
 - Reduced employee headcount from 70 → 40
 - Restructured F&B (eliminated lunch, focused on higher-margin beverage sales)
 - Revamped revenue management strategy (marginally lowering room rates by \$3 resulted in 8.0 pct. point occupancy improvement, +\$650K in revenue)

Step #3) Sell It

- Sold for \$29.5MM to a regional private equity firm in Sept. 2018
- \$8.0MM (37%) increase over purchase price
- 7.9% cap rate (including buyer's required capex) on in-place NOI at exit
- Negotiated conversion option to Hilton Garden Inn (with Hilton); attracted both limited service and full-service buyers (more competitive bidding process)



Purchase Price (Dec. 2016): \$21.5MM

Sale Price (Sept. 2018): \$29.5MM

Net IRR: 37%

Net Equity Multiple: 1.8x

Whole Dollar Profit: \$10.4MM

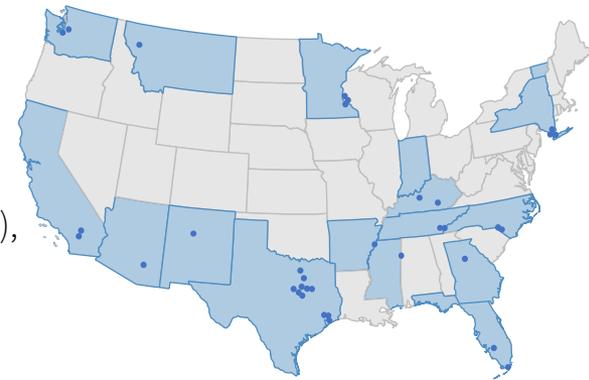
Hold Period: <2 years

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MCR INVESTMENT STRATEGY: PORTFOLIO CONSTRUCTION

- Latest vehicle (MCR Hospitality Fund IV LP) is continuation of prior vehicle strategies
Investing in hotels and hospitality related assets across the US
- \$750MM of equity (target) = \$2B in purchasing power
- Expect to invest in 50 hotels
- Fund IV already owns 8 hotels: Florida (3, Orlando and Daytona Beach), Phoenix (2), Charlotte (1), Charleston (1) and New York City (1)
- Premium brands: Hilton (4), Marriott (2), Hyatt (1) and independent (1)

Prior MCR Fund Markets



Existing Fund IV Hotels



Hyatt Place Orland Lake Buena Vista
Orlando, FL



Courtyard Orlando / Deland Downtown
Orlando, FL



Hampton Inn Daytona Beach Oceanfront
Daytona Beach, FL



Canopy by Hilton Charlotte Southpark
Charlotte, NC



Hampton Inn Phoenix Biltmore
Phoenix, AZ



Holiday Inn Express & Suites Scottsdale
(Converting to Home2 Suites by Hilton)
Scottsdale, AZ



Courtyard North Charleston
Charleston, SC

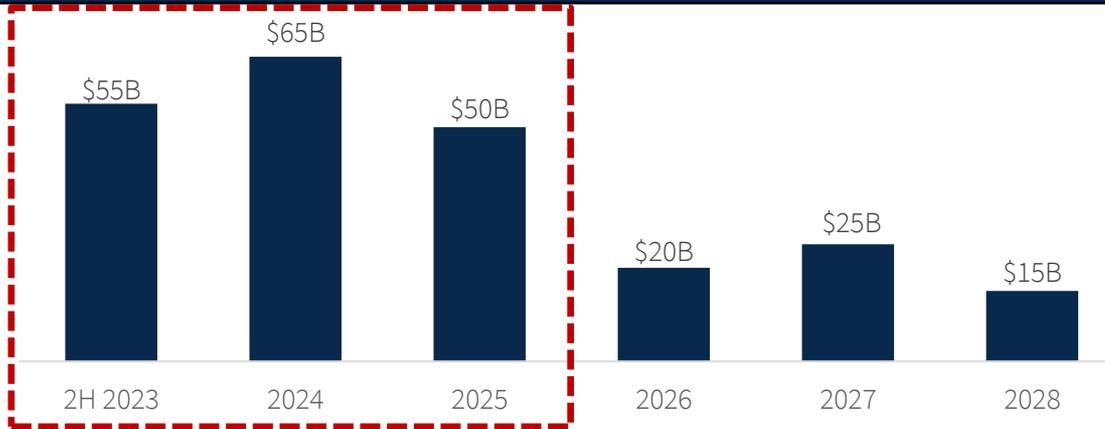


Gramercy Park Hotel
New York, NY



DISTRESSED OPPORTUNITIES ON THE HORIZON

Hotel Loans Maturing Annually (\$)



**\$170B of Hotel Loans
Maturing through 2025**

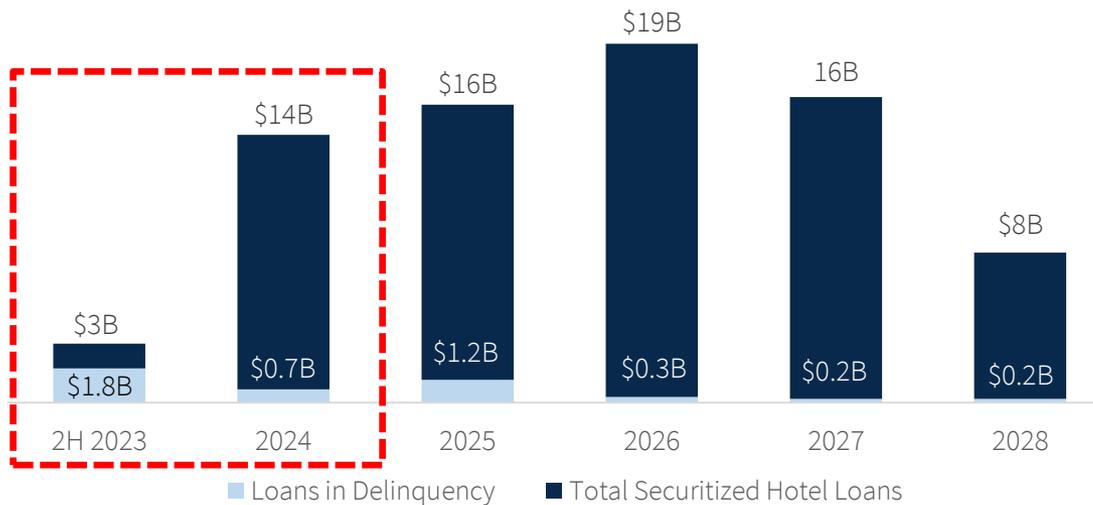
+

**“Higher For Longer”
Interest Rate Environment**

=

**Distressed Acquisition
Opportunities**

Case and Point: 15% of Near-term Securitized Hotel Loans Already Delinquent



Source: JLL Research

Note: Data as of 3Q 2023. Year of maturity is reflective of extensions granted as of 3Q 2023. Delinquent debt includes loans that are 30 days, 60 days, and 90+ days delinquent as well as foreclosures, REOs, non-performing maturity balloon, and performing maturity balloon loans.



MCR creates value through responsible investing.

MCR believes in the alignment of business practices with the principles of sustainability and corporate responsibility.

MCR is cognizant of its environmental footprint and committed to reducing its impact.

ESG Highlights

ENVIRONMENTAL IMPACT

- ✓ MCR is committed to working with key stakeholders - from employees to vendors - to implement policies to reduce the impact of its environmental footprint.
- ✓ MCR reports property-level consumption data to Marriott, Hilton, etc. brand partners to identify and support programs aimed at reducing energy and water usage, carbon emissions and waste.
- ✓ MCR internally tracks water and energy consumption and contracts with a third-party to consolidate / track waste removal and recycling programs.
- ✓ Acquisition due diligence includes a review of ESG factors to identify environmental risks, as well as opportunities to improve energy efficiency and water conservation.

SOCIAL IMPACT

- ✓ MCR is committed to diversity, equity and inclusion, with a workforce that is 63% female and 71% minorities.
- ✓ MCR supports and adheres to social responsibility guidelines and initiatives established by Marriott / Hilton brand partners.
- ✓ Acquisition due diligence includes a review of compliance with local codes and regulations, as well as labor practices.
- ✓ MCR strives to make a positive impact through various community organizations, education partners, and industry groups, including the Partnership for New York City and the American Hotel & Lodging Association (AH&LA).

GOVERNANCE

- ✓ MCR became a Registered Investment Advisor with the SEC (effective as of February 2, 2023).
- ✓ Now regulated under the Investment Advisor Act of 1940, MCR is subject to additional governance and oversight requirements, providing increased communication and transparency to investors.
- ✓ MCR maintains policies for Health and Wellness, Human Rights, Anti-Discrimination, and Anti-Harassment, as well as a Code of Business Conduct and Ethics.
- ✓ Affirmation of MCR's policies, including its Standard of Conduct and Ethical Conduct policies, is required as part of employee onboarding.

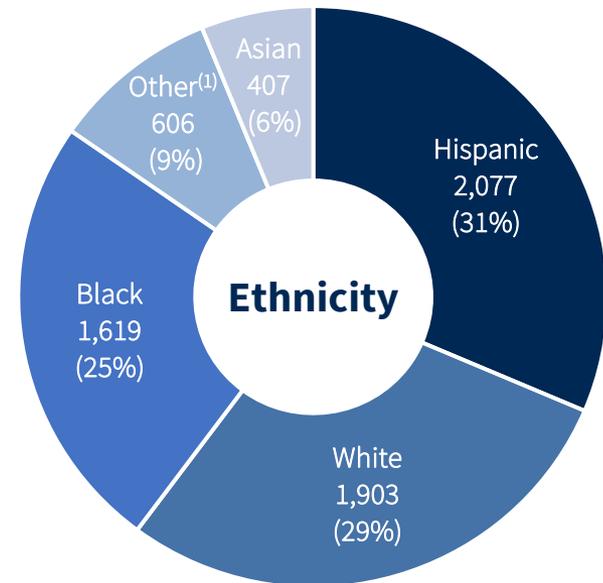
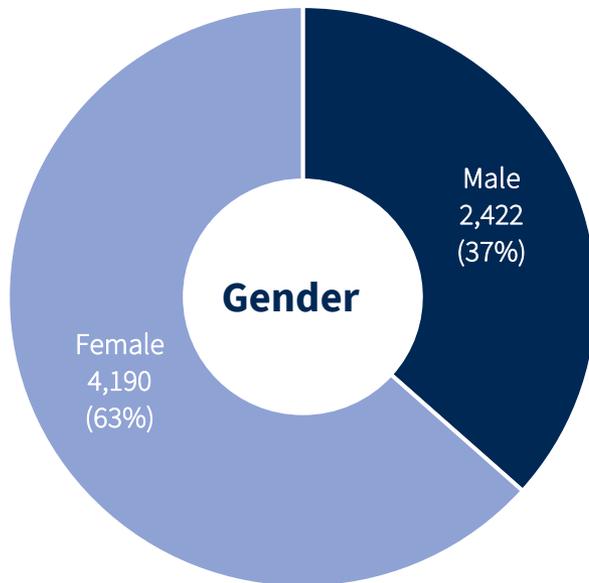
MCR supports a diverse and inclusive working environment.

Committed to diversity, equity, and inclusion

7,000 total employees

4,190 Females (63%) and **4,709 Minorities (71%)**

MCR Diversity Metrics



Note: Data as of June 30, 2023

(1) Other includes Native American, two or more races, other, or declined to provide



HONORS & AWARDS



Hotel Business Magazine – 2021 Top Hotel Owners & Developers

3rd largest hotel owner-operator in the US



2015, 2018 and 2021 Marriott Partnership Circle Award

Highest honor presented to Marriott's owner / franchise partners for hospitality excellence



2017 and 2019 Hilton Top Performer Award

Honored as top owner / manager of Hilton hotels under the Hampton and Hilton Garden Inn brands



Hotel Management – 2021 Top Hotel Companies

Annual ranking of the world's largest hotel companies by room count



Commercial Property Executive – 2018 Hotel Executive of the Year

Tyler Morse, CEO & Managing Partner of MCR (Honorable Mention)



Fast Company – 2020 Most Innovative Travel Company

Awarded to 10 most innovative travel companies



2020 and 2021 Deal of the Year

Single Asset Transaction of the Year (under \$25MM)



Women Builders Council – 2019 Diversity Champion

Recognizes private-sector institutions who champion inclusion in all aspects of their business

Note: Award and rankings are based upon third-party reviews and opinions and are not indicative, or a guarantee, of MCR's, the Fund's or any investment's future performance. The inclusion of the above third-party firm and/or company names, brands and/or logos does not imply any affiliation with these firms or companies. None of these firms or companies have endorsed MCR, the Fund or any associated entities or personnel.



PARTNERSHIPS & ALLIANCES



Partnership Circle
Award Winner



Top Performer Award;
Hilton Product Advisory
Council



Member, AH&LA Industry Real
Estate Finance Advisory Council



Home2 Suites by Hilton
Franchise Advisory Council



National Association
of Real Estate
Investment Trusts



Courtyard by Marriott
Franchise Advisory Council



TownePlace Suites by Marriott
Franchise Advisory Council



Prep for Prep



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MCR HOSPITALITY FUND IV LP TERMS

Key Term

Investment Objective	The Fund will seek to make investments in hotel and hospitality real estate and hospitality related assets
Target Fund Size	\$750MM, not to exceed \$1.0B
Investment Return Target	The Fund will seek to achieve portfolio-level gross compound annual IRR of 18% – 20% (15% - 17% net) ⁽¹⁾
Minimum Commitment	\$5MM, although capital commitments of lesser amounts may be accepted at the General Partner’s discretion
GP Commitment	\$15MM minimum (regardless of fund size)
Offering Period	12 months from the initial closing (through May 2024)
Geographic Focus	United States
Investment Period	4 years after the Fund’s effective date
Term	10 years after the Fund’s effective date, may be extended by the General Partner for (i) one 1-year period in its discretion and (ii) two consecutive 1-year periods (with advisory board approval)
Investment Management Fee	1.5% of capital commitments during the Investment Period, and thereafter, 1.5% of equity invested
Preferred Return	8.0%
Waterfall	<ol style="list-style-type: none"> 1. 100% of LP capital contributions returned 2. 100% of distributions to LP’s until 8% internal rate of return 3. 50% to the GP and 50% to the LP’s until the GP has received 20% of the distributed profits; and 4. 80% to LP’s and 20% to the GP

(1) There can be no assurance that the Fund will achieve such returns or objectives. The adoption of these performance objectives is not intended to predict the Fund’s performance; instead, the objectives are used to help explain how the General Partner intends to construct the Fund’s portfolio. The performance of each real estate asset owned by the Fund may vary substantially over time and may not achieve the targeted returns set forth herein, which may have a material effect on overall portfolio performance over the life of the Fund. The ultimate returns realized by the Fund will depend on numerous factors, which are subject to uncertainty. Accordingly, there can be no assurances that any performance or return objective will be realized or achieved. In addition, there are a variety of risks that may impede the achievement of the performance objectives. Note: The “Summary of Principal Terms” contained herein is necessarily incomplete and is qualified in its entirety by reference to the Memorandum and the governing documents of the Fund Partnership (including the relevant subscription agreement). Copies of the Memorandum, the governing documents of the Fund and the subscription agreement will be made available to qualified investors upon request. Target performance is not a guarantee or prediction and is not necessarily indicative of future results, but rather an indication of how the Manager intends to construct the risk profile of the Fund. Potential investors should not rely on such target performance information in connection with making an investment decision, as actual performance information may vary significantly from the target performance information set forth herein.



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