LIGHTSTONE
Value Plus REIT III

*This property is currently owned by Lightstone Value Plus REIT III, Inc. ("REIT III"). This property is representative of the type of property REIT III intends to invest in.*

# INVESTOR FACT SHEET

## LIGHTSTONE VALUE PLUS REIT III, INC.—HOSPITALITY REIT

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| **OFFERING TYPE** | Public Non-Traded Real Estate Investment Trust |
| **PRIMARY OFFERING SIZE** | $300 million, exclusive of Distribution Reinvestment Plan ("DRIP") |
| **INITIAL OFFERING PRICE PER SHARE** | $10 per share[1] |
| **CURRENT INVESTMENT PARAMETERS[2]** | Intent to use at least 75% of net proceeds to acquire hotels and the remainder to acquire properties and real estate-related assets other than hotels. |
| **SUBORDINATED CO-INVESTMENT COMMITMENT[3]** | Lightstone CEO, David Lichtenstein, has committed to purchase up to $36 million of subordinated participation interests as a Special Limited Partner ("SLP") with the intention of helping to maintain an estimated per share net asset value ("NAV") close to the initial share offering price of $10.00. The subordinated participation interests held by the SLP will be valued at $0 until our estimated NAV exceeds the aggregate amount received from investors plus a cumulative, pre-tax, non-compounded return of 6.0%. After that point, the value of any subordinated participation interests held by the SLP will be subtracted from the value of the REIT's assets when the board of directors estimates the NAV. At that time, the SLP will receive all distributions until it realizes a return of net investment plus 6% cumulative, pre-tax, non-compounded annual return. Thereafter, 85/15 split (Investors/SLP). |
| **INVESTMENT AMOUNT** | Minimum Initial Investment: $1,000 \| $2,500 (NY investors) |
| **DISTRIBUTION REINVESTMENT** | $9.50 per share |
| **DISTRIBUTION*** | 6% per annum, paid monthly |
| **SHARE REPURCHASE PROGRAM[4]** | Subject to limitations described in the prospectus, stockholders may sell their Common Shares back to us at the repurchase price determined by our Board of Directors:<br>(a) In the case of the death of a stockholder, the price paid to acquire the Common Shares<br>(b) For any other reason, the below percentages of the price paid to acquire the Common Shares:<br>1. 92.5% for stockholders who have continuously held their Common Shares for at least one year<br>2. 95% for stockholders who have continuously held their Common Shares for at least two years<br>3. 97.5% for stockholders who have continuously held their Common Shares for at least three years<br>4. 100% for stockholders who have continuously held their Common Shares for at least four years |
| **INVESTOR SUITABILITY** | Require that a purchaser of Common Shares have, excluding the value of a purchaser's home, home furnishings and automobiles, either: $70,000 gross annual income + $70,000 net worth, or $250,000 net worth.<br>The following states have additional suitability requirements: AL, CA, IA, KS, KY, MA, ME, MI, MO, ND, NE, NJ, NM, NY, OH, OR, PA, TN, and WA. |
| **TAX REPORTING** | Form 1099-DIV |
| **NAV/VALUATION FREQUENCY** | Lightstone expects the advisor will estimate REIT III's net asset value ("NAV") on a quarterly basis. On November 14, 2016, the board of directors established REIT III's estimated NAV per share of $10.00 as of September 30, 2016. |
| **LIQUIDITY STRATEGY[5]** | We intend to complete a liquidation event within approximately 3–6 years following the completion of the offering. Such an event could include: (a) Sale of assets; (b) Sale or merger of our company; (c) Listing on a national securities exchange. |

* There is no guarantee of distributions. We will make some of or all of our distributions from sources other than cash flow from operations, including the proceeds of our public offering or from borrowings (including borrowings secured by our assets); our organizational documents do not limit the amount of distributions we can fund from sources other than operating cash flow. Distributions paid from offering proceeds or borrowings may constitute a return of capital and reduce investor returns. Rates of distribution to you may not be indicative of our operating results. REIT III assets currently in the portfolio did not generate sufficient cash flow to cover distributions, which caused offering proceeds to be used as a source of distributions, constituting a return of capital, that may adversely impact the overall performance of the investment and allow fewer funds available for investment. From LVPR III's inception through September 30, 2016, distributions totaled $4,093,161 and were paid from cash flows provided by operations ($2,495,918, or 61%) and excess cash proceeds from the issuance of common stock through the distribution reinvestment program ($1,597,243, or 39%)

## INVESTMENT STRATEGY[6]

**Lightstone Value Plus REIT III** is intended primarily to be a hospitality REIT, with an intent to use at least 75% of net proceeds to acquire hotels, and the remainder to acquire properties and real estate-related assets other than hotels.2 Based on what our advisor perceives as the current state of the real estate "recovery," we are currently focused on acquiring select-service hotels.

We will try to acquire properties at a discount to replacement cost or otherwise at less than what we perceive as the market value. We intend to reposition or redevelop properties so as to increase their values over the amount of capital we deployed to acquire and rehabilitate them. We may acquire properties that we believe would benefit from a change in management strategy, or that have incurred deferred maintenance. We may acquire hotels with low occupancy rates, seeking to improve the property and thereby increasing and occupancy rates, average daily rates, revenue per available room and overall property value.

## INVESTMENT OBJECTIVES[5,6]

**Our primary investment objectives are:**

- to provide stable cash distributions;
- to preserve and protect capital contribution;
- to provide portfolio diversification;
- to realize growth in the value of our assets upon the sale of such assets; and
- to provide the potential for future liquidity through the sale of our assets, a sale or merger of our company or a listing of our Common Shares on a national securities exchange.

## ABOUT THE ADVISOR[7]

**Lightstone** is one of the most highly-regarded and diversified real estate companies in the United States. Since 1988, founder David Lichtenstein has grown Lightstone to one of the largest privately-held real estate companies in the country, with holdings in 26 states. Operating in all sectors of the real estate market, Lightstone's $2 billion portfolio currently includes

- 3,843 hotel keys
- Over 6 million square feet of office, retail and industrial commercial properties
- 10,000 residential units

It also owns over 12,000 land lots across the country. Headquartered in New York City, Lightstone continues to grow its local presence with $2.5 billion worth of projects currently under development in the residential and hospitality sectors.

**Footnotes:** (1) It is anticipated that the Offering Price Per Share will be updated quarterly, based on the estimated appraised value of the portfolio. On July 25, 2016, REIT III adjusted its offering price to $10.00 per Common Share in its primary offering, which is equal to the estimated net asset value per Common Share as of June 30, 2016. Price per share is subject to discount for some categories of investor. (2) We may use more or less than 75% of net proceeds to acquire hotels and are not bound to that limit. We expect to invest a significant portion of our funds in direct real estate investments and other equity interests, and the remainder of our funds in debt interests. However, we are not prohibited from investing all our funds in debt interests. (3) Refer to the prospectus for additional information on Lightstone's co-investment commitment. (4) This program can be terminated or amended at any time and it is capped at 5% of gross proceeds. (5) There is no guarantee a liquidity event will occur. (6) There can be no assurance that the Investment Objectives will be met, or that Lightstone will be able to execute on their Investment Strategy. (7) As of September 30, 2016.

**Summary of Risk Factors:** (1) This is an initial public offering. There is no public trading market for our Common Shares, and there may never be one; (2) We may be considered a "blind pool" because we own a limited number of properties and real estate-related investments and have not identified most of the investments we will make with the offering proceeds and we have a limited operating history and financing sources; (3) We have paid and will continue to pay substantial fees to our advisor and its affiliates, and our advisor and its affiliates, including all our executive officers and some of our directors, face conflicts of interest caused by their compensation arrangements with us; (4) We may suffer from delays in locating suitable investments, which could adversely affect the return on your investment. Our ability to achieve our investment objectives and to make distributions to our stockholders is dependent upon the performance of our advisor in the acquisition of our investments and the determination of any financing arrangements, as well as the performance of our property managers in the selection of tenants and the negotiation of leases; (5) You are limited in your ability to sell your Common Shares pursuant to our share repurchase program; (6) There is limited liquidity in our Common Shares, and there can be no assurance that a liquidity event will ever occur; (7) There is no guarantee of distributions; we have made and will continue to make distributions from sources other than cash flow from operations, including the proceeds of our public offering or from borrowings (including borrowings secured by our assets); our organizational documents do not limit the amount of distributions we can fund from sources other than operating cash flow; (8) As of December 31, 2015, all of the distributions paid to stockholders of record since the date of inception were paid from offering proceeds and offering proceeds from the issuance of common stock pursuant to the DRIP; (9) There is no limit on the amount of offering proceeds or borrowings we may use to fund distributions. Distributions paid from offering proceeds or borrowings may constitute a return of capital and reduce investor returns. Rates of distribution to you may not be indicative of our operating results; (10) Even if we terminate our advisor for poor performance, the special limited partner (an affiliate of our advisor) may elect to (a) receive cash in an amount equal to its investment, or (b) retain the subordinated participation interests, and in the case of (a), to receive liquidation distributions as well. Such amounts may be substantial and, as a result, may discourage us from terminating our advisor; (11) We may employ substantial leverage to acquire assets and may acquire properties that are in depressed or overbuilt markets; (12) Investors may lose their entire investment; (13) Our failure to remain qualified as a REIT would subject us to U.S. federal income tax and potentially state and local tax, and would adversely affect our operations and the market price of our Common Shares; (14) The share ownership restrictions of the Internal Revenue Code of 1986, as amended, for REITs and the share transfer and ownership restrictions in our charter may inhibit market activity in our Common Shares; (15) The travel and tourism industry is very competitive, which may adversely limit the profitability and return to stockholders; (16) As a REIT, we cannot directly operate our lodging properties, and will rely on independent property managers to oversee operations; and (17) The travel and hotel industries may be affected by economic slowdowns, terrorist attacks and other world events.

**Forward-Looking Statements:** All statements contained in this brochure, other than statements of historical fact, are forward-looking statements. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions or variations thereof. These statements are based on REIT III's current plans and expectations and involve risks and uncertainties that could cause actual future events or results to be different than those described in or implied by such forward-looking statements. Investors are cautioned not to place undue reliance on any forward-looking statements.

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