

October 22, 2008

Pennbridge Gunnison
Investors

Re: HOLIDAY INN EXPRESS, GUNNISON, COLORADO

- Distribution – September 2008
- Financial Report
- General Manager Commentary
- Terminology Sheet

Dear Investor:

I am pleased to report that your September 2008 distribution has been disbursed pursuant to your instructions on file for the Holiday Inn Express in Gunnison, Colorado.

Attached please find the Financial Report which includes actual results versus the budget for the month and the General Manager Commentary. When reviewing both the enclosed P&L and Commentary you will find a difference in the amount of gross operating profit (GOP). IHG's calculation of GOP does not include management fees and franchise fees. The enclosed P&L does, however, include these fees in GOP. This commentary is intended to provide a general understanding of the Hotel's performance and variance to budget.

Should you have any questions, please feel free to call.

Sincerely,



Alison H. Shores
Operations Manager

Enclosures

Pennbridge Gunnison
(Holiday Inn Express)
Distributions - September 2008
Paid October 21, 2008

Syndicated Value	\$11,332,000.00
Total Equity	\$6,332,000.00
Loan	\$5,000,000.00

Investor	Equity Invested	Leverage	TOTAL	% of Ownership	Monthly 8% Cash Flow	Distribution pd October 21st
Pennbridge Gunnison 1, LLC	\$326,000.00	\$257,422.62	\$583,422.62	5.148%	\$2,173.33	\$2,173.33
Pennbridge Gunnison 2, LLC	\$200,000.00	\$157,927.98	\$357,927.98	3.159%	\$1,333.33	\$1,333.33
Pennbridge Gunnison 3, LLC	\$388,500.00	\$306,775.11	\$695,275.11	6.136%	\$2,590.00	\$2,590.00
Pennbridge Gunnison 4, LLC	\$450,000.00	\$355,337.97	\$805,337.97	7.107%	\$3,000.00	\$3,000.00
Pennbridge Gunnison 5, LLC	\$300,000.00	\$236,891.98	\$536,891.98	4.738%	\$2,000.00	\$2,000.00
Pennbridge Gunnison 7, LLC	\$543,000.00	\$428,774.48	\$971,774.48	8.575%	\$3,620.00	\$3,620.00
Pennbridge Gunnison 8, LLC	\$247,500.00	\$195,435.88	\$442,935.88	3.909%	\$1,650.00	\$1,650.00
Pennbridge Gunnison 9, LLC	\$130,214.00	\$102,822.17	\$233,036.17	2.056%	\$868.09	\$868.09
Pennbridge Gunnison 10, LLC	\$506,560.00	\$400,000.00	\$906,560.00	8.000%	\$3,377.07	\$3,377.07
Pennbridge Gunnison 11, LLC	\$746,921.70	\$589,799.19	\$1,336,720.89	11.796%	\$4,979.48	\$4,979.48
Pennbridge Gunnison 12, LLC	\$200,000.00	\$157,927.98	\$357,927.98	3.159%	\$1,333.33	\$1,333.33
Pennbridge Gunnison 13, LLC	\$500,000.00	\$394,819.96	\$894,819.96	7.896%	\$3,333.33	\$3,333.33
Pennbridge Gunnison 14, LLC	\$500,000.00	\$394,819.96	\$894,819.96	7.896%	\$3,333.33	\$3,333.33
Pennbridge Gunnison 16, LLC	\$657,318.30	\$519,044.77	\$1,176,363.07	10.381%	\$4,382.12	\$4,382.12
Pennbridge Gunnison 17, LLC	\$635,986.00	\$502,199.94	\$1,138,185.94	10.044%	\$4,239.91	\$4,239.91
Total	\$6,332,000.00	\$5,000,000.00	\$11,332,000.00	100.000%	\$42,213.33	\$42,213.33

Holiday Inn Express Gunnison

Financial Review

September 2008

Current Month Results:

	Actual	Budget	Last Year
Occupancy	68.57%	85.11%	90%
ADR	\$108.26	\$120.00	\$105.59
RevPar	\$74.23	\$102.13	\$97.43
Room Revenues	\$238,279.24	\$327,840.00	\$305,049.51
F & B Revenues	\$377.00	\$1,000.00	\$0.00

Room Revenue The Holiday Inn Express Gunnison missed budgeted room revenue by \$89,561 and previous year's revenue by \$66,770. The shortfall in revenue versus the previous year was primarily due to the Quintec group who produced 822 room nights and revenue of \$98,640 during September of last year. The Quintec group business was almost non-existent in October 07, November 07, and December 07, averaging approximately 25 room nights each month so it is no expected that the hotel will experience revenue declines for those months as compared to their 2007 equivalents. Within the 28 day period ending September 27th, the hotel had a total Rev Par share (penetration) of 112.5% relative to the competitive set. The Holiday Inn Express Gunnison's average daily rate was \$108.24 versus \$85.14 for the competitive set for the same 28 day period. The property experienced an increase in AAA/AARP business by 13.3% or \$14,074 over the previous year.

Net Operating Income - The property achieved NOI of \$105,983, a 44.26% margin, versus a budget of \$156,687, a 47.49% margin, for the month of September. Operating expenses were in line for the month and did not further contribute to the properties shortfall in NOI. Year to date NOI is \$612,870, a 45.85% margin, versus a budget of \$658,466, a 43.35% margin.

Variance Analysis:

Administrative & General/ Other Expenses/Computer Services – \$508 over budget. The budget overage was due to the following two expenses being under budgeted: Micros yearly Support charge and Rim Corp Microease home office maintenance.

Administrative & General/ Other Expenses/Human Resources – \$1,078 over budget. The budget overage was due to two expenses: \$975 IHG the previous manager and \$202.75 for employee handbooks.

Sales, Marketing & Franchise/ Other Expenses/Frequent Stay Program – \$3,245 over budget. The budget overage occurred due to increased number of customers utilizing the Frequent Stay Program.

Holiday Inn Express Gunnison

Financial Review

September 2008

Month In Review And Discussion Of Current Hotel Market Conditions:

- The property continued to maintain good operating expense margins in lieu of reduced revenues. YTD Rooms Department Expense is 24.31% versus a budget of 24.50%. YTD Undistributed Expense's are at 21.52% versus budget of 21.46%.
- HIRO, a revenue management tool was installed at the property. HIRO will enable management to take advantage of better rate opportunities and determine the proper mix of business for the hotel.
- IHG (Intercontinental Hotel Group) settled its dispute with Expedia the world's largest third party reservation provider. Expedia reservation services should be implemented within the 4th quarter of 2008 adding a new source of incremental revenue.
- Work continued with IHG's national sales office to utilize all electronic revenue channels as it relates to tour and travel business.
- Management has continued to pursue additional business opportunities with Western State College and have scheduled a work meeting to discuss ways to increasing room night production at the university.
- Management continued discussions with the new Hockey facility to become the preferred hotel for incoming groups participating in tournaments.
- Management continued to work with Crested Butte Chamber, Monarch Mountain, and the Colorado Department of Tourism to increase our share of the leisure business during the winter months.

Inside The Hotel:

Inside the Hotel The Holiday Inn Express Gunnison and in conjunction with IHG is working closely to complete the Holiday Inn Express Brand Relaunch and Stay Real process. This includes extensive customer service training to better serve guests at the property level. The new General Manager and Assistant General Manager are slated to complete the first week long training course which will kick off the relaunch process for our property. The hotel will feature new signage to reflect the new Holiday Inn Express Stay Real Concept. In addition the hotel will install a DMX lobby music system, lobby scent machine, and a new property integrated building lighting system to further enhance the property. The Relaunch and Stay Real concept is all part of the rebranding of all IHG brands.

Holiday Inn Express - Gunnison, CO Income Statement

	CURRENT PERIOD - SEPTEMBER 2008				
	Actual	%	Budget	%	Diff
Rms Available	3,210		3,210		-
Rms Sold	2,201		2,732		(531)
ADR	108.26		120.00		(11.74)
Occ %	68.57%		85.11%		-16.54%
RevPar	74.23		102.13		(27.90)
REVENUE					
Rooms	238,279	99.50%	327,840	99.37%	(89,561)
Food & Beverages	377	0.16%	1,000	0.30%	(623)
Telephone	22	0.01%	273	0.08%	(251)
Other Operated Departments	766	0.32%	382	0.12%	383
Rentals & Other Income	33	0.01%	425	0.13%	(392)
TOTAL REVENUES	239,477	100.00%	329,921	100.00%	(90,443)
DEPARTMENTAL EXPENSES					
Rooms	54,010	22.67%	72,245	22.04%	18,234
Telephone	514	2317.16%	300	109.81%	(214)
Laundry Department	3	0.43%	-	0.00%	(3)
Other Operated Departments	1,807	235.91%	262	68.57%	(1,544)
TOTAL DEPARTMENTAL EXPENSES	56,335	23.52%	72,807	22.07%	16,472
TOTAL DEPARTMENTAL INCOME	183,143	76.48%	257,114	77.93%	(73,971)
UNDISTRIBUTED EXPENSES					
Administrative & General	19,743	8.24%	22,050	6.68%	2,307
Marketing	16,307	6.81%	14,329	4.34%	(1,978)
Franchise Fees	14,296	5.97%	19,670	5.96%	5,374
Facilities & Maintenance	4,846	2.02%	5,979	1.81%	1,133
Energy/Utilities	3,187	1.33%	6,085	1.84%	2,898
TOTAL UNDIST EXPENSES	58,378	24.38%	68,113	20.65%	9,735
GROSS OPERATING PROFIT	124,765	52.10%	189,001	57.29%	(64,236)
FIXED CHARGES					
Management Fees*	-	0.00%	9,898	3.00%	9,898
Property Taxes	7,000	2.92%	7,000	2.12%	-
Insurance	2,202	0.92%	2,219	0.67%	17
FF&E Reserves	9,579	4.00%	13,197	4.00%	3,618
TOTAL FIXED CHARGES	18,781	7.84%	32,313	9.79%	13,532
NET OPERATING INCOME	105,983	44.26%	156,687	47.49%	(50,704)

* Property Management Fees have been subordinated per the terms of the Management Agreement.

Holiday Inn Express - Gunnison, CO Income Statement

INCEPTION TO DATE 04/09/08 TO 09/30/08					
	Actual	%	Budget	%	Diff
Rms Available	18,725		18,618		107
Rms Sold	12,121		13,081		(960)
ADR	109.66		115.37		(5.71)
Occ %	64.73%		70.26%		-5.53%
RevPar	70.99		81.06		(10.07)
REVENUE					
Rooms	1,329,207	99.45%	1,509,186	99.36%	(179,979)
Food & Beverages	2,655	0.20%	4,000	0.26%	(1,345)
Telephone	476	0.04%	1,308	0.09%	(832)
Other Operated Departments	3,612	0.27%	1,831	0.12%	1,781
Rentals & Other Income	605	0.05%	2,550	0.17%	(1,945)
TOTAL REVENUES	1,336,555	100.00%	1,518,876	100.00%	(182,321)
DEPARTMENTAL EXPENSES					
Rooms	323,189	24.31%	369,770	24.50%	46,580
Telephone	2,494	524.04%	1,800	137.60%	(694)
Laundry Department	3	0.09%	-	0.00%	(3)
Other Operated Departments	3,593	99.47%	1,256	68.57%	(2,337)
TOTAL DEPARTMENTAL EXPENSES	329,279	24.64%	372,825	24.55%	43,546
TOTAL DEPARTMENTAL INCOME	1,007,275	75.36%	1,146,051	75.45%	(138,775)
UNDISTRIBUTED EXPENSES					
Administrative & General	104,649	7.83%	103,672	6.83%	(977)
Marketing	59,465	4.45%	67,657	4.45%	8,193
Franchise Fees	79,834	5.97%	90,551	5.96%	10,717
Facilities & Maintenance	28,704	2.15%	35,409	2.33%	6,705
Energy/Utilities	14,912	1.12%	28,660	1.89%	13,748
TOTAL UNDIST EXPENSES	287,564	21.52%	325,949	21.46%	38,385
GROSS OPERATING PROFIT	719,712	53.85%	820,101	53.99%	(100,390)
FIXED CHARGES					
Management Fees*	-	0.00%	45,566	3.00%	45,566
Property Taxes	42,000	3.14%	42,000	2.77%	-
Insurance	11,380	0.85%	13,314	0.88%	1,934
FF&E Reserves	53,462	4.00%	60,755	4.00%	7,293
TOTAL FIXED CHARGES	106,842	7.99%	161,635	10.64%	54,793
NET OPERATING INCOME	612,870	45.85%	658,466	43.35%	(45,596)

* Property Management Fees have been subordinated per the terms of the Management Agreement.

Terminology Sheet

A&G	Administrative & General
A:	Actual
ADR	Average Daily Room Rate
AR	Accounts Receivable
ARI	Accounting Rate of Interest
ACVB	Atlanta Convention & Visitors Bureau
B:	Budget
BP Var	Budget Passport Variance
BSC	Business Support Center
CapEx	Capital Expenditures
Comp Set	Competitive Set
F&B	Food & Beverage
FTE	Full-Time Employment
GDS	Global Data Service
GOP	Gross Operating Profit
GSS	Guest Satisfaction Survey
GSTS	Guest Satisfaction Tracking System
HR	Human Resources
MPI	Management Performance Indicator
NGOP	Notional Gross Operating Profit
NOI	Net Operating Income
OCC	Occupancy
OT	Over-Time
P/R	Payroll
PMS	Property Management System
POR	Per Occupied Room
POS	Point of Sale
Q2	2 nd Quarter
R/N	Room Nights
Rev	Revenue
RevPar	Revenue Per Available Room
RFP	Requests for Proposal
RGI	Revenue Generation Index
SOP	Standard Operating Procedure
SW	Salaries & Wages
YTD	Year-to-date