

Enterprise is expanding its footprint in the Permian Basin, bringing its gas processing capacity to 800 million cubic feet per day. They have also added in May of 2017 a South Eddy cryogenic gas processing plant facility and related pipelines, which will provide 25,000 barrels a day of NGL liquids to the Baytown region. Additionally, Enterprise has joined with Oxy JV in the Delaware Basin for a cryogenic gas processing plant and related pipelines. This will produce more than 22 millions of barrels a day of NGLs. It is expected to start up in second quarter of 2018. Enterprise is also building an 82-mile, 12-inch NGL pipeline to connect to the Chaparral pipeline to provide access to Mont Belvieu.

Furthermore, Enterprise is planning to build an ethylene export terminal along the Houston Ship Channel in a joint venture with the UK's Navigator Gas to take advantage of the new ethylene production coming online in the Baytown area. The export terminal would tie into Enterprise's ongoing expansion of its salt dome storage facilities near the ship channel. Enterprise will have about 600 million pounds of storage capacity. Enterprise's Mont Belvieu NGL complex is the largest of its kind in the world. Enterprise can sell the ethane to petrochemical plants or export the ethane, propane and butane to foreign markets. Enterprise is also building new fractionation capacity to separate the natural gas liquids into ethane, propane

#### LyondellBasell

LyondellBasell is building a new \$700 million manufacturing plant at its complex in La Porte, part of a \$4 billion expansion in Texas. Construction for the High Density Polyethylene (HDPE) Plant began in 2017 with a start-up planned for 2019. The project is expected to create up to 1,000 construction jobs and 75 full-time positions. HDPE is one of the most versatile plastics because it is lightweight, very strong, impact and weather resistant, and can be molded into almost any shape.

LyondellBasell is also moving forward with its most expensive project ever, a \$2.4 billion plant near the Houston Ship Channel that would become the largest factory of its kind in the world. The project, which would create 2,500 construction jobs and 160 permanent positions at the plant, represents a continuation of the petrochemical boom along the Gulf Coast fueled by cheap and ample natural gas liquids and supported by access to foreign markets through the growing export terminals at the Port of Houston and other Texas ports.

### Braskem

Braskem, the leading thermoplastics resins producer in the Americas, announced in June of 2017 that the Company's Board of Directors has formally approved the final investment decision to proceed with the largest polypropylene (PP) production line in the Americas. Braskem will commit up to \$675 million in investment capital towards the design and construction of the new facility which will be named Delta and will be located next to Braskem's existing production facilities in La Porte, Texas. The new production line will have a manufacturing capacity of 450 kilotons (kt), or the equivalent of approximately 1 billion pounds, per year. Construction is underway, with the final phase of main construction targeted for the first quarter of 2020.

### Medical

#### Houston Methodist San Jacinto Hospital

Since opening its doors in April 1948, Houston Methodist San Jacinto Hospital has provided Baytown with quality medical care. In 1978, San Jacinto marked its 30th anniversary and expanded to 331 beds. The University of Texas Medical School became affiliated with the hospital in 1981. In 1983, Houston Methodist San Jacinto Hospital became affiliated with Houston Methodist Hospital in the Houston Medical Center. Through this arrangement, San Jacinto is able to provide residents of Baytown and the surrounding area with access to specialized tertiary care services. In 1987, San Jacinto's Board of Directors made the decision to construct a new major health care facility, enhancing and expanding the range of services available to residents of East Harris County and the surrounding counties of Chambers, Liberty and Montgomery. Today, Houston Methodist San Jacinto Hospital offers comprehensive care for patients at every stage of life. Houston Methodist San Jacinto Hospital is a fully accredited, full-service hospital.

### Higher Education

#### Lee College

Established in 1934, Lee College offers more than 100 associate degree and certificate programs in a wide variety of engaging, high-demand disciplines and fields. A diverse body of more than 6,000 students enroll each fall in credit courses with additional students enrolling in non-credit and continuing education courses. Through an associate degree or certificate, students prepare for successful entry into the workforce, advancement in higher education and a variety of sought-after careers and professions.

The college serves a geographic region of more than 220,000 residents that includes 11 independent school districts: Goose Creek, Anahuac, Barbers Hill, Crosby Dayton, Devers, East Chambers, Hardin, Huffman, Hull-Daisetta and Liberty. The main college campus and McNair Center are located in Baytown with a satellite office in nearby Liberty County.

## CONCLUSION

Low oil prices will limit growth in Houston but the economy should narrowly avoid an outright downturn, supported by gains in a variety of other industries, including nonresidential construction, transportation, healthcare and local government. Gradual strengthening in the global recovery should boost demand for energy, stabilizing oil prices and exploration. Longer term, above-average population additions and expansion in energy, housing and distribution industries will help propel above-average gains for the metropolitan area.

With a booming economy, Baytown is experiencing unprecedented growth in industry, retail and housing. The city has maintained high quality of life while becoming a major center for economic growth. Baytown will continue to expand despite the drop in oil prices and the decrease in construction jobs. Additional chemical plant and distribution/logistics expansions, the retirement of long-time employees, growth in healthcare and the maritime industry are pushing the city to the forefront as one of the nation's fastest growing and most prosperous regions.

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SECTION III  
PROPERTY DESCRIPTION

**CBRE HOTELS**

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## LOCATION

The proposed Hotel and Conference Center will be located in Baytown, Texas. The hotel will be located on Bayland Island adjacent to the existing marina. The site is located on the waterfront with scenic views of the bay and the Fred Hartman Bridge. Photographs of the site can be found in Addendum A.

## SITE DESCRIPTION

### Visibility

The proposed Hotel and Conference Center will be visible from State Highway 146 (SH 146) to traffic travelling in both directions as well as from the surrounding area and across the bay.

### Signage

We recommend signage to be placed atop the building as well as in appropriate locations on traffic corridors and roads leading to the property.

### Access

Primary access to the subject site is by auto. The site is easily accessible traveling either direction on SH 146. The hotel site is located approximately one quarter of a mile off of SH 146 via Wyoming Road to access Bayland Island.

### Surrounding Area

The Subject site is located on the waterfront adjacent to the existing marina on Bayland Island. The remaining adjacent sites are vacant and ready for additional future use.

## PROPOSED FACILITIES

The following table presents the proposed facilities for the proposed Hotel and Conference Center.

Proposed Facilities		
Proposed Hotel and Conference Center		
Baytown, Texas		
Number of Guestrooms	200	
Type of Hotel	Full-Service	
Meeting Space		
Ballroom	12,000	sq. ft. divisible by 3 or 4
Meeting Rooms	5,000	sq. ft. various sizes
Boardrooms	<u>1,000</u>	sq. ft. 2 Boardrooms
Total Meeting Space	18,000	sq. ft.
Amenities		
	Three-Meal Restaurant	
	Lobby Lounge	
	Room Service	
	High Speed Internet	
	Business Center	
	Fitness Center	
	Swimming Pool	
Brands		
	Delta Marriott	
	DoubleTree	
	Sheraton	
Source: CBRE Hotels		

With the proposed facilities, the Hotel will offer many of the amenities and services necessary to serve both the local community and outside visitors and conferences. Based on CBRE's interviews, the 200 rooms should suit the market well.

According to interviews and surveys, the Conference Center's 12,000-square foot ballroom will be capable of seating up to 800 people for a banquet. It should also be divisible to accommodate several smaller meetings at the same time. The hotel should also offer a number of smaller meeting rooms to accommodate smaller meetings/conferences, local social events/wedding and company functions.

## CONCLUSION

The proposed Hotel and Conference Center will be well-located on the waterfront on Bayland Island in Baytown, Texas with easy access to the surrounding areas via SH 146. We consider the subject site to be well-suited for hotel development.

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SECTION IV  
HOTEL MARKET ANALYSIS

**CBRE HOTELS**

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## MARKET INTERVIEWS

In order to understand the needs of the Baytown community, as well as the facilities needed in the market, CBRE Hotels conducted a series of interviews. The companies/organizations that we interviewed indicated a strong desire for a new full-service hotel in Baytown. Other comments included that the hotel should be a major brand with full-service amenities and that quality meeting space is needed in the market.

## SURVEYS

For the original market study completed in May 2015, CBRE Hotels conducted an email survey to identify the types, number and size of the potential events, number of breakout rooms, number of hotel rooms and the potential average daily room rate for a proposed hotel and conference center. There have not been any significant changes in the market nor for the Subject Hotel so the responses are still considered valid and were used for the analysis in this report. The survey results are summarized below.

We surveyed the Baytown Chamber of Commerce member list to maximize the input from the community since members include corporations, business owners, healthcare and educational institutions, non-profit organizations, community organizations, existing meeting facilities, hotels, restaurants, churches, performing arts groups, etc.

### Number of Events

The following table presents the number of conference center events that were identified by the survey and the number of respondents that indicated that they would relocate their events to a hotel and conference center in Baytown.

Baytown Proposed Hotel and Conference Center						
Survey Results - Potential Number of Events						
Type of Survey	Total # of Events Identified	# of Events Would Use Conf Center	% of Events Would Use Conf Center	Additional Events Identified	New Events That Could be Attracted to Area	Total # Events Would Use Conf Center
Chamber of Commerce	130	104	80.0%	88	104	296

Source: PKF Consulting, Inc.

The survey identified 130 events which are currently held by the companies and organizations that responded to the survey. Of these events, the respondents indicated that 104 events or 80% of those events could be relocated to the proposed Hotel and Conference Center. The same respondents identified an additional 88 events that they are aware of that could be held at the proposed Hotel and Conference Center. Additionally, respondents were aware of 104 new events that could be attracted to the area that cannot be accommodated currently. Therefore, the number of potential events that could be held at the new Hotel and Conference Center totaled 296 events.

### Size of Events



The following table shows the number of events by the number of attendees at each event.

Baytown Proposed Hotel and Conference Center								
Conference Center Events By Number of Attendees								
Type of Survey	Less Than 25	25 to 50	50 to 100	100 to 200	200 to 400	400 to 600	More Than 600	Total
Chamber of Commerce	36	24	31	32	12	10	6	151
Percent of Total	23.8%	15.9%	20.5%	21.2%	7.9%	6.6%	4.0%	100.0%

Source: PKF Consulting USA

The events identified range fairly evenly among different number of attendees for groups under 200 in size. This indicates a need to have a variety of meeting room sizes that can be divided into smaller rooms. Additionally, there are several events that require a large ballroom.

### Hotel Demand

The table below provides a breakdown of the number of events by the number of hotel rooms needed for each event.

Baytown Proposed Hotel and Conference Center								
Conference Center Events By Number of Hotel Rooms Needed								
Type of Survey	None	Less Than 25	25 to 50	50 to 100	100 to 150	150 to 200	More Than 200	Total
Chamber of Commerce	108	36	6	5	3	8	2	168
Percent of Total	64.3%	21.4%	3.6%	3.0%	1.8%	4.8%	1.2%	100.0%

Source: PKF Consulting USA

A large number of the events (64.3%) do not need hotel rooms. This is to be expected since most of the respondents are local residents. Many of the events are banquets, galas, meetings, training and other events that are attended by local residents. However, 35.7% of the events do need hotel rooms with 25% needing up to 50 rooms. This will allow the booking of several smaller events at the same time.

The survey identified 18 events that need 50 rooms or more, with 2 events needing more than 200 rooms. Most of these events are conferences and conventions that will bring new hotel demand to Baytown. The proposed Hotel has been sized to accommodate the larger groups that require the majority of their attendees be booked into one hotel, while being small enough to allow overflow to the existing Baytown hotels.

**Hotel Rate Preference**

The following table presents the hotel rate preference that the respondents indicated their attendees would be willing to pay for an event in Baytown.

		Baytown Proposed Hotel and Conference Center											
		Conference Center Events By Hotel Room Rate Preference											
Type of Survey	Total Responses	Under \$100		\$100 to \$125		\$125 to \$150		\$150 to \$175		\$175 to \$200		Above \$200	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Chamber of Commerce	115	29	25.2%	31	27.0%	21	18.3%	14	12.2%	12	10.4%	8	7.0%

Source: PKF Consulting USA

The results show that only 25.2% of the respondents are somewhat price-sensitive and would only be willing to pay a hotel rate less than \$100. 27.0% of the respondents indicated that they would be willing to pay a hotel room rate between \$100 and \$125. The majority of the respondents (40.9%) indicated that they would be willing to pay a hotel room rate more than \$125, providing strong support for a new full-service Hotel to be developed with the proposed Conference Center.

**Lost Business**

The survey identified the events that are leaving the Baytown market area. The Chamber of Commerce survey revealed that 36.2% of the events identified are being held outside of Baytown.

## COMPETITIVE SET

Based upon our review of the area, we have identified 11 hotels containing 898 rooms as the Subject hotel's competitive set. These properties were included in the competitive supply based upon their location, facilities, brands, markets served and/or average daily rates. The photographs of the individual properties and map of their location can be found in Addendum B and C, respectively.

Proposed Hotel & Conference Center Competitive Set				
Property	Year Built	Number of Rooms	Total SF Meeting Space*	SF Per Room Ratio
Hampton Inn Houston Baytown	1996	70	-	-
Comfort Suites La Porte	1999	67	1,050	16
Comfort Suites Baytown	2005	61	2,100	34
Holiday Inn Express & Suites La Porte	2006	55	2,400	44
Candlewood Suites La Porte	2008	111	775	7
Candlewood Suites Baytown	2009	81	450	6
Fairfield Inn & Suites Houston Channelview	2009	63	-	-
SpringHill Suites Houston Baytown	2010	101	4,500	45
Holiday Inn Houston East Channelview	2011	111	2,349	21
Holiday Inn Express & Suites Houston East Baytown	2014	91	-	-
Hampton Inn La Porte	2016	87	-	-
<b>Total/Average</b>		<b>898</b>	<b>1,946</b>	<b>25</b>

\*Meeting space does not include prefunction space.

Source: CBRE Hotels

The market currently consists of only economy, limited-service and select-service hotels. While it is likely that most of the existing hotels will not compete directly with a full-service hotel and conference center because of their limited-service nature, they were considered the competitive set for the subject hotel since they are where the base of existing demand is currently staying.

The proposed Hotel and Conference Center will likely attract additional demand to the area that is currently being turned away due to lack of adequate facilities. The existing properties were used as a base for current hotel occupancy and rates in the Baytown market area with the proposed Hotel being positioned above the performance of the existing hotels.

## HISTORICAL MARKET PERFORMANCE

The following table summarizes the estimated performance of the competitive set for the period 2012 through 2016 and year-to-date August 2017 compared to the same period in 2016.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2012	262,800	N/A	184,223	N/A	70.1%	\$90.91	N/A	\$63.73	N/A
2013	262,800	0.0%	192,107	4.3%	73.1%	97.02	6.7%	70.92	11.3%
2014	287,985	9.6%	223,764	16.5%	77.7%	101.83	5.0%	79.12	11.6%
2015	296,015	2.8%	226,155	1.1%	76.4%	104.05	2.2%	79.49	0.5%
2016	327,770	10.7%	235,667	4.2%	71.9%	99.52	-4.4%	71.55	-10.0%
CAAG	5.7%		6.4%			2.3%		2.9%	
YTD 8/2016	218,635	N/A	159,385	N/A	72.9%	\$100.62	N/A	\$73.35	N/A
YTD 8/2017	218,635	0.0%	167,037	4.8%	76.4%	102.45	1.8%	78.27	6.7%

Source: CBRE Hotels, STR Global

Supply for the set increased at a compounded average annual rate of 5.7% over the past five years. Total occupied rooms increased 6.4%. The total competitive set achieved an occupancy of 70.1% in 2012. Occupancy increased significantly to 73.1% in 2013 and to a high of 77.7% in 2014. As a result of construction demand slowing, additions to supply and the drop in the price of oil, 2015 and 2016 market occupancy decreased to 76.4% and 71.9%, respectively. However, year-to-date August 2017 occupancy achieved 76.4% compared to 72.9% during the same period in 2016 as additional new chemical plant projects began construction.

Overall, ADR in the market increased at an average annual rate of 2.3%. With the completion of major construction projects and the slowdown in the oil and gas sector, the Baytown market decreased 4.4% in ADR and 10.0% in RevPAR in 2016. However, there are several additional chemical plant expansions which began in 2017 that are increasing construction demand. This resulted in year-to-date 2017 RevPARs increasing by 6.7%.

### Comparable Bay Area Set

For benchmarking purposes, CBRE Hotels also considered select and full-service hotels in the Bay Area of Houston as comparable with the Subject hotel. We have identified 11 hotels containing 1,304 rooms as the Subject hotel's comparable set. They are, as follows:

Comparable Bay Area Hotels Competitive Set					
Property	Year Built	Number of Rooms	Meeting Room SF*	Largest Room	Mtg. SF per Guestroom
Hilton NASA Clear Lake	1983	242	15,792	5,400	65
Boardwalk Inn Kemah	1998	52	1,483	1,007	29
Hilton Garden Inn Clear Lake NASA	2009	126	4,382	2,044	35
Marriott Hobby Airport	1986	290	21,348	11,396	74
DoubleTree Hobby Airport	1982	303	18,000	8,000	59
Courtyard NASA Clear Lake	2012	124	1,917	1,458	15
<b>Total/Average</b>		<b>1,137</b>	<b>10,487</b>	<b>4,884</b>	<b>46</b>

\*Meeting space does not include prefunction space

Source: CBRE Hotels

The following table summarizes the estimated performance of the comparable set for the period 2012 through 2016 and August year-to-date 2017 compared to 2016.

Historical Performance of the Comparable Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	Market REVPAR	Percent Change
2012	391,497	N/A	246,252	N/A	62.9%	\$106.86	N/A	\$67.21	N/A
2013	413,910	5.7%	275,250	11.8%	66.5%	111.20	4.1%	73.95	10.0%
2014	413,910	0.0%	293,048	6.5%	70.8%	120.01	7.9%	84.97	14.9%
2015	413,910	0.0%	307,535	4.9%	74.3%	119.98	0.0%	89.15	4.9%
2016	413,910	0.0%	292,634	-4.8%	70.7%	119.19	-0.7%	84.27	-5.5%
CAAG	1.4%		4.4%			2.8%		5.8%	
YTD 8/2016	275,940	N/A	204,472	N/A	74.1%	\$121.18	N/A	\$89.79	N/A
YTD 8/2017	275,940	0.0%	199,229	-2.6%	72.2%	121.73	0.5%	87.89	-2.1%

Source: CBRE Hotels, STR Global

The past five years have seen growth in the comparable set. Supply increased in 2012 and 2013 due to the opening of the Courtyard Nasa Clear lake. Occupied rooms for the comparable set have increased at a 4.4% average annual growth over the past five years. Average Daily Rates (ADR) grew 2.8% over the same period. RevPAR has shown a 5.8% average annual growth over the past five years.

With some properties achieving a rate above \$150, the comparable set is within the range of the estimated \$140 ADR of the proposed Hotel and Conference Center. While not directly competitive with the Subject Hotel, the comparable set still attracts demand from the port, chemical plants and overall East Houston area. Furthermore, the Bay Area of Houston, which encompasses Baytown, is also in need of a new full-service hotel with adequate meeting facilities and the proposed Hotel and Conference Center has the opportunity to fill that void.

## FUTURE ADDITIONS TO SUPPLY

The 125-room Hilton Garden Inn Baytown and the 95-room Home2 Suites Baytown is projected to open in mid-2017. The 85-room TownePlace Suites Baytown is scheduled to open in 2018. The 92-room Home2 Suites La Porte is scheduled to open in mid-2018. The Subject 200-room proposed Hotel and Conference Center is scheduled to open in 2019.

## MARKET DEMAND

### Market Segmentation

The following table summarizes the competitive market's mix of demand in 2016.

Competitive Market 2016 Mix of Demand		
Market Segment	Room Nights	Ratio
Corp Individual	165,000	70%
Leisure	11,800	5%
Group	58,900	25%
Total	236,000	100%

Source: CBRE Hotels

The majority of the lodging demand at the competitive set hotels is generated by the Corporate Individual segment at 70%, followed by Group at 25% and Leisure demand at 5%.

### Key Assumptions

The key assumptions related to future market growth are, as follows:

- The drop in the price of oil has decreased corporate travel in the Houston market and Baytown to a lesser degree.
- The completion of major expansions has decreased construction demand for 2016, resulting in negative growth for the Corporate Individual segment. However, additional expansions have been announced for 2017.
- No major terrorist events or wars occur that have a material adverse impact on local travel volume or border security.
- Increased hotel demand from Hurricane Harvey in 2017.
- No other natural disasters, such as major hurricanes, disrupt the local economy during the projection period.
- There are no new additions to the competitive supply other than noted previously.

### Corporate Individual Demand

We estimate that Corporate Individual demand growth will be 12% in 2017 with the increase in construction jobs and Hurricane Harvey. The resulting floods from Harvey have temporarily increased hotel demand due to displaced residents, FEMA workers, inspectors, contractors and insurance adjusters. For 2018, the Corporate Individual demand will increase at a rate of 2% as the oil and gas industry begins to recover. By 2019 and 2020, the Corporate growth rate will increase to 4% and then stabilize at 3% in 2021. Induced demand in the Corporate Individual segment has been projected at 45,000 room nights from 2017 through 2020 due to the additions to supply and the recovery of the oil industry.

### Leisure Demand

We estimate that Leisure demand will increase by 1% throughout the projection period. Induced demand in the Leisure segment has been projected at 11,000 room nights from 2017 through 2020 due to the additions to supply.

### Group Demand

We estimate that Group demand growth will be 1% in 2017 due to the limited amount of meeting space available in the market, 2% in 2018 with the addition of the Hilton Garden Inn Baytown's meeting facilities and 3% in 2019. With the addition of the proposed Hotel and Conference Center, Group demand growth is estimated to be 6% in 2020, 4% in 2021 then stabilize at 3% in 2022. Induced demand in the Group segment has been projected at 42,000 room nights from 2017 through 2021 due to the additional meeting space from the proposed Hilton Garden Inn and proposed Hotel and Conference Center entering the market and the increase in meetings and trainings as the oil industry recovers.

Based on the preceding analysis, the following table presents the competitive market forecast for the entire competitive set over the 2016 to 2022 period.

Proposed Hotel & Conference Center							
Competitive Market							
Estimated Future Growth in Lodging Supply and Demand							
2016 - 2022							
	2016	2017	2018	2019	2020	2021	2022
<b>ROOMS SUPPLY</b>	811						
<b>Additions/(Deletions) to Supply</b>							
Proposed Hotel & Conference Center					200		
Competitive Set	87						
Hilton Garden Inn Baytown		62	63				
TownePlace Suites Baytown			85				
Home2 Suites Baytown		48	48				
Home2 Suites La Porte			51	52			
Cumulative Rooms Supply	898	1,008	1,255	1,307	1,507	1,507	1,507
Total Annual Rooms Supply	327,770	367,920	458,075	477,055	550,055	550,055	550,055
Growth Over the Prior Year	10.7%	12.2%	24.5%	4.1%	15.3%	0.0%	0.0%
<b>DEMONSTRATED DEMAND IN BASE YR</b>							
Corp Individual	164,967	70%					
Leisure	11,783	5%					
Group	58,917	25%					
TOTAL DEMONSTRATED DEMAND	235,667	100%					
<b>INDUCED/(UNSATISFIED) DEMAND</b>							
Corp Individual		10,000	20,000	5,000	10,000	0	0
Leisure		1,000	4,000	2,000	4,000	0	0
Group		6,000	9,000	2,000	20,000	5,000	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		17,000	33,000	9,000	34,000	5,000	0
<b>GROWTH RATES</b>							
Corp Individual		12.0%	2.0%	4.0%	4.0%	3.0%	3.0%
Leisure		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Group		1.0%	2.0%	3.0%	6.0%	4.0%	3.0%
<b>PROJECTED DEMAND</b>							
Corp Individual							
Demonstrated	164,967	184,763	198,658	227,404	241,700	259,251	267,029
Induced/(Unsatisfied)	0	10,000	20,000	5,000	10,000	0	0
Total	165,000	194,800	218,700	232,400	251,700	259,300	267,000
Growth Over Prior Year	N/A	18.1%	12.3%	6.3%	8.3%	3.0%	3.0%
Leisure							
Demonstrated	11,783	11,901	13,030	17,200	19,392	23,626	23,863
Induced/(Unsatisfied)	0	1,000	4,000	2,000	4,000	0	0
Total	11,800	12,900	17,000	19,200	23,400	23,600	23,900
Growth Over Prior Year	N/A	9.3%	31.8%	12.9%	21.9%	0.9%	1.3%
Group							
Demonstrated	58,917	59,506	66,816	78,090	84,896	109,092	117,514
Induced/(Unsatisfied)	0	6,000	9,000	2,000	20,000	5,000	0
Total	58,900	65,500	75,800	80,100	104,900	114,100	117,500
Growth Over Prior Year	N/A	11.2%	15.7%	5.7%	31.0%	8.8%	3.0%
Total Market Demand	235,700	273,200	311,500	331,700	380,000	397,000	408,400
Growth Over Prior Year	N/A	15.9%	14.0%	6.5%	14.6%	4.5%	2.9%
<b>Market Occupancy</b>	72%	74%	68%	70%	69%	72%	74%
Source: CBRE Hotels							



The market is projected to increase to 74% in 2017 due to Hurricane Harvey and the increase in construction demand. Occupancy is expected to decrease to 68% in 2018 due to the additions to supply. Market occupancy will slightly increase to 70% in 2019 as the new supply is absorbed and the price of oil begins to rebound. With the addition of the proposed Hotel and Conference Center, occupancy will decrease slightly to 69% in 2020. With no other additions to supply, the market is expected to increase to 72% in 2021 and stabilize at 74% in 2022.

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SECTION V  
SUBJECT HOTEL PERFORMANCE

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## METHODOLOGY

In formulating our estimates of the subject property's position in the competitive market, we considered its fair market share and potential ability to penetrate the market. Fair market share is defined as the percentage of demand allocated to a given property based on its ratio of available guestrooms to the total number of rooms in the competitive market. For example, the proposed subject hotel has 200 of the competitive market's 1,507 available rooms (including the subject), equating to a fair market share of 13.3% (200 divided by 1,507) in 2020, the subject's first year.

Market penetration is based on the attributes of a hotel relative to the competitive market. It is defined as the percentage of fair market share demand allocated to a property on the basis of such competitive characteristics as location, appearance, management expertise, physical condition, marketing orientation, rate structure, age, brand affiliation, reputation, size, facilities and amenities. Factors indicating that a property will possess competitive advantages suggest a market penetration in excess of 100% of fair market share, while competitive disadvantages are reflected in penetration rates of less than 100%.

## EXPECTED COMPETITIVE POSITION

Estimated future occupancy rates at the subject hotel are based upon an evaluation of its expected future advantages and/or disadvantages relative to the competitive hotels within the context of estimated levels of future supply and demand. The proposed subject hotel is expected to achieve a strong competitive position in the future competitive lodging market, as follows:

- The Subject will be well located in relation to activity centers in the subject market.
- The Hotel will be developed, designed and furnished with appropriate, quality facilities and amenities, as described in this report.
- The Hotel will be competently managed, aggressively marketed and will maintain high levels of service throughout the hotel.
- The Hotel will benefit from the national marketing and reservation systems of a major brand.

## ESTIMATED PENETRATION

Estimated penetration rates and resulting occupancy levels are presented in the following table.

<b>Proposed Hotel &amp; Conference Center</b>			
<b>Market Penetration and Projected Occupancy</b>			
	2020	2021	2022
<b>TOTAL ROOMS AVAILABLE</b>			
Proposed Hotel & Conference Center	73,000	73,000	73,000
Competitive Market	550,055	550,055	550,055
	=====	=====	=====
Fair Share of Supply	13.3%	13.3%	13.3%
	=====	=====	=====
<b>ESTIMATED TOTAL MARKET DEMAND</b>			
Corp Individual	251,700	259,300	267,000
Leisure	23,400	23,600	23,900
Group	104,900	114,100	117,500
	-----	-----	-----
TOTAL	380,000	397,000	408,400
	-----	-----	-----
<b>FAIR SHARE OF DEMAND</b>			
Corp Individual	33,400	34,400	35,400
Leisure	3,100	3,100	3,200
Group	13,900	15,100	15,600
	-----	-----	-----
TOTAL	50,400	52,600	54,200
	-----	-----	-----
<b>SUBJECT PENETRATION</b>			
Corp Individual	99%	100%	101%
Leisure	70%	70%	70%
Group	111%	112%	114%
	-----	-----	-----
<b>ROOM NIGHTS CAPTURED</b>			
Corp Individual	33,100	34,400	35,800
Leisure	2,200	2,200	2,200
Group	15,500	17,000	17,800
	-----	-----	-----
TOTAL CAPTURED DEMAND	50,800	53,600	55,800
	=====	=====	=====
MARKET SHARE CAPTURED	13.4%	13.5%	13.7%
OVERALL MARKET PENETRATION	101%	102%	103%
	-----	-----	-----
SUBJECT OCCUPANCY	70%	73%	76%
	-----	-----	-----
<b>MARKET MIX</b>			
Corp Individual	65%	64%	64%
Leisure	4%	4%	4%
Group	31%	32%	32%
	-----	-----	-----
TOTAL	100%	100%	100%
	=====	=====	=====
Source: CBRE Hotels			

The Subject is expected achieve occupancy of 70% in its opening year (2020), grow to 73% in 2021 and stabilize in its third year (2022) of operation at 76%. Upon stabilization, the Subject is projected to penetrate the market at 103% of its fair share.

### ESTIMATED SUBJECT MARKET SEGMENTATION

Estimated market segmentation for the proposed Hotel and Conference Center is summarized, as follows:

Proposed Hotel & Conference Center 2022 Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
Corp Individual	35,800	64%	101%
Leisure	2,200	4%	70%
Group	17,800	32%	114%
Total	55,800	100%	103%

Source: CBRE Hotels

The proposed Hotel and Conference Center is projected to receive more than its fair share of demand from the Group segment due to its large conference center component. The Subject will also receive more than its fair share of demand from the Corporate Individual segment due to the full-service nature of the hotel. The proposed Hotel and Conference Center will receive less than its fair share from the Leisure demand segment due to its higher rates.

### ESTIMATED AVERAGE DAILY RATE

The following table shows the estimated occupancy and ADR for the proposed Hotel and Conference Center, stated in inflated dollars, assuming a 3% average rate increase throughout the projection period.

Estimated Occupancy and ADR Proposed Hotel & Conference Center			
Year	Annual Occupancy	Average Daily Rate*	Revenue Per Available Room
2020**	70%	\$153	\$107
2021	73%	\$158	\$115
2022	76%	\$162	\$123
2023	76%	\$167	\$127
2024	76%	\$172	\$131

\* Stated Year Dollars, rounded to the nearest dollar.  
Based on an ADR of \$140 in 2017 dollars.  
\*\* The subject hotel is estimated to open in 2020

Source: CBRE Hotels

We project that the Subject would achieve an ADR at \$140 in 2017 dollars. The hotel will likely achieve rates above the existing hotels in the market.

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SECTION VI  
PROSPECTIVE FINANCIAL ANALYSIS

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## BASES OF ESTIMATIONS

On the basis of our evaluation of market findings relative to the proposed Hotel and Conference Center, we have prepared schedules of estimated operating results, which we believe could be generated by the operation of a facility of the type, size and caliber as described in the preceding sections of the report.

In estimating the future operating results, we analyzed historical 2016 operating statements of nine hotels with similar room counts and facilities. We have not identified the comparable hotels in order to protect the confidentiality of our sample. These properties ranged in size from 186 to 248 rooms with an average of 228. Occupancy rates ranged from 70% to 79% with an average of 74%. ADR ranged from \$135 to \$150 with an average of \$144. Meeting space at the comparable properties ranged from 11,000 to 30,000 square feet with an average of 19,200 square feet.

We estimated revenues and expenses based on the market analysis described herein, the performance of comparable properties, typical industry parameters, premiums and efficiencies for a hotel of this type. In evaluating comparables, we considered expenses as a percent of revenue, as well as per occupied room (POR) and per available room (PAR). We then incorporated such estimates into the assumptions that we have made, regarding inflation (3% per year), start-up period and market penetration rates, in order to generate the estimated annual operating results, presented at the end of this section. Our estimates are for the years 2020 through 2029. All dollar financial POR and PAR are expressed in 2017 dollars.

The classification of income and expenses in the statements presented in this report generally follows the *Uniform System of Accounts for Hotels*, recommended by the American Hotel & Lodging Association.

## DEPARTMENTAL REVENUES

Revenue from guestroom rentals is a result of two factors: occupancy level, or occupied room nights, and average daily room rate (ADR). Based on data presented in the Market Analysis section of this report, estimated occupancy levels, average daily room rates, and resulting room revenue for the subject hotel over the projection period are summarized in the following table.

Estimated Rooms Revenue Proposed Hotel & Conference Center			
Year	Annual Occupancy	Average Daily Rate*	Rooms Revenue
2020**	70%	\$153	\$7,818,000
2021	73%	\$158	\$8,420,000
2022	76%	\$162	\$8,988,000
2023	76%	\$167	\$9,265,000
2024	76%	\$172	\$9,543,000

\* Stated Year Dollars, rounded to the nearest dollar.  
Based on an ADR of \$140 in 2017 dollars.  
\*\* The subject hotel is estimated to open in 2020

Source: CBRE Hotels

Additional sources of revenue include Food and Beverage, Other Operated Departments, and Rentals and Other Income. Our stabilized year projections (in 2016 dollars) for additional revenue items are summarized below.

Departmental Revenues Dollars Per Occupied Room					
Items	Comparable Hotels			Median	Subject Hotel Projections Stabilized Year
	Range		Average		
Food & Beverage	\$34.96	- \$111.18	\$59.06	\$48.08	\$75.00
Other Operated Departments	\$0.05	- \$16.83	\$9.18	\$8.68	\$5.00
Rentals and Other Income	\$0.81	- \$6.70	\$3.38	\$3.59	\$4.00

Source: CBRE Hotels

## DEPARTMENTAL EXPENSES

Departmental expenses are chargeable to a specific revenue-producing department, in this case Rooms, Food and Beverage and Other Operated Departments.

Departmental Expenses Percent of Departmental Revenue					
Items	Comparable Hotels			Median	Subject Hotel Projections Stabilized Year
	Range		Average		
Room (\$ POR)	\$28.82	- \$39.04	\$34.05	\$34.25	\$30.00
Food and Beverage	62.1%	- 78.3%	66.3%	64.4%	65.0%
Other Operated Departments	13.2%	- 949.1%	37.7%	65.7%	60.0%

Source: CBRE Hotels

## UNDISTRIBUTED OPERATING EXPENSES

Undistributed operating expenses are necessary to the operation of the property though not directly chargeable to a revenue-producing department and include Administrative and General, Marketing, Property Operations and Maintenance (POM), Utilities and Information and Telecommunication Systems.



Undistributed Operating Expenses				
Dollars Per Available Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Administrative and General	\$2,987 - \$8,076	\$3,682	\$3,939	\$4,498
Marketing	\$5,330 - \$9,850	\$6,248	\$6,042	\$7,200
POM	\$1,470 - \$4,212	\$2,136	\$2,065	\$2,250
Utilities	\$1,642 - \$3,016	\$2,005	\$1,799	\$2,100
Information and Telecommunication Systems	\$187 - \$883	\$286	\$466	\$275

Source: CBRE Hotels

## FIXED EXPENSES

Fixed expenses are necessary to maintain the property's availability to guests and, except for management fees, do not necessarily vary with performance.

Fixed Expenses				
Dollars Per Available Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Management Fee (% of Total Rev)	0.0% - 5.0%	2.6%	2.6%	3.0%
Property Taxes*	\$764 - \$1,254	\$1,057	\$1,153	\$1,200
Insurance*	\$245 - \$436	\$360	\$400	\$400

\*Estimates for Property Taxes and Insurance are based on local area hotels.

Source: CBRE Hotels

## RESERVE FOR REPLACEMENT

The reserve for replacement provides for the replacement of furniture, fixtures and equipment, as well as certain building finishes and systems. This reserve has been tiered at typical industry levels of **2%** of total revenues in the first year, 3% in the second year and 4% in the third year and thereafter.

## SCHEDULE OF PROSPECTIVE CASH FLOW BEFORE DEBT SERVICE

The following schedules reflect the estimate of future operating performance of the subject hotel. The schedules are presented in stated year (inflated) dollars.

Proposed Hotel & Conference Center Projected Operating Results Calendar Years		2020		2021		2022		2023		2024	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	
Number of Units:	200		200		200		200		200		
Number of Annual Rooms Available:	73,000		73,000		73,000		73,000		73,000		
Number of Rooms Occupied:	51,100	70%	53,290	73%	55,480	76%	55,480	76%	55,480	76%	
Annual Occupancy:	\$153.00	\$107.10	\$158.00	\$115.34	\$162.00	\$123.12	\$167.00	\$126.92	\$172.00	\$130.72	
Average Daily Rate:											
Revenue Per Available Room:											
<b>Revenues</b>											
Rooms	\$7,818,000	62.5%	\$8,420,000	62.6%	\$8,988,000	62.5%	\$9,265,000	62.5%	\$9,543,000	62.5%	
Food & Beverage	4,188,000	33.5%	4,498,000	33.4%	4,824,000	33.5%	4,968,000	33.5%	5,118,000	33.5%	
Other Operated Departments	279,000	2.2%	300,000	2.2%	322,000	2.2%	331,000	2.2%	341,000	2.2%	
Rentals and Other Income	223,000	1.8%	240,000	1.8%	257,000	1.8%	265,000	1.8%	273,000	1.8%	
<b>Total Revenues</b>	<b>12,508,000</b>	<b>100.0%</b>	<b>13,458,000</b>	<b>100.0%</b>	<b>14,391,000</b>	<b>100.0%</b>	<b>14,829,000</b>	<b>100.0%</b>	<b>15,275,000</b>	<b>100.0%</b>	
<b>Departmental Expenses</b>											
Rooms	1,747,000	22.3%	1,836,000	21.8%	1,929,000	21.5%	1,987,000	21.4%	2,047,000	21.5%	
Food & Beverage	2,815,000	67.2%	2,972,000	66.1%	3,135,000	65.0%	3,229,000	65.0%	3,326,000	65.0%	
Other Operated Departments	168,000	60.2%	180,000	60.0%	193,000	60.1%	199,000	60.1%	205,000	60.1%	
<b>Total Departmental Expenses</b>	<b>4,730,000</b>	<b>37.8%</b>	<b>4,988,000</b>	<b>37.1%</b>	<b>5,257,000</b>	<b>36.5%</b>	<b>5,415,000</b>	<b>36.5%</b>	<b>5,578,000</b>	<b>36.5%</b>	
<b>Departmental Profit</b>	<b>7,778,000</b>	<b>62.2%</b>	<b>8,470,000</b>	<b>62.9%</b>	<b>9,134,000</b>	<b>63.5%</b>	<b>9,414,000</b>	<b>63.5%</b>	<b>9,697,000</b>	<b>63.5%</b>	
<b>Undistributed Expenses</b>											
Administrative & General	1,057,000	8.5%	1,103,000	8.2%	1,150,000	8.0%	1,184,000	8.0%	1,220,000	8.0%	
Marketing	1,406,000	11.2%	1,478,000	11.0%	1,553,000	10.8%	1,600,000	10.8%	1,648,000	10.8%	
Property Operation and Maintenance	514,000	4.1%	529,000	3.9%	545,000	3.8%	561,000	3.8%	578,000	3.8%	
Utility Costs	470,000	3.8%	484,000	3.6%	498,000	3.5%	513,000	3.5%	529,000	3.5%	
Information and Telecommunication Systems	66,000	0.5%	68,000	0.5%	70,000	0.5%	72,000	0.5%	74,000	0.5%	
<b>Total Undistributed Operating Expenses</b>	<b>3,513,000</b>	<b>28.1%</b>	<b>3,662,000</b>	<b>27.2%</b>	<b>3,816,000</b>	<b>26.5%</b>	<b>3,930,000</b>	<b>26.5%</b>	<b>4,049,000</b>	<b>26.5%</b>	
<b>Gross Operating Profit</b>	<b>4,265,000</b>	<b>34.1%</b>	<b>4,808,000</b>	<b>35.7%</b>	<b>5,318,000</b>	<b>37.0%</b>	<b>5,484,000</b>	<b>37.0%</b>	<b>5,648,000</b>	<b>37.0%</b>	
<b>Base Management Fee</b>	<b>375,000</b>	<b>3.0%</b>	<b>404,000</b>	<b>3.0%</b>	<b>432,000</b>	<b>3.0%</b>	<b>445,000</b>	<b>3.0%</b>	<b>458,000</b>	<b>3.0%</b>	
<b>Fixed Expenses</b>											
Property Taxes	262,000	2.1%	270,000	2.0%	278,000	1.9%	287,000	1.9%	295,000	1.9%	
Insurance	87,000	0.7%	90,000	0.7%	93,000	0.6%	96,000	0.6%	98,000	0.6%	
<b>Total Fixed Expenses</b>	<b>349,000</b>	<b>2.8%</b>	<b>360,000</b>	<b>2.7%</b>	<b>371,000</b>	<b>2.6%</b>	<b>383,000</b>	<b>2.6%</b>	<b>393,000</b>	<b>2.6%</b>	
<b>Net Operating Income</b>	<b>3,541,000</b>	<b>28.3%</b>	<b>4,044,000</b>	<b>30.0%</b>	<b>4,515,000</b>	<b>31.4%</b>	<b>4,656,000</b>	<b>31.4%</b>	<b>4,797,000</b>	<b>31.4%</b>	
<b>FF&amp;E Reserve</b>	<b>250,000</b>	<b>2.0%</b>	<b>404,000</b>	<b>3.0%</b>	<b>576,000</b>	<b>4.0%</b>	<b>593,000</b>	<b>4.0%</b>	<b>611,000</b>	<b>4.0%</b>	
<b>Net Operating Income After Reserve</b>	<b>\$3,291,000</b>	<b>26.3%</b>	<b>\$3,640,000</b>	<b>27.0%</b>	<b>\$3,939,000</b>	<b>27.4%</b>	<b>\$4,063,000</b>	<b>27.4%</b>	<b>\$4,186,000</b>	<b>27.4%</b>	
Source: CBRE Hotels	Full Year of Operation										

**Proposed Hotel & Conference Center**  
 Projected Operating Results  
 Calendar Years

	2025	2026	2027	2028	2029
Number of Units:	200	200	200	200	200
Number of Annual Rooms Available:	73,000	73,000	73,000	73,000	73,000
Number of Rooms Occupied:	55,480	55,480	55,480	55,480	55,480
Annual Occupancy:	76%	76%	76%	76%	76%
Average Daily Rate:	\$177.00	\$183.00	\$188.00	\$194.00	\$200.00
Revenue Per Available Room:	\$134.52	\$139.08	\$142.88	\$147.44	\$152.00
<b>Revenues</b>					
Rooms	\$9,820,000	\$10,153,000	\$10,430,000	\$10,763,000	\$11,096,000
Food & Beverage	5,271,000	5,429,000	5,592,000	5,760,000	5,933,000
Other Operated Departments	351,000	362,000	373,000	384,000	396,000
Rentals and Other Income	281,000	290,000	298,000	307,000	316,000
<b>Total Revenues</b>	<b>15,723,000</b>	<b>16,234,000</b>	<b>16,693,000</b>	<b>17,214,000</b>	<b>17,741,000</b>
<b>Departmental Expenses</b>					
Rooms	2,108,000	2,172,000	2,237,000	2,304,000	2,373,000
Food & Beverage	3,426,000	3,529,000	3,635,000	3,744,000	3,856,000
Other Operated Departments	211,000	217,000	224,000	230,000	237,000
<b>Total Departmental Expenses</b>	<b>5,745,000</b>	<b>5,918,000</b>	<b>6,096,000</b>	<b>6,278,000</b>	<b>6,466,000</b>
<b>Departmental Profit</b>	<b>9,978,000</b>	<b>10,316,000</b>	<b>10,597,000</b>	<b>10,936,000</b>	<b>11,275,000</b>
<b>Undistributed Expenses</b>					
Administrative & General	1,256,000	1,295,000	1,333,000	1,374,000	1,415,000
Marketing	1,697,000	1,748,000	1,801,000	1,855,000	1,911,000
Property Operation and Maintenance	595,000	613,000	632,000	651,000	670,000
Utility Costs	545,000	561,000	578,000	595,000	613,000
Information and Telecommunication Systems	76,000	78,000	81,000	83,000	86,000
<b>Total Undistributed Operating Expenses</b>	<b>4,169,000</b>	<b>4,295,000</b>	<b>4,425,000</b>	<b>4,558,000</b>	<b>4,695,000</b>
<b>Gross Operating Profit</b>	<b>5,809,000</b>	<b>6,021,000</b>	<b>6,172,000</b>	<b>6,378,000</b>	<b>6,580,000</b>
<b>Base Management Fee</b>	<b>472,000</b>	<b>487,000</b>	<b>501,000</b>	<b>516,000</b>	<b>532,000</b>
<b>Fixed Expenses</b>					
Property Taxes	304,000	313,000	323,000	332,000	342,000
Insurance	101,000	104,000	108,000	111,000	114,000
<b>Total Fixed Expenses</b>	<b>405,000</b>	<b>417,000</b>	<b>431,000</b>	<b>443,000</b>	<b>456,000</b>
<b>Net Operating Income</b>	<b>4,932,000</b>	<b>5,117,000</b>	<b>5,240,000</b>	<b>5,419,000</b>	<b>5,592,000</b>
<b>FF&amp;E Reserve</b>	<b>629,000</b>	<b>649,000</b>	<b>668,000</b>	<b>689,000</b>	<b>710,000</b>
<b>Net Operating Income After Reserve</b>	<b>\$4,303,000</b>	<b>\$4,468,000</b>	<b>\$4,572,000</b>	<b>\$4,730,000</b>	<b>\$4,882,000</b>
Source: CBRE Hotels					

	2025	2026	2027	2028	2029
Ratio	62.5%	62.5%	62.5%	62.5%	62.5%
Ratio	33.5%	33.5%	33.5%	33.5%	33.4%
Ratio	2.2%	2.2%	2.2%	2.2%	2.2%
Ratio	1.8%	1.8%	1.8%	1.8%	1.8%
Ratio	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio	21.5%	21.4%	21.4%	21.4%	21.4%
Ratio	65.0%	65.0%	65.0%	65.0%	65.0%
Ratio	60.1%	59.9%	60.1%	59.9%	59.8%
Ratio	36.5%	36.5%	36.5%	36.5%	36.4%
Ratio	63.5%	63.5%	63.5%	63.5%	63.6%
Ratio	8.0%	8.0%	8.0%	8.0%	8.0%
Ratio	10.8%	10.8%	10.8%	10.8%	10.8%
Ratio	3.8%	3.8%	3.8%	3.8%	3.8%
Ratio	3.5%	3.5%	3.5%	3.5%	3.5%
Ratio	0.5%	0.5%	0.5%	0.5%	0.5%
Ratio	26.5%	26.5%	26.5%	26.5%	26.5%
Ratio	36.9%	37.1%	37.0%	37.1%	37.1%
Ratio	3.0%	3.0%	3.0%	3.0%	3.0%
Ratio	1.9%	1.9%	1.9%	1.9%	1.9%
Ratio	0.6%	0.6%	0.6%	0.6%	0.6%
Ratio	2.6%	2.6%	2.6%	2.6%	2.6%
Ratio	31.4%	31.5%	31.4%	31.5%	31.5%
Ratio	4.0%	4.0%	4.0%	4.0%	4.0%
Ratio	27.4%	27.5%	27.4%	27.5%	27.5%

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ADDENDUM A  
PHOTOGRAPHS OF SUBJECT SITE

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Arial View of Subject Site on Bayland Island



View from Subject Site Facing Towards the Bay and Fred Hartman Bridge



View of Adjacent Marina



View of Adjacent Marina Building

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ADDENDUM B

PHOTOGRAPHS OF COMPETITIVE SUPPLY

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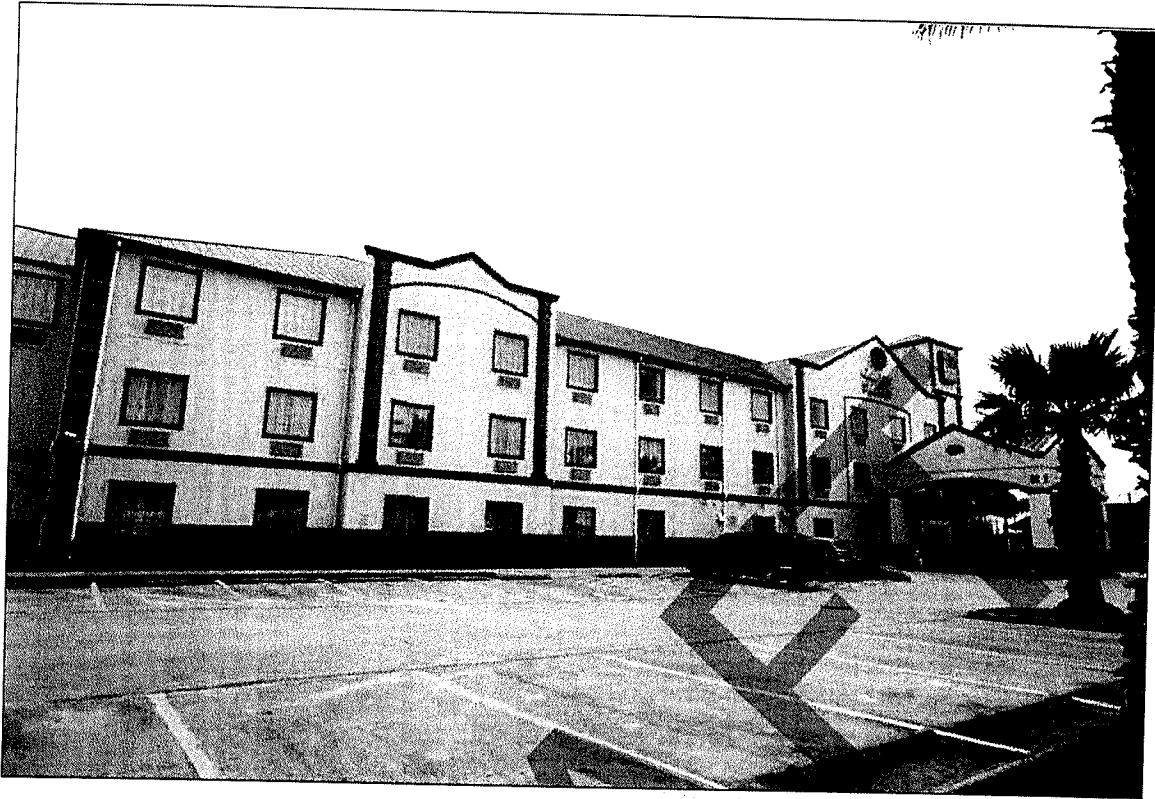


Hampton Inn Houston Baytown



Comfort Suites La Porte





Comfort Suites Baytown



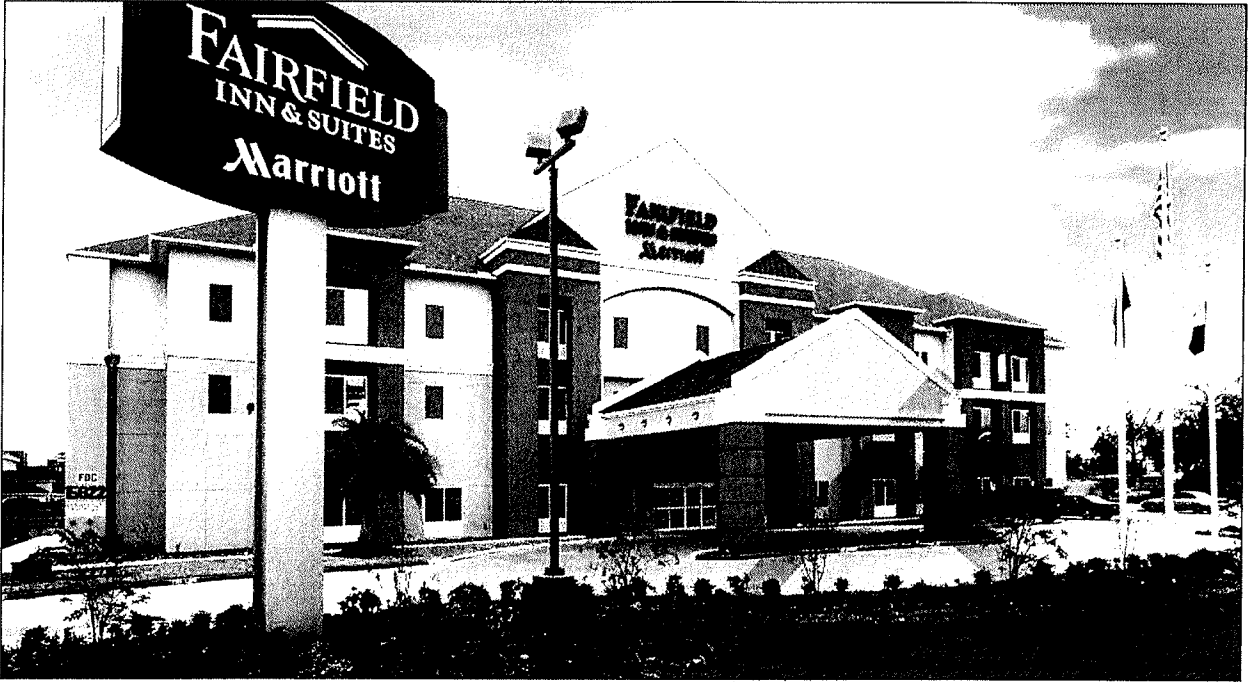
Holiday Inn Express & Suites La Porte



Candlewood Suites La Porte



Candlewood Suites Baytown



Fairfield Inn & Suites Channelview



SpringHill Suites Houston Baytown



Holiday Inn Houston East Channelview



Holiday Inn Express & Suites Houston East Baytown



Hampton Inn La Porte

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ADDENDUM C

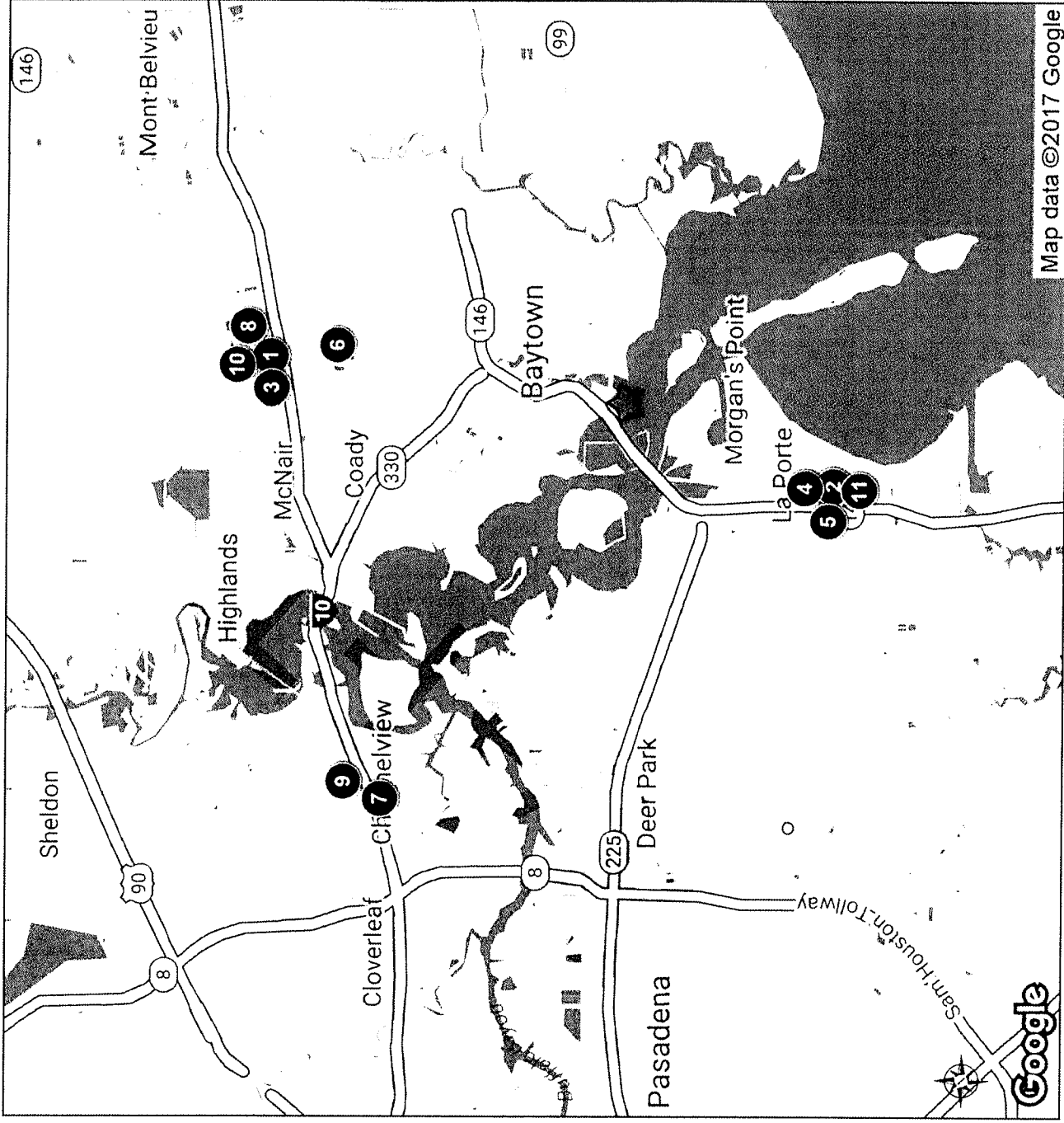
MAP OF COMPETITIVE SUPPLY

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# Map of Competitive Supply

- ★ Proposed Baytown Hotel and Conference Center
- 1 Hampton Inn Houston Baytown
- 2 Comfort Suites La Porte
- 3 Comfort Suites Baytown
- 4 Holiday Inn Express & Suites La Porte
- 5 Candlewood Suites La Porte
- 6 Candlewood Suites Baytown
- 7 Fairfield Inn & Suites Houston Channelview
- 8 Springhill Suites Houston Baytown
- 9 Holiday Inn Houston East Channelview
- 10 Holiday Inn Express & Suites Houston Baytown
- 11 Hampton Inn La Porte



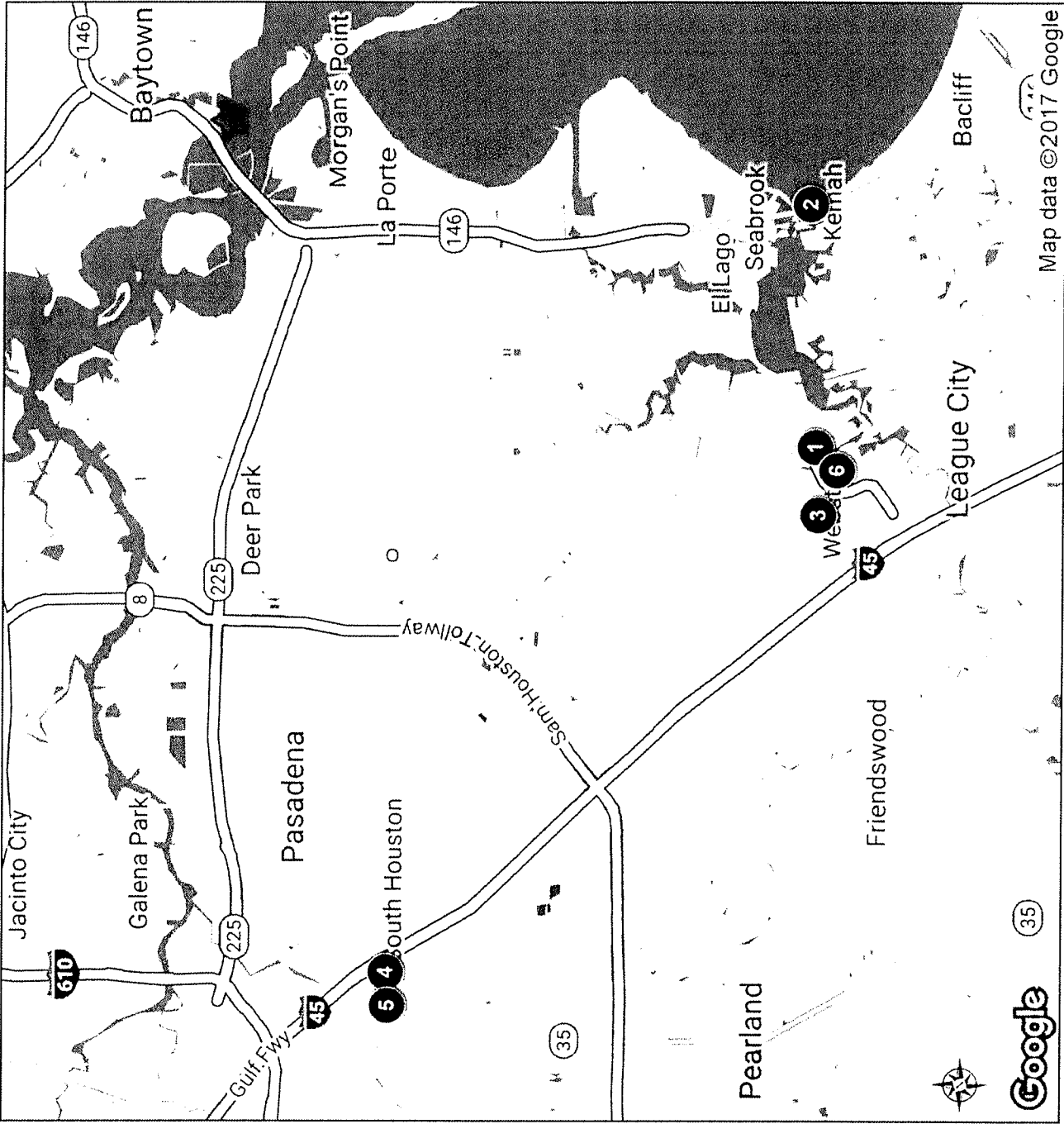
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# Map of Comparable Bay Area Hotels

- ★ Proposed Baytown Hotel and Conference Center
- 1 Hilton NASA Clear Lake
- 2 Boardwalk Inn Kemah
- 3 Hilton Garden Inn Clear Lake NASA
- 4 Marriott Hobby Airport
- 5 DoubleTree Hobby Airport
- 6 Courtyard NASA Clear Lake





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ADDENDUM D  
TERMS AND CONDITIONS

**CBRE HOTELS**

The World's Leading Hotel Experts

# TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement" ) between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of a consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.

7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, CONSULTANT DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY CONSULTING REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE EVEN IF KNOWN TO CONSULTANT. The conclusions and any permitted reliance on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.
9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.

13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.
15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.
16. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of a Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

17. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services under this Agreement or (c) any acts or conduct relating to such services, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

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ADDENDUM E  
CERTIFICATION

**CBRE HOTELS**

The World's Leading Hotel Experts

## CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the project that is the subject of this report, and we have no personal interest or bias **with** respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not **contingent** upon the developing or reporting of predetermined results.
- Our compensation is not **contingent** upon the development or reporting of predetermined results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- We have made a **personal** inspection of the proposed site that is the subject of this report.
- No one provided **significant** professional assistance to the persons signing below **except as sourced** within the body of this report.

### CBRE Hotels

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G. Randle McCaslin, CRE  
Managing Director

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Patrick McCaslin  
Director

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Andrew Hartley  
Senior Consultant