

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	
Chamber of Commerce	115	29	31	21	14	12	8	25.2%	27.0%	18.3%	10.4%	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 10 hotels containing 811 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	-	-
Total/Average		811	1,946	25

*Meeting space does not include prefunction space.

Source: PKF Consulting USA

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 and Conference Center 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 2010 through 2014 and year-to-date February 2015 compared to the same period in 2014.

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
2010	191,581	N/A	95,024	N/A	49.6%	\$89.98	N/A	\$44.63	N/A
2011	256,251	33.8%	138,888	46.2%	54.2%	88.05	-2.1%	47.72	6.9%
2012	262,800	2.6%	184,223	32.6%	70.1%	90.91	3.2%	63.73	33.5%
2013	262,800	0.0%	192,107	4.3%	73.1%	97.02	6.7%	70.92	11.3%
2014	287,825	9.5%	224,216	16.7%	77.9%	101.75	4.9%	79.26	11.8%
CAAG	10.7%		23.9%			3.1%		15.4%	
YTD 2/2014	47,815	N/A	36,674	N/A	76.7%	\$99.22	N/A	\$76.10	N/A
YTD 2/2015	47,815	0.0%	36,435	-0.7%	76.2%	104.68	5.5%	79.77	4.8%

Source: PKF Consulting USA

Total occupied rooms increased 23.9% annually over the past five years. The total competitive set achieved an occupancy of 49.6% in 2010. Occupancy increased to 54.2% in 2011. Occupancy increased significantly to 70.1% in 2012, 73.1% in 2013 and to 77.9% in 2014. Year-to-date February 2015 occupancy is 76.2% compared to 76.7% during the same period in 2014.

Rates in the market remained stable from 2010 through 2012. In 2013 and 2014, rates began to trend upwards. Year-to-date February 2015 shows an 5.5% ADR growth compared to the same period in 2014. RevPAR has increased 15.4% annually over the past five years.

FUTURE ADDITIONS TO SUPPLY

The 115-room Hilton Garden Inn Baytown is projected to open in 2017. The 85-room TownePlace Suites Baytown is scheduled to open in mid-2017. The Subject 200-room proposed Hotel and Conference Center is scheduled to open in 2018. The location of the Subject property is shown on the map in Addendum C.

MARKET DEMAND

Market Segmentation

The following table summarizes the competitive market's mix of demand in 2014.

Competitive Market 2014 Mix of Demand		
Market Segment	Room Nights	Ratio
Corp Individual	157,000	70%
Leisure	11,200	5%
Group	56,100	25%
Total	224,000	100%

Source: PKF Consulting USA

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:

- Economic recovery continues in the Texas market in general and the Baytown area in particular.
- No major terrorist events or wars occur that have a material adverse impact on local travel volume or border security.
- No 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 1% in 2015 and 2% in 2016 with the decrease in oil prices. In addition, the high occupancies currently in the market indicate that the existing hotels are at near capacity. As new hotels are added, Corporate Individual demand will increase at 3% in 2016, 4% in 2017 and 3% in 2018 and throughout the remainder of the projection period. Induced demand in the Corporate Individual segment has been projected at 20,000 room nights in 2017 and 2018 due to the additions to supply.

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 4,000 room nights in 2017 and 2018 due to the additions to supply.

Group Demand

We estimate that Group demand growth will be 1% from 2015 through 2017 due to the limited amount of meeting space available in the market, 4% in 2017 with the addition of the proposed Hotel and Conference Center, 3% in 2018 and throughout the remainder of the projection period. Induced demand in the Group segment has been projected at 24,000 room nights in 2017 and 2018 due to the additional meeting space from the proposed Hilton Garden Inn and proposed Hotel and Conference Center entering the market.

Based on the preceding analysis, the following table presents the competitive market forecast for the entire competitive set over the 2014 to 2020 period.

Proposed Baytown Hotel & Conference Center							
Competitive Market							
Estimated Future Growth in Lodging Supply and Demand							
2014 - 2020							
	2014	2015	2016	2017	2018	2019	2020
ROOMS SUPPLY	720						
Additions/(Deletions) to Supply							
Proposed Baytown Hotel & Conference Ce					200		
Primary Competition	69						
Hilton Garden Inn Baytown				115			
TownePlace Suites Baytown				43	42		
Cumulative Rooms Supply	789	789	789	947	1,189	1,189	1,189
Total Annual Rooms Supply	287,825	287,825	287,825	345,495	433,825	433,825	433,825
Growth Over the Prior Year	9.5%	0.0%	0.0%	20.0%	25.6%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR							
Corp Individual	156,951	70%					
Leisure	11,211	5%					
Group	56,054	25%					
TOTAL DEMONSTRATED DEMAND	224,216	100%					
INDUCED/(UNSATISFIED) DEMAND							
Corp Individual		0	0	8,000	12,000	0	0
Leisure		0	0	2,000	2,000	0	0
Group		0	0	4,000	20,000	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	0	14,000	34,000	0	0
GROWTH RATES							
Corp Individual		1.0%	2.0%	3.0%	4.0%	3.0%	3.0%
Leisure		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Group		1.0%	1.0%	1.0%	4.0%	3.0%	3.0%
PROJECTED DEMAND							
Corp Individual							
Demonstrated	156,951	158,520	161,691	166,542	181,523	199,329	205,309
Induced/(Unsatisfied)	0	0	0	8,000	12,000	0	0
Total	157,000	158,500	161,700	174,500	193,500	199,300	205,300
Growth Over Prior Year	N/A	1.0%	2.0%	7.9%	10.9%	3.0%	3.0%
Leisure							
Demonstrated	11,211	11,323	11,436	11,550	13,686	15,843	16,001
Induced/(Unsatisfied)	0	0	0	2,000	2,000	0	0
Total	11,200	11,300	11,400	13,600	15,700	15,800	16,000
Growth Over Prior Year	N/A	0.9%	0.9%	19.3%	15.4%	0.6%	1.3%
Group							
Demonstrated	56,054	56,614	57,181	57,752	64,223	86,749	89,352
Induced/(Unsatisfied)	0	0	0	4,000	20,000	0	0
Total	56,100	56,600	57,200	61,800	84,200	86,700	89,400
Growth Over Prior Year	N/A	0.9%	1.1%	8.0%	36.2%	3.0%	3.1%
Total Market Demand	224,300	226,400	230,300	249,900	293,400	301,800	310,700
Growth Over Prior Year	N/A	0.9%	1.7%	8.5%	17.4%	2.9%	2.9%
Market Occupancy	78%	79%	80%	72%	68%	70%	72%
Source: PKF Consulting USA							

The market is projected to increase from 78% in 2014 to 79% in 2015 and to 80% in 2016. Occupancy is expected to decrease to 72% in 2017 with the addition of the Hilton Garden Inn Baytown and the TownePlace Suite Baytown mid-year and to 68% in 2018 with the addition of the Subject proposed Hotel and Conference Center. The market is projected to increase to 70% in 2019 and, with no new additions to supply, the market is expected to rebound to 72% in 2020.

SECTION V
SUBJECT HOTEL PERFORMANCE

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 1,189 available rooms (including the subject), equating to a fair market share of 16.8% (200 divided by 1,189) in 2018, the subject's first full 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.

Proposed Baytown Hotel & Conference Center			
Market Penetration and Projected Occupancy			
	2018	2019	2020
TOTAL ROOMS AVAILABLE			
Proposed Baytown Hotel & Conference Cent	73,000	73,000	73,000
Competitive Market	433,825	433,825	433,825
	=====	=====	=====
Fair Share of Supply	16.8%	16.8%	16.8%
	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND			
Corp Individual	193,500	199,300	205,300
Leisure	15,700	15,800	16,000
Group	84,200	86,700	89,400
	-----	-----	-----
TOTAL	293,400	301,800	310,700
	-----	-----	-----
FAIR SHARE OF DEMAND			
Corp Individual	32,600	33,500	34,500
Leisure	2,600	2,700	2,700
Group	14,200	14,600	15,000
	-----	-----	-----
TOTAL	49,400	50,800	52,200
	-----	-----	-----
SUBJECT PENETRATION			
Corp Individual	103%	104%	105%
Leisure	85%	85%	85%
Group	108%	110%	112%
	-----	-----	-----
ROOM NIGHTS CAPTURED			
Corp Individual	33,500	34,900	36,300
Leisure	2,200	2,300	2,300
Group	15,300	16,000	16,800
	-----	-----	-----
TOTAL CAPTURED DEMAND	51,000	53,200	55,400
	=====	=====	=====
MARKET SHARE CAPTURED	17.4%	17.6%	17.8%
	-----	-----	-----
OVERALL MARKET PENETRATION	103%	105%	106%
	-----	-----	-----
SUBJECT OCCUPANCY	70%	73%	76%
	-----	-----	-----
MARKET MIX			
Corp Individual	66%	66%	66%
Leisure	4%	4%	4%
Group	30%	30%	30%
	-----	-----	-----
TOTAL	100%	100%	100%
	=====	=====	=====

Source: PKF Consulting USA

The Subject is expected achieve occupancy of 70% in its opening year (2018), grow to 73% in 2019 and stabilize in its third year (2020) of operation at 76%. Upon stabilization, the Subject is projected to penetrate the market at 106% of its fair share.

ESTIMATED SUBJECT MARKET SEGMENTATION

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

Proposed Baytown Hotel & Conference Center 2020 Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
Corp Individual	36,300	66%	105%
Leisure	2,300	4%	85%
Group	16,800	30%	112%
Total	55,400	100%	106%
Source: PKF Consulting USA			

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 project. 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*
2018**	70%	\$153
2019	73%	\$158
2020	76%	\$162
2021	76%	\$167
2022	76%	\$172

* Stated Year Dollars, rounded to the nearest dollar.
Based on an ADR of \$140 in 2015 dollars.
** The subject hotel is estimated to open in 2018

Source: PKF Consulting USA

We project that the Subject would achieve an ADR at \$140 in 2015 dollars. The hotel will likely achieve rates above the existing hotels in the market.

SECTION VI
PROSPECTIVE FINANCIAL ANALYSIS

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 2014 operating statements of 10 comparable hotels. We have not identified them in order to protect the confidentiality of our sample. These properties ranged in size from 161 to 295 rooms with an average of 222. Occupancy rates ranged from 70% to 84% with an average of 75%. ADR ranged from \$115 to \$158 with an average of \$139.

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 2018 through 2027. All dollar financial POR and PAR are expressed in 2015 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
2018**	70%	\$153	\$7,803,000
2019	73%	\$158	\$8,406,000
2020	76%	\$162	\$8,988,000
2021	76%	\$167	\$9,265,000
2022	76%	\$172	\$9,543,000

* Stated Year Dollars, rounded to the nearest dollar.

Based on an ADR of \$140 in 2015 dollars.

** The subject hotel is estimated to open in 2018

Source: PKF Consulting USA

Additional sources of revenue include Food and Beverage, Other Operated Departments, and Rentals and Other Income. Our stabilized year projections (in 2015 dollars) for additional revenue items are summarized below.

Departmental Revenues				
Dollars Per Occupied Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Food & Beverage	\$13.74 - \$75.97	\$49.02	\$47.05	\$75.00
Other Operated Departments	\$0.69 - \$11.65	\$4.80	\$5.85	\$5.00
Rentals and Other Income	\$0.00 - \$0.93	\$0.30	\$0.22	\$0.50

Source: PKF Consulting USA

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			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Room (\$ POR)	\$25.77 - \$40.61	\$31.42	\$31.63	\$28.00
Food and Beverage	43.0% - 76.3%	63.6%	66.1%	65.0%
Other Operated Departments	27.7% - 184.4%	70.7%	63.1%	75.0%

Source: PKF Consulting USA

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) and Utilities.

Undistributed Operating Expenses				
Dollars Per Available Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Administrative and General	\$3,637 - \$5,765	\$4,584	\$4,388	\$5,029
Marketing	\$5,616 - \$7,980	\$6,897	\$6,943	\$7,500
POM	\$1,660 - \$2,636	\$2,068	\$2,027	\$2,000
Utilities	\$1,304 - \$3,393	\$2,263	\$2,327	\$2,400

Source: PKF Consulting USA

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
	Range	Average	Median	Projections Stabilized Year
Management Fee (% of Total Rev)	2.0% - 5.0%	3.0%	3.0%	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: PKF Consulting USA

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 Baytown Hotel & Conference Center
Projected Operating Results
Calendar Years

	2018		2019		2020		2021		2022	
	200	Ratio	200	Ratio	200	Ratio	200	Ratio	200	Ratio
	Amount		Amount		Amount		Amount		Amount	
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:	51,000		53,200		55,480		55,480		55,480	
Annual Occupancy:	70%		73%		76%		76%		76%	
Average Daily Rate:	\$153.00		\$158.00		\$162.00		\$167.00		\$172.00	
Revenue Per Available Room:	\$106.89		\$115.15		\$123.12		\$126.92		\$130.72	
Revenues										
Rooms	\$7,803,000	63.5%	\$8,406,000	63.6%	\$8,988,000	63.4%	\$9,265,000	63.5%	\$9,543,000	63.5%
Food & Beverage	4,180,000	34.0%	4,491,000	34.0%	4,824,000	34.1%	4,968,000	34.0%	5,118,000	34.0%
Other Operated Departments	279,000	2.3%	299,000	2.3%	322,000	2.3%	331,000	2.3%	341,000	2.3%
Rentals and Other Income	28,000	0.2%	30,000	0.2%	32,000	0.2%	33,000	0.2%	34,000	0.2%
Total Revenues	12,290,000	100.0%	13,226,000	100.0%	14,166,000	100.0%	14,597,000	100.0%	15,036,000	100.0%
Departmental Expenses										
Rooms	1,629,000	20.9%	1,712,000	20.4%	1,801,000	20.0%	1,855,000	20.0%	1,911,000	20.0%
Food & Beverage	2,812,000	67.3%	2,969,000	66.1%	3,135,000	65.0%	3,229,000	65.0%	3,326,000	65.0%
Other Operated Departments	209,000	74.9%	225,000	75.3%	241,000	74.8%	248,000	74.9%	256,000	75.1%
Total Departmental Expenses	4,650,000	37.8%	4,906,000	37.1%	5,177,000	36.5%	5,332,000	36.5%	5,493,000	36.5%
Departmental Profit	7,640,000	62.2%	8,320,000	62.9%	8,989,000	63.5%	9,265,000	63.5%	9,543,000	63.5%
Undistributed Expenses										
Administrative & General	1,072,000	8.7%	1,119,000	8.5%	1,166,000	8.2%	1,201,000	8.2%	1,237,000	8.2%
Marketing	1,574,000	12.8%	1,671,000	12.6%	1,739,000	12.3%	1,791,000	12.3%	1,845,000	12.3%
Property Operation and Maintenance	437,000	3.6%	450,000	3.4%	464,000	3.3%	478,000	3.3%	492,000	3.3%
Utility Costs	525,000	4.3%	540,000	4.1%	556,000	3.9%	573,000	3.9%	590,000	3.9%
Total Undistributed Operating Expenses	3,608,000	29.4%	3,780,000	28.6%	3,925,000	27.7%	4,043,000	27.7%	4,164,000	27.7%
Gross Operating Profit	4,032,000	32.8%	4,540,000	34.3%	5,064,000	35.7%	5,222,000	35.8%	5,379,000	35.8%
Base Management Fee	369,000	3.0%	397,000	3.0%	425,000	3.0%	438,000	3.0%	451,000	3.0%
Fixed Expenses										
Property Taxes	262,000	2.1%	270,000	2.0%	278,000	2.0%	287,000	2.0%	295,000	2.0%
Insurance	87,000	0.7%	90,000	0.7%	93,000	0.7%	96,000	0.7%	98,000	0.7%
Total Fixed Expenses	349,000	2.8%	360,000	2.7%	371,000	2.6%	383,000	2.6%	393,000	2.6%
Net Operating Income	3,314,000	27.0%	3,783,000	28.6%	4,268,000	30.1%	4,401,000	30.2%	4,535,000	30.2%
FF&E Reserve	246,000	2.0%	397,000	3.0%	567,000	4.0%	584,000	4.0%	601,000	4.0%
Net Operating Income After Reserve	\$3,068,000	25.0%	\$3,386,000	25.6%	\$3,701,000	26.1%	\$3,817,000	26.1%	\$3,934,000	26.2%
Source: PKF Consulting USA	Full Year of Operation									

Proposed Baytown Hotel & Conference Center
 Projected Operating Results
 Calendar Years

Number of Units:	200
Number of Annual Rooms Available:	73,000
Number of Rooms Occupied:	55,480
Annual Occupancy:	76%
Average Daily Rate:	\$177.00
Revenue Per Available Room:	\$134.52

	2023		2024		2025		2026		2027	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$9,820,000	63.4%	\$10,153,000	63.5%	\$10,430,000	63.5%	\$10,763,000	63.5%	\$11,096,000	63.5%
Food & Beverage	5,271,000	34.1%	5,429,000	34.0%	5,592,000	34.0%	5,760,000	34.0%	5,933,000	34.0%
Other Operated Departments	351,000	2.3%	362,000	2.3%	373,000	2.3%	384,000	2.3%	396,000	2.3%
Rentals and Other Income	35,000	0.2%	36,000	0.2%	37,000	0.2%	38,000	0.2%	40,000	0.2%
Total Revenues	15,477,000	100.0%	15,980,000	100.0%	16,432,000	100.0%	16,945,000	100.0%	17,465,000	100.0%

	2023		2024		2025		2026		2027	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Departmental Expenses										
Rooms	1,968,000	20.0%	2,027,000	20.0%	2,088,000	20.0%	2,150,000	20.0%	2,215,000	20.0%
Food & Beverage	3,426,000	65.0%	3,529,000	65.0%	3,635,000	65.0%	3,744,000	65.0%	3,856,000	65.0%
Other Operated Departments	264,000	75.2%	271,000	74.9%	280,000	75.1%	288,000	75.0%	297,000	75.0%
Total Departmental Expenses	5,658,000	36.6%	5,827,000	36.5%	6,003,000	36.5%	6,182,000	36.5%	6,368,000	36.5%
Departmental Profit	9,819,000	63.4%	10,153,000	63.5%	10,429,000	63.5%	10,763,000	63.5%	11,097,000	63.5%

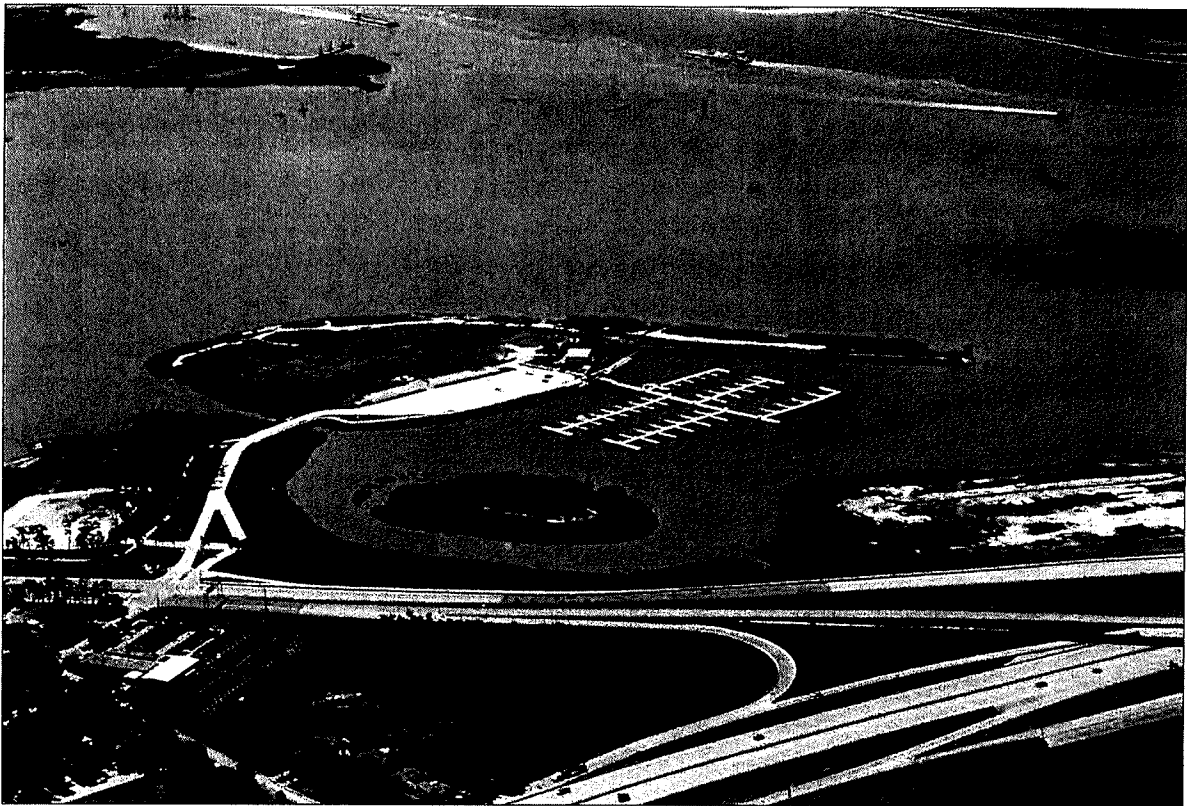
	2023		2024		2025		2026		2027	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Undistributed Expenses										
Administrative & General	1,274,000	8.2%	1,313,000	8.2%	1,352,000	8.2%	1,393,000	8.2%	1,435,000	8.2%
Marketing	1,900,000	12.3%	1,957,000	12.2%	2,016,000	12.3%	2,076,000	12.3%	2,139,000	12.2%
Property Operation and Maintenance	507,000	3.3%	522,000	3.3%	538,000	3.3%	554,000	3.3%	570,000	3.3%
Utility Costs	608,000	3.9%	626,000	3.9%	645,000	3.9%	664,000	3.9%	684,000	3.9%
Total Undistributed Operating Expenses	4,289,000	27.7%	4,418,000	27.6%	4,551,000	27.7%	4,687,000	27.7%	4,828,000	27.6%
Gross Operating Profit	5,530,000	35.7%	5,735,000	35.9%	5,878,000	35.8%	6,076,000	35.9%	6,269,000	35.9%

	2023		2024		2025		2026		2027	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Base Management Fee	464,000	3.0%	479,000	3.0%	493,000	3.0%	508,000	3.0%	524,000	3.0%
Fixed Expenses										
Property Taxes	304,000	2.0%	313,000	2.0%	323,000	2.0%	332,000	2.0%	342,000	2.0%
Insurance	101,000	0.7%	104,000	0.7%	108,000	0.7%	111,000	0.7%	114,000	0.7%
Total Fixed Expenses	405,000	2.6%	417,000	2.6%	431,000	2.6%	443,000	2.6%	456,000	2.6%
Net Operating Income	4,661,000	30.1%	4,839,000	30.3%	4,954,000	30.1%	5,125,000	30.2%	5,289,000	30.3%

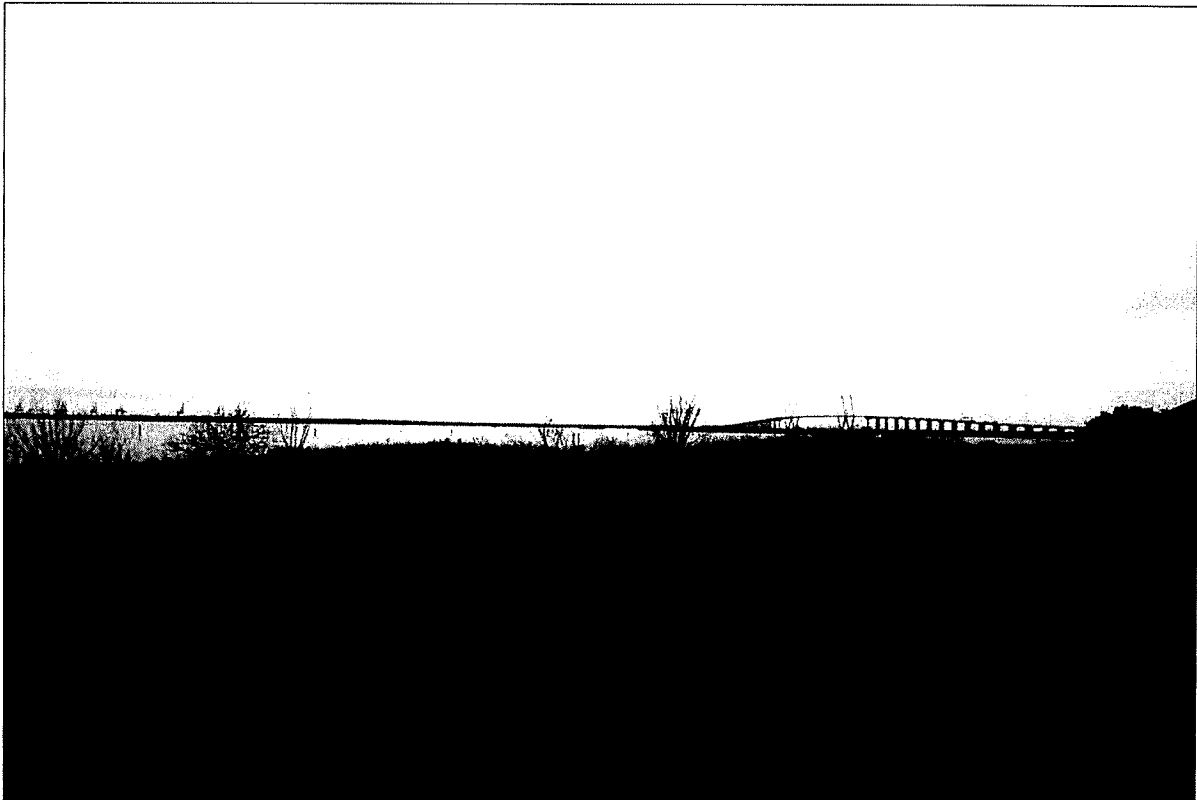
	2023		2024		2025		2026		2027	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
FF&E Reserve	619,000	4.0%	639,000	4.0%	657,000	4.0%	678,000	4.0%	699,000	4.0%
Net Operating Income After Reserve	\$4,042,000	26.1%	\$4,200,000	26.3%	\$4,297,000	26.2%	\$4,447,000	26.2%	\$4,590,000	26.3%

Source: **PKF Consulting USA**

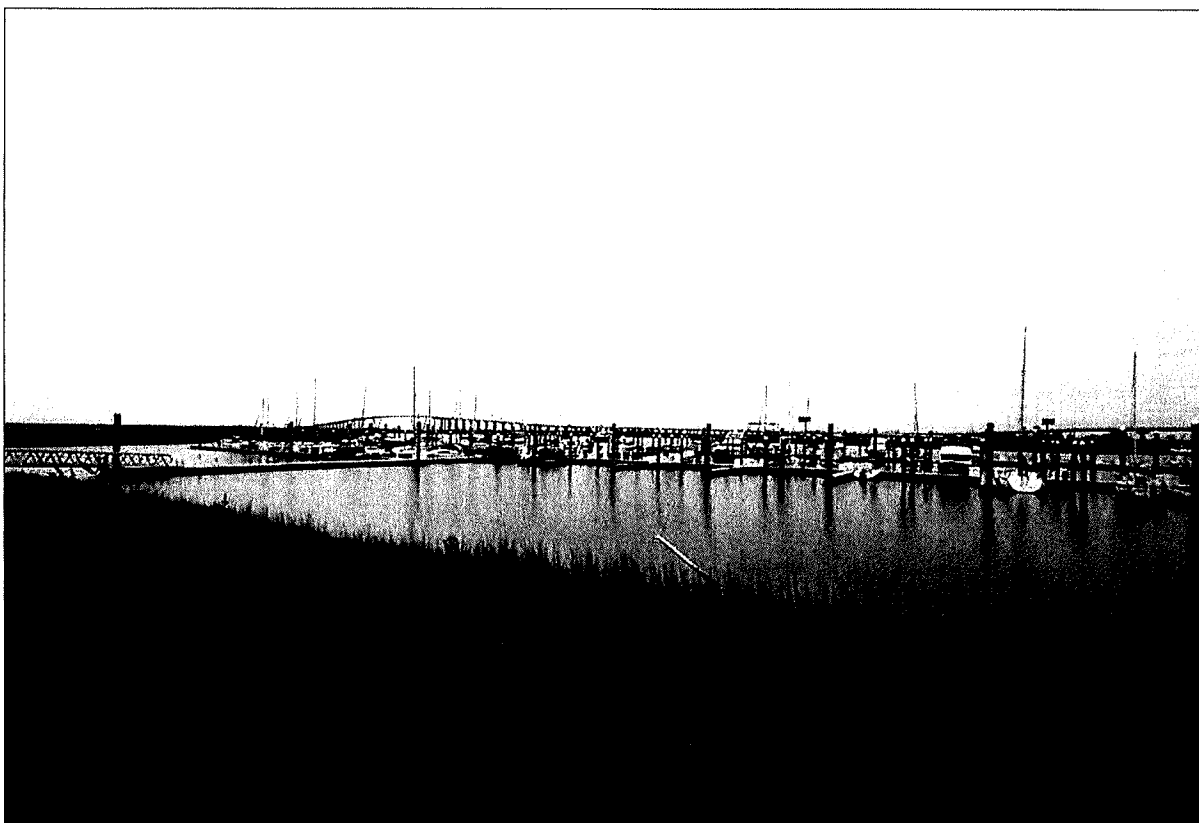
ADDENDUM A
PHOTOGRAPHS OF SUBJECT SITE



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

ADDENDUM B
PHOTOGRAPHS OF COMPETITIVE SUPPLY



Hampton Inn Houston Baytown



Comfort Suites La Porte



Comfort Suites Baytown



Holiday Inn Express & Suites La Porte



Candlewood Suites La Porte



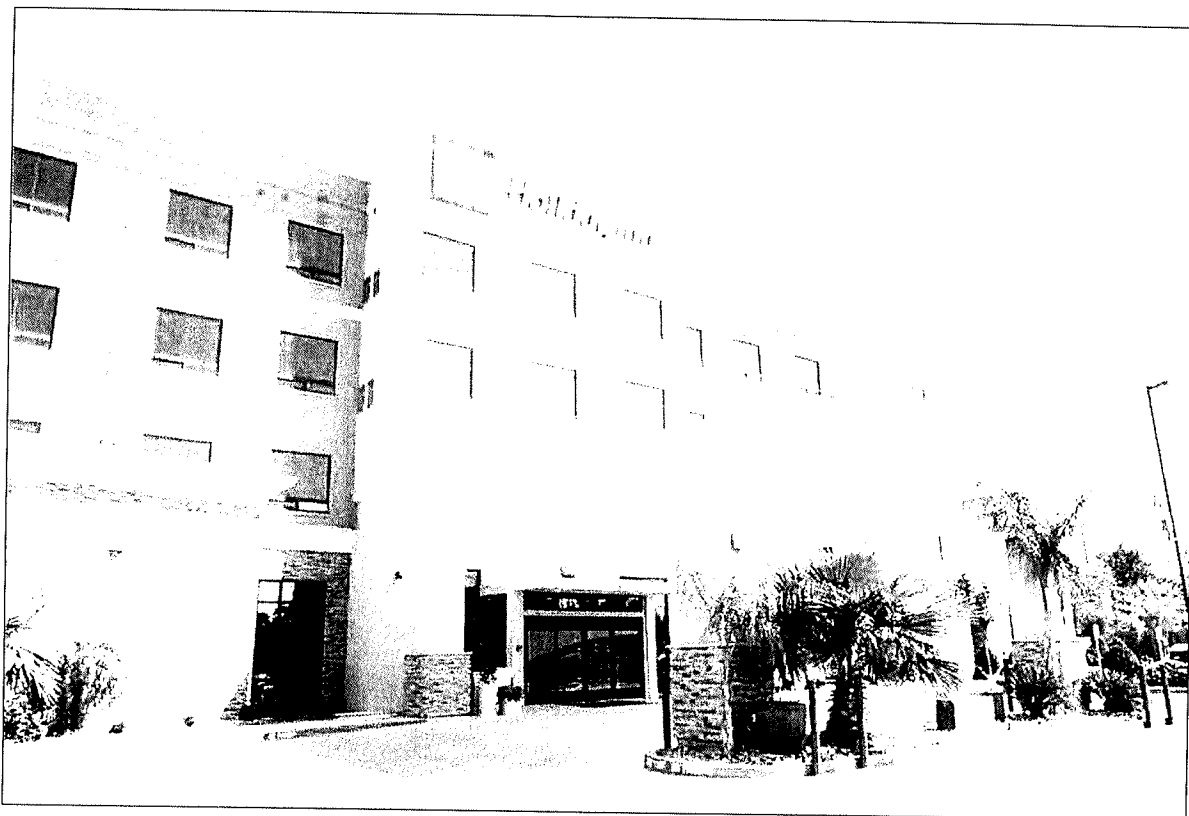
Candlewood Suites Baytown



Fairfield Inn & Suites Channelview



SpringHill Suites Houston Baytown



Holiday Inn Houston East Channelview

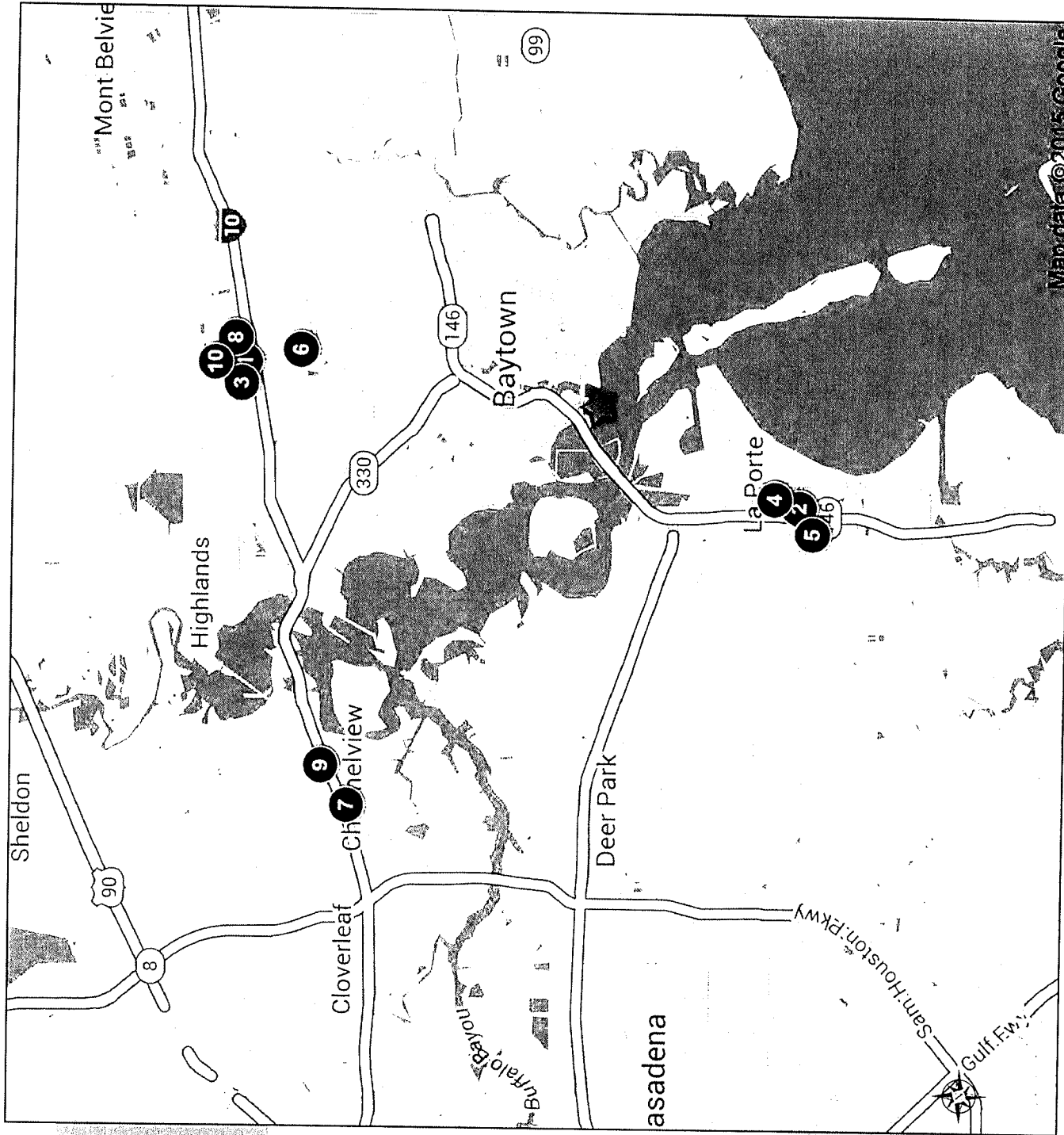


Holiday Inn Express & Suites Houston East Baytown

ADDENDUM C
MAP OF COMPETITIVE SUPPLY

Map of Competitive Supply

- ★ Proposed Hotel & 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 East Baytown



Map data © 2015 Google

Layout ID: 01 | Maple 234321
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CBRE

ADDENDUM D
SURVEYS

**Q1 What is the name of your
company/organization? (Optional)**

Answered: 50 / Skipped: 17

Q2 Which term best describes your company/organization?

Answered: 45 | Skipped: 2

Answer Choices	Responses	
Visitor Attraction	0.00%	0
Service Industry - Retail, Restaurant, Hotel	15.56%	7
Business/Corporation	35.56%	16
Medical Related	11.11%	5
Club/Community Organization	4.44%	2
Government	11.11%	5
Other	22.22%	10
Total		45

Q3 Please indicate the type and frequency of the events that your company/organization holds. (Check all that apply for each category.)

Worksheet: Q3 - Responses

	Never	Weekly	Monthly	Annually (1-3)	Annually (>3)	Total Respondents
A. Gala/Banquet Events	23.68% 9	2.63% 1	0.00% 0	63.16% 24	10.53% 4	38
B. Social Event/Wedding	60.71% 17	3.57% 1	7.14% 2	21.43% 6	7.14% 2	28
C. Meeting/Training	11.63% 5	16.28% 7	30.23% 13	27.91% 12	16.28% 7	43
D. Trade/Consumer Show	63.33% 19	0.00% 0	6.67% 2	23.33% 7	6.67% 2	30
E. Convention/Conference	56.67% 17	0.00% 0	3.33% 1	30.00% 9	10.00% 3	30
F. Sports Events	84.00% 21	4.00% 1	4.00% 1	0.00% 0	8.00% 2	25
G. Other Events	59.09% 13	0.00% 0	4.55% 1	18.18% 4	18.18% 4	22

**Q4 What is the typical size of these events?
(Check all that apply for each category.)**

Answered: 34 Skipped: 0

	Less Than 25	25-50	50-100	100-200	200-400	400-600	More than 600	Total Respondents
A. Gala/Banquet Events	10.00% 3	0.00% 0	13.33% 4	43.33% 13	23.33% 7	16.67% 5	0.00% 0	30
B. Social Event/Wedding	33.33% 5	0.00% 0	40.00% 6	20.00% 3	0.00% 0	6.67% 1	0.00% 0	15
C. Meeting/Training	21.95% 9	46.34% 19	29.27% 12	19.51% 8	2.44% 1	0.00% 0	2.44% 1	41
D. Trade/Consumer Show	42.86% 6	0.00% 0	14.29% 2	28.57% 4	0.00% 0	21.43% 3	0.00% 0	14
E. Convention/Conference	23.53% 4	5.88% 1	17.65% 3	23.53% 4	23.53% 4	5.88% 1	17.65% 3	17
F. Sports Events	60.00% 6	10.00% 1	10.00% 1	0.00% 0	10.00% 1	10.00% 1	0.00% 0	10
G. Other Events	28.57% 4	28.57% 4	28.57% 4	21.43% 3	21.43% 3	14.29% 2	14.29% 2	14

Q5 How many break out rooms would your company/organization require for these events? (Check all that apply for each category.)

Answered: 64 Skipped: 0

	None	1 - 3	3 - 5	More than 5	Total Respondents
A. Gala/Banquet Events	62.86% 22	31.43% 11	2.86% 1	2.86% 1	35
B. Social Event/Wedding	76.19% 16	14.29% 3	4.76% 1	4.76% 1	21
C. Meeting/Training	23.81% 10	59.52% 25	16.67% 7	2.38% 1	42
D. Trade/Consumer Show	57.89% 11	26.32% 5	10.53% 2	5.26% 1	19
E. Convention/Conference	40.91% 9	18.18% 4	36.36% 8	18.18% 4	22
F. Sports Events	85.71% 12	7.14% 1	7.14% 1	0.00% 0	14
G. Other Events	66.67% 10	20.00% 3	13.33% 2	0.00% 0	15

**Q6 What is the typical number of hotel rooms you would need for these events?
(Check all that apply for each category.)**

Appendix B - Figure 2

	None	<25 Rooms	25-50	50-100	100-150	150-200	>200 Rooms	Total Respondents
A. Gala/Banquet Events	64.71% 22	26.47% 9	2.94% 1	5.88% 2	0.00% 0	2.94% 1	0.00% 0	34
B. Social Event/Wedding	61.90% 13	28.57% 6	4.76% 1	0.00% 0	0.00% 0	4.76% 1	0.00% 0	21
C. Meeting/Training	46.15% 13	48.72% 19	5.13% 2	2.56% 1	0.00% 0	2.56% 1	0.00% 0	39
D. Trade/Consumer Show	80.95% 17	14.29% 3	0.00% 0	0.00% 0	0.00% 0	4.76% 1	0.00% 0	21
E. Convention/Conference	58.33% 14	8.33% 2	8.33% 2	12.50% 3	4.17% 1	8.33% 2	8.33% 2	24
F. Sports Events	83.33% 15	0.00% 0	0.00% 0	0.00% 0	11.11% 2	5.56% 1	0.00% 0	18
G. Other Events	83.33% 15	5.56% 1	0.00% 0	0.00% 0	5.56% 1	5.56% 1	0.00% 0	18

Q7 What hotel rate would your company/organization be willing to pay for a new hotel with a conference center? (Check all that apply for each category.)

Answered: 73 / 30 days ago

	Below \$100	\$100-\$125	\$125-\$150	\$150-\$175	\$175-\$200	Above \$200	Total Respondents
A. Gala/Banquet Events	17.24% 5	37.93% 11	24.14% 7	17.24% 5	6.90% 2	13.79% 4	29
B. Social Event/Wedding	22.22% 2	22.22% 2	22.22% 2	11.11% 1	11.11% 1	11.11% 1	9
C. Meeting/Training	28.13% 9	34.38% 11	25.00% 8	18.75% 6	12.50% 4	6.25% 2	32
D. Trade/Consumer Show	60.00% 6	20.00% 2	10.00% 1	0.00% 0	10.00% 1	0.00% 0	10
E. Convention/Conference	20.00% 3	53.33% 8	33.33% 5	13.33% 2	6.67% 1	6.67% 1	15
F. Sports Events	42.86% 3	28.57% 2	14.29% 1	0.00% 0	14.29% 1	0.00% 0	7
G. Other Events	42.86% 3	28.57% 2	0.00% 0	0.00% 0	28.57% 2	0.00% 0	7

Q8 Where do you normally hold your meetings/events? (Please check all that apply for each type of event.)

Answers: 10 Skipped: 6

	Local Meeting Facility	Local Hotel	Local Country Club or Restaurant	Outside the Baytown area	Other	Total Respondents
A. Gala/Banquet Events	18.75% 6	15.63% 5	31.25% 10	65.63% 21	6.25% 2	32
B. Social Event/Wedding	30.77% 4	15.38% 2	23.08% 3	23.08% 3	7.69% 1	13
C. Meeting/Training	42.11% 16	21.05% 8	23.68% 9	28.95% 11	10.53% 4	38
D. Trade/Consumer Show	45.45% 5	0.00% 0	0.00% 0	36.36% 4	18.18% 2	11
E. Convention/Conference	13.33% 2	13.33% 2	0.00% 0	66.67% 10	13.33% 2	15
F. Sports Events	25.00% 2	12.50% 1	0.00% 0	25.00% 2	37.50% 3	8
G. Other Events	22.22% 2	0.00% 0	11.11% 1	44.44% 4	33.33% 3	9

Q9 If there was a new hotel and conference center located in Baytown, would your company/organization consider relocating some of your events there?

Answered: 43 Skipped: 0

	Yes	No	Total
A. Gala/Banquet Events	93.55%	6.45%	31
	29	2	
B. Social Event/Wedding	82.35%	17.65%	17
	14	3	
C. Meeting/Training	87.18%	12.82%	39
	34	5	
D. Trade/Consumer Show	78.57%	21.43%	14
	11	3	
E. Convention/Conference	80.00%	20.00%	20
	16	4	
F. Sports Events	30.00%	70.00%	10
	3	7	
G. Other Events	75.00%	25.00%	12
	9	3	

Q10 If there was a new hotel and conference center located in Baytown, what type and size of NEW events could your company/organization attract to the market? (Check all that apply for each category.)

Approved by: 8/20/18

	Less than 25	25-50	50-100	100-200	200-400	400-600	More than 600	Total Respondents
A. Gala/Banquet Events	16.00% 4	0.00% 0	8.00% 2	32.00% 8	24.00% 6	20.00% 5	8.00% 2	25
B. Social Event/Wedding	27.27% 3	0.00% 0	9.09% 1	27.27% 3	18.18% 2	18.18% 2	9.09% 1	11
C. Meeting/Training	15.38% 4	15.38% 4	23.08% 6	42.31% 11	7.69% 2	3.85% 1	3.85% 1	26
D. Trade/Consumer Show	8.33% 1	8.33% 1	0.00% 0	16.67% 2	16.67% 2	16.67% 2	33.33% 4	12
E. Convention/Conference	10.53% 2	5.26% 1	0.00% 0	31.58% 6	42.11% 8	5.26% 1	5.26% 1	19
F. Sports Events	42.86% 3	0.00% 0	0.00% 0	0.00% 0	28.57% 2	14.29% 1	14.29% 1	7
G. Other Events	16.67% 1	33.33% 2	16.67% 1	33.33% 2	33.33% 2	33.33% 2	33.33% 2	6

Q11 If there was a new hotel and conference center in Baytown, are you involved with any other organizations/associations/clubs that could hold events there? If the answer is no, please go to the end and submit the survey.

Answered: 44 (100%)

Answer Choices	Responses	
Yes	56.82%	25
No	43.18%	19
Total		44

Q12 If you answered yes to the previous question, please indicate the type and size of the events that could be held at the proposed hotel and conference center. (Check all that apply for each category.)

Analysis of Q12 (Group 2)

	Less than 25	25-50	50-100	100-200	200-400	400-600	More than 600	Total Respondents
A. Gala/Banquet Events	0.00% 0	0.00% 0	9.52% 2	42.86% 9	33.33% 7	14.29% 3	4.76% 1	21
B. Social Event/Wedding	0.00% 0	0.00% 0	10.00% 1	30.00% 3	30.00% 3	20.00% 2	10.00% 1	10
C. Meeting/Training	5.26% 1	21.05% 4	31.58% 6	42.11% 8	10.53% 2	10.53% 2	0.00% 0	19
D. Trade/Consumer Show	11.11% 1	0.00% 0	11.11% 1	22.22% 2	33.33% 3	11.11% 1	22.22% 2	9
E. Convention/Conference	0.00% 0	7.14% 1	7.14% 1	64.29% 9	14.29% 2	14.29% 2	7.14% 1	14
F. Sports Events	50.00% 3	0.00% 0	0.00% 0	0.00% 0	33.33% 2	16.67% 1	0.00% 0	6
G. Other Events	12.50% 1	0.00% 0	25.00% 2	25.00% 2	12.50% 1	12.50% 1	12.50% 1	8

Q13 How many hotel rooms are associated with the events listed above? (Check all that apply for each category.)

Amended 22 Skipped 23

	None	<25 Rooms	25-50	50-100	100-150	150-200	>200 Rooms	Total Respondents
A. Gala/Banquet Events	22.22% 4	38.89% 7	5.56% 1	16.67% 3	5.56% 1	5.56% 1	5.56% 1	18
B. Social Event/Wedding	12.50% 1	62.50% 5	0.00% 0	12.50% 1	0.00% 0	0.00% 0	12.50% 1	8
C. Meeting/Training	35.29% 6	52.94% 9	5.88% 1	0.00% 0	5.88% 1	0.00% 0	5.88% 1	17
D. Trade/Consumer Show	20.00% 2	40.00% 4	10.00% 1	10.00% 1	0.00% 0	10.00% 1	10.00% 1	10
E. Convention/Conference	12.50% 2	31.25% 5	6.25% 1	18.75% 3	12.50% 2	12.50% 2	12.50% 2	16
F. Sports Events	57.14% 4	14.29% 1	0.00% 0	0.00% 0	14.29% 1	14.29% 1	14.29% 1	7
G. Other Events	62.50% 5	12.50% 1	0.00% 0	12.50% 1	0.00% 0	0.00% 0	12.50% 1	8

Q14 What hotel rate would attendees at these events be willing to pay for a new hotel with a conference center located in Baytown? (Check all that apply for each category.)

Answered: 19 Skipped: 23

	Below \$100	\$100-\$125	\$125-\$150	\$150-\$175	\$175-\$200	Above \$200	Total Respondents
A. Gala/Banquet Events	12.50% 2	50.00% 8	43.75% 7	12.50% 2	0.00% 0	12.50% 2	16
B. Social Event/Wedding	14.29% 1	57.14% 4	28.57% 2	0.00% 0	0.00% 0	28.57% 2	7
C. Meeting/Training	15.38% 2	69.23% 9	23.08% 3	0.00% 0	0.00% 0	23.08% 3	13
D. Trade/Consumer Show	12.50% 1	25.00% 2	50.00% 4	0.00% 0	0.00% 0	25.00% 2	8
E. Convention/Conference	14.29% 2	42.86% 6	42.86% 6	21.43% 3	0.00% 0	14.29% 2	14
F. Sports Events	33.33% 2	50.00% 3	16.67% 1	0.00% 0	0.00% 0	33.33% 2	6
G. Other Events	40.00% 2	60.00% 3	0.00% 0	0.00% 0	0.00% 0	20.00% 1	5

Q15 Please provide any comments or suggestions you may have here.

Answered: 7 Skipped: 40

ADDENDUM E
STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

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 consulting 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 an 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 to give testimony 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 based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review 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 consulting 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.
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 the best of the Consultant's 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.
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 decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
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 THEIR OFFICERS, DIRECTORS, EMPLOYEES OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR (I) ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND (II) AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) IN EXCESS OF THE GREATER OF THE AMOUNT OF THE TOTAL FEES PAID 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 GROSS NEGLIGENCE, 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 approved in writing by Consultant and identified herein as an "Intended User" of the Consulting Report, (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 an 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, sustained or incurred by any 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 consulting assignment or 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 there from, 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.

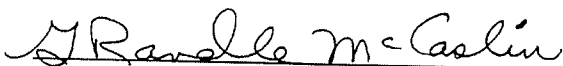
ADDENDUM F
CERTIFICATION


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.

PKF Consulting USA
A Subsidiary of CBRE, Inc.


G. Randle McCaslin, CRE
Senior Vice President


Patrick McCaslin
Associate