

# MARKET STUDY

Proposed Hotel and Conference Center  
Wichita Falls, Texas

18-492DA-0001

Mr. Marty Collins  
Gatehouse Partners LLC  
4633 North Central Expressway, Suite 350  
Dallas, Texas 75205

## CBRE HOTELS

The World's Leading Hotel Experts.



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January 12, 2018

Mr. Marty Collins  
Gatehouse Partners LLC  
4633 North Central Expressway, Suite 250  
Dallas, Texas 75205

Dear Mr. Collins:

In accordance with our engagement letter dated December 12, 2017, we completed an update to our previous market studies with estimates of prospective financial performance for the proposed Hotel and Conference Center in Wichita Falls, Texas. The first study was completed in June of 2015, and the last update was completed in August of 2016. The conclusions reached in this market study update are based upon our present knowledge of the competitive market resulting from our fieldwork completed January 4, 2018.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the project from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project. This report is subject to the Terms and Conditions presented in the Addenda.

Although they have been conscientiously prepared using information obtained during the course of this study and our experience in the industry, the proposed property's future performance is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results which will actually be achieved.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We appreciate the cooperation extended to us by you and your associates during the course of this assignment.

Respectfully submitted,



Jeffrey W. Binford, Director  
CBRE Hotels | Advisory

**MARKET STUDY WITH FINANCIAL PROJECTIONS  
PROPOSED HOTEL AND CONFERENCE CENTER  
WICHITA FALLS, TEXAS**

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ADDENDA

- A. Photographs of Subject Site
- B. Photographs of Competitive Supply
- C. Map of Competitive Supply
- D. Surveys
- E. Terms and Conditions
- F. Certification

SECTION I  
EXECUTIVE SUMMARY

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## SCOPE AND METHODOLOGY

In preparing this study, we completed the research and analysis listed below:

- Assembled, reviewed and analyzed economic, demographic and real estate market data pertaining to the Wichita County area in general and City of Wichita Falls specifically, to evaluate the present economic climate and to estimate future growth potential, particularly as it relates to lodging demand.
- Interviewed representatives of the City of Wichita Falls, Wichita Falls Chamber of Commerce and Industry, the Wichita Falls Convention and Visitors Bureau, the Multi-Purpose Events Center, local hotels and chain representatives to gather data on current and future area growth and the demand for lodging.
- Re-inspected the subject site and the surrounding area to evaluate accessibility, visibility, aesthetic appeal, location in relation to the existing and proposed supply and sources of demand proximity to food and beverage facilities and other physical characteristics which might affect the marketability of the subject project.
- Re-evaluate the proposed brand, number of rooms, size and configuration of meeting facilities and other amenities to assess their appropriateness in meeting the identified needs of the market.
- Evaluated the existing supply of lodging in the market to determine the degree of competition that they are likely to offer the proposed Hotel and Conference Center.
- Prepared a summary of historical market performance, including available rooms, occupied rooms, market occupancy and average daily room rate for the period 2012 to 2016 and year-to-date November 2017 compared to the same period in 2016.
- Identified other proposed hotels to assess their probability of completion and the degree to which they will compete with the subject project.
- Based on an analysis of historical market growth and factors determined from review of the economic climate and interviews in the market area, prepared estimates of future growth in hotel demand.
- Based on estimates of future growth in demand and the potential additions to competitive supply, prepared estimates of future occupancy and average daily rate for the proposed hotel for the period 2017 to 2022, the stabilized year.
- Provided an estimate of prospective cash flow before debt service and income taxes for the proposed hotel for the period 2020 to 2029.

## CONCLUSIONS

A concise summary of the conclusions of this report follows:

- Wichita Falls' economic recovery is expected to continue moderately as oil prices begin to increase slightly. An overreliance on the public-sector stifles job and wage gains and the City is proactively attempting to attract employers to better diversify the economy. The stable population and economy in the Wichita Falls area is attributed to Sheppard Air Force Base, two regional hospitals and Midwestern State University.
- The City has excellent existing event facilities, along with existing recreational and tourism amenities which similar cities envy. The development of the Hotel and Conference Center adjacent to the Multi-Purpose Events Center (MPEC) should capitalize and benefit well from a stable economy, proximity to a wide variety of event facilities and venues, and the existing infrastructure for visitors to Wichita Falls.
- The proposed Hotel and Conference Center is to be located adjacent to the MPEC in downtown Wichita Falls with relatively easy access from Central Expressway. The proposed facilities will complement and enhance MPEC and the ability to capture new business for the market. We consider both the subject site and the recommended facilities to be well suited for the development of the full-service Hotel and Conference Center. Such a development has the potential of being not only a landmark for the City but a stimulus for continued growth and revitalization of the Central Business District and likely the entire City.
- The following table shows the proposed facilities for the Hotel and Conference Center:

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**Proposed Facilities**  
**Proposed Hotel and Conference Center**  
**Wichita Falls, Texas**

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Type of Hotel	Full-Service	
<hr/>		
Number of Guestrooms <sup>(1)</sup>	150	
Standard King Rooms		72
Standard Double-Queen Rooms		66
Two-Bay Suites		10
Three-Bay Suites		1
Presidential Junior Suite		1
<hr/>		
Meeting Space		
Ballroom	10,570	sq. ft. Divisible by 4
Junior Ballroom	<u>1,500</u>	sq. ft. Divisible by 2
Total Meeting Space	12,070	sq. ft.
<hr/>		
Food and Beverage		
	Three-Meal Restaurant	
	Lounge/Lobby Bar	
	Coffee Kiosk	
	In-Room Dining	
<hr/>		
Amenities		
	Indoor-Outdoor Pool	
	Fitness Center	
	Business Center	
	High Speed Internet	
<hr/>		
Brand		
	Delta Hotel by Marriott	
<hr/>		
<sup>(1)</sup> Flexible design allows for optional 75-room expansion		
Source: Gatehouse Partners, LLC, CBRE Hotels		

- With the proposed facilities, the Hotel and Conference Center will offer amenities and services to serve both the local community and outside visitors and conferences. The 10,570-square foot ballroom is expected to seat up to 500 guests at a banquet. The proposed upscale meeting space combined with the existing facilities at the MPEC will enable the Subject to capture significant Group demand. The Delta Hotel by Marriott offers an established brand being aggressively marketed domestically and supported by the strength of the Marriott family of brands. As the only full-service hotel in Wichita Falls, the proposed Delta Hotel complements and enhances the City's competitive position.
- The 150 rooms should suit the market well. CBRE Hotels recommends most of the rooms (72) be a standard king room due to the large amount of commercial transient demand, as well as the less rate-sensitive individual group travelers and weekend couples. The 66 double queen rooms should be sufficient to accommodate group participants needing to double up, sports teams and weekend families. Groups needing more double queen rooms are generally rate sensitive and more likely to stay in select-service hotels with complimentary breakfasts. Suite configurations are appropriate for both group and leisure travelers, providing not only more space, but also serving as hospitality suites for visiting groups.
- Based upon our research, we identified six hotels containing 475 rooms as the Subject hotel's competitive set. These properties were included in the competitive supply based upon their location, facilities, brands affiliations, markets served and/or average daily rates. The photographs of the individual properties and a map of their location can be found in Addendum B and C, respectively.
- The market consists primarily of select-service hotels. While it is likely most of the existing hotels will not compete directly with the proposed Hotel and Conference Center because of their select-service nature, they were included in the competitive set since they are the base of existing demand in the area.
- Based on our research, the proposed full-service Hotel and Conference Center will attract additional group demand to the area that is currently not considering the Wichita Falls area due to lack of adequate facilities. The existing properties were used as a base for existing business, group and leisure demand and rates in the Wichita Falls market area.

- The competitive set has consistently achieved annual occupancies of 73 percent or greater from 2012 to 2016. A record 79.9% annual occupancy was achieved in 2016 and year-to-date occupancies through November 2017 suggest another record-breaking annual occupancy. ADR for the competitive set increased at a compound annual rate of 3.2% for the historical five-year period. RevPAR benefited from both high occupancies and rates and increased at an average annual rate of 4.1%. November year-to-date 2017 occupancies are at an unprecedented 86.8%, up over six points compared to the same period in 2016. ADR and RevPAR increased 1.8% and 9.9%, respectively, during the same period. The market is dramatically stronger than the previous two studies.
- Aside from the subject 150-room proposed Hotel and Conference Center, two other additions to supply are included during the projection period. They are, as follows:
  - Staybridge – 91 rooms, estimated to open in Q3 2018
  - Fairfield Inn and Suites – 96 rooms opening in Q1 2018
- Based on our analysis of the current economic conditions, market occupancy for the competitive lodging market is projected to increase from 80% in 2016 to an unprecedented 85% in 2017. After additions to supply in 2018 and 2019, occupancy is expected to decrease to 74% in 2018 and 2019, and 72% in 2020 due to the opening of the Subject hotel. Immediately thereafter, the market is expected to rebound to 74% and stabilize by 2021.
- Estimated market segmentation for the proposed Hotel and Conference Center is summarized, as follows:

<b>Proposed Hotel and Conference Center 2022 Mix of Demand and Market Penetration</b>			
Market Segment	Room Nights	Ratio	Penetration
Corporate Individual	21,700	54%	102%
Leisure	8,000	20%	68%
Group	10,700	26%	145%
Total	40,400	100%	100%
CBRE Hotels			

- The proposed Hotel and Conference Center is projected to capture its fair share of demand from the Corporate Individual segment attributed primarily to being the newest facility in the market and having full service capabilities. The Subject will also receive significantly more than its fair share of Group demand due to its location adjacent to MPEC and the size and extent of meeting space. The proposed Hotel and Conference Center is expected to receive less than its fair share from the Leisure segment due to the anticipated positioning of the hotel for this rate-sensitive segment.

The Subject is estimated to achieve an ADR of \$140 in 2018 dollars. The hotel is expected to achieve rates above the competitive hotels and still have the flexibility to compete for volume accounts.

<b>Estimated Performance</b>			
<b>Proposed Hotel and Conference Center</b>			
<b>Year</b>	<b>Annual Occupancy</b>	<b>Average Daily Rate*</b>	<b>Net Operating Income</b>
2020**	68%	\$153	\$2,409,000
2021	72%	\$158	\$2,773,000
2022	74%	\$162	\$2,944,000
2023	74%	\$167	\$3,038,000
2024	74%	\$172	\$3,127,000

\* Stated Year Dollars, rounded to the nearest dollar

Based on an ADR of \$140 in 2016 dollars.

\*\* The Subject Hotel is estimated to open January 2020

Source: CBRE Hotels

SECTION II  
AREA OVERVIEW

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## INTRODUCTION

It is generally recognized that the relative success of a hotel is influenced by factors which can be broadly categorized as economic, governmental and environmental. Therefore, it is necessary to evaluate the dynamics of these factors within a market to understand their effect on the projected utilization levels of real estate property.

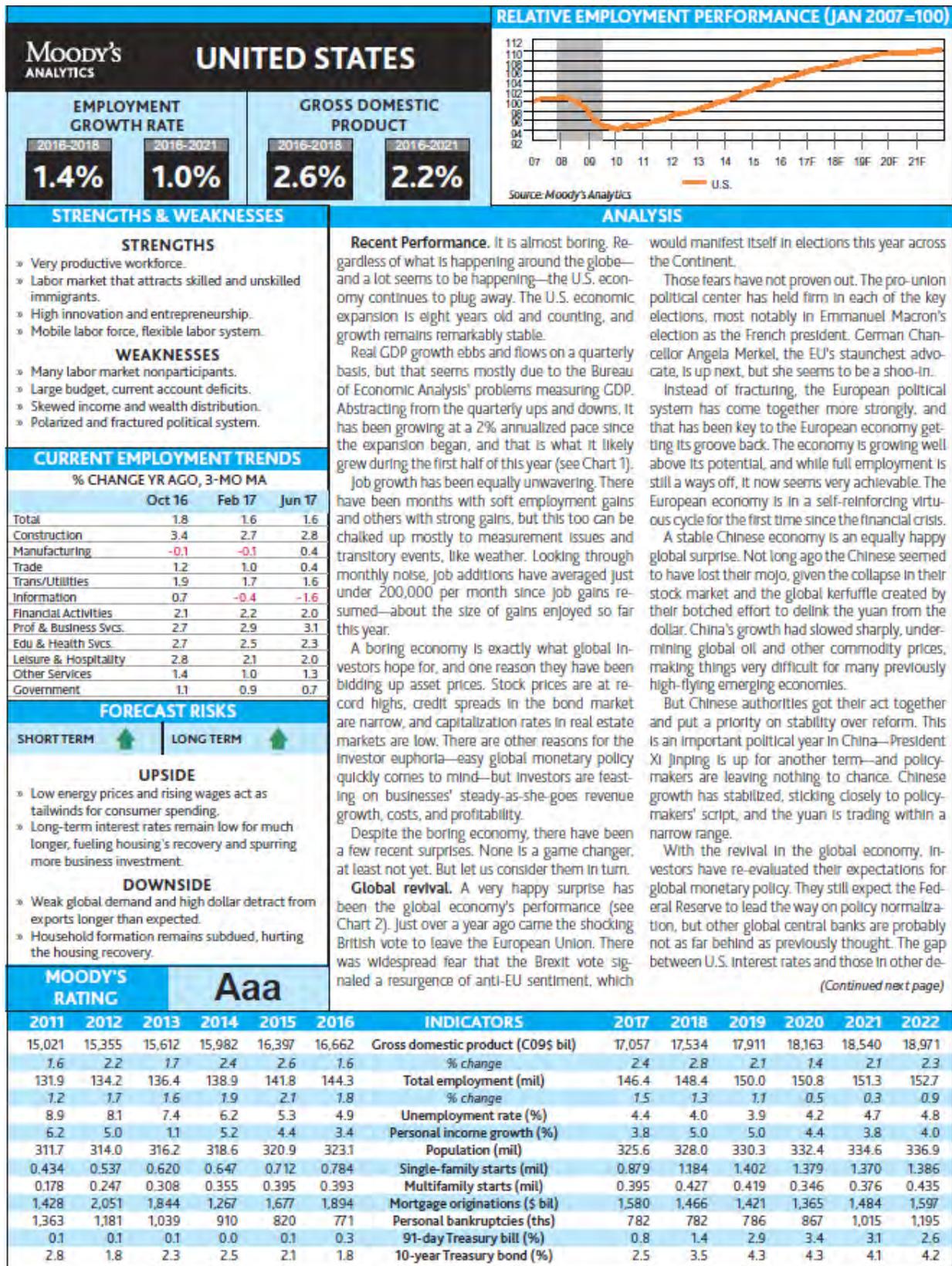
Historical economic and demographic trends provide part of the explanation for past lodging market performance, as well as a foundation for future market conditions. The current economic climate of a market area and estimates of likely future trends are an important consideration in estimating future hotel supply and demand.

The Hotel will be located in Wichita County, Texas in the City of Wichita Falls. Wichita Falls Metropolitan Statistical Area encompasses three counties: Archer, Clay and Wichita. Wichita Falls serves as the county seat for Wichita County. The proposed site for the Hotel is located on the north side of the downtown area at the Wichita River between West Scott Avenue and Burnett Street, adjacent to the Multi-Purpose Event Center (MPEC) on the south side of the river.

## DEMOGRAPHIC AND ECONOMIC TRENDS

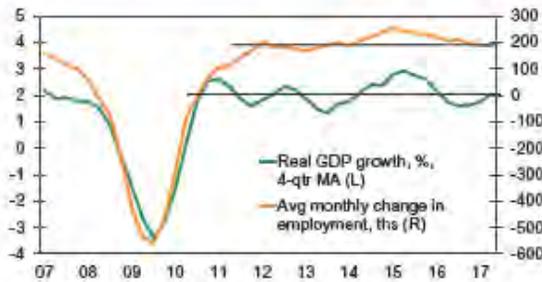
*Note: Moody's Analytics provided the following demographic and economic data. Information relating to other topics has been obtained through a variety of media, including websites, publications, interviews or other sources considered reliable. CBRE Hotels has reviewed and analyzed the Moody's Analytics data.*

The following pages present an economic snapshot of the United States, South and Wichita Falls, Texas respectively.



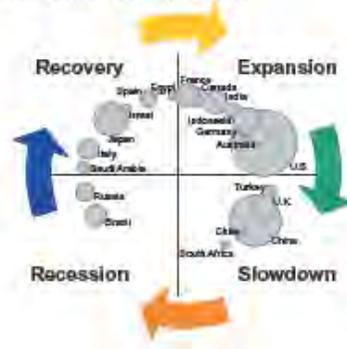
PRÉCIS® U.S. METRO SOUTH » United States

Remarkably Steady Growth



Sources: BLS, BEA, Moody's Analytics

The World Turns for the Better



veloped economies has thus narrowed, putting a bit of a damper on the stronger dollar.

A better global economy and more stable dollar mean that the U.S. trade deficit, which had been a significant drag on U.S. growth, is leveling off and soon may even improve a bit. It is a pleasant surprise how quickly the weight on the U.S. economy from global trade has lifted.

**Homebuilding disappoints.** The biggest recent disappointment may be single-family homebuilding's painfully slow recovery. By my calculation, the new single-family home market is woefully undersupplied. New single-family starts are running close to 800,000 units per annum, but underlying demand for new homes is closer to 1.2 million units.

The demand for new homes is equal to the sum of household formations, what is needed to replace the homes that are obsolete, and second and vacation homes (see Chart 3). Annual formations are close to 1.2 million, 200,000 homes are needed to meet obsolescence, and 200,000 second and vacation homes are built each year. That sums to 1.6 million units. Of this, approximately 400,000 units should be multifamily dwellings—about the current level of new construction—leaving the need for 1.2 million new single-family units.

Homebuilders have not been able to ramp things up for a host of reasons, including labor shortages in the construction trades and restrictions on land development. The most immediate implication of the dearth of homebuilding is

that vacancy will continue to decline and house price growth will remain strong. At some point the higher prices will be enough to prompt more building in more areas. This could take a while, meaning that homebuilding will not provide the expected boost to near-term growth.

**Inflation goes MIA.** The most perplexing surprise to me has been the slump in core inflation since the beginning of the year. Core consumer prices have unambiguously decelerated from well over 2% at the end of last year to well below 2% currently. Inflation as measured by the core consumer expenditure deflator has slid to 1.4% on a year-over-year basis, well below the Federal Reserve's 2% target.

This is a shocker, coming when unemployment has fallen sharply. At just over 4%, joblessness is below most everyone's estimate of full employment. Wage growth has picked up, consistent with the tightening job market, but only modestly, and has clearly not translated into stronger overall inflation, at least not yet (see Chart 4).

To be sure, there seem to have been a number of measurement problems and one-off events that will only temporarily depress the inflation statistics. For example, prices for physician services have inexplicably plunged in recent months. This is unprecedented and seems related to a big decline in physicians' response rate to the Bureau of Labor Statistics survey. Rent growth has slowed but may have more to do with the way the BLS strips out the cost of utilities from its rent esti-

mate. A recent sharp decline in cell phone prices due to the adoption of unlimited cell phone minute plans is a onetime hit on inflation.

However, soft inflation readings may go deeper and persist longer. For example, goods prices are deflating quickly despite the stable dollar and energy and other commodity prices, which are significant inputs for many goods.

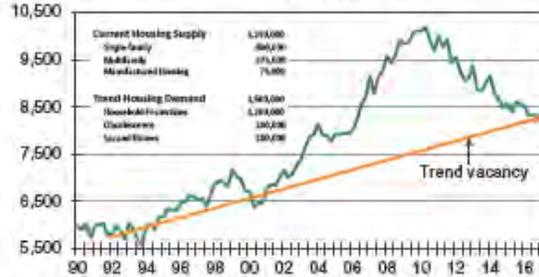
Surprisingly soft inflation has yet to impact Federal Reserve policy. Like me, policymakers appear to think that whatever has constrained inflation in recent months will give way soon. The economy continues to expand at a pace above its potential, and any remaining unused labor and other capacity is quickly being put to use. But this bears close watching, the outlook for inflation and interest rates are particularly difficult to get right.

**Do not be complacent.** It is a boring economy, notwithstanding the modest surprises I have outlined. However, this is no time to be complacent. If history is a guide, it is in these times that (big) mistakes are made. Remember the Great Moderation—the quarter century leading up to the financial crisis when there were few ups and downs in the economy. The economic calm of that period probably led to the complacency that proved to be the fodder for the Great Recession. We are a long way from that, but it would be wise to stay vigilant, so that future surprises remain as modest as the current ones.

Mark Zand  
July 2017

Builders Are Not Building

Vacant homes for sale, for rent and held off market, ths



Sources: Census Bureau, Moody's Analytics

Unemployment Falls...Wage Growth Picks Up

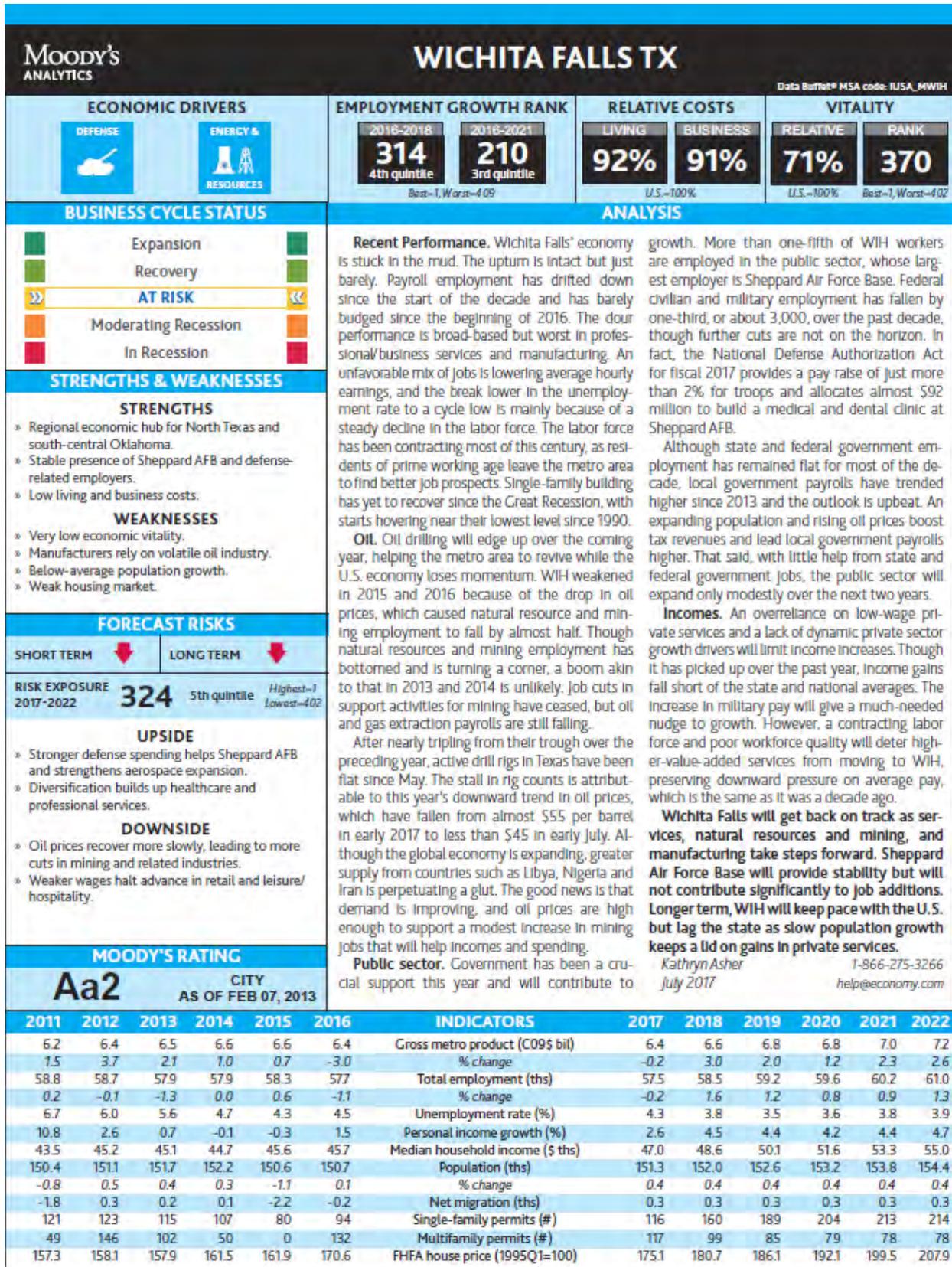


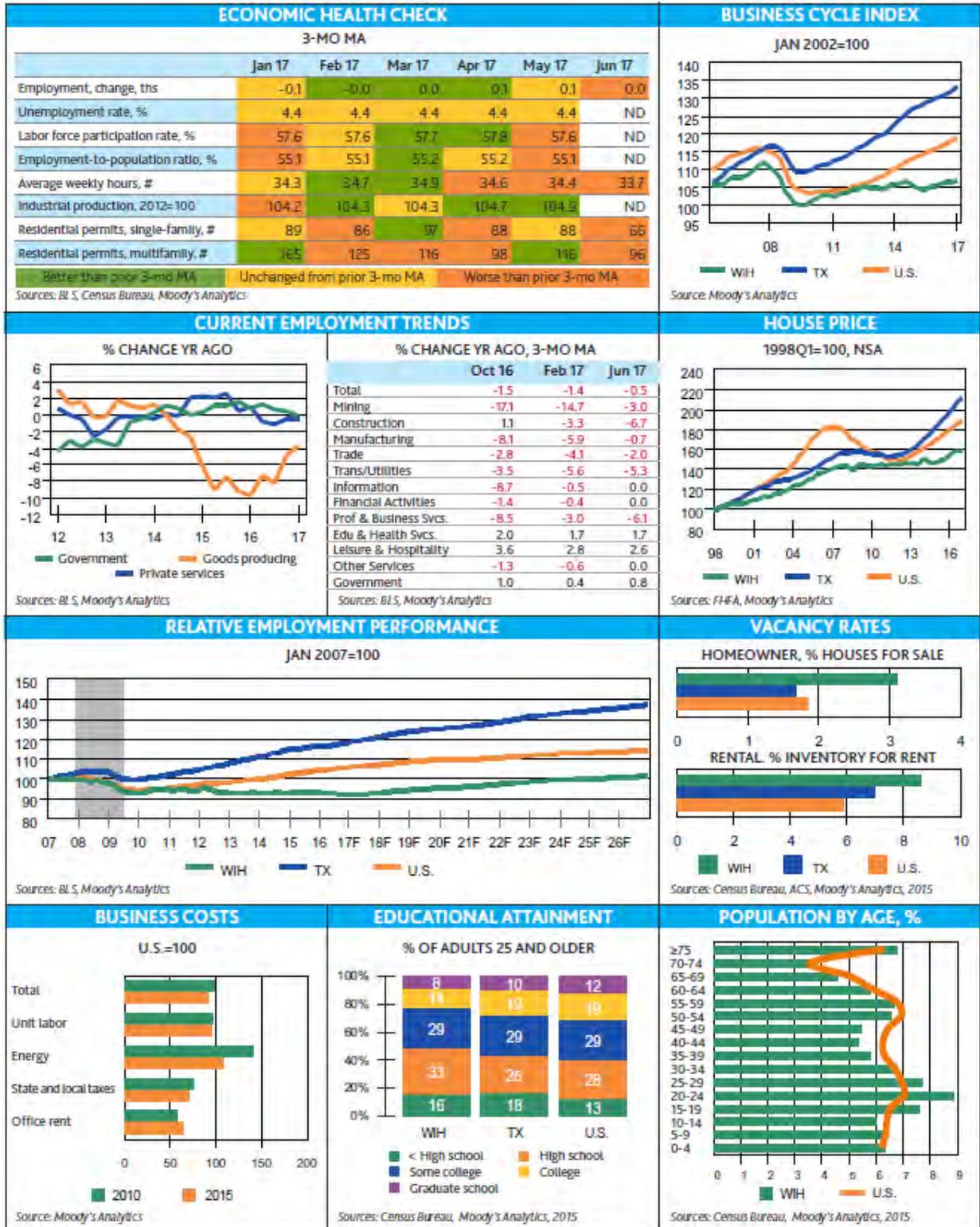
Sources: BLS, Moody's Analytics

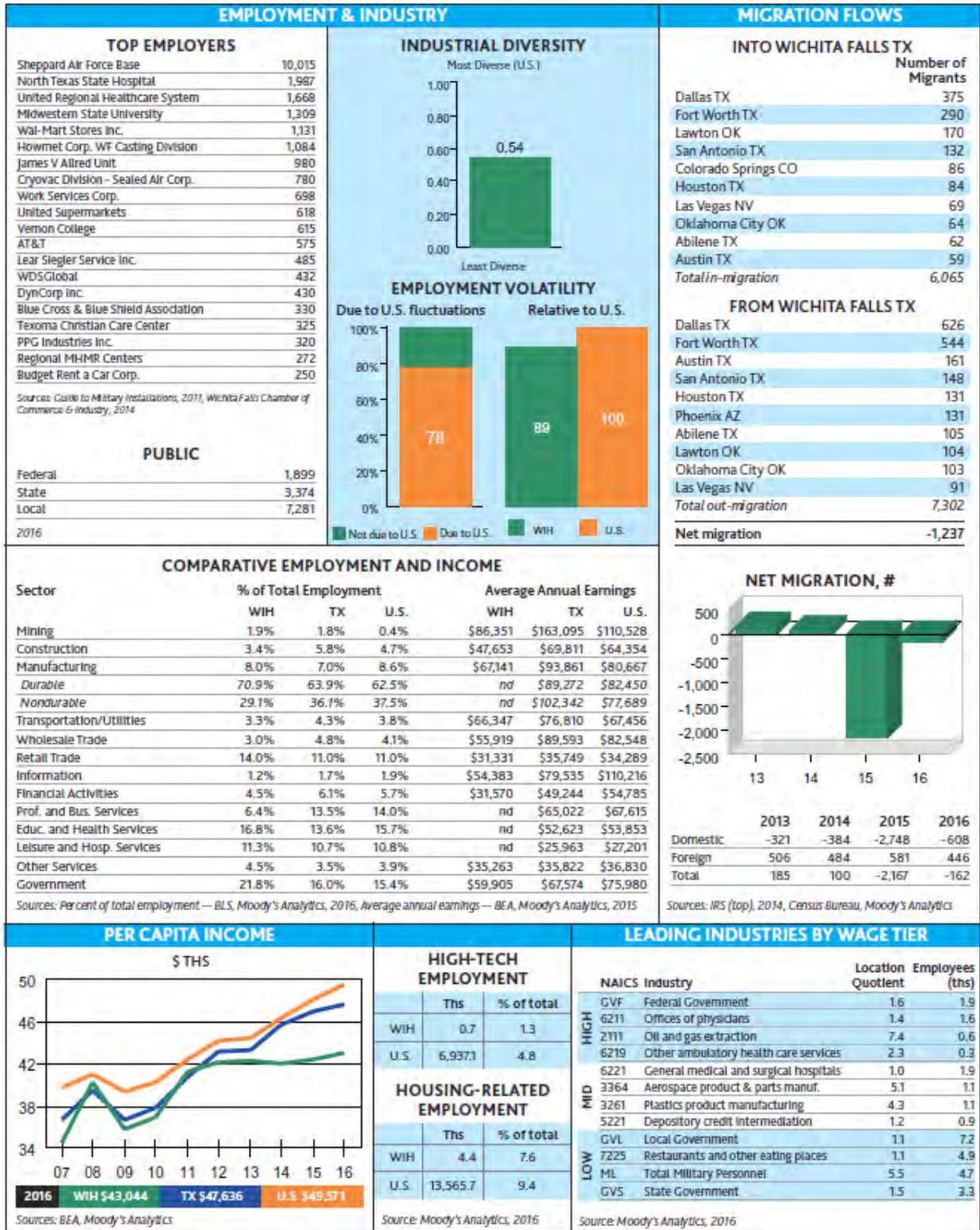


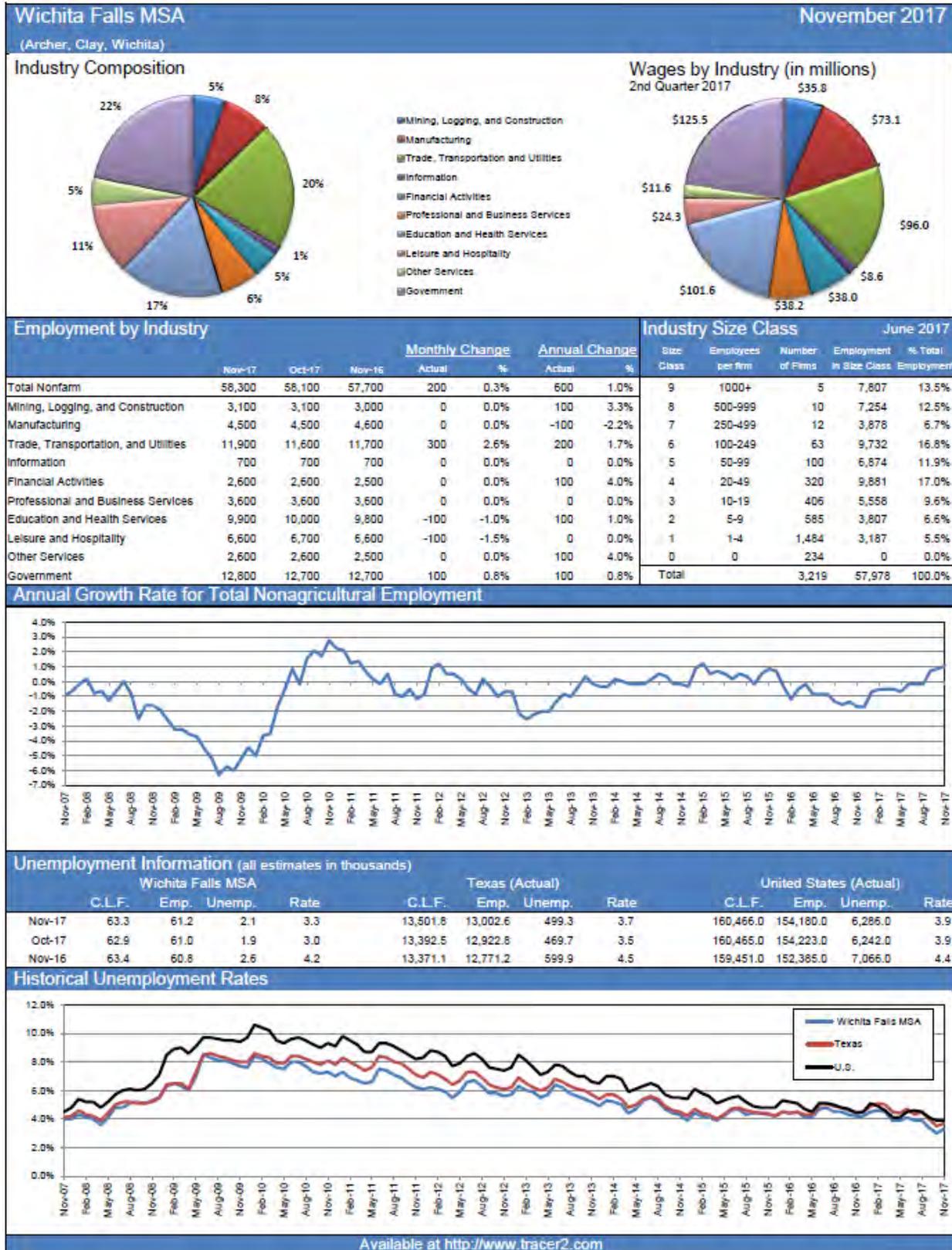
2011	2012	2013	2014	2015	2016	INDICATORS	2017	2018	2019	2020	2021	2022
4,600.3	4,703.7	4,812.9	4,925.8	5,074.9	5,137.0	Gross regional product (C09\$ bil)	5,273.9	5,454.0	5,603.7	5,712.6	5,876.8	6,065.1
44,016	44,844	45,705	46,745	47,830	48,714	Total employment (ths)	49,600	50,432	51,096	51,498	51,850	52,522
1.4	1.9	1.9	2.3	2.3	1.8	% change	1.8	1.7	1.3	0.8	0.7	1.3
8.7	7.7	6.9	5.9	5.2	5.0	Unemployment rate (%)	4.6	4.2	4.0	4.3	4.7	4.8
6.6	5.0	1.0	5.8	4.5	3.4	Personal income growth (%)	4.0	5.7	5.6	4.8	4.7	5.2
108,690	109,857	110,919	112,135	113,430	114,670	Population (ths)	116,097	117,604	119,124	120,617	122,087	123,607
594.0	654.6	588.8	713.0	818.3	778.8	Net migration (ths)	977.3	1,064.7	1,086.0	1,068.3	1,056.2	1,119.0
216,101	263,641	315,269	328,063	362,601	389,925	Single-family permits (#)	439,830	547,793	640,574	646,748	647,940	653,560
83,519	141,025	152,063	165,732	182,944	177,061	Multifamily permits (#)	164,599	164,953	159,297	132,243	155,396	180,528
267	266	275	289	307	327	House price (1980Q1=100)	343	354	361	366	373	384
369	520	508	366	456	520	Mortgage originations (\$ mil)	461	443	429	408	437	469
4,753.0	5,438.8	5,787.9	6,163.4	6,475.1	6,530.1	New vehicle registrations (ths)	6,135.5	6,220.7	6,172.0	6,065.8	6,187.2	6,558.0
455,228	406,310	370,059	340,879	310,963	294,152	Personal bankruptcies (#)	285,204	281,344	282,225	304,753	359,226	433,268

Moody's Analytics / Precise U.S. Metro / South / July 2017









## Economic and Demographic Indicators

The following table presents demographic information for the Wichita Falls MSA.

Population Comparison (000's)					
	Estimated 2011	Estimated 2016	CAAG <sup>(1)</sup> 2011-2016	Projected 2022	CAAG <sup>(1)</sup> 2016-2022
Wichita Falls MSA	150.4	150.7	0.0%	154.4	0.4%
South	108,690	114,670	1.1%	123,607	1.3%
United States	311,700	323,100	0.7%	336,900	0.7%

<sup>(1)</sup>CAAG = Compound Average Annual Growth

Source: Moody's Analytics / U.S. Bureau of Labor Statistics

Wichita Falls population has shown only a slight increase in population from 2011 through 2016. Population projections through 2022 call for a similar increase, at a rate less than both the South and the United States. The stable population in the Wichita Falls area is attributed to the local economy supported by Sheppard Air Force Base, two regional hospitals and Midwestern State University. Age distribution closely follows that of the nation except for age groups from 15-29 years of age resulting from students at Midwestern State University and Sheppard Air Force Base.

## EMPLOYMENT

Despite modest increases in population, unemployment in the City of Wichita Falls, Wichita County and Wichita Falls MSA has improved significantly since 2013 and remains well below that of the State and nation as shown in the following table:

Unemployment Rate Comparisons*					
	2013	2014	2015	2016	Nov-17
Wichita Falls	5.9%	4.9%	4.3%	4.4%	3.4%
Wichita County	5.8%	4.9%	4.3%	4.4%	3.3%
Wichita Falls MSA	5.8%	4.8%	4.3%	4.4%	3.3%
Texas	6.2%	5.1%	4.5%	4.6%	3.7%
United States	7.4%	6.2%	5.3%	4.9%	3.9%

\* Not seasonally adjusted

Source: Texas Work Force Commission

Five of the largest employers, representing almost one-third of the total non-farm employment in Wichita Falls, are found in the three largest employment sectors: Government; Trade, Transportation, and Utilities; and Education and Health Services. These sectors typically withstand economic fluctuations and play an important role in Wichita Falls' economic stability. The following table shows the largest employers in Wichita Falls:

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**Largest Wichita Falls Employers**


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<b>Company</b>	<b>Industry</b>	<b>Number of Employees</b>
Sheppard Air Force Base	Military	10,015
North Texas State Hospital	MHMR Hospital	1,987
Wichita Falls Independent School District	Public School System	1,922
United Regional Healthcare System	Med/Surg Hospital	1,668
City of Wichita Falls	Municipality	1,556
Midwestern State University	4-year Institution University	1,309
Wal-Mart Stores, Inc.	Department Store	1,131
Howmet Corp. WF Casting Division	Gas Turbine Engine Components	1,084
James V. Allred Unit	State Maximum Security Prison	980
Cryovac Division - Sealed Air Corp.	Flexible Packaging	780
Work Services Corp.	Paper Clips, Wood Products, etc.	698
United Supermarkets	Groceries	618
Vernon College	Community College	615
AT&T	Communications	575
Lear Siegler Service, Inc.	Aviation Services	485
WDSGlobal	Inbound Call Center	432
DynCorp Inc.	Aircraft Maintenance	430
Blue Cross & Blue Shield Association	Insurance	330
Texoma Christian Care Center	Assisted Living	325
PPG Industries, Inc.	Flat Glass Products	320
Regional MHMR Centers	MHMR Outpatient Services	272
Budget Rent a Car Corp	Rental Vehicles	250

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Source: Moody's Analytics

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As noted, the area's top employers and industries dominate Wichita Falls' stable economy and are worthy of additional discussion.

Sheppard Air Force Base opened in 1941 as a World War II Army Air Corps training center. Over the years, the base has provided training in many fields, including communications, refrigeration, air conditioning and power production, as well as intelligence. Today, Sheppard is the largest of four technical training wings in the Air Education and Training Command. Three training groups conduct resident training that qualifies students in a broad range of career fields, including pilot, aircraft maintenance, civil engineering, communications, comptroller and transportation. The base has a daytime population approaching 13,000 people, including approximately 5,291 Active, Reserve and Trainees, 3,349 Civilian and Contract Civilians, and 1,051 family members of enlisted soldiers living on base and 2,984 living off-base.

Wichita Falls serves as a regional hub for health care and is well served by six significant hospital systems, which creates hotel room night demand in the market. United Regional, with 325 beds, is the largest in terms of number of beds and specialties. Red River Hospital provides substance abuse and mental health treatment and has 74 beds. HealthSouth Rehabilitation Hospital with 63 beds is designed to return patients to active, independent lives as the result of strokes, brain and spinal cord injuries. Texas Specialty has 31 beds designed for drug rehabilitation. Kell West Regional Hospital has 41 beds and serves as a regional general hospital. North Texas State Hospital is a Texas state mental healthcare facility with 381 beds in Wichita Falls.

Midwestern State University was established in 1922 and currently comprises 255-acres in central Wichita Falls. It is the only university in Texas to become a member of the Council of Public Liberal Arts Colleges. The university's most recent enrollment consists of 5,144 undergraduates and 730 graduate students. The university has 46 undergraduate programs and 25 graduate programs taught by a full-time faculty of 230 instructors. Midwestern State University participates in the NCAA Division II Lone Star Conference and has Men's and Women's Basketball, Golf, Soccer and Tennis teams. Women's programs also include Cross Country, Softball, Track and Volleyball. More than 1,500 students live in 5 residential halls.

## **TRANSPORTATION**

### **Highways**

Wichita Falls is easily accessible for travelers to the area and well-served with Interstate, U.S. and Texas State Highways. Access to Wichita Falls includes I-44, U.S. Highways 82, 277, 281, 287 and State Highway 79. Interstate Highway 44 begins in Wichita Falls and continues in a northeastern direction terminating in St. Louis, Missouri. Also beginning in Wichita Falls is U.S. Highway 82, leading in a generally westward direction terminating in Alamogordo, New Mexico. Beginning in Carrizo Springs, Texas near the Mexican border, U.S. Highway 277 passes through Wichita Falls before terminating near Lawton, Oklahoma. Beginning in Wichita Falls, U.S. Highway 281 leads south into Mexico, terminating just east of Reynosa. Ennis, Texas is the southernmost point of U.S. 287 where it connects with Interstate Highway 45 before passing through Wichita Falls and terminating in northern Montana near the Canadian border. State Highway 79 begins in Throckmorton in Central Texas before passing through Wichita Falls and terminating just across the Oklahoma border in Waurika.

### **Air Transportation**

Wichita Falls Municipal Airport serves as the primary airport for travelers flying to Wichita Falls. The original terminal was built in 1959 but the City just completed an approximate \$29 million renovation late last year. The renovations included a new 52,000-square foot facility with two passenger gates, new jet bridges able to serve larger charter aircraft, a passenger area and room for expansion. Additionally, approximately \$5 million was added for new concrete apron paving, reconstruction of a taxiway and demolition of the existing terminal.

American Eagle, the regional partner of American Airlines, is the sole carrier at the terminal with four flights arriving daily and four departing flights.

### **MULTI-PURPOSE EVENTS CENTER**

Wichita Falls is well prepared for almost any type of large gathering, with well-equipped and maintained facilities which comprise the Multi-Purpose Events Center (MPEC), all located on the north side of downtown Wichita Falls. MPEC consists of five distinct venues: The J. S. Bridwell Agricultural Center, Ray Clymer Exhibit Hall, Kay Yeager Coliseum, Memorial Auditorium and Festival Park.

Of significant importance is the City's recent transition of MPEC's management. Historically, the facilities have been managed by experienced individuals employed by the City to manage all events marketed and operated at the MPEC. In 2016 the City entered into an agreement with Spectra Experiences, a subsidiary of Comcast Spectator, to market and operate the MPEC effective 2017. Spectra is one of the nation's largest venue management companies with 136 facilities managed, including 52 arenas and 34 convention centers. Because of their representation and relationships in the industry, the City expects Spectra to increase the number of events and event attendance, resulting in immediate and positive impact for the MPEC and the City of Wichita Falls. Many of these events require overnight hotel accommodations with expected lengths of stay ranging from one to three nights, providing a positive impact to the proposed Hotel and Conference Center.

The MPEC is comprised of five distinct venues: The J. S. Bridwell Agricultural Center, Ray Clymer Exhibit Hall, Kay Yeager Coliseum, Memorial Auditorium and Festival Park.

#### **J. S. Bridwell Agricultural Center**

As the first phase of the Multi-Purpose Events Center, the Agricultural Center was completed in 1995. The Center hosts many different types of events oriented primarily for live animals, farming and outdoor activities. The venue includes a 50,000-square foot Stall Barn and 32,000-square foot indoor Arena accommodating up to 1,200 people. In 2011, a covered warm-up and exercise arena was added with another 10,500 square feet of space.

**Ray Clymer Exhibit Hall**

The Ray Clymer Exhibit Hall was completed in 1996 with 58,000 square feet of meeting space. Connected to the Agricultural Center over the Wichita River by a pedestrian bridge, the Exhibit Hall provides an excellent venue for trade shows, conventions and large meetings and banquets. In addition, the Exhibit Hall has 10 breakout rooms for hosting smaller meetings, seminars and receptions. Also in the Exhibit Hall is a seminar room with 216 tiered seats. This room has the flexibility to serve as a performance facility for smaller events.

**Kay Yeager Coliseum**

The final addition of the MPEC complex was the Kay Yeager Coliseum, which was completed in 2003. This center is the home of the Wichita Falls Wildcats hockey team and the Wichita Falls Nighthawks indoor football team. This facility has 6,500 permanent seats with space for 3,500 additional temporary seating. The arena floor is 120' x 250' or 30,000 square feet. The floor provides the flexibility for hardwood basketball, indoor football and soccer turf, dirt flooring, ice rink or bare flooring. The building has large overhead doors for easy loading and unloading for concerts and special events. While this venue serves well for basketball, hockey, cheerleading, wrestling, rodeos, football and soccer sporting events, it also serves as additional convention meeting space, meal functions, trade shows, concerts, circuses and large general sessions.

**Memorial Auditorium**

Built in 1927 and duplicating the State Fair Music Hall in Dallas, Memorial Auditorium is located just a few blocks south of the main MPEC complex. Having served for years for many notable entertainers of the past, today Memorial Auditorium is home to the Wichita Falls Symphony Orchestra and hosts touring comedy shows, Broadway productions and musicians. The Auditorium seats 2,700 people with a stage encompassing over 2,400 square feet. The building has 12 dressing rooms and 1,600 square feet of exhibit space within the venue.

**Festival Park**

The land located behind and between the Ray Clymer Exhibit Hall and the Kay Yeager Coliseum has become an attractive outdoor space venue for MPEC. The land has been upgraded with grassy areas as well as concrete areas with electrical connections and lighting. This space provides for easy, casual outside events.

Wichita Falls is home to the Hotter 'N Hell Hundred, one of the oldest and largest cycling events in the nation. As many as 13,000 bikers from around the globe come to Wichita Falls every August for cycling, with scheduled activities throughout the four-day event. Wichita Falls hotels typically sell out by the Spring of each year for this event, requiring many attendees to find alternate accommodations in B&B's, Recreational Vehicles and tent camping and host homes.

## LEISURE AND TOURIST ATTRACTIONS

Wichita Falls has many opportunities for leisure activities and tourism. For family activities, offerings include:

- Castaway Cove Water Park which is an extensive waterpark with 40 and 50-foot slide towers, kiddie park, lazy river floating stream and tidal wave pool, along with a stage for live performances and events.
- Field of Honor Paintball games are available on weekends with the store open 5 days per week.
- The Plex Entertainment Center is a multi-faceted entertainment park with go-karts, bumper boats, miniature golf, batting cages and roller skate center. Village Bowl offers high-quality lanes with easy automatic scoring for family, friends and league bowling.

Those interested in the arts have a variety of offerings. Arts and cultural offerings include:

- The Backdoor Theatre is home to the one of the City's most popular community theaters and offers dinner theaters, musicals, dramas and comedies.
- Midwestern State University fine arts facilities include The Fain Fine Art Center with a 475-seat theatre and Bea Wood Studio Theatre. Additionally, the Fain Fine Arts Center contains the Juanita Harvey Art Gallery with exhibits by visiting professional artists, students and faculty.
- The Kemp Center for the Arts is the center of the art community in the Wichita Falls area with both permanent and rotating art exhibits as well as an outdoor sculpture garden.
- Stomping Ground Studio is the home of a local bronze sculptor's artwork.
- Studio Brazos Gallery is home to another local artist's South and Southwestern artwork.
- The Wichita Falls Art Association Gallery includes paintings, sculptures, pottery, photography, wood carvings, stained glass art and quilts located at the historic Holt Hotel.
- The Wichita Falls Museum of Art at MSU is the principal institution dedicated to collecting and exhibiting regional art.
- The Wichita Theatre Performing Arts Center is an historic landmark built in 1908 which was restored and now offers Broadway-type musicals and children's programs.

Wichita Falls now offers four museums, all located in the downtown area:

- The Museum of North Texas History provides displays showing how the area was settled and an extensive Civil War artifacts display.
- The Wichita Falls Fire and Police Museum displays fire and police memorabilia celebrating the history of heroes.
- The Wichita Falls Railroad Museum allows visitors the opportunity to board vintage trains while learning about the railroads that once ran through the area.
- The Professional Wrestler's Hall of Fame and Museum opened in March 2016 and has already received visitors from 39 states. The not-for-profit organization charges

nominal fees and is open every day. At least monthly, the Museum has special events lasting 2-3 days each. In March of each year, an annual banquet celebrates Hall of Fame inductees. The 2017 banquet served approximately 400 attendees. In 2018, museum attendance is estimated to be approximately 20,000 visitors, increasing as much as a 20% annually.

Outdoor activities are extensive in Wichita Falls. Two municipal golf courses, along with a golf course at both the local country club and Sheppard Air Force Base, provide ample opportunities for golfers. Tennis courts are available throughout the City and the schools and university. The Little League Complex offers six lighted fields along with batting cages, while the Sports Complex offers eight lighted softball fields, concessions, and picnic areas.

Wichita Falls has an excellent Hike and Bike Trail System. The Wichita River Trails provides 4.37 miles of connected trails along the Wichita River from Lucy Park to Williams Park. It connects to the Holliday Creek Trails which continues to Williams Park, following Holliday Creek. Collectively, these two trails cover over 10 miles of trails. Wee-Chi-Tah Trail is a 13-mile off-road trail that starts at Berend's Landing and continues toward Lucy Park. In addition to exploring the outdoors along the trails, Wichita Falls has two lake parks. Lake Arrowhead State Park is located approximately seven miles south of Wichita Falls and offers swimming, fishing and camping with tents or recreation vehicles. Lake Wichita is in the southwest part of the city and provides good hiking, biking, picnicking and swimming areas. The 234-acre park on the north shore of the lake contains two lighted baseball and softball fields, three lighted football fields, an 18-hole disc golf course and an off-leash dog park. The park has the only model airplane landing strip in the Texas state park system.

## CONCLUSION

Wichita Falls' economic recovery is expected to continue as oil prices begin to increase slightly. An overreliance on the public-sector stifles job and wage gains and the City is proactively attempting to attract employers to better diversify the economy. The stable population in the Wichita Falls area is attributed to a stable economy supported by Sheppard Air Force Base, two regional hospitals and Midwestern State University.

The City has excellent existing event facilities, along with existing recreational and tourism amenities which similar cities envy. The development of the Hotel and Conference Center adjacent to the Multi-Purpose Events Center (MPEC) should capitalize and benefit well from a stable economy, proximity to a wide variety of event facilities and venues, and the existing infrastructure for visitors to Wichita Falls.

SECTION III  
PROPERTY DESCRIPTION

**CBRE HOTELS**

The World's Leading Hotel Experts.

## LOCATION

The proposed Hotel and Conference Center is to be developed adjacent to the MPEC in downtown Wichita Falls. The proposed site is bound to the north by Travis Street as it passes the Kay Yeager Coliseum and MPEC. The site is bound by Austin Street to the southwest and 4<sup>th</sup> Street to the southeast. Photographs of the site can be found in Addendum A.

## SITE DESCRIPTION

### Visibility

The proposed five-story Hotel and Conference Center is expected to be visible to travelers along Interstate Highway 44. Signage on the building would enhance the visibility.

### Signage

In addition to illuminated signage atop the building, we recommend good directional signage to the property, particularly along 6<sup>th</sup> street, since it will be the primary exit for northbound travelers along I-44.

### Access

The proposed Hotel and Conference Center will be well-located adjacent to the MPEC with easy access to the surrounding areas via Interstate 44, US-277, US-281 and US-287, known as "Central Freeway", throughout the City. Since most of the streets in the Wichita Falls downtown area are on a grid pattern, direct access to the site should be simple.

### Surrounding Area

Situated next to both the MPEC and Kay Yeager Coliseum the Site is suitable for the proposed Hotel and Conference Center. The Site also benefits from proximity to theatres, museums, parks, restaurants, stores and offices within the downtown area. Since the city's trail systems are along the Wichita River just behind the MPEC, the natural areas would also appeal to travelers seeking outdoor activities. We consider the subject area to be well-suited for the proposed Hotel and Conference Center.

## PROPOSED FACILITIES

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

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**Proposed Facilities**  
**Proposed Hotel and Conference Center**  
**Wichita Falls, Texas**

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Type of Hotel	Full-Service	
<hr/>		
Number of Guestrooms <sup>(1)</sup>	150	
Standard King Rooms		72
Standard Double-Queen Rooms		66
Two-Bay Suites		10
Three-Bay Suites		1
Presidential Junior Suite		1
<hr/>		
Meeting Space		
Ballroom	10,570	sq. ft. Divisible by 4
Junior Ballroom	<u>1,500</u>	sq. ft. Divisible by 2
Total Meeting Space	12,070	sq. ft.
<hr/>		
Food and Beverage		
	Three-Meal Restaurant	
	Lounge/Lobby Bar	
	Coffee Kiosk	
	In-Room Dining	
<hr/>		
Amenities		
	Indoor-Outdoor Pool	
	Fitness Center	
	Business Center	
	High Speed Internet	
<hr/>		
Brand		
	Delta Hotel by Marriott	
<hr/>		
<sup>(1)</sup> Flexible design allows for optional 75-room expansion		
Source: Gatehouse Partners, LLC, CBRE Hotels		

With the proposed facilities, the Hotel and Conference Center will offer amenities and services to serve both the local community and outside visitors and conferences. The 10,570-square foot ballroom is expected to seat up to 500 guests at a banquet. The proposed upscale meeting space combined with the existing facilities at the MPEC will enable the Subject to capture significant Group demand. The Delta Hotel by Marriott offers an established brand being aggressively marketed domestically and supported by the strength of the Marriott family of brands. As the only full-service hotel in Wichita Falls, the proposed Delta Hotel complements and enhances the City's competitive position.

The 150 rooms should suit the market well. CBRE Hotels recommends most of the rooms (72) be a standard king room due to the large amount of commercial transient demand, as well as the less rate-sensitive individual group travelers and weekend couples. The 66 double queen rooms should be sufficient to accommodate group participants needing to double up, sports teams and weekend families. Groups needing more double queen rooms are generally rate sensitive and more likely to stay in select-service hotels with complimentary breakfasts. Suite configurations are appropriate for both group and leisure travelers, providing not only more space, but also serving as hospitality suites for visiting groups.

## **PROPOSED MANAGEMENT**

The developer has selected Aimbridge Hospitality to manage the proposed Hotel and Conference Center. Aimbridge currently owns and/or manages a portfolio of over 695 upscale, independent and branded hotels and resorts with more than 86,000 rooms across the United States and the Caribbean.

## **CONCLUSION**

The proposed Hotel and Conference Center is to be located adjacent to the MPEC in downtown Wichita Falls with relatively easy access from Central Expressway. The proposed facilities will complement and enhance MPEC and the ability to capture new business for the market. We consider both the subject site and the recommended facilities to be well suited for the development of the full-service Hotel and Conference Center. Such a development has the potential of being not only a landmark for the City but a stimulus for continued growth and revitalization of the Central Business District and likely the entire City.

SECTION IV  
HOTEL MARKET ANALYSIS

**CBRE HOTELS**

The World's Leading Hotel Experts.

## MARKET INTERVIEWS

CBRE Hotels conducted a series of interviews to understand the needs of the Wichita Falls community, as well as the facilities needed in the market. Those interviewed revealed a strong desire for a Hotel and Conference Center in Wichita Falls. Other comments indicated the hotel should offer full-service amenities, the need for quality meeting space in the market, especially next to the event center.

## SURVEYS

For the first market study completed in June 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. Based on a review of the market and interviews conducted during our fieldwork, no significant changes have occurred in the market which would significantly change survey responses; therefore, the responses are considered valid and used for the analysis in this report.

Chamber of Commerce members were surveyed to maximize the input from the business community, since members include major corporations, small business owners, healthcare, educational institutions, non-profit organizations, community organizations, existing meeting facilities, hotels, restaurants, churches, performing arts groups, etc. The Convention and Visitors Bureau provided a list of meeting planners which were surveyed and included Texas State Associations, area meeting planners, groups which have held events in Wichita Falls in the past and other groups which might have interest in bringing their events to Wichita Falls in the future. Midwestern State University included two surveys: one for Faculty and Staff and another for Alumni. The Faculty and Staff survey sought input from different departments which typically need both hotel rooms and meeting facilities. Typically, this includes departments with lecture series or speakers traveling from around the world to share new research, train and teach various subjects, as well as the many sports and extracurricular activities occurring year-round. The Alumni survey was sent to graduates living within a defined range which includes Oklahoma City and the Dallas-Fort Worth areas which would likely be able to return to campus or the Wichita Falls area. The number of graduates within this range is large and increases each semester with new graduates. Alumni are frequently a large source of hotel room-night demand and frequently part of University-related business and personal group and meeting demand.

### Number of Events

The following table presents the potential number of events identified by the surveys and the number of respondents which indicated they would consider relocating their events to the proposed full-service Hotel and Conference Center.

**City of Wichita Falls  
Proposed Full Service 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	New Events Identified	Additional Events Identified	Total # Events Would Use Conf Center
Chamber of Commerce	108	80	74.1%	72	34	186
CVB List of Meeting Planners	79	46	58.2%	---	---	46
MSU Alumni	507	162	32.0%	---	466	628
MSU Faculty and Staff	<u>43</u>	<u>11</u>	<u>25.6%</u>	<u>26</u>	<u>30</u>	<u>67</u>
<b>Total / Percent</b>	<b>737</b>	<b>299</b>	<b>40.6%</b>	<b>98</b>	<b>530</b>	<b>927</b>

Source: CBRE Hotels

The survey identified 737 events which are currently held by the companies and organizations which responded to the survey. Of these events, the respondents indicated that 299 or 40.6% of those events could be relocated to the proposed full-service Hotel and Conference Center. The same respondents identified an additional 98 new events they are aware of which could be held at the proposed full-service Hotel and Conference Center. Additionally, respondents were involved with 530 additional events which could also be attracted to the proposed Hotel. Therefore, the number of potential events which could be held at the new full-service Hotel and Conference Center totaled 927 events.

### Size of Events

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

**City of Wichita Falls  
Proposed Full Service Hotel and Conference Center**

**Events By Number of Attendees**

Type of Survey	Less Than 50	50 to 100	100 to 200	200 to 400	400 to 600	600 to 800	800 to 1,000	More Than 1,000	Total
Chamber of Commerce	34	20	26	15	6	1	2	2	106
CVB List of Meeting Planners	35	17	14	16	4	3	1	4	94
MSU Alumni	144	101	102	102	42	20	23	27	561
MSU Faculty and Staff	21	12	8	5	0	0	0	2	48
<b>Total</b>	<b>234</b>	<b>150</b>	<b>150</b>	<b>138</b>	<b>52</b>	<b>24</b>	<b>26</b>	<b>35</b>	<b>809</b>
<b>Percent of Total</b>	<b>28.9%</b>	<b>18.5%</b>	<b>18.5%</b>	<b>17.1%</b>	<b>6.4%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>4.3%</b>	<b>100.0%</b>

Source: CBRE Hotels

The identified events show a strong demand for smaller groups. This indicates a need to have a variety of smaller meeting room sizes or rooms which can be divided into smaller rooms. Additionally, many events 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.

City of Wichita Falls Proposed Full Service Hotel and 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	47	39	7	11	3	1	1	109
CVB List of Meeting Planners	25	26	10	7	11	2	5	86
MSU Alumni	219	139	72	46	28	16	30	550
MSU Faculty and Staff	35	22	2	1	0	0	1	61
<b>Total</b>	<b>326</b>	<b>226</b>	<b>91</b>	<b>65</b>	<b>42</b>	<b>19</b>	<b>37</b>	<b>806</b>
<b>Percent of Total</b>	<b>40.4%</b>	<b>28.0%</b>	<b>11.3%</b>	<b>8.1%</b>	<b>5.2%</b>	<b>2.4%</b>	<b>4.6%</b>	<b>100.0%</b>

Source: CBRE Hotels

Many events (40.4%) do not need hotel rooms. This is expected since most of the respondents are local residents. Many of the events are banquets, galas, meetings, training and other events are attended by those living in the area. However, 59.6% of the events need hotel rooms with 39.3% needing up to 50 rooms. Groups and events of this allow simultaneous booking of several smaller events.

The survey identified 163 events needing 50 rooms or more and, of those, 37 events needing more than 200 rooms. Most of these events are conferences and conventions which should bring new hotel demand to Wichita Falls. The proposed Hotel has been sized to accommodate the larger groups requiring the majority of their attendees be booked into one hotel, while being small enough to allow overflow to the existing Wichita Falls hotels.

### Hotel Rate Preference

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

**City of Wichita Falls  
Proposed Full Service Hotel and Conference Center**

**Conference Center Events By Hotel Room Rate Preference**

Type of Survey	Total Responses	Below \$100		\$100 to \$125		\$125 to \$150		\$150 to \$175		Above \$175	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Chamber of Commerce	89	28	31.5%	38	42.7%	19	21.3%	4	4.5%	0	0.0%
CVB List of Meeting Planners	67	35	52.2%	20	29.9%	11	16.4%	1	1.5%	0	0.0%
MSU Alumni	477	136	28.5%	207	43.4%	100	21.0%	23	4.8%	11	2.3%
MSU Faculty and Staff	<u>42</u>	<u>27</u>	64.3%	<u>14</u>	33.3%	<u>1</u>	2.4%	<u>0</u>	0.0%	<u>0</u>	0.0%
<b>Total / Percent</b>	<b>675</b>	<b>226</b>	<b>33.5%</b>	<b>279</b>	<b>41.3%</b>	<b>131</b>	<b>19.4%</b>	<b>28</b>	<b>4.1%</b>	<b>11</b>	<b>1.6%</b>

Source: CBRE Hotels

The results show 33.5% of the respondents are price-sensitive and would only be willing to pay a hotel rate less than \$100. This provides strong support for the dispersion of hotel rooms to existing lower-rated select and limited-service hotels in Wichita Falls from the additional area demand generated by the proposed full-service Hotel and Conference Center. An additional 41.3% of the respondents indicated they would be willing to pay a hotel room rate between \$100 and \$125. This group of respondents will support the existing higher-rated limited-service and select-service hotels in Wichita Falls. In addition, 25.1% of the respondents indicated they would be willing to pay a hotel room rate more than \$125, providing strong support for a new full-service Hotel and Conference Center in Wichita Falls.

## COMPETITIVE SET

Based upon our research, we identified six hotels containing 475 rooms as the Subject hotel's competitive set. These properties were included in the competitive supply based upon their location, facilities, brands affiliations, markets served and/or average daily rates. The photographs of the individual properties and a map of their location can be found in Addendum B and C, respectively.

Proposed Hotel and Conference Center Competitive Set				
Property	Year Built	Number of Rooms	Total SF Meeting Space*	SF Per Room Ratio
Hampton Inn	2005	74	576	8
Homewood Suites	2005	73	1,392	19
Candlewood Suites	2007	75	0	0
Holiday Inn Express and Suites	2008	80	4,848	61
Courtyard by Marriott	2009	93	2,067	22
LaQuinta Inn & Suites	2014	80	832	10
<b>Total/Average</b>		<b>475</b>	<b>1,619</b>	<b>20</b>

\*Meeting space does not include prefunction space.

Source: CBRE Hotels

The market consists primarily of select-service hotels. While it is likely most of the existing hotels will not compete directly with the proposed Hotel and Conference Center because of their select-service nature, they were included in the competitive set since they are the base of existing demand in the area.

Previous studies included a Fairfield Inn which sold and repositioned as a Rodeway Inn in December 2016 and no longer competes with the top-rated hotels in the market. Previous studies also omitted the La Quinta Inn and Suites. Upon review of recent rate trends, the La Quinta currently offers rates with the top-rated hotels in the market. Further, La Quinta has a strong corporate following and an excellent presence in the Southwest. Accordingly, changes to the competitive used in the analysis of this update include removing the former Fairfield and replacing it with the La Quinta.

Based on our research, the proposed full-service Hotel and Conference Center will attract additional group demand to the area that is currently not considering the Wichita Falls area due to lack of adequate facilities. The existing properties were used as a base for existing business, group and leisure demand and rates in the Wichita Falls market area.

## HISTORICAL MARKET PERFORMANCE

The table below indicates the historical performance of the competitive set of hotels.

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	144,175	N/A	107,155	N/A	74.3%	\$92.00	N/A	\$68.38	N/A
2013	144,175	0.0%	106,590	-0.5%	73.9%	96.61	5.0%	71.43	4.5%
2014	166,175	15.3%	121,283	13.8%	73.0%	101.54	5.1%	74.11	3.8%
2015	173,375	4.3%	126,445	4.3%	72.9%	102.91	1.3%	75.06	1.3%
2016	173,375	0.0%	138,490	9.5%	79.9%	104.28	1.3%	83.30	11.0%
CAAG	4.7%		6.6%			3.2%		5.1%	
YTD 11/2016	158,775	N/A	127,678	N/A	80.4%	\$105.09	N/A	\$84.51	N/A
YTD 11/2017	158,775	0.0%	137,770	7.9%	86.8%	107.03	1.8%	92.87	9.9%

Source: CBRE Hotels, STR Global

The competitive set has consistently achieved annual occupancies of 73 percent or greater from 2012 to 2016. A record 79.9% annual occupancy was achieved in 2016 and year-to-date occupancies through November 2017 suggest another record-breaking annual occupancy. ADR for the competitive set increased at a compound annual rate of 3.2% for the historical five-year period. RevPAR benefited from both high occupancies and rates and increased at an average annual rate of 4.1%. November year-to-date 2017 occupancies are at an unprecedented 86.8%, up over six points compared to the same period in 2016. ADR and RevPAR increased 1.8% and 9.9%, respectively, during the same period. The market is dramatically stronger than the previous two studies.

Wichita Falls does not appear to be a seasonal market, although business drops slightly during the holiday seasons. Wichita Falls has steady commercial business and both group and leisure is dependent on sports tournament bookings and groups and conventions, both of which have rotating locations with other markets.

## ADDITIONS TO SUPPLY

Aside from the subject 150-room proposed Hotel and Conference Center, two other additions to supply are included during the projection period. They are, as follows:

- Staybridge – 91 rooms, estimated to open in Q3 2018
- Fairfield Inn and Suites – 96 rooms opening in Q1 2018

While others have been rumored, none were far enough along in the planning and development phases to be considered as additions at the time of our fieldwork. It should be noted however, due to the high market occupancies, at least one hotel is expected to open during our projection period. Accordingly, an unannounced hotel is included in the analysis with an opening expected in late 2021.

Additionally, the Developer and the City are considering the potential expansion of the proposed hotel with 75 additional rooms. Based on the current and projected strength of the market, these rooms should easily be absorbed in the market.

## MARKET SEGMENTATION

The following table summarizes the competitive market's mix of demand in 2015.

<b>Competitive Market 2016 Mix of Demand</b>		
<i>Market Segment</i>	<i>Room Nights</i>	<i>Ratio</i>
Corp Individual	78,900	57%
Leisure	42,900	31%
Group	16,600	12%
Total	138,000	100%
Source: CBRE Hotels		

## ESTIMATED MARKET PERFORMANCE

Based upon our understanding of the local hotel market and using our proprietary supply and demand models, future occupancies were projected for the competitive set of hotels.

### Key Assumptions

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

- Economic expansion continues in the Texas market in general and particularly the Wichita County and Wichita Falls area.
- No major terrorist events or wars occur that have a material adverse impact on local travel volume or border security.
- No natural disasters disrupt the local economy during the projection period.
- No new additions to the competitive supply other than noted previously.

### Demand Growth Estimates

#### Corporate Individual Demand

Corporate Individual demand is estimated to increase 7% in 2017 and 6% through 2020 based on current trends, followed by a stabilized 4% growth throughout the remainder of the projection period. Induced demand for the Corporate Individual segment is estimated to total 25,500 room nights from 2018 to 2022.

#### Leisure Demand

Leisure demand is estimated to mirror Corporate Individual Demand, also based on current trends. Induced demand for the Leisure segment is estimated to be 15,500 room nights from 2018 to 2022.

**Group Demand**

Group demand is estimated to grow at 2% in 2017 until the proposed hotel opens in 2020, due to both the high occupancies throughout the market and the lack of meeting facilities. With the opening of the proposed Hotel and Conference Center in 2020, we expect Group demand to increase to 6% in 2020, a slight decline in increased demand of 5% in 2021, and 4% for the remainder of the projection period. Induced demand for the Group segment is estimated to be 25,000 room nights from 2018 to 2022.

Our projections are shown on the following table.

Proposed Hotel Conference Center Hotel							
Competitive Market							
Estimated Future Growth in Lodging Supply and Demand							
2016 - 2022							
	2016	2017	2018	2019	2020	2021	2022
<b>ROOMS SUPPLY</b>	475						
<b>Additions/(Deletions) to Supply</b>							
Proposed Hotel Conference Center Hotel					150		
Fairfield Inn and Suites			96				
Staybridge			45	46			
Unannounced Hotels						50	100
Cumulative Rooms Supply	475	475	616	662	812	862	962
Total Annual Rooms Supply	173,375	173,375	224,840	241,630	296,380	314,630	351,130
Growth Over the Prior Year	0.0%	0.0%	29.7%	7.5%	22.7%	6.2%	11.6%
<b>DEMONSTRATED DEMAND IN BASE YR</b>							
Corp Individual	78,939	57%					
Leisure	42,932	31%					
Group	16,619	12%					
TOTAL DEMONSTRATED DEMAND	138,490	100%					
<b>INDUCED/(UNSATISFIED) DEMAND</b>							
Corp Individual			6,000	2,000	7,500	4,000	6,000
Leisure			2,000	2,000	4,000	2,500	5,000
Group			2,000	1,000	10,000	7,000	5,000
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	10,000	5,000	21,500	13,500	16,000
<b>GROWTH RATES</b>							
Corp Individual		7.0%	6.0%	6.0%	6.0%	4.0%	4.0%
Leisure		7.0%	6.0%	6.0%	6.0%	4.0%	4.0%
Group		2.0%	2.0%	2.0%	6.0%	5.0%	5.0%
<b>PROJECTED DEMAND</b>							
Corp Individual							
Demonstrated	78,939	84,465	89,533	101,265	109,461	121,639	130,665
Induced/(Unsatisfied)	0	0	6,000	2,000	7,500	4,000	6,000
Total	78,900	84,500	95,500	103,300	117,000	125,600	136,700
Growth Over Prior Year	N/A	7.1%	13.0%	8.2%	13.3%	7.4%	8.8%
Leisure							
Demonstrated	42,932	45,937	48,693	53,735	59,079	65,602	70,826
Induced/(Unsatisfied)	0	0	2,000	2,000	4,000	2,500	5,000
Total	42,900	45,900	50,700	55,700	63,100	68,100	75,800
Growth Over Prior Year	N/A	7.0%	10.5%	9.9%	13.3%	7.9%	11.3%
Group							
Demonstrated	16,619	16,951	17,290	19,676	21,917	33,512	42,538
Induced/(Unsatisfied)	0	0	2,000	1,000	10,000	7,000	5,000
Total	16,600	17,000	19,300	20,700	31,900	40,500	47,500
Growth Over Prior Year	N/A	2.4%	13.5%	7.3%	54.1%	27.0%	17.3%
Total Market Demand	138,400	147,400	165,500	179,700	212,000	234,200	260,000
Growth Over Prior Year	N/A	6.5%	12.3%	8.6%	18.0%	10.5%	11.0%
<b>Market Occupancy</b>	<b>80%</b>	<b>85%</b>	<b>74%</b>	<b>74%</b>	<b>72%</b>	<b>74%</b>	<b>74%</b>
Source: CBRE Hotels							

Based on our analysis of the current economic conditions, market occupancy for the competitive lodging market is projected to increase from 80% in 2016 to an unprecedented 85% in 2017. After additions to supply in 2018 and 2019, occupancy is expected to decrease to 74% in 2018 and 2019, and 72% in 2020 due to the opening of the Subject hotel. Immediately thereafter, the market is expected to rebound to 74% and stabilize by 2021.

SECTION V  
SUBJECT HOTEL PERFORMANCE

**CBRE HOTELS**

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## METHODOLOGY

In formulating our estimates of the subject property's position in the competitive market, we considered its "fair share" and potential to penetrate the market. Fair share is defined as the percentage of demand allocated to a given property based on the ratio of available guestrooms in the Subject to the total number of rooms in the competitive market. For example, in 2020, the Subject's first year, the proposed Subject hotel has 150 of the competitive market's 812 available rooms (including the Subject), equating to a fair share of 18.5% (150 divided by 812).

Market penetration is based on the competitive attributes of a hotel relative to the competitive market. It is based on 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 possesses competitive advantages are indicated by a market penetration more than 100% of fair 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 Subject is expected to offer many important competitive advantages as follows:

- The Subject will be the closest to the MPEC meetings and events facilities
- The hotel will be the only full-service hotel and among the newest in the market.
- The hotel will be competently managed, aggressively marketed and will maintain high levels of service throughout the hotel.
- The hotel will benefit from the name recognition, national marketing and reservation systems of the Delta Hotels by Marriott brand.
- The hotel will seek to offer an attractive price/value relationship relative to the competitive hotels.

## ESTIMATED PENETRATION

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

<b>Proposed Hotel Conference Center Hotel</b>			
<b>Market Penetration and Projected Occupancy</b>			
	2020	2021	2022
<b>TOTAL ROOMS AVAILABLE</b>			
<b>Proposed Hotel Conference Center Hotel</b>	<b>54,750</b>	<b>54,750</b>	<b>54,750</b>
Competitive Market	296,380	314,630	351,130
	=====	=====	=====
Fair Share of Supply	18.5%	17.4%	15.6%
	=====	=====	=====
<b>ESTIMATED TOTAL MARKET DEMAND</b>			
Corp Individual	117,000	125,600	136,700
Leisure	63,100	68,100	75,800
Group	31,900	40,500	47,500
	-----	-----	-----
<b>TOTAL</b>	<b>212,000</b>	<b>234,200</b>	<b>260,000</b>
	-----	-----	-----
	212,000	234,200	260,000
<b>FAIR SHARE OF DEMAND</b>			
Corp Individual	21,600	21,900	21,300
Leisure	11,700	11,900	11,800
Group	5,900	7,000	7,400
	-----	-----	-----
<b>TOTAL</b>	<b>39,200</b>	<b>40,800</b>	<b>40,500</b>
	-----	-----	-----
<b>SUBJECT PENETRATION</b>			
Corp Individual	100%	100%	102%
Leisure	65%	66%	68%
Group	140%	141%	145%
	-----	-----	-----
<b>ROOM NIGHTS CAPTURED</b>			
Corp Individual	21,600	21,900	21,700
Leisure	7,600	7,800	8,000
Group	8,300	9,900	10,700
	-----	-----	-----
<b>TOTAL CAPTURED DEMAND</b>	<b>37,500</b>	<b>39,600</b>	<b>40,400</b>
	=====	=====	=====
<b>MARKET SHARE CAPTURED</b>	<b>17.7%</b>	<b>16.9%</b>	<b>15.5%</b>
<b>OVERALL MARKET PENETRATION</b>	<b>96%</b>	<b>97%</b>	<b>100%</b>
	-----	-----	-----
<b>SUBJECT OCCUPANCY</b>	<b>68%</b>	<b>72%</b>	<b>74%</b>
	-----	-----	-----
<b>MARKET MIX</b>			
Corp Individual	58%	55%	54%
Leisure	20%	20%	20%
Group	22%	25%	26%
	-----	-----	-----
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	=====	=====	=====
Source: CBRE Hotels			

Due to the anticipated increase of events at MPEC by the opening year, the hotel should have ample opportunity to capture group and event-related demand. Additional premarketing efforts by Aimbridge should help solidify solid opening occupancies. The Subject is expected to achieve occupancy of 68% in its opening year (2020), grow to 72% in 2021 and stabilize at 74% in 2022. Upon stabilization, the Subject is projected to penetrate the market at 100% of its fair share.

## ESTIMATED SUBJECT MARKET SEGMENTATION

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

<b>Proposed Hotel and Conference Center 2022 Mix of Demand and Market Penetration</b>			
Market Segment	Room Nights	Ratio	Penetration
Corporate Individual	21,700	54%	102%
Leisure	8,000	20%	68%
Group	10,700	26%	145%
Total	40,400	100%	100%
CBRE Hotels			

The proposed Hotel and Conference Center is projected to capture its fair share of demand from the Corporate Individual segment attributed primarily to being the newest facility in the market and having full service capabilities. The Subject will also receive significantly more than its fair share of Group demand due to its location adjacent to MPEC and the size and extent of meeting space. The proposed Hotel and Conference Center is expected to receive less than its fair share from the Leisure segment due to the anticipated positioning of the hotel for this rate-sensitive segment.

## ESTIMATED AVERAGE DAILY RATE

Estimated ADR for the proposed Hotel and Conference Center was benchmarked against the market. Based on interviews, research from outside sources and our proprietary database, the top hotels achieve average rates well over \$100, with at least one above \$130. Accordingly, it is reasonable a new hotel, being the only full-service hotel in the market should achieve a rate premium of at least \$10.

The Subject is estimated to achieve an ADR of \$140 in 2018 dollars. The hotel is expected to achieve rates above the competitive hotels and still have the flexibility to compete for volume accounts.

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

Estimated Occupancy, ADR and RevPAR Proposed Hotel and Conference Center			
Year	Annual Occupancy	Average Daily Rate*	Revenue Per Available Room
2020**	68%	\$153	\$104
2021	72%	\$158	\$114
2022	74%	\$162	\$120
2023	74%	\$167	\$124
2024	74%	\$172	\$127

\* Stated Year Dollars, rounded to the nearest dollar  
Based on an ADR of \$140 in 2018 dollars.  
\*\* The Subject Hotel is estimated to open January 2020

Source: CBRE Hotels

Since the proposed Hotel and Conference Center is estimated to stabilize at 100% market penetration, Revenue Per Available Room (RevPAR) growth will be a function of ADR penetration. The table below shows ADR projections for the market without the proposed Hotel and Conference Center, the proposed Hotel and Conference Center and the resulting competitive market including the proposed Hotel and Conference Center. As shown, the ADR Index ranges from 124% in 2020 upon opening, to 125% upon stabilization in 2022 and 126% thereafter.

Average Daily Rate Projections							
Year	Market w/o Subject		Subject		Competitive Market		ADR Index
	ADR	Change	ADR	Change	ADR	Change	%
2016	104.28	1.3%	0.00	-	104.28	0.0%	0
2017	\$107.00	2.6%	\$140.00	-	\$107.00	0.0%	-
2018	110.00	3.0%	144.00	3.0%	110.00	0.0%	-
2019	113.00	3.0%	149.00	3.0%	113.00	0.0%	-
2020	116.00	3.0%	153.00	3.0%	123.00	0.0%	124%
2021	119.00	3.0%	158.00	3.0%	126.00	0.0%	125%
2022	123.00	3.0%	162.00	3.0%	130.00	0.0%	125%
2023	127.00	3.0%	167.00	3.0%	133.00	0.0%	126%
2024	131.00	3.0%	172.00	3.0%	137.00	0.0%	126%

Source: CBRE Hotels

SECTION VI  
PROSPECTIVE FINANCIAL ANALYSIS

**CBRE HOTELS**

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## SOURCES AND BASES OF ESTIMATIONS

Based on the evaluation of market findings relative to the proposed 150-room Hotel and Conference Center, schedules of estimated operating results were prepared for its first ten years of operation.

As a part of this analysis, results from eight comparable full-service hotels were drawn from our proprietary database of more than 7,000 2016 hotel financial statements. The properties ranged in size from 150 to 159 rooms with an average of 155. Occupancy rates ranged from 58% to 87% with an average of 73%. ADR ranged from \$111 to \$175 with an average of \$137. Meeting space ranged from 1,008 square feet to 16,000 square feet with an average of 7,638 square feet.

Revenues were estimated based on the market penetration analysis described previously. Expenses were based on the performance of the selected comparable properties. All dollar financial POR and PAR are expressed in 2016 dollars.

The classification of income and expenses in the statements presented in this report conform to the *Uniform System of Accounts for the Lodging Industry (11<sup>th</sup> edition)*, 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 Subject Hotel Performance section of this report, room revenue for the Subject hotel over the projection period are summarized in the following table.

Estimated Rooms Revenue Proposed Hotel and Conference Center			
Year	Annual Occupancy	Average Daily Rate*	Rooms Revenue
2020**	68%	\$153	\$5,696,000
2018	72%	\$158	\$6,257,000
2019	74%	\$162	\$6,564,000
2020	74%	\$167	\$6,767,000
2021	74%	\$172	\$6,969,000

\* Stated Year Dollars, rounded to the nearest dollar.

Based on an ADR of \$140 in 2018 dollars.

\*\* The subject hotel is estimated to open in January 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 2018 dollars) for additional revenue items are summarized below.

<b>Departmental Revenues Dollars Per Occupied Room</b>				
<b>Items</b>	<b>Comparable Hotels</b>			<b>Subject Hotel Projections</b>
	<b>Range</b>	<b>Average</b>	<b>Median</b>	<b>Stabilized Year</b>
Food & Beverage	\$14.56 - \$90.58	\$36.81	\$34.13	\$60.00
Other Operated Departments	\$0.19 - \$5.63	\$1.74	\$0.98	\$2.00
Rentals and Other Income	\$0.20 - \$1.58	\$0.72	\$0.80	\$1.00
Source: CBRE Hotels				

While estimated Food and Beverage Revenues Per Occupied Room for the proposed Conference Center Hotel are within the comparable hotels' range the estimate is well above both the Average and Median for the comparable hotels. The estimate for the proposed Subject hotel include Food and Beverage/Catering from the City Conference Center.

## DEPARTMENTAL EXPENSES

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

<b>Departmental Expenses Percent of Departmental Revenue</b>				
<b>Items</b>	<b>Comparable Hotels</b>			<b>Subject Hotel Projections</b>
	<b>Range</b>	<b>Average</b>	<b>Median</b>	<b>Stabilized Year</b>
Room (\$ POR)	\$27.26 - \$47.83	\$33.65	\$31.87	\$30.00
Food and Beverage	67.1% - 109.5%	86.7%	88.2%	65.0%
Other Operated Departments	31.4% - 312.6%	116.7%	91.0%	70.0%
Source: CBRE Hotels				

The higher Food and Beverage volume and revenues at the Subject hotel, allow efficiencies to achieve Food and Beverage expense just slightly outside the comparable hotels' range.

## 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.

<b>Undistributed Operating Expenses</b>				
<b>Dollars Per Available Room</b>				
<b>Items</b>	<b>Comparable Hotels</b>			<b>Subject Hotel</b>
	<b>Range</b>	<b>Average</b>	<b>Median</b>	<b>Projections</b>
				<b>Stabilized Year</b>
Administrative and General	\$3,102 - \$6,314	\$4,672	\$4,346	\$4,442
Marketing	\$3,378 - \$7,667	\$5,310	\$4,751	\$6,400
POM	\$1,607 - \$3,019	\$2,425	\$2,584	\$2,400
Utilities	\$980 - \$3,001	\$2,057	\$2,139	\$2,100
Information and Telecommunication Systems	\$176 - \$943	\$538	\$609	\$425
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. The Management Agreement with Aimbridge is 3% with incentives based on future budgets. Since budgets are not yet prepared, no incentive fee has been used in the projections.

<b>Fixed Expenses</b>				
<b>Dollars Per Available Room</b>				
<b>Items</b>	<b>Comparable Hotels</b>			<b>Subject Hotel</b>
	<b>Range</b>	<b>Average</b>	<b>Median</b>	<b>Projections</b>
				<b>Stabilized Year</b>
Management Fee (% of Total Rev)	2.5% -9.4%	3.9%	3.0%	3.0%
Property Taxes <sup>(1)</sup>	\$558 - \$1,851	\$1,268	\$1,333	\$1,500
Insurance <sup>(1)</sup>	\$1,653 - \$2,165	\$1,857	\$1,775	\$1,650
<sup>(1)</sup> Property taxes and insurance are based on six 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 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 FLOWS 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.

<b>Proposed Hotel Conference Center Hotel</b>													
Projected Operating Results													
Calendar Years													
		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>		<b>2024</b>			
Number of Units:		150		150		150		150		150			
Annual Occupancy:		68%		72%		74%		74%		74%			
Average Daily Rate:		\$153.00		\$158.00		\$162.00		\$167.00		\$172.00			
Revenue Per Available Room:		\$104.04		\$114.28		\$119.88		\$123.58		\$127.28			
		Amount		Ratio		Amount		Ratio		Amount		Ratio	
<b>Revenues</b>													
Rooms	\$5,696,000	67.9%	\$6,257,000	69.2%	\$6,564,000	69.6%	\$6,767,000	69.6%	\$6,969,000	69.6%			
Food & Beverage	2,579,000	30.7%	2,656,000	29.4%	2,736,000	29.0%	2,818,000	29.0%	2,903,000	29.0%			
Other Operated Departments	79,000	0.9%	87,000	1.0%	91,000	1.0%	94,000	1.0%	97,000	1.0%			
Rentals and Other Income	39,000	0.5%	43,000	0.5%	46,000	0.5%	47,000	0.5%	48,000	0.5%			
<b>Total Revenues</b>	<b>8,393,000</b>	<b>100.0%</b>	<b>9,043,000</b>	<b>100.0%</b>	<b>9,437,000</b>	<b>100.0%</b>	<b>9,726,000</b>	<b>100.0%</b>	<b>10,017,000</b>	<b>100.0%</b>			
<b>Departmental Expenses</b>													
Rooms	1,237,000	21.7%	1,313,000	21.0%	1,368,000	20.8%	1,409,000	20.8%	1,451,000	20.8%			
Food & Beverage	1,676,000	65.0%	1,727,000	65.0%	1,778,000	65.0%	1,832,000	65.0%	1,887,000	65.0%			
Other Operated Departments	55,000	69.6%	61,000	70.1%	64,000	70.3%	66,000	70.2%	68,000	70.1%			
<b>Total Departmental Expenses</b>	<b>2,968,000</b>	<b>35.4%</b>	<b>3,101,000</b>	<b>34.3%</b>	<b>3,210,000</b>	<b>34.0%</b>	<b>3,307,000</b>	<b>34.0%</b>	<b>3,406,000</b>	<b>34.0%</b>			
<b>Departmental Profit</b>	<b>5,425,000</b>	<b>64.6%</b>	<b>5,942,000</b>	<b>65.7%</b>	<b>6,227,000</b>	<b>66.0%</b>	<b>6,419,000</b>	<b>66.0%</b>	<b>6,611,000</b>	<b>66.0%</b>			
<b>Undistributed Expenses</b>													
Administrative & General	695,000	8.3%	725,000	8.0%	750,000	7.9%	772,000	7.9%	796,000	7.9%			
Marketing	978,000	11.7%	1,039,000	11.5%	1,080,000	11.4%	1,113,000	11.4%	1,146,000	11.4%			
Property Operation and Maintenance	370,000	4.4%	393,000	4.3%	405,000	4.3%	417,000	4.3%	430,000	4.3%			
Utility Costs	334,000	4.0%	344,000	3.8%	355,000	3.8%	365,000	3.8%	376,000	3.8%			
Information and Telecommunications	68,000	0.8%	70,000	0.8%	72,000	0.8%	74,000	0.8%	76,000	0.8%			
<b>Total Undistributed Operating Expenses</b>	<b>2,445,000</b>	<b>29.1%</b>	<b>2,571,000</b>	<b>28.4%</b>	<b>2,662,000</b>	<b>28.2%</b>	<b>2,741,000</b>	<b>28.2%</b>	<b>2,824,000</b>	<b>28.2%</b>			
<b>Gross Operating Profit</b>	<b>2,980,000</b>	<b>35.5%</b>	<b>3,371,000</b>	<b>37.3%</b>	<b>3,565,000</b>	<b>37.8%</b>	<b>3,678,000</b>	<b>37.8%</b>	<b>3,787,000</b>	<b>37.8%</b>			
<b>Base Management Fee</b>	<b>252,000</b>	<b>3.0%</b>	<b>271,000</b>	<b>3.0%</b>	<b>283,000</b>	<b>3.0%</b>	<b>292,000</b>	<b>3.0%</b>	<b>301,000</b>	<b>3.0%</b>			
<b>Fixed Expenses</b>													
Property Taxes	263,000	3.1%	270,000	3.0%	279,000	3.0%	287,000	3.0%	296,000	3.0%			
Insurance	56,000	0.7%	57,000	0.6%	59,000	0.6%	61,000	0.6%	63,000	0.6%			
<b>Total Fixed Expenses</b>	<b>319,000</b>	<b>3.8%</b>	<b>327,000</b>	<b>3.6%</b>	<b>338,000</b>	<b>3.6%</b>	<b>348,000</b>	<b>3.6%</b>	<b>359,000</b>	<b>3.6%</b>			
<b>Net Operating Income</b>	<b>2,409,000</b>	<b>28.7%</b>	<b>2,773,000</b>	<b>30.7%</b>	<b>2,944,000</b>	<b>31.2%</b>	<b>3,038,000</b>	<b>31.2%</b>	<b>3,127,000</b>	<b>31.2%</b>			
<b>FF&amp;E Reserve</b>	<b>168,000</b>	<b>2.0%</b>	<b>271,000</b>	<b>3.0%</b>	<b>377,000</b>	<b>4.0%</b>	<b>389,000</b>	<b>4.0%</b>	<b>401,000</b>	<b>4.0%</b>			
<b>Net Operating Income After Reserve</b>	<b>\$2,241,000</b>	<b>26.7%</b>	<b>\$2,502,000</b>	<b>27.7%</b>	<b>\$2,567,000</b>	<b>27.2%</b>	<b>\$2,649,000</b>	<b>27.2%</b>	<b>\$2,726,000</b>	<b>27.2%</b>			
Source: CBRE Hotels	Full Year of Operation												

<b>Proposed Hotel Conference Center Hotel</b>										
Projected Operating Results										
Calendar Years										
	<b>2025</b>		<b>2026</b>		<b>2027</b>		<b>2028</b>		<b>2029</b>	
Number of Units:	150		150		150		150		150	
Annual Occupancy:	74%		74%		74%		74%		74%	
Average Daily Rate:	\$177.00		\$183.00		\$188.00		\$194.00		\$200.00	
Revenue Per Available Room:	\$130.98		\$135.42		\$139.12		\$143.56		\$148.00	
	Amount	Ratio								
<b>Revenues</b>										
Rooms	\$7,172,000	69.6%	\$7,415,000	69.6%	\$7,618,000	69.6%	\$7,861,000	69.6%	\$8,104,000	69.6%
Food & Beverage	2,990,000	29.0%	3,079,000	28.9%	3,172,000	29.0%	3,267,000	28.9%	3,365,000	28.9%
Other Operated Departments	100,000	1.0%	103,000	1.0%	106,000	1.0%	109,000	1.0%	112,000	1.0%
Rentals and Other Income	50,000	0.5%	51,000	0.5%	53,000	0.5%	54,000	0.5%	56,000	0.5%
<b>Total Revenues</b>	<b>10,312,000</b>	<b>100.0%</b>	<b>10,648,000</b>	<b>100.0%</b>	<b>10,949,000</b>	<b>100.0%</b>	<b>11,291,000</b>	<b>100.0%</b>	<b>11,637,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>										
Rooms	1,495,000	20.8%	1,540,000	20.8%	1,586,000	20.8%	1,634,000	20.8%	1,683,000	20.8%
Food & Beverage	1,943,000	65.0%	2,002,000	65.0%	2,062,000	65.0%	2,124,000	65.0%	2,187,000	65.0%
Other Operated Departments	70,000	70.0%	72,000	69.9%	74,000	69.8%	76,000	69.7%	79,000	70.5%
<b>Total Departmental Expenses</b>	<b>3,508,000</b>	<b>34.0%</b>	<b>3,614,000</b>	<b>33.9%</b>	<b>3,722,000</b>	<b>34.0%</b>	<b>3,834,000</b>	<b>34.0%</b>	<b>3,949,000</b>	<b>33.9%</b>
<b>Departmental Profit</b>	<b>6,804,000</b>	<b>66.0%</b>	<b>7,034,000</b>	<b>66.1%</b>	<b>7,227,000</b>	<b>66.0%</b>	<b>7,457,000</b>	<b>66.0%</b>	<b>7,688,000</b>	<b>66.1%</b>
<b>Undistributed Expenses</b>										
Administrative & General	819,000	7.9%	845,000	7.9%	869,000	7.9%	896,000	7.9%	923,000	7.9%
Marketing	1,181,000	11.5%	1,216,000	11.4%	1,253,000	11.4%	1,290,000	11.4%	1,329,000	11.4%
Property Operation and Maintenance	443,000	4.3%	456,000	4.3%	470,000	4.3%	484,000	4.3%	498,000	4.3%
Utility Costs	387,000	3.8%	399,000	3.7%	411,000	3.8%	423,000	3.7%	436,000	3.7%
Information and Telecommunications	78,000	0.8%	81,000	0.8%	83,000	0.8%	86,000	0.8%	88,000	0.8%
<b>Total Undistributed Operating Expenses</b>	<b>2,908,000</b>	<b>28.2%</b>	<b>2,997,000</b>	<b>28.1%</b>	<b>3,086,000</b>	<b>28.2%</b>	<b>3,179,000</b>	<b>28.2%</b>	<b>3,274,000</b>	<b>28.1%</b>
<b>Gross Operating Profit</b>	<b>3,896,000</b>	<b>37.8%</b>	<b>4,037,000</b>	<b>37.9%</b>	<b>4,141,000</b>	<b>37.8%</b>	<b>4,278,000</b>	<b>37.9%</b>	<b>4,414,000</b>	<b>37.9%</b>
<b>Base Management Fee</b>	<b>309,000</b>	<b>3.0%</b>	<b>319,000</b>	<b>3.0%</b>	<b>328,000</b>	<b>3.0%</b>	<b>339,000</b>	<b>3.0%</b>	<b>349,000</b>	<b>3.0%</b>
<b>Fixed Expenses</b>										
Property Taxes	304,000	2.9%	314,000	2.9%	323,000	3.0%	333,000	2.9%	343,000	2.9%
Insurance	65,000	0.6%	67,000	0.6%	69,000	0.6%	71,000	0.6%	73,000	0.6%
<b>Total Fixed Expenses</b>	<b>369,000</b>	<b>3.6%</b>	<b>381,000</b>	<b>3.6%</b>	<b>392,000</b>	<b>3.6%</b>	<b>404,000</b>	<b>3.6%</b>	<b>416,000</b>	<b>3.6%</b>
<b>Net Operating Income</b>	<b>3,218,000</b>	<b>31.2%</b>	<b>3,337,000</b>	<b>31.3%</b>	<b>3,421,000</b>	<b>31.2%</b>	<b>3,535,000</b>	<b>31.3%</b>	<b>3,649,000</b>	<b>31.4%</b>
<b>FF&amp;E Reserve</b>	<b>412,000</b>	<b>4.0%</b>	<b>426,000</b>	<b>4.0%</b>	<b>438,000</b>	<b>4.0%</b>	<b>452,000</b>	<b>4.0%</b>	<b>465,000</b>	<b>4.0%</b>
<b>Net Operating Income After Reserve</b>	<b>\$2,806,000</b>	<b>27.2%</b>	<b>\$2,911,000</b>	<b>27.3%</b>	<b>\$2,983,000</b>	<b>27.2%</b>	<b>\$3,083,000</b>	<b>27.3%</b>	<b>\$3,184,000</b>	<b>27.4%</b>
Source: CBRE Hotels										

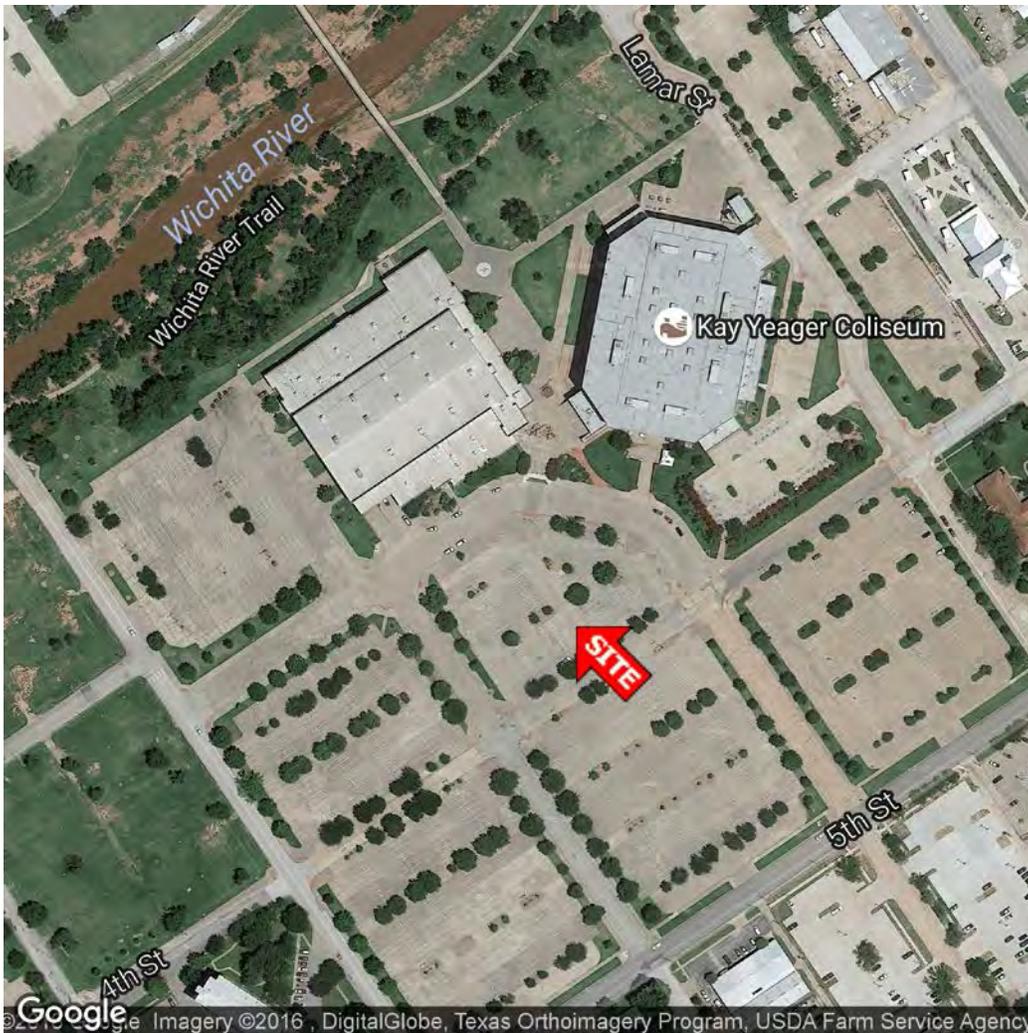
ADDENDUM A  
PHOTOGRAPHS OF SUBJECT SITE

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Subject Site is currently a parking area adjacent to the MPEC



Aerial View

**ADDENDUM B**  
**PHOTOGRAPHS OF COMPETITIVE SUPPLY**

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La Quinta Inn & Suites



Hampton Inn



Homewood Suites



Candlewood Suites



Holiday Inn Express and Suites



Courtyard by Marriott

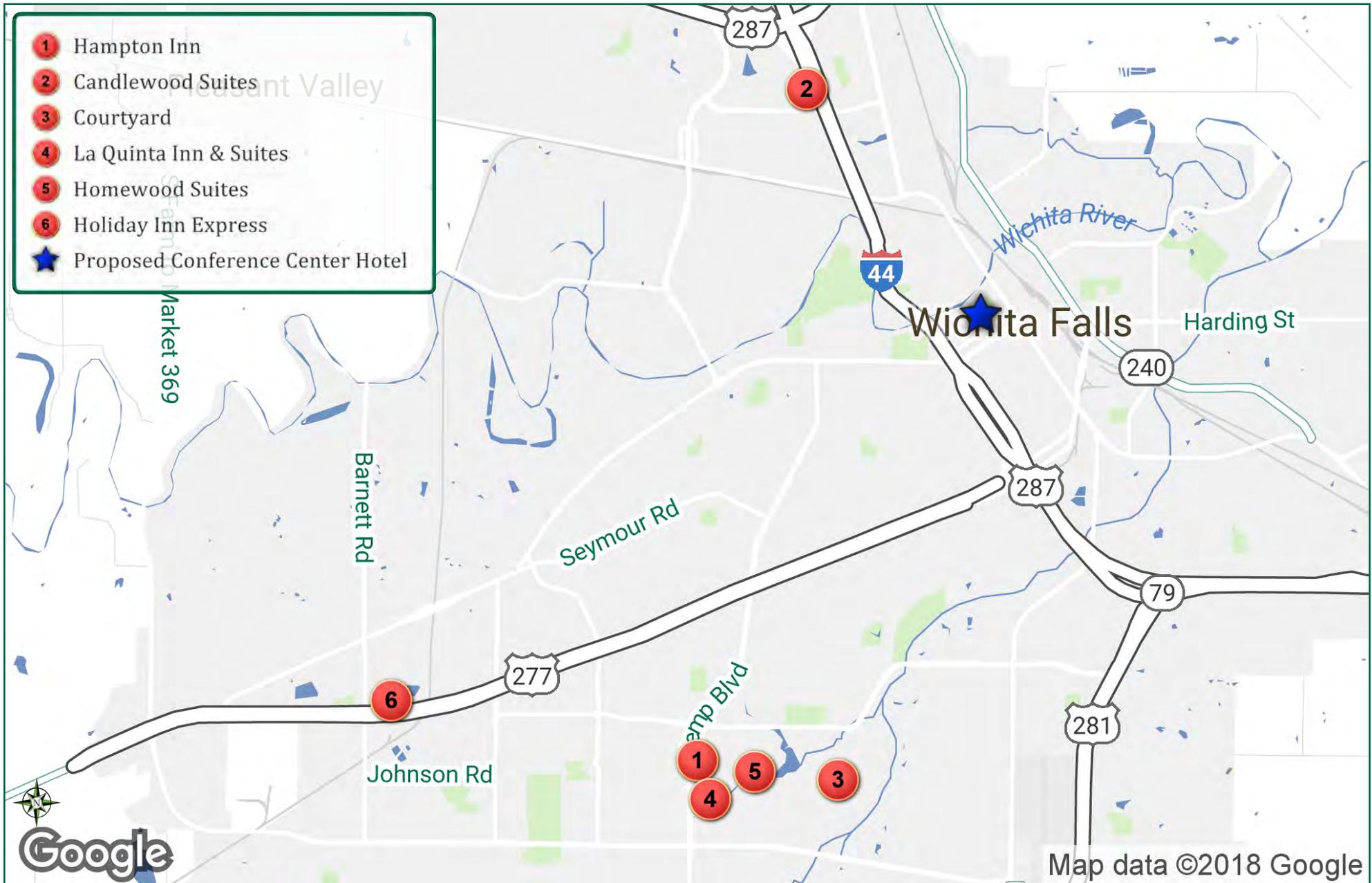
ADDENDUM C  
MAP OF COMPETITIVE SUPPLY

**CBRE HOTELS**

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# Competitive Market Wichita Falls, Texas

Prepared by: CBRE Hotels | Advisory  
Prepared for: Gatehouse Partners LLC



Layout ID:L02 MapId:5097478

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**CBRE**

ADDENDUM D  
TERMS AND CONDITIONS

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## 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. The Final Consulting Market Study Report prepared on CBRE Hotels letterhead with appropriate CBRE signatures may be distributed to third party users for the purpose of obtaining brand approvals, financing, equity, public incentives and other participation in the normal course of Hotel development. These parties may include hotel brands, lenders, investors, public entities, architects, engineers, contractors, etc. However, the Final Consulting Market Study Report must be distributed in its entirety. Partial distribution of portions of the report is not allowed in order to provide full-context for the conclusions.
17. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder **in an offering memorandum or public document** 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.

18. 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.
19. 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.

ADDENDUM E  
CERTIFICATION

**CBRE HOTELS**

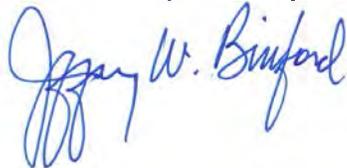
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## CERTIFICATION

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 which 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 which 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 made a personal inspection of the proposed site which 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 | Advisory**



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**Jeffrey W. Binford**  
Director