RESOLUTION NO. 080816-2

A RESOLUTION ACCEPTING THE HOTEL/CONFERENCE CENTER FEASIBILITY STUDY AS PREPARED BY CBRE HOTELS

WHEREAS, the City Commission authorized, with the adoption of Resolution No. 042516-5, a Hotel and Conference Center Feasibility Study be completed by CBRE Hotels ("Consultant"); and

WHEREAS, the City Commission desires to accept the feasibility study.

NOW, THEREFORE, BE IT RESOLVED by the City Commission of the City of Abilene, as follows:

SECTION ONE. Acceptance of Hotel/Conference Center Feasibility Study. That the Hotel/Conference Center Feasibility Study, as prepared by the Consultant, is hereby accepted as attached hereto as **Exhibit A**.

SECTION TWO. Distribution. That the Feasibility Study shall be provided to interested hotel developers and any other interested parties who request a copy. The study shall also be published to the City's website.

SECTION THREE. Effective Date. That the effects of this Resolution shall be in full force after its approval by the City Commission.

PASSED AND APPROVED by the Governing Body of the City of Abilene, Kansas this 8th day of August, 2016.

THE CITY OF ABILENE STATE OF KANSAS

CITY OF ABILENE, KANSAS

By: Dee Marshall

Dee Marshall, Mayor

ATTEST:

Penny Soukup, CMC

Penny Soukup, CMC
City Clerk

EXHIBIT A

Hotel/Conference Center Feasibility Study

Prepared by CBRE Hotels

August 8, 2016

Market Study & Financial Projections

Proposed Hotel & Convention/Conference Center Abilene, Kansas

Prepared For:
Mr. David Dillner
City Manager
City of Abilene, Kansas
419 North Broadway Avenue
Abilene, Kansas 67410

Prepared By:
CBRE Hotels
3280 Peachtree Street NE, Suite 1400
Atlanta, Georgia 30305

Date of Report:
July 20, 2016

CBRE

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July 20, 2016

Mr. David Dillner
City Manager
City of Abilene, Kansas
419 North Broadway Avenue
Abilene, Kansas 67410

Dear Mr. Dillner:

In accordance with our agreement, we have prepared a market analysis and projections of occupancy, average daily rate (ADR) and cash flow for a proposed hotel and convention/ conference center to be located in Abilene, Kansas. The report sets forth our findings and the support for our conclusions.

EXECUTIVE SUMMARY

Abilene Area Overview

- Abilene, the seat of government for and largest city in Dickinson County, is located in the Interstate 70 corridor of north central Kansas.
- Abilene boomed in the late 1860s/early 1870s as a shipping point for cattle driven north from Texas on the Chisolm Trail. Today, Abilene is best known as the site of the Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home.
- Dickinson County had an estimated 2015 population of 19,400. Roughly one-third of the county's residents live in Abilene.
- The Dickinson County economy is largely agrarian in nature. Manufacturing, government and services also are important to the local economy.

- Abilene offers an array of attractions and events which draw visitors to the area and generate lodging demand. The city's 5-Star Museum District comprises five attractions collaborating to promote tourism.

Site and Neighborhood Evaluation

- It is our understanding three sites are being considered for the project under study and all are in the Buckeye Avenue corridor at or just south of the I-70 interchange.

- Buckeye Avenue is Abilene's primary commercial strip, with the downtown area situated 1.6 miles south of I-70. Development in the corridor includes highway motorist services such as hotels, restaurants and gas stations along with retail space, automobile dealerships, bank branches and the like. Abilene's key tourist attractions are located along Buckeye Avenue near downtown.

Recommended Facilities

- Considering the characteristics of the market and the site as well as the City's desire to have a hotel with significant meeting space, we recommend pursuing a mid-market, select-service property. We further recommend the property offer approximately 100 guest rooms, a restaurant/lounge, 8,000 to 10,000 square feet of meeting space, an indoor swimming pool, a fitness center, a sundry shop, a business center and a guest laundry.

- For purposes of this analysis, we have assumed the property will open by January 1, 2019.

Supply and Demand Analysis

- There are 12 properties with a total of 919 guest rooms in the I-70 corridor extending from Junction City to Salina which would compete most directly with the subject select-service hotel. These include Abilene's two highest quality hotels.

- The defined competitive set achieved an aggregate occupancy and ADR of 65.3 percent and $94.91, respectively, for 2015. The properties garner 52 percent of their accommodated demand from business travelers, 25 percent from groups and 23 percent from leisure guests.

- We have identified four additions to the competitive supply of guest rooms other than the subject hotel: the 97-room Hilton Garden Inn Salina; the 80-unit Holiday Inn Express & Suites Junction City, the 85-unit Fairfield Inn & Suites Salina and the 113-unit HomewOod Suites by Hilton Salina Downtown. These properties are anticipated to open between April 2017 and May 2018.

- Base growth rates are expected to be moderate in the initial years of the projection period, tapering to a more modest pace thereafter. A level of supply-driven demand growth also is expected following the openings of the new hotels.

Estimated Levels of Utilization

- The proposed select-service hotel is expected to achieve overall penetration levels approximating its fair market share.

- Projected market penetration, occupancy, ADR and revenue per available room (RevPAR) are presented in the table below:

ESTIMATED MARKET PENETRATION, OCCUPANCY, AVERAGE DAILY RATE AND REVPAR
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023

			Average Daily Rate		
Year	Market Penetration[1]	Occupancy	Constant 2015 Dollars	Inflated Dollars[2]	RevPAR (Inflated $)
2019	89%	52%	$ 97.00	$109.25	$56.81
2020	97	58	99.00	114.75	66.56
2021	100	61	100.00	119.50	72.90
2022	100	62	100.00	123.00	76.26
2023	100	63	100.00	126.75	79.85

[1] Presented as a percentage of fair market share.

[2] Inflated annually at 3.0 percent and rounded to the nearest $0.25. Inflation rates were based on the results of recent investor surveys.

Financial Projections

- Projected cash flows from operations before debt service and income taxes, in constant 2015 and inflated dollars, are depicted in the following table.

PROJECTED CASH FLOWS FROM OPERATIONS BEFORE DEBT SERVICE AND INCOME TAXES
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023

Year	Constant 2015 Dollars	Inflated Dollars
2019	$ 91,000	$104,000
2020	279,000	323,000
2021	347,000	416,000
2022	380,000	468,000
2023	413,000	525,000

- Based on typical investment parameters and projected development costs of $14,000,000, the projected cash flows generate a negative unleveraged internal rate of return (IRR) indicating the project is not economically feasible. Some level of incentive, likely significant, must be considered if the property is to reach fruition.

ABILENE AREA OVERVIEW

An analysis of the economic characteristics of a given market area is critical in assessing historical and future growth patterns and their impact on levels of lodging demand. Such an analysis also contributes to a proper evaluation of market risks. For instance, a market heavily oriented towards a single demand generator (e.g., a military installation) often carries a high level of inherent risks. Conversely, a market having a diverse economy typically is less vulnerable to downturns. Further, the sheer size of a market can impact risks through its ability to recover from conditions of oversupply.

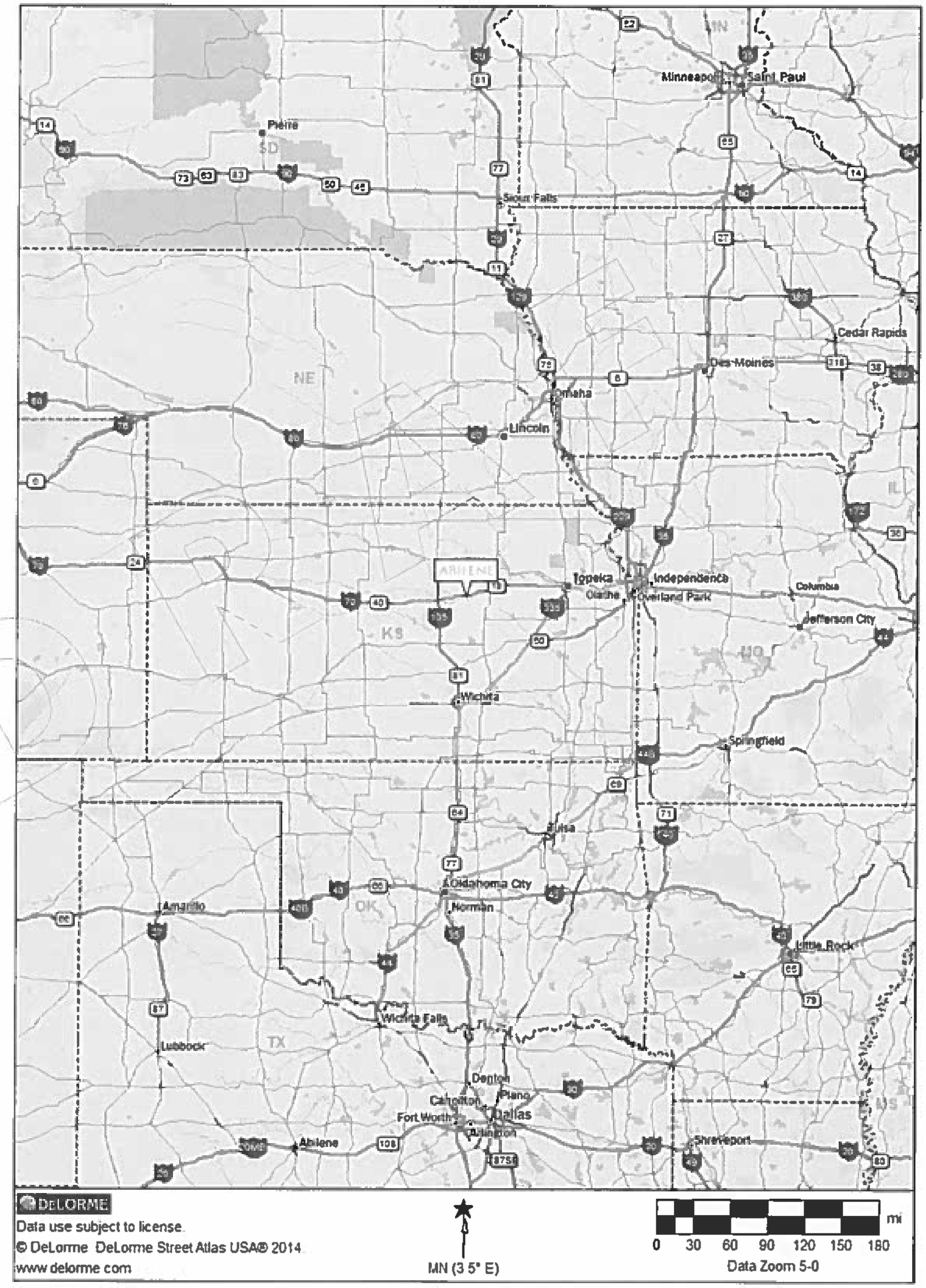
Abilene, the seat of government for and largest city in Dickinson County, is located in the I-70 corridor of north central Kansas. It is approximately 150 miles west of Kansas City, 90 miles west of Topeka, 95 miles north of Wichita and 220 miles southwest of Omaha. The independent county is sandwiched between the three-county Manhattan metropolitan statistical area (MSA) to the east and the two-county Salina micropolitan statistical area to the west. The maps on the following pages depict Dickinson County's location within the state and region, and Abilene's positioning within the I-70 corridor.

The western terminus of the first railroad through Kansas, Abilene boomed in the late 1860s/ early 1870s as a shipping point for cattle driven north from Texas on the Chisolm Trail. With the cowboys came lawlessness and two famed figures served as the town's marshal during 1870 and 1871: Tom "Bear River" Smith, who gained a reputation for subduing assailants with his fists, and Wild Bill Hickok. As railroad service was expanded, other cities became preferred shipping points and peacefulness returned to the town. Also in 1871, the mayor of Abilene introduced winter wheat on land previously thought suitable only for grazing. Today, Abilene is best known as the site of the Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home.

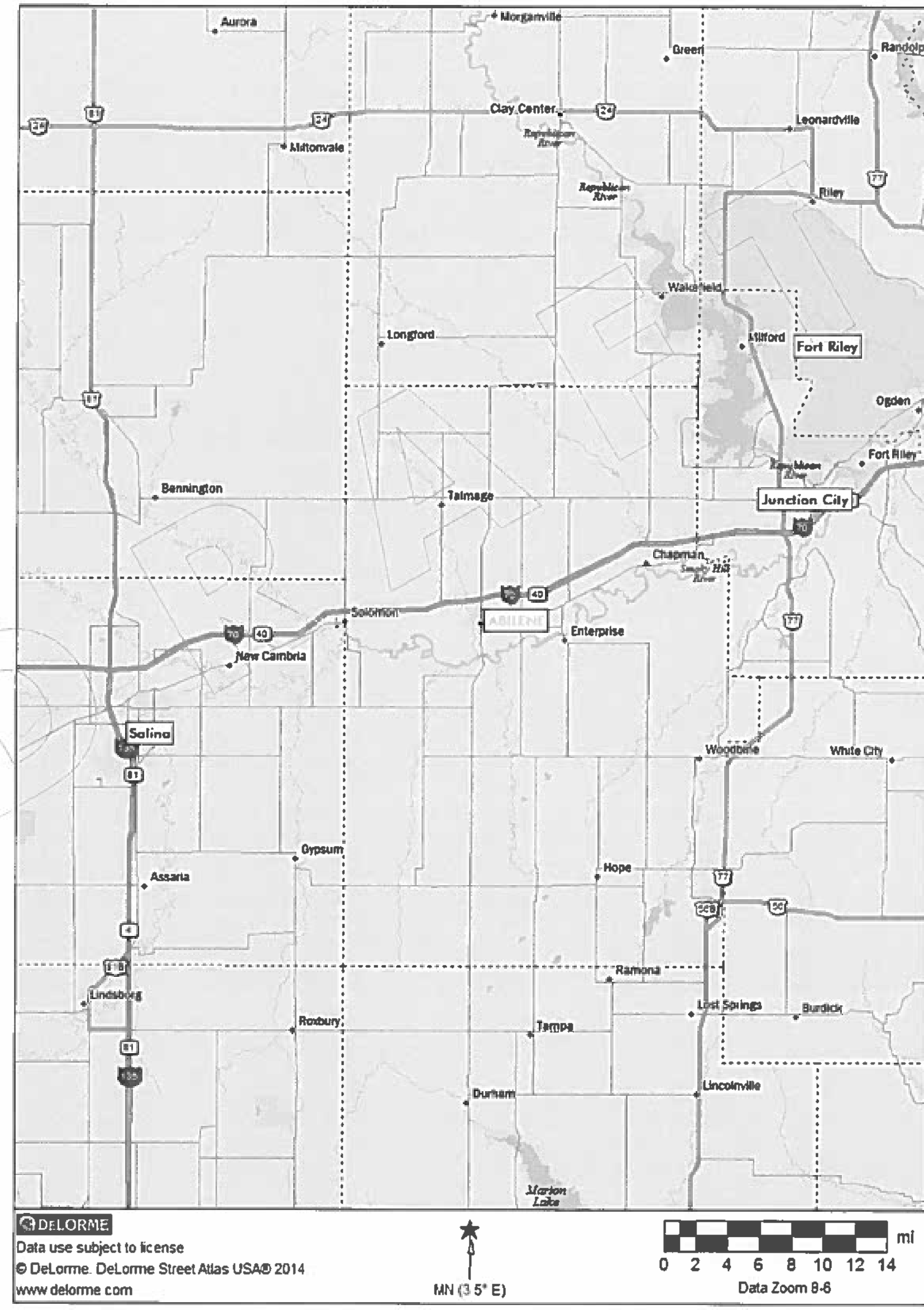
Population

Population growth is an important factor in determining the economic strength of a given area. Although the growth of a local population is not related directly to room-night demand for hotels, it does reflect employment growth and future employment concentration which, in turn, typically influence levels of commercial room-night demand.

REGIONAL LOCATION



AREA LOCATION



Dickinson County had an estimated 2015 population of 19,400. Roughly one-third of the county's residents (6,600) live in Abilene. The following table depicts population characteristics for the county, state and nation. Statistics for the Manhattan and Salina MSAs are presented for comparison. As shown, Dickinson County experienced a decline in population over the past five years. This can be attributed to its rural nature.

POPULATION
DICKINSON COUNTY, THE MANHATTAN MSA, THE SALINA MSA, KANSAS AND THE UNITED STATES
2010, 2015 AND 2020
(in thousands)

	2010	2015	Compound Annual Change 2010-2015	2020	Compound Annual Change 2015-2020
Dickinson County	*19.8*	*19.4*	*(0.4%)*	*19.6*	*0.2%*
Manhattan MSA	93.3	98.9	1.2	103.1	0.9
Salina MSA	61.9	61.9	0.0	62.5	0.2
Kansas	2,858.9	2,920.6	0.4	3,016.9	0.7
United States	309,347.1	321,545.1	0.8	336,690.4	0.9

Source: Woods & Poole Economics, Inc. – 2016 CEDDS

Employment and Economy

Employment by industry for Dicking County in 2010 and 2015 is depicted in the following table.

EMPLOYMENT BY NONAGRICULTURAL INDUSTRY
DICKINSON COUNTY
2010 AND 2015

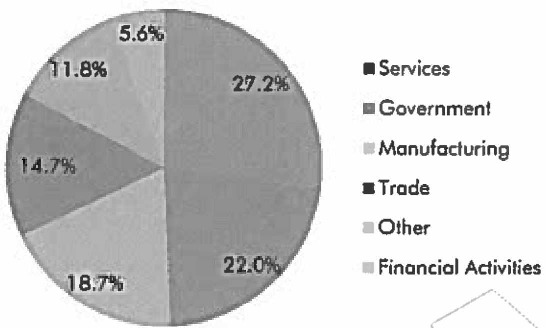
Industry	2010 Employment Number	2010 Employment Percent	2015 Employment Number	2015 Employment Percent	Compound Annual Change
Services	2,674	31.6%	2,305	27.2%	(2.9%)
Government	1,860	22.0	1,866	22.0	0.1
Manufacturing	1,281	15.1	1,580	18.7	4.3
Trade	1,303	15.4	1,246	14.7	(0.9)
Other	954	11.3	997	11.8	0.9
Financial Activities	384	4.5	470	5.6	4.1
Total	8,456	100.0%	8,464	100.0%	0.0%

Source: Woods & Poole Economics, Inc. – 2016 CEDDS

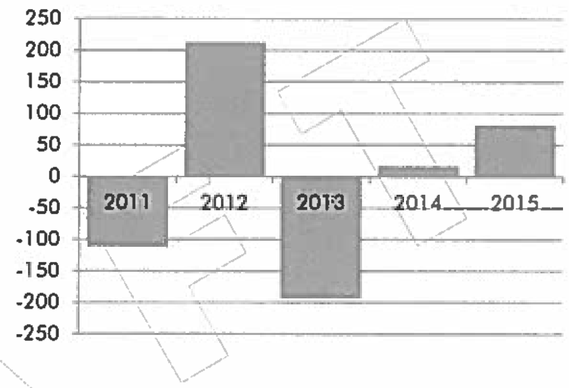
Although flat over the five-year period between 2010 and 2015, total nonagricultural employment for the county has ranged from a low of 8,345 in 2011 to a high of 8,558 in 2012. Growth of 1.0 percent was experienced in 2015. Forecasts by Woods & Poole Economics indicate employment growth of 0.6 percent compounded annually through 2025. The

Manhattan and Salina MSAs are projected to grow at 1.2 and 1.0 percent compounded annually, respectively. Graphical depictions of Dickinson County's 2015 employment by industry and the annual new job growth for the past five years are presented below.

2015 EMPLOYMENT BY INDUSTRY



ANNUAL NEW JOB GROWTH



As of April 2016, the unemployment rate for Dickinson County was 3.9 percent as compared to 4.7 percent for the nation. The rate for Kansas was 3.4 percent.

The Dickinson County economy is largely agrarian in nature, with wheat and soybeans being the top crop items and cattle the predominant livestock. Manufacturing, government and services also are important to the local economy as reflected by the list of Abilene's largest employers presented in the table below.

LARGEST EMPLOYERS
ABILENE

Employer	Product/Service	Number of Employees
Russell Stover Candies	Chocolate Candy	545
Memorial Hospital	Health Care	215
Unified School District 435	Education	167
Dickinson County	Government	129
Great Plains Manufacturing/Land Pride Division	Grounds Maintenance Equipment	122
Abilene Machine	Agricultural Machinery Replacement Parts	118
City of Abilene	Government	64
Holm Automotive Center	Automobile Sales	41
Eisenhower Complex	Library & Museum	31
ADM Milling	Grain Elevator	23

Source: City of Abilene

Although it does not necessarily have direct bearing on the Abilene economy, Fort Riley is an important factor regionally and generates significant lodging demand for hotels in Junction City. Located about 30 miles east of Abilene between Junction City and Manhattan, it is home to the

1st Infantry Division's Division Headquarters and Headquarters Battalion, 1st Armored Brigade, 2nd Armored Brigade, Division Artillery, 1st Sustainment Brigade and 1st Combat Aviation Brigade along with the United States Army Garrison and the 10th Air Support Operations Squadron. The fort, which is situated on some 92,000 acres, also supports several Department of Defense partners. Fort Riley has access to 34,000 additional training acres at the Great Plains Joint Training Center in Salina, the largest inert bombing range east of the Rockies. It is the only United States Army Forces Command (FORSCOM) installation in the Midwest with full spectrum training capability. The Fort Riley Mobilization and Reserve Support Branch provides training assistance to Reserve, Reserve Officer Training Corps (ROTC), and Active Component Soldiers, Airmen, Marines and Cadets from 23 states and Puerto Rico. The fort has a total population of nearly 49,000, including 17,100 active duty military personnel and 5,700 civilian employees.

Visitation

Abilene offers an array of attractions and events which draw visitors to the area and generate lodging demand. The city's 5-Star Museum District comprises five attractions collaborating to promote tourism. Included are the Eisenhower Presidential Library, Museum and Boyhood Home; the Dickinson County Historical Society's Heritage Center and Museum of Independent Telephony; Old Abilene Town; the Abilene & Smoky Valley Railroad Association; and the Greyhound Hall of Fame. These and other area attractions and events are highlighted in the paragraphs below.

- The Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home complex enables visitors to explore the life and legacy of the only five-star Army general who served as president of the United States. The presidential library, dedicated in 1962, is one of 13 administered by the National Archives and Records Administration. Home to a world-class research facility catering to scholars and history enthusiasts from around the world, its holdings include approximately 26 million pages of historical records and papers, 334,500 photographs, 767,700 feet of original motion picture film and 70,500 artifacts. Some 865 researchers are in residence at the library annually. The museum and Ike's boyhood home present insight into his childhood in Abilene as well as his military leadership and presidency. He, his wife Mamie and their first-born son Doud are buried on the grounds of the complex in the Place of Meditation. The complex hosts approximately 185,000 visitors annually.

- The Heritage Center is the museum of the Dickinson County Historical Society. Among its artifacts are an original 1901 C.W. Parker carousel which visitors can ride. The Independent Museum of Telephony tells the story of C.L. Brown, founder of the Brown Telephone Company which evolved into the modern day Sprint Corporation.

- Old Abilene Town depicts life from the Wild Bill Hickok era. Shows which run from Memorial Day to Labor Day enable visitors to experience a gunfight on Main Street and see can-can girls dancing in the Alamo Saloon. It also features the General Store gift shop and Hitching Post Restaurant.

- The Abilene & Smoky Valley Railroad Association offers excursion and dinner train trips on weekends in May, September and October, and five days per week (Wednesday through Sunday) during June, July and August. Equipment includes diesel and steam locomotives, a railbus, an open-air gondola car, a dining car and a caboose.

- Abilene is billed as the "Greyhound Capital of the World." There are several greyhound farms in the surrounding countryside and both the Greyhound Hall of Fame and the National Greyhound Association (NGA) are located in the city. The hall of fame chronicles the breed and the sport of greyhound racing, honoring key figures both canine and human. Visitors are greeted by two retired racers. The NGA is the official registry for racing greyhounds in North America. It hosts two meets annually (April and October) which feature time trials and auctions. Each reportedly draws some 500 visitors to the city.

- Abilene's Great Plains Theatre is the only professional theater company between Kansas City and Denver. It presents plays and musicals performed by actors across the United States, offers youth education programming and has a cinema.

- The Seelye Mansion is an 11,000-square foot, 25-room Georgian-style home which is open for tours. It was built in 1905 for Dr. A.B. Seelye whose A.B. Seelye Medical Company was known for its patent medicines. A small museum featuring artifacts from the A.B. Seelye Medical Company, which produced more than 100 products sold in 14 states, is located behind the mansion.

- The Wild Bill Hickok Rodeo is held each August in conjunction with the Central Kansas Free Fair. The event draws nearly 500 contenders.

- The Eisenhower Marathon, Half Marathon, 10K and 5K race weekend is held in early April each year. The races had over 400 participants in 2016.

2017 marks the 150th anniversary of the Chisholm Trail. Communities along the trail, including Abilene, will celebrate the occasion with a variety of events over the next year.

Transportation

I-70 bisects Dickinson County and is a major east/west highway linking Baltimore, Maryland with Interstate 15 in southwestern Utah. Three exits on I-70 (272, 275 and 277) serve Abilene. Interstate 135 (I-135) travels south from I-70 at a point on the west side of Salina to Wichita. U.S. 77 also provides regional access, stretching from Brownsville, Texas north to Sioux City, Iowa. It intersects with I-70 just west of Junction City.

Abilene Municipal Airport is a general aviation facility with a 4,100-foot runway. Great Lakes Airlines provides daily flights to Denver from Salina Regional Airport, while American Eagle flies to Chicago and Dallas-Fort Worth from Manhattan Regional Airport. More extensive service is available from Wichita Dwight D. Eisenhower Airport (100 miles to the south) and Kansas City International Airport (160 miles to the east).

Conclusion

The Abilene area economy is not particularly robust, but appears stable based on most indices. It benefits from a location on a major interstate highway, its rich history and the presence of several unique cultural attractions.

SITE AND NEIGHBORHOOD EVALUATION

The neighborhood within which a hotel operates can have a significant impact on its operating performance. Emerging neighborhoods experiencing substantial growth can generate increasing levels of demand and provide an environment characterized by new development and, more importantly, popular support facilities (e.g., restaurants, retail, entertainment, etc.). Conversely, a declining neighborhood or, in some cases, a mature one relative to a nearby emerging one, can be detrimental to a property's operations. In this section, we address the location, access and development characteristics of the subject neighborhood.

It is our understanding three sites are being considered for the project under study and all are in the Buckeye Avenue corridor. Buckeye Avenue (State Highway 15; K-15) is Abilene's primary commercial strip, with the downtown area situated 1.6 miles south of I-70. Development in the corridor includes highway motorist services such as hotels, restaurants and gas stations along with retail space, automobile dealerships, bank branches and the like. The attractions comprising the 5-Star Museum District are located along Buckeye Avenue near downtown.

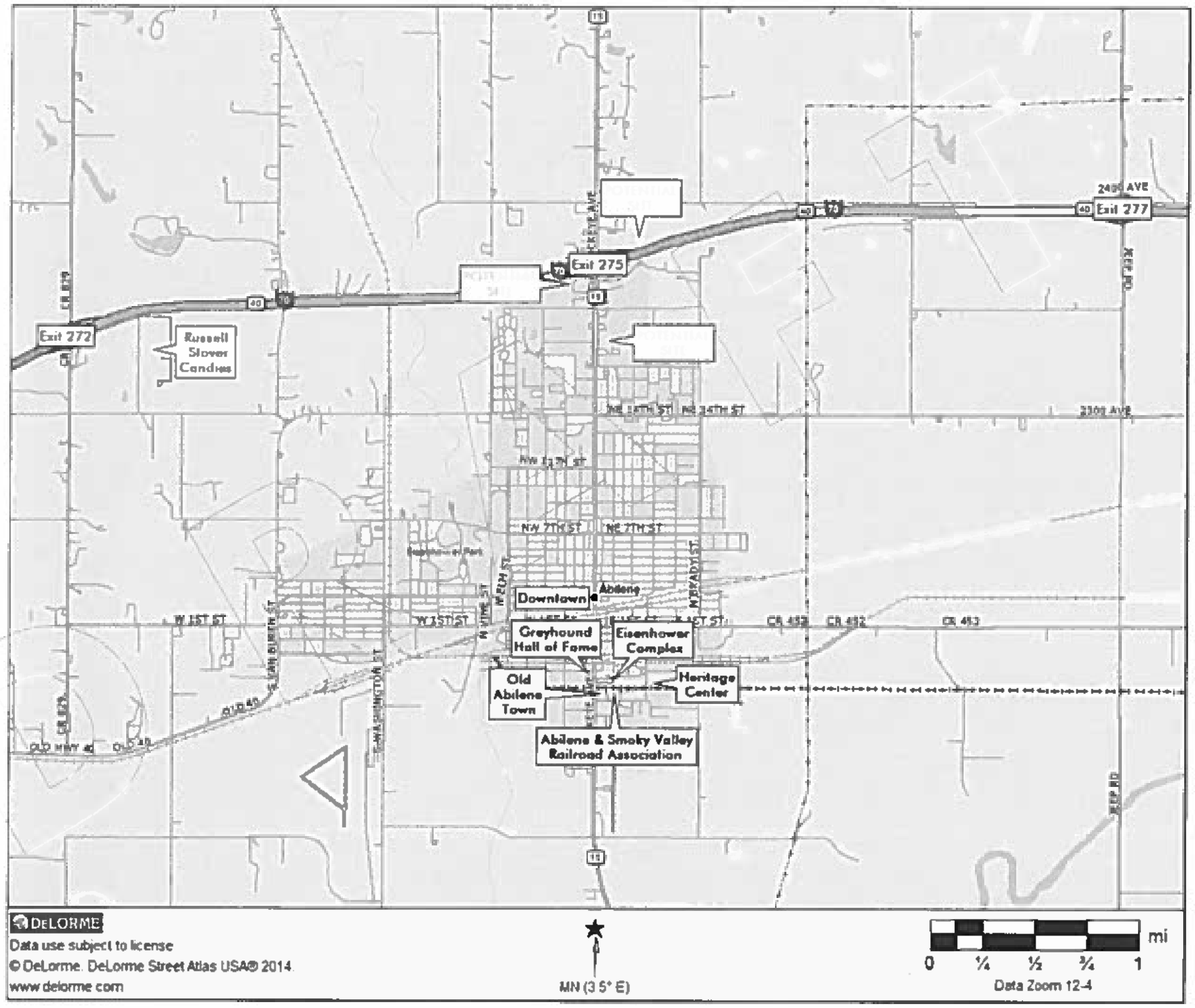
The three sites are as follows:

- Proximate to the northeast quadrant of the I-70/North Buckeye Avenue interchange (Exit 275). Existing development in the quadrant includes the Holiday Inn Express & Suites Abilene, the Brookville Hotel (a restaurant renowned for its chicken dinners), a Feldkamp's Furniture store and a vacant restaurant building.
- Southwest quadrant of the I-70/North Buckeye Avenue interchange. The site currently is occupied by an Americas Best Value Inn. Adjacent development includes a 24/7 Travel Store gas station/convenience store and a Holm Automotive Center facility.
- On the east side of North Buckeye Avenue across from the terminating point of Hilltop Drive approximately one-third of a mile south of I-70. Surrounding uses include a Shopko Hometown store and a Pizza hut.

The sites south of I-70 would be marginally closer to a greater array of service amenities and Abilene's attractions, while either site at the interchange should offer visibility from I-70. Given the importance of I-70 as a lodging demand generator, visibility therefrom is considered an important factor.

The map below depicts the location of the three potential sites in relation to other key areas of Abilene.

NEIGHBORHOOD



Overall, the neighborhood is considered the area of Abilene best suited to hotel development. It includes the greatest concentration of amenities in Abilene as well as direct access to I-70 and other demand generators.

RECOMMENDED FACILITIES

The guidelines for facilities and services outlined in this section of the report are based on our analysis of the properties in the competitive set as well as both the current desires and anticipated needs of the market. In order to better quantify the wants and needs of the market, we conducted a survey of state association meeting planners to ascertain their potential utilization, as well as their requirements, particularly as they relate to meeting facilities.

While the final configuration of the structure and its amenities will largely be determined by architectural and management considerations, the facilities as described herein were used as the basis for all further analyses. For purposes of this analysis, we have assumed a January 1, 2019 opening date.

Branding

Brand affiliation has become increasingly important to successful hotel operations. Accordingly, the competitive strengths and weaknesses of a particular brand can have a substantial impact on a property's performance. Based on our market analysis and our experience with similar projects, we recommend the development of a select-service hotel, e.g. Hilton Garden Inn, Courtyard, Holiday Inn, Hyatt Place, Cambria Hotel & Suites, etc. The presence of some of these brands in Junction City and/or Salina may limit their availability.

Select-service hotels are typically designed to cater to individual commercial travelers and weekend leisure guests. They offer many of the attributes of a full-service property, e.g. food and beverage outlets and meeting space, but are generally smaller, cost less to develop and are operated more like limited-service properties. The catering services, multiple restaurants and extensive recreational amenities that characterize full-service hotels are typically omitted. In some instances, however, these hotels can be designed to function much like a full-service property.

Guest Rooms

Based on the characteristics of the Abilene market area, approximately 100 guest rooms appear to be appropriate. The largest hotel in Abilene today is the Super 8 at 62 rooms. Only the 119-room Courtyard Junction City and the 115-room Holiday Inn Salina have more than 100 rooms. The average size of properties in the competitive set is 77 rooms. The relative lack of commercial activity in Abilene limits the recommended size of the subject. However, the hotel must include a sufficient number of rooms in order to accommodate groups. Based on our survey of state association meeting planners, the most common group sizes are two to 20 and 21 to 50 attendees. If designed appropriately, the property could be enlarged at a later date if market support exists.

Due to the presence of the convention center/conference center, the property will likely garner a material portion of its room nights from groups. Still, careful consideration needs to be afforded the requirements of the other potential segments.

The property's orientation towards the group meeting market segment, which tends to be more prone to double occupancy, suggests that the majority of the guest rooms be double-bedded. We therefore recommend that at least 60 percent of units be double-bedded. Guest room design and furnishings will be based on standards for the selected brand; however, it is essential the hotel offer the highest quality guest rooms in Abilene. Typical select service guest rooms range in size from 325 to 525 square feet.

Meeting Facilities

The ability of the proposed hotel to accommodate various sized groups will be an important factor to its year-round success. In order to maximize utilization, the property needs to accommodate significant levels of group meeting-related demand and thus lessen the impact of the peaks and valleys of seasonal leisure demand and the mid-week focus of commercial demand.

Conferences and meetings have long been an integral part of corporate and association efforts to maintain internal and external communications. As these types of organizations have grown in size and complexity, an increasing demand has evolved for facilities designed to hold conferences. Typical meeting locations which have been developed to house this demand range from corporate board rooms to hotels, resorts, country clubs, continuing education centers and dedicated conference centers. As the demand for appropriate facilities has become more pronounced, it is essential that the meeting space included within the subject property be of a suitable design.

We recommend that the meeting facility contain 8,000 to 10,000 square feet of usable meeting space. Respondents to our survey of state association meeting planners indicated ballroom and classroom seating for 50 to 100 people are the most needed spaces in terms of size, but not materially more so than smaller spaces. The following configuration is recommended:

Space	Total Square Footage
Ballroom, divisible into four sections	6,000
Dedicated breakout rooms – two to four	1,600 to 3,200
Boardrooms – one to two	400 to 800
Total	8,000 to 10,000

The ballroom should allow for the hosting of groups of moderate size (approximately 300 banquet style). Breakout rooms are designed primarily for dividing larger general meetings into smaller, more intensive groups oriented toward accomplishing specific tasks. These rooms are a necessity when accommodating a convention offering concurrent sessions. A boardroom is best suited to small corporate groups desirous of dedicated space.

Audio/visual aids should be available in major gathering rooms, operated by the catering department staff. An audio/visual technician should be available to keep all equipment in proper working condition and assist presenters as needed.

General considerations which should be incorporated into meeting rooms are:

- The rooms should be well lit with flexible fluorescent, LED and/or halogen lighting controlled by rheostats with the capability for track lighting and spotlights.
- Boardroom chairs should be comfortable and equipped with arm rests.
- Table arrangements should include different configurations such as circles, squares, U-shape and classroom. This generally requires rooms which are nearly square or only slightly rectangular in shape.
- Both ceilings and walls should be acoustically superior and provide good sound absorption. The walls should be sufficiently soundproof to minimize noise from other meeting rooms.
- The meeting rooms should be carpeted in an unobtrusive color.
- Walls should have adequate tack boards for the hanging of charts and other written material.
- Meeting room positioning should permit convenient access from banquet kitchen facilities and provide for adequate "back-of-the-house" service corridors.

We recognize that the City perceives a need for space to accommodate local events or civic functions. These types of events, typically accruing to a "civic center" could certainly be accommodated by the subject hotel and convention/conference center. It should, nonetheless, be recognized that few room-nights are generated therefrom. For this reason, hotels often limit the use of meeting space for these types of functions if other groups generating room-nights are available. Facilities currently available in Abilene include the Eisenhower Presidential Library, the Abilene Conference Room & Civic Center, the Abilene Community Center, schools, the Abilene Public Library, the Abilene Senior Center and civic clubs/lodges. In general, these facilities do not offer the flexibility and quality which could be provided by the subject hotel and convention/civic center.

Food and Beverage Outlets

Large-scale food and beverage facilities within a hotel generally represent higher risks, require significant management time and expertise, and often detract from the overall profitability of the hotel. While select-service hotels include a restaurant and lounge, these facilities are typically limited in scope. Accordingly, an expanded kitchen or separate banquet kitchen will be required to service the convention/conference center.

Other Facilities

The hotel should include amenities typical of a select service hotel including an indoor swimming pool/whirlpool spa, a fitness center, a sundry shop, a business center and a guest laundry facility.

It should be noted that our facilities recommendations are general in scope. The ultimate configuration of the building will be dictated by architectural and management considerations as well as the requirements of the selected franchisor.

SUPPLY AND DEMAND ANALYSIS

The supply and demand analysis involves a qualitative and quantitative evaluation of the lodging facilities in the Abilene area with which the proposed hotel would potentially compete for various segments of demand. This section includes a description of the existing supply of, and demand for, hotel rooms in the subject market area, identification of proposed competitive properties, and a discussion of the growth potential of area demand by segment. The analysis is for the period through December 31, 2023 to encompass the first five full years of operation for the subject following its anticipated opening by January 1, 2019.

Understanding the relationship between supply and demand is a critical component of any market study, particularly with respect to hotels. Unlike other property types, hotels essentially lease their rooms on a daily basis. While this characteristic allows for an immediate response to changes in market conditions, it also requires a high level of management intensity. There is an inverse relationship between occupancy and ADR, and raising or lowering rates typically has an immediate impact on room-nights sold. Effective management entails finding the proper balance that allows for the maximization of revenue.

In this section we first identify the subject property's competitive set (e.g., those hotels that tend to compete for the same sources of demand). We then identify relevant demand sources, analyze historical growth patterns and assess the potential for growth (or lack thereof) in demand by segment. The result is a projection of future market performance. Lastly, we conclude with a projection of occupancy and ADR for the subject property, taking into consideration its competitive strengths and weaknesses relative to the overall market.

Obviously, some hotels are more directly competitive than others based on their locations, facilities, branding, etc. This disparity in the level of competitiveness can be handled in a number of ways. Some consultants assign a percentage to each property and include only a portion of their guest rooms in the competitive set. This technique, while theoretically sound, is highly subjective and the overall analysis can be extremely sensitive to the assumptions made. Alternatively, we have chosen to address this issue through our projected penetration rates. For example, the introduction of a new property that is only marginally competitive will have a limited impact on the subject property's penetration level, whereas a directly competitive property will likely have a substantial effect. Regardless of the method employed, properly assessing the relationship between supply and demand and its impact on the subject property and market occupancy requires a level of professional judgment.

National Lodging Market Overview

CBRE Hotels owns the database for *Trends in the Hotel Industry*®, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. Beginning in 2007, PKF Consulting (now CBRE Hotels) unveiled its powerful *Hotel Horizons*®, an econometrically-developed hotel forecasting model that projects five years of supply, demand, occupancy, ADR and RevPAR for the U.S. lodging industry with a high degree of accuracy. *Hotel Horizons*® reports are published on a quarterly basis for 59 of the nation's largest markets, six national chain-scales and six location classifications.

CBRE Hotels has determined through econometric analysis that strong relationships exist between employment, income, price and demand for hotel rooms. Using proprietary models developed in the course of this research, the firm produces national quarterly forecasts for supply, demand, occupancy, ADR and RevPAR. These forecasts use baseline historical hotel operating data from STR, and historic and forecast economic data from Moody's Analytics.

The following table shows the national forecast for all hotels from CBRE Hotel's *Hotel Horizons*® *June – August 2016 National Edition*.

National Forecast - All Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2011	Annual	60.0%	4.2%	$101.73	3.8%	$61.02	8.1%	0.4%	4.7%
2012	Annual	61.4%	2.4%	$106.01	4.2%	$65.08	6.7%	0.4%	2.7%
2013	1	57.7%	1.6%	$107.84	4.3%	$62.20	6.1%	0.6%	2.3%
2013	2	65.8%	1.1%	$110.21	3.5%	$72.54	4.7%	0.6%	1.8%
2013	3	67.9%	1.3%	$111.66	3.9%	$75.78	5.2%	0.6%	1.8%
2013	4	57.5%	1.6%	$109.81	3.2%	$63.15	4.8%	0.6%	2.2%
2013	Annual	62.2%	1.4%	$109.97	3.7%	$68.45	5.2%	0.6%	2.0%
2014	1	59.2%	2.7%	$111.87	3.7%	$66.26	6.5%	0.7%	3.4%
2014	2	68.0%	3.4%	$115.06	4.4%	$78.29	7.9%	0.7%	4.1%
2014	3	70.4%	3.7%	$117.42	5.2%	$82.61	9.0%	0.8%	4.5%
2014	4	59.8%	4.0%	$114.72	4.5%	$68.63	8.7%	0.7%	4.8%
2014	Annual	64.4%	3.4%	$114.91	4.5%	$73.99	8.1%	0.7%	4.2%
2015	1	61.0%	3.0%	$117.16	4.7%	$71.44	7.8%	0.8%	3.8%
2015	2	69.1%	1.6%	$120.65	4.9%	$83.38	6.5%	1.0%	2.6%
2015	3	71.3%	1.3%	$122.68	4.5%	$87.44	5.8%	1.1%	2.4%
2015	4	60.5%	1.1%	$118.94	3.7%	$71.95	4.8%	1.4%	2.5%
2015	Annual	65.5%	1.7%	$120.01	4.4%	$78.59	6.2%	1.1%	2.8%
2016	1	60.7%	-0.5%	$120.92	3.2%	$73.34	2.7%	1.5%	1.0%
2016F	2	69.1%	0.0%	$126.32	4.7%	$87.30	4.7%	1.7%	1.7%
2016F	3	71.3%	0.0%	$127.71	4.1%	$91.02	4.1%	1.9%	1.9%
2016F	4	60.5%	0.0%	$124.91	5.0%	$75.57	5.0%	2.0%	2.0%
2016F	Annual	65.4%	-0.1%	$125.14	4.3%	$81.86	4.2%	1.8%	1.6%
2017F	Annual	65.3%	-0.2%	$131.24	4.9%	$85.71	4.7%	2.1%	2.0%
2018F	Annual	65.3%	0.0%	$137.21	4.6%	$89.58	4.5%	2.3%	2.3%
2019F	Annual	65.1%	-0.2%	$142.22	3.7%	$92.64	3.4%	2.5%	2.2%
2020F	Annual	65.3%	0.2%	$147.24	3.5%	$96.12	3.8%	2.4%	2.7%
2016 1Q	Trailing 4 Qtrs	65.4%	0.9%	$120.87	4.1%	$79.04	5.0%	1.3%	2.2%

Source: CBRE Hotels | Americas Research, STR Inc., Q1 2016

The U.S. lodging industry enjoyed its sixth consecutive year of growth in RevPAR during 2015. According to STR, RevPAR grew by 6.2 percent for the year, the result of a 1.7 percent gain in occupancy and a 4.4 percent increase in ADR. RevPAR growth was well distributed between the chain scales in 2015, with the leader being economy brands at 6.5 percent.

The national occupancy level reached 65.5 percent in 2015. This level is greater than the long-run average occupancy rate of 61.9 percent, and tops the 63.1 percent pre-recession peak occupancy level reported by STR in 2006. Supply growth is slated to match demand growth in 2016, and outpace it in the years to follow. By year-end 2016, U.S. occupancy is forecast to decline slightly to 65.4 percent. This will mark the first year in eight where occupancy did not grow from the previous year.

Beyond 2016, industry occupancy is expected to flatten, with supply and demand levels being roughly equal. However, CBRE Hotels projects continued strength in ADR from 2016 through 2020, at annual growth rates between 3.5 and 4.9 percent. This will drive gains in RevPAR.

Competitive Supply

Existing Competitive Facilities: There are five hotels with 268 rooms in Abilene. These include the 61-unit Holiday Inn Express & Suites Abilene, the 62-room Super 8 Abilene KS, the 64-room Americas Best Value Inn (a portion of which has been condemned), the 52-room Budget Lodge Inn and the 29-room Diamond Motel. Of these, only the Holiday Inn Express & Suites would be directly competitive. The Super 8 also has been considered in our analysis due to its national branding, but its economy orientation limits its degree of competitiveness. The other properties were not treated as competitors due to their poor quality, lack of affiliation and/or exterior-corridor configuration.

Due to Abilene's small size and limited number of quality hotel rooms, it is necessary to include hotels in nearby cities in order to properly assess the potential of the subject. Thus, we have included three hotels in Junction City and seven in Salina. While some 25 miles distant in either direction (Junction City to the east and Salina to the west), these are the closest concentrations of hotels and accommodate some of the demand generated in Abilene. The properties chosen as competitors represent the region's highest quality, most strongly branded limited- and select-service hotels. Including the two Abilene hotels, there are 12 properties with a total of 919 guest rooms which would potentially compete with the subject select-service hotel.

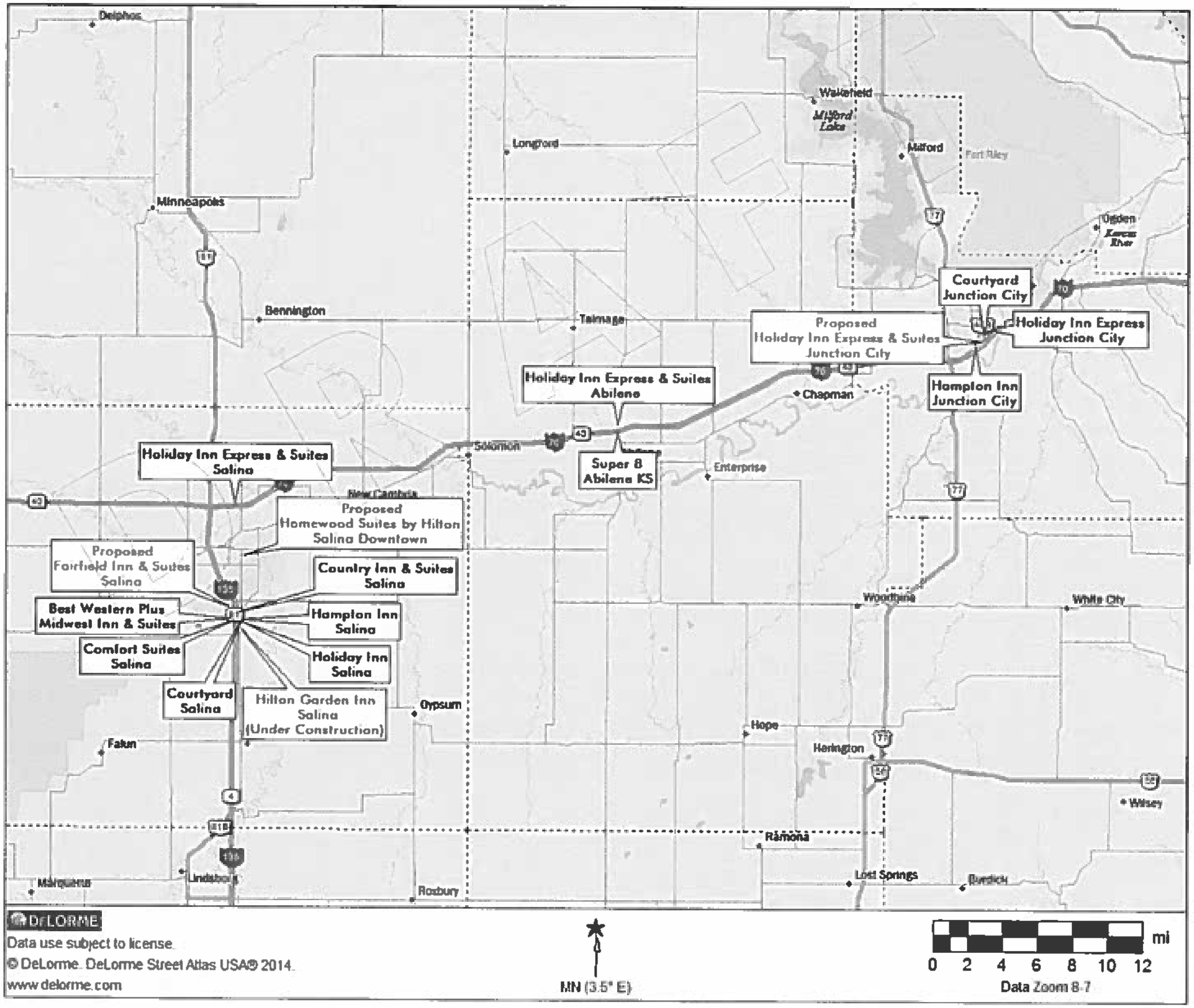
The map on the following page depicts the location of each property in relation to the subject. The tables on the page after the map provide a summary profile of the defined competitive properties. Additional information on the competitors is provided in the following paragraphs.

- The Holiday Inn Express & Suites Abilene is likely to be the subject's most direct competitor by virtue of its location and strong brand. The property underwent renovation in 2012 and is in good condition.

- The vast majority of the demand accommodated by the hotels in Junction City is related to Fort Riley, be it government travelers, contractors or family members of soldiers returning from deployment. They also get overflow from Kansas State University in Manhattan. The Courtyard Junction City will be the most comparable to the subject in terms of facilities due its 15,553 square feet of meeting space. Management of the property indicated it operated at a higher occupancy prior to the opening of the 135-room Hilton Garden Inn Manhattan in late 2011. That property offers 15,500 square feet of meeting space.

- Salina is the largest and strongest of the three submarkets comprising the competitive market. Hotels there benefit from a significant industrial base, the presence of Kanas Polytechnic and Kansas Wesleyan University, activities at the Great Plains Joint Training Center and being located at the junction of two interstate highways.

COMPETITIVE PROPERTIES



SUMMARY OF COMPETITIVE PROPERTIES
ABILENE AREA
PROPOSED 100-ROOM SELECT-SERVICE HOTEL

Name of Property	Number of Units	Year Opened	Estimated 2015 Percent Occupancy	Estimated 2015 Average Daily Rate	Estimated 2015 RevPAR[1]	Estimated 2015 Demand Segmentation Commercial	Estimated 2015 Demand Segmentation Group	Estimated 2015 Demand Segmentation Leisure	Total Sq. Ft. Meeting Space	Amenities
Holiday Inn Express & Suites Abilene	61	2000	60%-64%	$100-$104	$60-$64	35%	25%	40%	650	C-D-E-F
Super 8 Abilene KS	62	1989	35-39	55-59	20-24	25	25	50	240	E-F
Hampton Inn Junction City	82	2010	65-69	85-89	60-64	60	20	20	800	C-D-E-F
Courtyard Junction City	119	2004	50-54	85-89	40-44	50	35	15	15,553	A-B-C-D-F
Holiday Inn Express Junction City	60	1996	60-64	90-94	55-59	80	5	15	-	C-D-E-F
Holiday Inn Express & Suites Salina	88	2011	75-79	110-114	80-84	50	20	30	1,046	C-D-E-F
Country Inn & Suites Salina	72	1999	65-69	80-84	50-54	50	25	25	600[2]	C-D-E-F
Best Western Plus Midwest Inn & Suites	51	2001	75-79	80-84	60-64	50	30	20	-	C-D-E-F
Comfort Suites Salina	61	2009	70-74	85-89	65-69	50	25	25	300[2]	C-D-E-F
Hampton Inn Salina	68	1998	85-89	105-109	85-89	65	15	20	-	C-D-E-F
Courtyard Salina	80	2005	80-84	110-114	90-94	50	35	15	2,088	A-B-C-D-F
Holiday Inn Salina	115	2015[3]	50-54	95-99	50-54	50	35	15	3,000	A-B-C-D-F
Total/Averages	919		65.3%	$94.91	$62.02	52%	25%	23%		

Name of Property	Fair Market Share[4]	Estimated 2015 Market Share Percentage[5] Total	Commercial	Group	Leisure	Estimated 2015 Market Penetration as a Percentage of Fair Market Share[6] Total	Commercial	Group	Leisure	RevPAR Penetration[7]
Holiday Inn Express & Suites Abilene	6.85%	6.53%	4.36%	6.55%	11.52%	95%	64%	96%	168%	103%
Super 8 Abilene KS	6.96	4.13	1.97	4.15	9.12	59	28	60	131	36
Hampton Inn Junction City	9.21	9.75	11.16	7.82	8.60	106	121	85	93	97
Courtyard Junction City	13.36	10.16	9.70	14.27	6.72	76	73	107	50	69
Holiday Inn Express Junction City	6.74	6.53	9.96	1.31	4.32	97	148	19	64	95
Holiday Inn Express & Suites Salina	9.88	11.28	10.76	9.05	14.93	114	109	92	151	135
Country Inn & Suites Salina	8.08	8.07	7.70	8.09	8.89	100	95	100	110	86
Best Western Plus Midwestern Inn & Suites	5.73	6.70	6.39	8.07	5.91	117	112	141	103	103
Comfort Suites Salina	6.85	7.77	7.41	7.79	8.56	113	108	114	125	107
Hampton Inn Salina	7.63	9.91	12.29	5.96	8.74	130	161	78	114	144
Courtyard Salina	8.98	11.11	10.60	15.60	7.35	124	118	174	82	147
Holiday Inn Salina	9.73	8.07	7.70	11.33	5.34	83	79	116	55	83

Notes:

1 Occupancy × average daily rate.
2 Estimated based on capacity.
3 Property opened in April 2015.
4 Based on a partial year of operation for the Holiday Inn Salina.
5 Property's accommodated demand ÷ total demand accommodated in market.
6 Market share percentage ÷ fair market share.
7 Property's RevPAR ÷ market RevPAR.

Amenities Key

A = Restaurant(s)
B = Lounge(s)
C = Fitness Center
D = Indoor Swimming Pool
E = Complimentary Breakfast
F = Complimentary High-Speed Internet Access

Source: Properties concerned and CBRE Hotels

The table on the following page depicts trends in occupancy, ADR, RevPAR, supply and demand for the defined competitive supply since 2010. The market is sensitive to activities at Fort Riley and the impact of weather. New supply also has had an impact on occupancy levels, although they have been generally stable in the mid-60s. Despite the fluctuations in occupancy, however, rate has been steady.

Supply Additions: Based on our fieldwork, we have identified four additions to the competitive supply other than the subject hotel.

- The 97-room Hilton Garden Inn Salina is under construction at 3320 South 9th Street, proximate to the southeast quadrant of the I-135/Schilling Road interchange. The property, which is to include 12,000 square feet of meeting space, is expected to open by April 1, 2017.
- An 80-unit Holiday Inn Express & Suites is to be developed at 235 East Ash Street in Junction City, proximate to the northeast quadrant of the I-70/Washington Street interchange. Anticipated to open by October 1, 2017, it will replace the 60-room Holiday Inn Express Junction City.
- The 85-unit Fairfield Inn & Suites Alina is proposed for development at the intersection of Magnolia Road and Virginia Drive, proximate to the southwest quadrant of the I-135/ Magnolia Road interchange. It has been added to the competitive set as of April 1, 2018.
- A 113-unit Homewood Suites by Hilton is proposed as part of a redevelopment plan for downtown Salina. To be located on the north side of Mulberry Street between Santa Fe Avenue and 5th Street, the property is slated to open by May 1, 2018.

It also should be noted that conversion of the Salina Ambassador Hotel & Conference Center to a Radisson has been proposed. The 180-room hotel has over 10,000 square feet of meeting space. While the conversion is scheduled to occur in January 2017, it is our understanding the property is in poor condition and timing of renovations is uncertain although they have been promised for more than two years. Thus, the project is deemed tentative and has not been considered in our analysis. Should it reach fruition, however, the property would likely be competitive with the subject hotel for groups.

Should any directly competitive supply additions occur beyond the subject and those noted above, the estimates of occupancy (and possibly ADR) contained herein would thus be affected and a revision might be required.

HISTORICAL OCCUPANCY, ADR, REVPAR, SUPPLY AND DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA

Occupancy

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	YTD April	% Change	% Change YTD
2010	53.8%	61.4%	71.1%	65.5%	69.0%	85.2%	81.9%	74.3%	79.1%	81.0%	66.8%	46.9%	69.8%	63.0%	-	-
2011	43.2	48.7	62.1	61.4	65.3	83.6	79.4	71.6	72.7	72.0	59.0	45.3	63.5	54.0	-9.0%	-14.3%
2012	59.8	51.5	69.5	68.9	82.0	85.5	70.0	68.9	68.0	69.6	56.3	45.4	66.4	62.6	4.5	16.1
2013	50.6	51.1	59.7	59.0	64.1	77.7	73.2	73.2	67.1	69.0	58.6	48.3	62.7	55.2	-5.5	-11.9
2014	47.9	50.7	64.5	65.7	71.7	86.2	79.2	74.0	71.6	77.7	59.7	49.7	66.6	57.3	6.3	3.9
2015	51.0	54.6	70.1	68.8	68.5	78.5	79.4	67.8	68.9	70.6	58.5	44.4	65.3	61.5	-1.9	7.3
2016	46.7	51.3	57.9	66.6										55.6	-	-9.5
Avg	50.4%	52.5%	64.7%	65.3%	70.2%	82.6%	77.1%	71.5%	71.0%	73.1%	59.7%	46.6%	65.6%	58.3%		

ADR

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	YTD April	% Change	% Change YTD
2010	$79.66	$80.64	$84.08	$85.43	$84.88	$86.08	$85.16	$86.10	$85.30	$86.23	$85.72	$82.04	$84.61	$82.68	-	-
2011	83.93	85.38	86.42	85.29	87.99	88.30	86.38	87.48	88.88	90.00	86.76	84.16	87.00	85.36	2.8%	3.3%
2012	84.54	85.89	86.09	87.75	89.66	90.48	91.23	88.65	89.75	91.56	88.32	84.30	88.47	86.12	1.7	0.9
2013	85.26	84.51	87.05	88.55	90.61	91.63	91.95	91.33	91.01	90.97	91.13	87.68	89.64	86.48	1.3	0.4
2014	89.56	90.37	91.54	90.63	93.35	95.56	95.88	94.81	95.58	96.93	90.19	88.88	93.24	90.61	4.0	4.8
2015	91.78	92.57	96.24	96.08	95.81	97.21	98.25	94.06	95.29	96.67	92.15	86.83	94.91	94.53	1.8	4.3
2016	91.11	94.07	94.38	94.19										93.54	-	-1.0
Avg	$86.76	$87.91	$89.65	$90.22	$90.76	$91.87	$91.82	$90.60	$91.10	$92.26	$89.11	$85.79	$89.89	$88.81		

RevPAR

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	YTD April	% Change	% Change YTD
2010	$42.85	$49.51	$59.77	$55.98	$58.61	$73.34	$69.78	$64.01	$67.43	$69.86	$57.25	$38.46	$59.06	$52.06	-	-
2011	36.28	41.61	53.71	52.40	57.48	73.79	68.56	62.63	64.64	64.76	51.23	38.11	55.27	46.06	-6.4%	-11.5%
2012	50.56	44.26	59.82	60.42	73.48	77.34	63.83	61.07	61.07	63.77	49.68	38.25	58.71	53.95	6.2	17.1
2013	43.14	43.17	51.97	52.23	58.04	71.16	67.32	66.83	61.11	62.81	53.42	42.34	56.20	47.70	-4.3	-11.6
2014	42.93	45.83	59.02	59.52	66.96	82.41	75.98	70.19	68.42	75.29	53.80	44.21	62.14	51.91	10.6	8.8
2015	46.79	50.56	67.50	66.08	65.61	76.33	78.06	63.80	65.64	68.21	53.89	38.56	62.02	58.12	-0.2	12.0
2016	42.51	48.23	54.62	62.75										52.03	-	-10.5
Avg	$43.70	$46.18	$58.00	$58.90	$63.70	$75.87	$70.82	$64.78	$64.69	$67.47	$53.16	$39.98	$59.01	$51.81		

Supply

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	YTD April	% Change	% Change YTD
2010	19,716	17,808	19,716	19,080	19,716	19,080	22,258	22,258	21,540	22,258	21,540	22,258	247,228	76,320	-	-
2011	22,258	20,104	22,258	21,540	22,258	21,540	22,258	22,258	21,540	22,258	24,180	24,986	267,438	86,160	8.2%	12.9%
2012	24,986	22,568	24,986	24,180	24,986	24,180	24,986	24,986	24,120	24,924	24,120	24,924	293,946	96,720	9.9	12.3
2013	24,924	22,512	24,924	24,120	24,924	24,120	24,924	24,924	24,120	24,924	24,120	24,924	293,460	96,480	-0.2	-0.2
2014	24,924	22,512	24,924	24,120	24,924	24,120	24,924	24,924	24,120	24,924	24,120	24,924	293,460	96,480	0.0	0.0
2015	24,924	22,512	24,924	27,570	28,489	27,570	28,489	28,489	27,570	28,489	27,570	28,489	325,085	99,930	10.8	3.6
2016	28,489	25,732	28,489	27,570										110,280	-	10.4
Avg	24,317	21,964	24,317	24,026	24,216	23,435	24,640	24,640	23,835	24,630	24,275	25,084	286,770	94,624		

Demand

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	YTD April	% Change	% Change YTD
2010	10,605	10,933	14,014	12,503	13,613	16,255	18,237	16,547	17,029	18,031	14,386	10,434	172,587	48,055	-	-
2011	9,622	9,797	13,832	13,234	14,540	18,002	17,667	15,935	15,664	16,015	14,277	11,314	169,899	46,485	-1.6%	-3.3%
2012	14,944	11,629	17,362	16,650	20,477	20,669	17,482	17,213	16,412	17,359	13,568	11,308	195,073	60,585	14.8	30.3
2013	12,610	11,501	14,879	14,227	15,967	18,733	18,248	18,240	16,195	17,210	14,139	12,037	183,986	53,217	-5.7	-12.2
2014	11,948	11,417	16,070	15,841	17,878	20,802	19,751	18,452	17,266	19,360	14,388	12,397	195,570	55,276	6.3	3.9
2015	12,706	12,296	17,481	18,960	19,508	21,650	22,633	19,326	18,993	20,101	16,123	12,650	212,427	61,443	8.6	11.2
2016	13,293	13,193	16,488	18,369										61,343	-	-0.2
Avg	12,247	11,538	15,732	15,683	16,997	19,352	19,003	17,619	16,927	18,013	14,480	11,690	188,257	55,201		

Notes: The 82-room Hampton Inn Junction City opened in July 2010, the 88-unit Holiday Inn Express & Suites Salina opened in November 2011, the room count of the Best Western Midwest Inn & Suites was reduced by two in September 2012 and the 115-room Holiday Inn Salina opened in April 2015.

Source: STR, Inc.

Demand Analysis

Principal Sources of Demand: The principal sources of lodging demand for the defined competitive set are the commercial, group and leisure segments. From our analysis of the operating performance of the existing competitive properties, it is estimated that the total demand accommodated by these properties in 2015 was segmented as follows:

ESTIMATED ACCOMMODATED DEMAND SEGMENTATION
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
2015

Demand Segmentation	Annual Accommodated Room-Nights	Percent of Total Demand
Commercial	111,300	52%
Group	52,900	25
Leisure	48,200	23
Total	212,400	100%

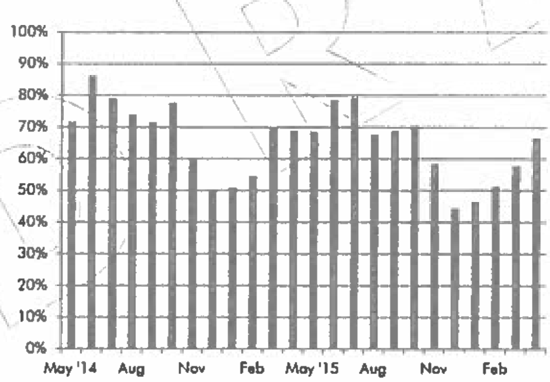
Seasonality of Demand: The subject market area is moderately seasonal, with area hotels achieving their highest occupancies during the summer months when family vacations usually occur. Sporting events at local universities have positive impact on October. As with most commercial markets, December and January typically are the weakest months of the year due to the holidays. Inclement weather also can suppress occupancies during the winter months. Disparities of up to 35 points in occupancy can occur between the winter and summer months. ADR levels, however, tend to remain fairly stead, fluctuating less than $10 throughout the year. The table and graphs below profile the trend in seasonality for the defined competitive set from May 2014 through April 2016.

SEASONALITY TRENDS
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
MAY 2014 THROUGH APRIL 2016

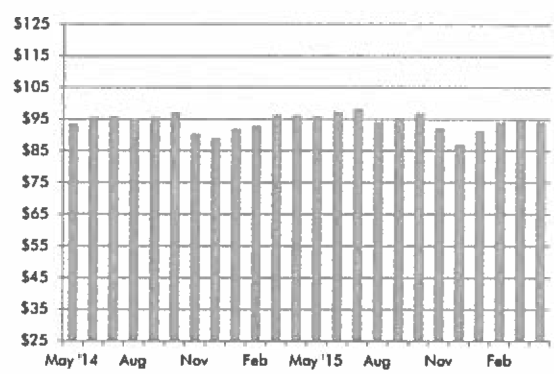
	Occupancy		Average Daily Rate	
Month	2014/2015	2015/2016	2014/2015	2015/2016
May	71.7%	68.5%	$93.35	$95.81
June	86.2	78.5	95.56	97.21
July	79.2	79.4	95.88	98.25
August	74.0	67.8	94.81	94.06
September	71.6	68.9	95.58	95.29
October	77.7	70.6	96.93	96.67
November	59.7	58.5	90.19	92.15
December	49.7	44.4	88.88	86.83
January	51.0	46.7	91.78	91.11
February	54.6	51.3	92.57	94.07
March	70.1	57.9	96.08	94.38
April	68.8	66.6	95.81	94.19

Source: STR, Inc.

MONTHLY OCCUPANCY



MONTHLY ADR



With the exception of being somewhat lighter during the summer months and holiday periods, commercial demand is fairly consistent on a year-round basis and generally is concentrated on Monday through Thursday nights. Group meetings are most prevalent during the spring and fall months, while social groups are more evenly spread throughout the year. Leisure demand is usually most prevalent during the summer months and on weekends consistent with typical vacation patterns.

The market occasionally reaches capacity during the peak months due to tourist activity, both mid-week when it overlaps with commercial demand and on weekends. Thus, we have included a level of unaccommodated demand in our analysis. The following table presents daily occupancy and ADR patterns for the three-year period ended April 2016.

OCCUPANCY AND ADR BY DAY OF THE WEEK
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
THREE YEARS ENDED APRIL 2016

Day of the Week	Occupancy	ADR
Sunday	44.1%	$89.38
Monday	64.1	93.34
Tuesday	71.4	94.44
Wednesday	71.3	94.40
Thursday	65.0	92.87
Friday	69.8	93.71
Saturday	67.9	93.83
Three-Year Average	64.8%	$93.36

Source: STR, Inc.

Future Demand: Future room-night demand for the commercial, group and leisure segments was estimated based upon an analysis of key economic and demographic indicators. For each segment, relevant factors were identified and weighted according to their relative impact on demand. The annual growth rates estimated for each segment are discussed in the following paragraphs.

Commercial Demand: This segment consists of demand generated by vendors, service representatives, corporate executives and other visitors to area businesses and industries. Transient government demand also is included here as are researchers at the Eisenhower Presidential Library. Those commercial travelers on a per diem, such as government employees, tend to choose lower-priced facilities offering a good price/value relationship (and often including complimentary food and beverage), while business people on an expense account consider the quality of the accommodations to be more important than the price charged. The federal per diem for the subject market area is $89 for fiscal 2016.

Commercial demand levels tend to reflect trends in employment, although in this case activities at Fort Riley such as deployments also can have significant influence. As previously mentioned, employment for the three communities housing the competitive set is forecast to grow between 0.6 and 1.2 percent compounded annually. Overall, demand is anticipated to increase at a moderate pace.

Group Demand: The group meetings market, on a national level, is diverse and can be delineated as follows:

- **Conventions:** Private groups or associations meeting to exchange ideas. National and regional associations generally prefer larger markets with activities for spouses. The subject market area's penetration of this subsegment is limited to small and medium-sized associations.

- **Conferences:** Small private groups conducting training sessions, sales presentations or exchanging ideas. The subject property should be well suited to these groups.

- **Assemblies:** These groups are typically large and usually require tiered seating. Examples are large religious events. The subject will not participate in this market.

- **Trade Shows:** The primary purpose of a trade show is to bring buyers and sellers together within a particular industry. These events typically require large amounts of exhibit space. In general, trade show promoters try to attract as many participants as possible; accordingly, they are often held in major cities with extensive transportation networks and large populations.

- **Consumer Shows:** These events are organized to sell goods and/or services directly to the public and are usually space intensive. Most attendees are from the local area which serves to limit economic impact. Accordingly, few hotel room-nights are generated.

- **Special Events:** Most of these events are entertainment oriented (e.g., athletic events, concerts, festivals, large banquets, etc.). Depending upon the event, a substantial number of room-nights can be generated.

The group demand accommodated by the competitive set consists of small corporate and association groups holding meetings or conducting training, supplemented by SMERF (social, military, educational, religious and fraternal) such as weddings and reunions as well as youth sports groups and bus tours.

Given that the group segment has elements of both commercial and leisure demand, its growth has been based upon the same factors influencing those segments.

<u>Leisure Demand:</u> The leisure demand segment includes through travelers on I-70 en route to other destinations, tourists visiting attraction in the area, attendees at special events, and visitors to friends and relatives. As a major interstate highway extending across a large portion of the U.S., highway motorists are a significant factor. Based on the annual average daily traffic counts on four locations between Junction City and Salina, traffic increased 1.8 percent compounded annually between 2010 and 2015. Overall, base levels of leisure demand growth area anticipated to be moderate.

<u>Overall Demand Growth:</u> The segmented growth rates and overall lodging demand growth anticipated for the subject lodging market area are as shown in the following table. The higher rates of growth through 2019 reflect the opening of the various supply additions. With the exception of the Holiday Inn Express & Suites Junction City, these properties will offer product types and/or affiliations heretofore unavailable in the market area. The Hilton Garden Inn and the subject in particular will expand the market's available meeting space. Accordingly, the new

hotels should draw a level of demand to the market by their presence and in-house marketing efforts.

ESTIMATED ANNUAL GROWTH RATES BY SEGMENT AND TOTAL DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
2015 THROUGH 2023

	Commercial		Group		Leisure		Total	
Year	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount
2015	-	119,800[1]	-	62,300[1]	-	57,700[1]	-	239,800[1]
2016	1.6%	121,700	2.1%	63,600	1.3%	58,400	1.7%	243,700
2017	5.1	127,900	7.5	68,400	3.7	60,600	5.4	256,900
2018	11.5	142,700	8.4	74,100	6.7	64,700	9.6	281,500
2019	6.3	151,600	8.1	80,200	5.7	68,300	6.6	300,100
2020	2.6	155,600	2.3	82,000	2.3	69,900	2.5	307,500
2021	2.2	159,100	1.8	83,500	1.9	71,200	2.0	313,800
2022	1.8	161,900	1.7	84,900	1.8	72,500	1.8	319,300
2023	1.8	164,800	1.7	86,400	1.8	73,900	1.8	325,100

[1] Includes unaccommodated demand as discussed herein.

Estimated Relationship of Supply to Demand

Based on the foregoing discussion of growth in demand for transient lodging facilities in the market area, together with our analysis of existing and foreseeable supply characteristics, the following table indicates resulting market occupancy levels estimated for the defined competitive supply from 2015 through 2023.

ESTIMATED RELATIONSHIP OF SUPPLY TO DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
2015 THROUGH 2023

Year	Estimated Rooms Supply Daily	Estimated Rooms Supply Annual	Estimated Annual Demand in Room-Nights Total[A]	Estimated Annual Demand in Room-Nights Accommodated	Estimated Market Area Occupancy[B]
2015	891[1]	325,085	239,800	212,400	65%
2016	919[2]	335,435	243,700	217,500	65
2017	1,012[3]	369,470	256,900	234,300	63
2018	1,236[4]	451,100	281,500	269,100	60
2019	1,394[5]	508,810	300,100	294,600	58
2020	1,394	508,810	307,500	301,900	59
2021	1,394	508,810	313,800	308,000	61
2022	1,394	508,810	319,300	313,500	62
2023	1,394	508,810	325,100	319,100	63

A Includes unaccommodated demand which, due to capacity constraints, is turned away from the market.

B Based on estimated levels of accommodated demand in the market area. Rounded to the nearest whole percentage point.

1 Existing competitive supply including a partial year of operation for the 115-room Holiday Inn Salina.

2 First full year of operation for the Holiday Inn Salina.

3 Partial year of operation for the 97-room Hilton Garden Inn Salina ad the 80-unit Holiday Inn Express & Suites Junction City.

4 First full year of operation for the Hilton Garden Inn Salina and the Holiday Inn Express & Suites Junction City. Partial year of operation for the 85-unit Fairfield Inn & Suites Salina and the 113-unit Homewood Suites by Hilton Salina Downtown.

5 First full year of operation for the Fairfield Inn & Suites Salina, the Homewood Suites by Hilton Salina Downtown and the subject 100-room select-service hotel.

ESTIMATED LEVELS OF UTILIZATION

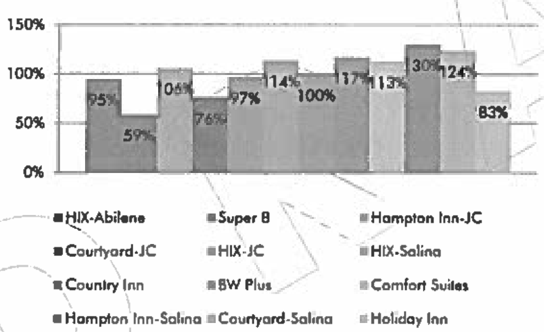
Projected levels of occupancy and average daily rate for the subject hotel are discussed in detail in this section. The bases of the estimates were determined through the evaluation of the subject property's competitive position, future supply and demand, and fair market share penetration rates, which also are presented.

Estimated Occupancy and Market Segmentation

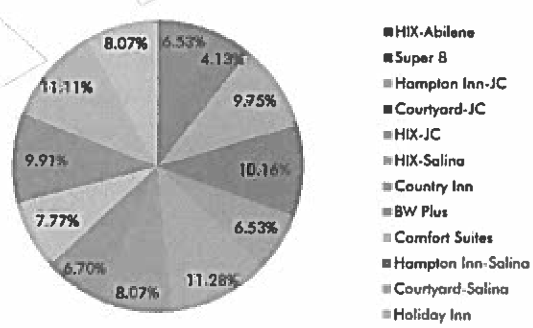
Prospective levels of utilization for the subject hotel have been analyzed for its first five full years of operation, 2019 through 2023. Our quantitative analysis anticipated the hotel's ability to capture future market area demand in terms of its "fair share" percentage of the competitive room supply. Fair market share is based on the ratio of the hotel's available guest rooms to the total market supply.

As discussed previously, there are 919 rooms in the competitive market. This number will increase to 1,394 in 2019 following the opening of 97-room Hilton Garden Inn Salina, the 80-unit Holiday Inn Express & Suites Junction City, the 85-unit Fairfield Inn & Suites Salina, the 113-unit Homewood Suites by Hilton Salina Downtown and the subject 100-room select-service hotel. Accordingly, the subject's fair market share will be 7.17 percent (100 ÷ 1,394). This fair market share is expected to remain constant through 2023. The existing competitive properties' estimated 2015 penetration as a percentage of fair market share and market capture percentage are depicted by the following graphs. These figures reflect a partial year of operation for the 115-room Holiday Inn Salina.

ESTIMATED 2015 PENETRATION



2015 MARKET CAPTURE PERCENTAGE



The proposed select-service hotel is anticipated to achieve penetration levels well below its fair market share in the commercial segment and significantly above its fair share in the group and leisure segments. Its overall penetration is projected to range between 89 and 100 percent of fair market share during the period analyzed. These projections are based on the following factors:

- The subject hotel should be recognized as Abilene's highest quality and only select-service property. Thus it should appeal to those guests desirous of the market's best accommodations
- At 100 rooms, the subject will be one of the largest hotels in the competitive set. By 2019, the average size of the competitors will be 82 rooms. This count will likely make it more difficult for the property to maintain occupancy levels during non-peak periods.
- It is assumed the subject will be affiliated with a strong brand not currently represented in Abilene and perhaps not in the defined market area.
- Amongst the competitors, only the Courtyard Junction City and the Hilton Garden Inn Salina will have similar or higher quantities of meeting space per guest room. A majority

of respondents to our survey of state association meeting planners indicated they would be somewhat to very likely to use the subject if appropriately configured. These organizations tend to hold one to four meetings per year which last two nights on average.

- Abilene does not have the corporate and government demand base enjoyed by Junction City and Salina. Thus, the subject is not expected to fully penetrate the commercial segment.
- Abilene has a concentration of tourist attractions and hosts a number of special events which draw a significant number of visitors. The subject's location in Abilene should enable it to achieve a market penetration substantially in excess of its fair market share in the leisure segment.

Based on the foregoing considerations and assuming competent management, the penetration rates by segment and the resulting estimated occupancy and corresponding room-nights for the subject were projected as shown below. The stabilized occupancy represents a long-term average. Year-to-year fluctuations can be expected in actuality, and the property may in fact achieve occupancies and/or rates (as discussed below) higher than those depicted here during the period of our analysis.

Estimated Average Daily Rate

The estimates of future average daily rate for the proposed luxury resort hotel are based on the following factors:

- The competitive advantages and disadvantages outlined previously;
- Anticipated rate structure relative to the competitive lodging supply; and
- Estimated economic inflation of 3.0 percent per annum.

ESTIMATED MARKET PENETRATION, OCCUPANCY AND MARKET SEGMENTATION
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS

	2019	2020	2021	2022	2023
Commercial					
Market Area Accommodated Demand	150,500	154,500	157,900	160,700	163,600
Subject's Capture Percentage	4.46%	4.84%	4.90%	4.90%	4.90%
Room-Nights Captured	6,700	7,500	7,700	7,900	8,000
Penetration as a Percentage of Fair Market Share	62%	67%	68%	68%	68%
Group					
Market Area Accommodated Demand	77,700	79,500	81,000	82,400	83,800
Subject's Capture Percentage	8.73%	9.40%	9.73%	9.73%	9.73%
Room-Nights Captured	6,800	7,500	7,900	8,000	8,200
Penetration as a Percentage of Fair Market Share	122%	131%	136%	136%	136%
Leisure					
Market Area Accommodated Demand	66,400	67,900	69,200	70,400	71,700
Subject's Capture Percentage	8.00%	9.01%	9.44%	9.44%	9.44%
Room-Nights Captured	5,300	6,100	6,500	6,600	6,800
Penetration as a Percentage of Fair Market Share	112%	126%	132%	132%	132%
Total					
Market Area Accommodated Demand	294,600	301,900	308,000	313,500	319,100
Subject's Capture Percentage	6.39%	6.98%	7.19%	7.19%	7.19%
Room-Nights Captured	18,800	21,100	22,100	22,500	22,900
Penetration as a Percentage of Fair Market Share	89%	97%	100%	100%	100%
Market Segmentation					
Commercial	35.6%	35.5%	34.8%	35.1%	34.9%
Group	36.2%	35.5%	35.7%	35.6%	35.8%
Leisure	28.2%	28.9%	29.4%	29.3%	29.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Projected Occupancy	52%	58%	61%	62%	63%

Average daily rates for each of the competitive properties in 2015 were as depicted in the following table.

ESTIMATED 2015 AVERAGE DAILY RATES
DEFINED COMPETITIVE SUPPLY
ABILENE AREA

Property	Average Daily Rate
Holiday Inn Express & Suites Abilene	$100-$104
Super 8 Abilene KS	55-59
Hampton Inn Junction City	85-89
Courtyard Junction City	85-89
Holiday Inn Express Junction City	90-94
Holiday Inn Express & Suites Salina	110-114
Country Inn & Suites Salina	80-84
Best Western Plus Midwest Inn & Suites	80-84
Comfort Suites Salina	85-89
Hampton Inn Salina	105-109
Courtyard Salina	110-114
Holiday Inn Salina	95-99
Market Average	$94.91

The rates for the Junction City hotels tend to be constrained by the government per diem. Accordingly, the Courtyard Salina and the Holiday Inn Salina are considered the best benchmarks for projecting ADR for the subject given their competitive branding. The rate achieved by the Holiday Inn reflects its first, partial year of operation. Thus, it is not representative of a stabilized rate. The Courtyard is 20 percent smaller than the subject. Respondents to the state association meeting planners survey indicated the average expenditure per guest room per night ranges between $76 and $125, with most responses falling between $100 to $125. A great majority of respondents also would expect to pay the same amount for a hotel in Abilene that they are paying now.

Considering the foregoing and assuming competent management, the subject property's ADR has been projected as depicted in the following table. The lower rates in 2019 and 2020 reflect discounting to induce trial.

ESTIMATED AVERAGE DAILY RATE
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023

Year	Constant 2015 Dollars	Inflated Dollars[1]
2019	$ 97.00	$109.25
2020	99.00	114.75
2021	100.00	119.50
2022	100.00	123.00
2023	100.00	126.75

[1] Inflated annually at 3.0 percent and rounded to the nearest $0.25. Inflation rates were based on the results of recent investor surveys.

FINANCIAL PROJECTIONS

Bases of Financial Projections

Estimates of cash flow before debt service and income taxes have been prepared for the property's first five years of operation, 2019 through 2023. All projections and calculations were based on an analysis of the recommended facilities, operating data for comparable hotels, the experience of the consultants and industry statistics for similar type properties. The data for four comparable properties with significant meeting space are presented on the following page (Comparables 1 through 4) along with a composite comprising seven select-service of highly similar size, occupancy and ADR (Comparable 5).

Although the comparables are similar in many physical respects, material differences in occupancy and ADR levels, labor markets and/or management philosophy can cause significant variations in financial performance. Consequently, we have utilized the comparable data as a guideline in evaluating the reasonableness of our estimates and have not attempted to explain variations between the comparable data by line item.

COMPARABLE OPERATING STATEMENTS
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
EXPRESSED IN 2015 DOLLARS

Comparable Number:	1	2	3	4	5
Property:	Select-Service Hotel	Select-Service Hotel	Select-Service Hotel	Select-Service Hotel	Composite
Number of Rooms:	118	135	126	110	101
Occupancy:	50.6%	69.6%	75.4%	77.4%	63.2%
Average Daily Rate (in 2015 dollars):	$84.09	$118.91	$112.19	$122.24	$99.70

	1				2			
	Amount (000s)	Percent	Amount/ Avail. Rm.	Amount/ Occ. Rm.	Amount (000s)	Percent	Amount/ Avail. Rm.	Amount/ Occ. Rm.
Revenues:								
Rooms	$1,837	68.3%	$15,572	$84.09	$4,076	61.5%	$30,194	$118.91
Food and Beverage	825	30.7	6,994	37.77	2,513	37.9	16,616	73.31
Minor Operated Departments	25	0.9	209	1.13	29	0.4	216	0.85
Miscellaneous Income (Net)	2	0.1	16	0.09	13	0.2	94	0.37
	2,689	100.0	22,790	123.08	6,631	100.0	49,120	193.45
Departmental Expenses:								
Rooms	499	27.2	4,232	22.86	826	20.3	6,115	24.08
Food and Beverage	587	71.1	4,976	26.87	1,213	48.3	8,985	35.39
Minor Operated Departments	4	17.6	37	0.20	20	70.3	152	0.60
	1,091	40.6	9,245	49.93	2,059	31.1	15,252	60.07
Gross Operating Income	1,598	59.4	13,545	73.15	4,572	68.9	33,868	133.38
Undistributed Operating Expenses:								
Administrative and General	300	11.1	2,540	13.72	467	7.0	3,459	13.62
Information and Telecommunications Systems	45	1.7	381	2.06	51	0.8	381	1.50
Management Fees	52	1.9	437	2.36	199	3.0	1,474	5.80
Marketing	353	13.1	2,991	16.15	754	11.4	5,588	22.01
Utility Costs	265	9.9	2,245	12.13	299	4.5	2,216	8.73
Property Operation and Maintenance	193	7.2	1,636	8.84	252	3.8	1,867	7.35
	1,207	44.9	10,231	55.25	2,023	30.5	14,985	59.02
Cash Flow From Operations Before Fixed Charges, Reserve For Replacement of Fixed Assets, Debt Service and Income Taxes	$391	14.5%	3,314	$17.90	$2,549	38.4%	$18,883	$74.36

	3				4			
	Amount (000s)	Percent	Amount/ Avail. Rm.	Amount/ Occ. Rm.	Amount (000s)	Percent	Amount/ Avail. Rm.	Amount/ Occ. Rm.
Revenues:								
Rooms	$3,889	67.2%	$30,862	$112.19	$3,798	59.9%	$34,529	$122.24
Food and Beverage	1,848	31.9	14,664	53.31	2,505	39.5	22,770	80.61
Minor Operated Departments	49	0.8	387	1.41	33	0.5	303	1.07
Miscellaneous Income (Net)	2	0.0	18	0.07	6	0.1	57	0.20
	5,787	100.0	45,931	166.97	6,343	100.0	57,660	204.12
Departmental Expenses:								
Rooms	847	21.8	6,722	24.44	742	19.5	6,742	23.87
Food and Beverage	1,311	71.0	10,405	37.82	1,776	70.9	16,142	57.15
Minor Operated Departments	27	55.0	213	0.77	25	75.1	228	0.81
	2,185	37.8	17,339	63.03	2,547	40.1	23,112	81.82
Gross Operating Income	3,603	62.2	28,592	103.94	3,800	59.9	34,548	122.30
Undistributed Operating Expenses:								
Administrative and General	443	7.7	3,515	12.78	454	7.2	4,129	14.62
Information and Telecommunications Systems	81	1.4	641	2.33	88	1.4	799	2.83
Management Fees	231	4.0	1,837	6.68	254	4.0	2,306	8.16
Marketing	635	11.0	5,043	18.33	753	11.9	6,847	24.24
Utility Costs	269	4.6	2,131	7.75	217	3.4	1,969	6.97
Property Operation and Maintenance	335	5.8	2,657	9.66	329	5.2	2,993	10.60
	1,994	34.5	15,825	57.53	2,095	33.0	19,042	67.41
Cash Flow From Operations Before Fixed Charges, Reserve For Replacement of Fixed Assets, Debt Service and Income Taxes	$1,609	27.8%	$12,767	$46.41	$1,706	26.9%	$15,506	$54.89

	5			
	Amount (000s)	Percent	Amount/ Avail. Rm.	Amount/ Occ. Rm.
Revenues:				
Rooms	$2,316	84.9%	$22,993	$99.70
Food and Beverage	380	13.9	3,769	16.34
Minor Operated Departments	28	1.0	280	1.21
Miscellaneous Income (Net)	5	0.2	47	0.20
	2,728	100.0	27,089	117.46
Departmental Expenses:				
Rooms	532	23.0	5,284	22.91
Food and Beverage	307	80.8	3,047	13.21
Minor Operated Departments	27	96.2	269	1.17
	866	31.7	8,600	37.29
Gross Operating Income	1,862	68.3	18,489	80.17
Undistributed Operating Expenses:				
Administrative and General	278	10.2	2,760	11.97
Information and Telecommunications Systems	45	1.6	442	1.92
Management Fees	82	3.0	818	3.55
Marketing	365	13.4	3,629	15.73
Utility Costs	121	4.4	1,201	5.21
Property Operation and Maintenance	169	6.2	1,679	7.28
	1,060	38.9	10,529	45.66
Cash Flow From Operations Before Fixed Charges, Reserve For Replacement of Fixed Assets, Debt Service and Income Taxes	$802	29.4%	$7,960	$34.51

Notes:
1. Percentages of departmental expenses are to departmental revenue; all other percentages are to total revenue.
2. Totals may not add due to rounding.

In preparing the financial projections, stabilized year amounts were projected first on the bases presented in the following table. The fixed and variable components of each line item were then estimated and the projections for the years prior to stabilization were prepared. The fixed and variable components presented in the table were based on industry standards and the consultants' experience.

BASES OF PROJECTIONS AND FIXED AND VARIABLE COMPONENT PERCENTAGES

Line Item	Basis	Fixed	Variable
Food Revenue	$45.00/occupied room	30%	70%
Beverage Revenue	$9.00/occupied room	30	70
Food & Beverage Other Income	$10.00/occupied room	30	70
Minor Operated Departments Revenue	$1.25/occupied room	10	90
Miscellaneous Income (Net)	$0.25/occupied room	5	95
Rooms Payroll	$14.00/occupied room	70	30
Rooms Other Expense	$10.00/occupied room	35	65
Food Cost	35.0% of food revenue	10	90
Beverage Cost	25.0% of beverage revenue	5	95
Food & Beverage Payroll	35.0% of food & beverage revenues	70	30
Food & Beverage Other Expense	10.0% of food & beverage revenues	35	65
Minor Operated Departments Expense	80.0% of MOD revenues	10	90
Administrative & General	$3,300/available room	75	25
Information & Telecommunications Systems	$400/available room	65	35
Management Fees	3.0% of total revenues	0	100
Marketing	$5,000/available room	75	25
Utility Costs	$8.00/occupied room	65	35
Property Operations & Maintenance	$1,900/available room	75	25
Property Taxes	$193,000 annually	100	0
Insurance	$375/available room	100	0
Replacement Reserve	4.0% of total revenues	0	100

Each line item was evaluated on the most appropriate basis for that particular revenue or expense. For example, rooms department payroll was projected on a "per occupied room" basis versus a percentage basis since increases in average daily rate do no result in corresponding increases in payroll.

Prospective revenues and expenses were first prepared and expressed in constant 2015 dollars. These amounts were then inflated at 3.0 percent annually and rounded to the nearest thousand dollars. The 3.0 percent inflation rate was selected based upon the results of recent investor surveys. Statements were then prepared in inflated dollars (see Exhibits I and I-A). If higher or lower inflation rates are experienced, these statements would thus be affected and a revision would be appropriate. All account classifications generally conform to the definitions prescribed in the Uniform System of Accounts for the Lodging Industry. All percentage relationships presented in the following pages were computed on the basis of the financial projections expressed in 2015 dollars. All dollar amounts are expressed in 2015 dollars unless otherwise noted.

Notes to Financial Projections

Revenues:

Room revenue is a factor of occupancy and average daily rate, both of which are driven by the competitive market environment, as discussed in the Estimated Levels of Utilization section of this report. The projected occupancy levels, average daily rates and total annual guest room sales are depicted in the financial analyses presented as Exhibit I.

Food revenue is derived from food sales as well as sales of coffee, milk, tea and soft drinks. Generally, food revenue includes sales generated in restaurants, lounges, room service and banquets. The extent of food revenue is driven by the size and type of food outlets in addition to the number of in-house guests. For this reason, comparative data may not be relevant.

Some hotel restaurants enjoy a significant level of local patronage while many are solely dependent upon in-house guests. To a degree, the same holds true for banquet activity. Revenue generated by in-house guests is directly related to occupancy and is therefore primarily variable. Conversely, revenue generated by local patrons is considered to be fixed.

Food revenue is projected to stabilize at $45.00 per occupied room.

Beverage revenue is derived from the sale of alcoholic beverages. Again, the size and nature of beverage outlets tend to dictate the level of beverage revenue. As with food, the fixed and variable components of beverage revenue are based upon the extent of local patronage. Beverage revenue is projected to stabilize at $9.00 per occupied room.

Other food and beverage income includes meeting room rentals, conference services, cover charges, miscellaneous banquet income and miscellaneous other income. This line item is usually less than 50 percent fixed. Other food and beverage revenue has been projected to stabilize at $10.00 per occupied room.

Total food and beverage revenues are estimated to stabilize at 64.00 per occupied room. Comparables 1 through 4, which are deemed most relevant with respect to food and beverage due to their substantial meeting space, range from $37.77 to $80.61 per occupied room.

Minor operated departments (MOD) revenue is derived from such sources as the sundry shop and guest laundry. MOD revenue has been projected to stabilize at $1.25 per occupied room. The comparable data range from $0.85 to $1.41 per occupied room.

Miscellaneous income is usually presented *net of expenses* and includes non-operating activities such as vending, commissions, interest income and cancellation fees. Miscellaneous income has been projected to stabilize at $0.25 per occupied room. The comparable data indicate a range of $0.07 to $0.37 per occupied room.

Based on the foregoing, total revenues are projected at approximately $167.00 per occupied room for year one, decreasing to and stabilizing at $165.50 per occupied room in year five. The comparable data range from $117.46 to $204.12 per occupied room. Comparables 1 through 4 depict a range of $123.08 to $204.12 per occupied room.

Departmental Expenses:

Rooms Department:

Rooms payroll includes regular pay, overtime pay, vacation pay, severance pay, incentive pay, holiday pay and bonuses for employees of the rooms department. Employee benefits such as payroll taxes, payroll-related insurance expense, pension and other related expenses are also included in rooms payroll. Specifically, rooms department personnel include the following:

Rooms division manager
Front office:
  Front office manager
  Room clerks
  Night clerks
Housekeeping:
  Housekeeper and assistants

Rooms payroll has been projected to stabilize at $14.00 per occupied room.

Rooms other expenses include commissions, contract cleaning, guest transportation, laundry/dry cleaning, linen, operating supplies, reservations, uniforms and miscellaneous other expenses of the rooms department. Complimentary services such as breakfast or cocktails also are included here. Rooms other expenses are estimated to stabilize at $10.00 per occupied room.

Total rooms department expenses are projected to stabilize at $24.00 per occupied room. The comparable data range from $22.86 to $24.44 per occupied room.

Food & Beverage Department:

Food cost represents the cost of food served to guests and the cost of food items furnished for employee meals. Food cost is presented net of trade discounts and income from the salvage of grease, bones, etc. Theoretically, food cost should be 100 percent variable. In reality, however, waste, spoilage and pilferage result in a small fixed component, say five to ten percent. Food cost is estimated at 35.0 percent of food sales.

Beverage cost includes the cost of wines, liquors, beers and other set-up items such as fruit, sugar, syrups and bitters. Transportation, duties, and storage costs are included while trade discounts and salvage income are deducted. Beverage cost is generally 90 to 95 percent variable and is estimated at 25.0 percent of beverage revenue throughout the projection period.

Food and beverage payroll includes regular pay, overtime pay, vacation pay, severance pay, incentive pay, holiday pay, bonuses and related benefits for the following personnel:

Food & beverage department manager
Kitchen:
- Chefs and assistants
- Preparation personnel
- Cooks
- Dishwashers
- Storeroom personnel
- Utility persons
- Cleaners

Service:
- Hosts/hostesses
- Severs
- Dining room attendants
- Room service personnel
- Banquet personnel
- Bartenders
- Bar attendants
- Stewards

Food and beverage payroll is projected to stabilize at 35.0 percent of food and beverage revenues.

Food and beverage other expenses include china, glassware, silver, linen, contract cleaning, kitchen fuel, laundry and dry cleaning, licenses, music and entertainment, operating supplies, uniforms and miscellaneous other expenses related to food and beverage operations. These expenses are projected at approximately 10.0 percent of food and beverage revenues throughout the projection period.

Total food and beverage department expenses are projected to stabilize at 73.1 percent of food and beverage revenues. The comparable data range between 48.3 and 80.8 percent. Four of the comparables depict a more narrow range of 70.9 to 80.8 percent.

Minor Operated Departments:

MOD expenses include all expenditures related to the operations of associated revenue-generating departments. MOD expenses are estimated at 80.0 percent of MOD revenues. The comparable data indicate a range of 17.6 to 96.2 percent. Four of the comparables depict a more narrow range of 55.0 to 96.2 percent.

Undistributed Operating Expenses:

Administrative and general (A&G) expenses tend to be a "catch-all" for items not easily classified. In theory, these expenses should benefit the entire property. Salaries and wages are a significant component of A&G and include the general manager, resident manager, manager's office personnel, night auditors, receiving clerks, timekeepers and personnel in the accounting, human resources, data processing and transportation departments. Other typical expenses classified as A&G include the following:

- Credit card commissions
- Data processing services
- Dues and subscriptions
- Human resources (training, relocation, etc.)
- Operating supplies
- Postage and delivery charges
- Contributions
- Professional fees
- Provision for doubtful accounts
- Travel and entertainment
- Cash overages and shortages
- Other expenses not classified elsewhere

Administrative and general expenses are projected to stabilize at $3,300 per available room. The comparable data range between $2,540 and $4,129 per available room.

Information and telecommunications systems expenses include all telecommunications-related labor expenses, administrative telecommunications costs, and the costs associated with complimentary phone and Internet services. These expenses are projected to stabilize at $400 per available room. The comparable data indicate a range of $381 to $799 per available room.

Management fees reflect the cost of management services and supervision of the property. Competition for management contracts has increased in recent years. As a result, fees charged have declined. Management fees are 100 percent variable and have been projected at 3.0 percent of total revenues.

Marketing expenses consist of five categories: sales, reservations, advertising/merchandising, fees/commissions and franchise/membership-related costs such as royalty and national advertising fees. With respect to sales and reservations, wages and benefits are a significant expense. Marketing expense varies widely depending upon property type. In a convention-oriented hotel, sales salaries may contribute the bulk of expenditures. These expenses have been projected to stabilize at $5,000 per available room. The comparable data range from $2,991 to $6,847 per available room.

Utility costs include electricity, gas, oil, coal, steam, water and sewage. Particular attention is given to local utility charges when projecting this item. The fixed portion of utility costs is based upon the amount of public space in a property. Hotels with extensive meeting space and numerous food and beverage outlets tend to have a higher fixed percentage than rooms only properties. Utility costs have been projected to stabilize at $8.00 per occupied room. The comparables indicate a range of $5.21 to $12.13 per occupied room. Four of the comparables depict a more narrow range of $5.21 to $8.73 per occupied room.

Property operation and maintenance (POM) expenses include wages and benefits for maintenance personnel, building supplies, electrical and mechanical equipment, engineering supplies, grounds and landscaping, operating supplies, waste removal, swimming pool maintenance and uniforms. Also included is the cost of materials and labor relating to painting, decorating and repairing furniture, fixtures and equipment (FF&E). The replacement of FF&E is not included.

POM expenses are projected to stabilize at $1,900 per available room. Since the hotel will be new at the beginning of the projection period, these expenses are expected to be significantly lower in the first two years of operation. The comparable data present a range of $1,636 to $2,993 per available room.

Fixed Charges:

Property taxes are projected at approximately $193,000 annually throughout the period analyzed based on the assessments of other hotels located in the same taxing jurisdiction (Dickinson County).

Insurance includes the cost of insuring the buildings and contents against damage or destruction by fire, weather, or other causes as well as general liability insurance. Insurance has been estimated at $375 per available room based on the comparable data and industry norms.

Reserve for Replacement of Fixed Assets:

Reserve for replacement of fixed assets represents an amount set aside each year in anticipation of needed capital improvements. This line item is almost always calculated as a percentage of total revenue and is usually set forth in management contracts. Most properties reserve anywhere from three to five percent of revenues. The amount is often lower in the early years of operation, increasing thereafter as the property ages. Reserve for replacement of fixed assets has been projected at 2.0 percent of total revenues in the first year of the projection period, 3.0 percent in the second year and 4.0 percent thereafter based on industry norms.

Expense Summary

Total expenses before fixed charges for the subject are projected at 87.8 percent of total revenues in year one, decreasing to and stabilizing at 79.1 percent in year five. The comparable data exhibit expense ratios before fixed charges of 61.6 to 85.5 percent. On a per occupied room basis, expenses before fixed charges for the subject are projected at approximately $146.70 per occupied room for 2019, decreasing to and stabilizing at approximately $130.85 per occupied room. The comparable data range between $82.95 and $149.23 per occupied room. Comparables 1 through 4 depict a more narrow range of $105.18 to $149.23 per occupied room.

Investment Summary

Based on the foregoing, we have prepared an investment summary as presented as Exhibit II reflecting hypothetical return levels given certain investment parameters. The following assumptions were employed:

INVESTMENT SUMMARY ASSUMPTIONS

Assumption	Amount
Project Costs (including land cost)	$14,000,000
Interest Rate	5.0 percent per annum
Terminal Capitalization Rate	9.5 percent
Sales Costs	2.0 percent
Amortization Period (monthly payments)	20 years
Debt Ratio	70 percent

As depicted by the investment summary, the project would generate a negative unleveraged IRR. Obviously, the returns will vary depending upon the actual project costs and debt terms. However, these return levels suggest the project is not economically feasible. Thus it will be necessary to provide economic incentives to bridge the gap. Incentives could take the form of tax abatements, tax increment financing, direct investment in project infrastructure, free or bargain priced land, etc. The precise value of the incentives will vary depending upon the project costs and deal structure. Nonetheless, it can be assumed that the benefits would materially alter investment returns. Based on our observation of other development projects, an unleveraged IRR of 8.00 to 12.00 percent and a leveraged IRR of 13.00 to 18.00 percent would likely be required.

TERMS AND CONDITIONS

The projections of occupancy, average daily rate and cash flow presented in this report are based on estimates, assumptions and other information developed from research of the market as of July 20, 2016, knowledge of the industry and other factors including certain information provided by you. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis may vary from the estimates, and these variations may be material. Further, the performance estimates assume the hotel will be professionally and effectively managed.

CBRE Hotels will make no representations or warranty as to the accuracy or completeness of the information contained within this report, including any estimates, and shall have no liability for any representations (expressed or implied) contained herein. This report is intended for your internal information only. Otherwise, neither our report, nor any reference to our firm, may be included or quoted in any offering circular or registration statement, prospectus, sales brochure or appraisal.

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We appreciate your consideration of CBRE Hotels for professional services. Please contact us should you have any questions regarding this report.

Sincerely,

CBRE Hotels

EXHIBIT I

PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
PROJECTED CASH FLOW FROM OPERATIONS BEFORE DEBT SERVICE AND INCOME TAXES
EXPRESSED IN THOUSANDS OF INFLATED DOLLARS
2019 THROUGH 2023

	2019		2020		2021		2022		2023	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Revenues:										
Rooms	$2,074	58.1%	$2,429	59.5%	$2,661	60.2%	$2,783	60.3%	$2,915	60.4%
Food and Beverage	1,462	41.0	1,615	39.6	1,720	38.9	1,791	38.8	1,864	38.7
Minor Operated Departments	27	0.8	31	0.8	33	0.8	35	0.8	36	0.8
Miscellaneous Income (Net)	5	0.2	6	0.2	7	0.2	7	0.2	7	0.2
	3,569	100.0	4,082	100.0	4,421	100.0	4,616	100.0	4,823	100.0
Departmental Expenses:										
Rooms	573	27.6	617	25.4	650	24.4	674	24.2	699	24.0
Food and Beverage	1,129	77.2	1,209	74.8	1,269	73.8	1,315	73.5	1,363	73.1
Minor Operated Departments	22	81.5	25	80.6	27	80.2	28	80.1	29	80.0
	1,724	48.3	1,851	45.3	1,945	44.0	2,017	43.7	2,091	43.4
Gross Operating Income	1,845	51.7	2,231	54.7	2,475	56.0	2,599	56.3	2,731	56.6
Undistributed Operating Expenses:										
Administrative and General	356	10.0	375	9.2	391	8.9	404	8.8	418	8.7
Information and Telecommunications Systems	42	1.2	45	1.1	47	1.1	49	1.1	51	1.1
Management Fees	107	3.0	122	3.0	133	3.0	138	3.0	145	3.0
Marketing	539	15.1	569	13.9	593	13.4	613	13.3	633	13.1
Utility Costs	194	5.4	207	5.1	217	4.9	225	4.9	233	4.8
Property Operation and Maintenance	171	4.8	198	4.9	225	5.1	233	5.0	241	5.0
	1,410	39.5	1,517	37.2	1,607	36.3	1,663	36.0	1,720	35.7
Cash Flow From Operations Before Fixed Charges	435	12.2	713	17.5	868	19.6	936	20.3	1,011	21.0
Fixed Charges:										
Property Taxes	218	6.1	224	5.5	231	5.2	238	5.2	245	5.1
Insurance	42	1.2	43	1.1	45	1.0	46	1.0	48	1.0
	260	7.3	268	6.6	276	6.2	284	6.2	293	6.1
Cash Flow From Operations Before Reserve For Replacement of Fixed Assets	175	4.9	446	10.9	593	13.4	652	14.1	718	14.9
Reserve For Replacement of Fixed Assets	71	2.0	122	3.0	177	4.0	185	4.0	193	4.0
Cash Flow From Operations Before Debt Service and Income Taxes	$104	2.9%	$323	7.9%	$416	9.4%	$468	10.1%	$525	10.9%
Statistics:										
Number of Rooms	100		100		100		100		100	
Percentage of Occupancy		52%		58%		61%		62%		63%
Average Daily Rate	$109.25		$114.75		$119.50		$123.00		$126.75	

Notes:
- Percentages of departmental expenses are to departmental revenue; all other percentages are to total revenue
- Totals may not add due to rounding.

EXHIBIT I-A

PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
PROJECTED ROOMS AND
FOOD AND BEVERAGE DEPARTMENTAL INCOME
EXPRESSED IN THOUSANDS OF INFLATED DOLLARS
2019 THROUGH 2023

	2019 Amount	2019 Percent	2020 Amount	2020 Percent	2021 Amount	2021 Percent	2022 Amount	2022 Percent	2023 Amount	2023 Percent
Rooms Department:										
Room Revenue	$2,074	100.0%	$2,429	100.0%	$2,661	100.0%	$2,783	100.0%	$2,915	100.0%
Payroll and Related Expenses	343	16.6	364	15.0	381	14.3	394	14.2	408	14.0
Other Expenses	229	11.1	253	10.4	269	10.1	280	10.1	291	10.0
Departmental Income	$1,501	72.4%	$1,812	74.6%	$2,011	75.6%	$2,110	75.8%	$2,216	76.0%
Food and Beverage Department:										
Revenues:										
Food	$1,022	69.9%	$1,133	70.1%	$1,208	70.2%	$1,259	70.3%	$1,311	70.3%
Beverage	213	14.6	231	14.3	243	14.1	253	14.1	262	14.1
Other	227	15.5	252	15.6	268	15.6	280	15.6	291	15.6
	1,462	100.0	1,615	100.0	1,720	100.0	1,791	100.0	1,864	100.0
Cost of Food Sales	363	35.5	399	35.2	424	35.1	441	35.0	459	35.0
Cost of Beverage Sales	53	25.1	58	25.1	61	25.0	63	25.0	66	25.0
Total Gross Profit	1,046	71.5	1,159	71.7	1,235	71.8	1,287	71.8	1,340	71.9
Payroll and Related Expenses	559	38.2	588	36.4	611	35.5	631	35.3	652	35.0
Other Expenses	153	10.5	165	10.2	173	10.1	180	10.0	186	10.0
Departmental Income	$334	22.8%	$406	25.2%	$451	26.2%	$475	26.5%	$501	26.9%

Notes:
- Percentages of departmental expenses are to departmental revenue.
- Totals may not add due to rounding.

EXHIBIT II

INVESTMENT SUMMARY
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS

Assumptions:

Loan Amortization Period (months):	240	Equity Amount:	$4,200,000
Interest Rate (monthly):	0.42%	Debt Amount:	$9,800,000
Cost per Room:	$140,000	Monthly Payment:	$64,676
Rooms:	100	Terminal Capitalization Rate:	9.50%
Total Costs:	$14,000,000	Sales Costs:	2.00%
Equity Percent:	30%		
Debt Percent:	70%		

	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Cash Flow Before Debt Service	$104,000	$323,000	$416,000	$468,000	$525,000	$540,000	$558,000	$574,000	$588,000	$605,000
Annual Debt Service (monthly amortization)	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108
Cash Flow After Debt Service	-672,108	-453,108	-360,108	-308,108	-251,108	-236,108	-218,108	-202,108	-188,108	-171,108
Cash On Cash Return	-16.00%	-10.79%	-8.57%	-7.34%	-5.98%	-5.62%	-5.19%	-4.81%	-4.48%	-4.07%
Unleveraged Internal Rate Of Return										-2.64%
Leveraged Internal Rate Of Return										N/A
Debt Service Coverage	0.13	0.42	0.54	0.60	0.68	0.70	0.72	0.74	0.76	0.78

Note: The foregoing is based upon market, financial and costs assumptions that may differ materially from actual circumstances. Accordingly, these projections should not be construed as results which actually will be achieved.