



Market Study

Proposed Lakefront Downtown Hotel in Lake Charles, Louisiana

Prepared For:

Ms. Lori Marinovich
Executive Director Lakefront/Downtown Development
City of Lake Charles
P.O. Box 900
Lake Charles, Louisiana 70602

Prepared By:

PKF Consulting USA
Houston, Texas

Date of the Report:

September 21, 2011

4-0996

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www.pkfc.com

September 21, 2011

Ms. Lori Marinovich
Executive Director Lakefront/Downtown Development
City of Lake Charles
P.O. Box 900
Lake Charles, Louisiana 70602

Dear Ms. Marinovich:

In accordance with our engagement letter dated May 4, 2011, we have completed our analysis of the potential market demand and projected operating performance for the proposed Lakefront Downtown Hotel to be located in Lake Charles, Louisiana. The conclusions reached are based upon our present knowledge of the competitive market resulting from our fieldwork completed August 12, 2011.

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

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

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

Sincerely,

PKF Consulting USA

A handwritten signature in black ink that reads "G. Randle McCaslin".

G. Randle McCaslin
Vice President / Practice Leader

**MARKET STUDY WITH
PROSPECTIVE FINANCIAL ANALYSIS
PROPOSED 150-ROOM HOTEL
LAKE CHARLES, LOUISIANA**

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**MARKET STUDY WITH
PROSPECTIVE FINANCIAL ANALYSIS
PROPOSED 150-ROOM HOTEL
LAKE CHARLES, LOUISIANA**

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ADDENDA

- A. Photographs of Subject Site
- B. Photographs of Competitive Supply
- C. Map of Competitive Supply
- D. Statement of Assumptions and Limiting Conditions
- E. Certification

SECTION I
EXECUTIVE SUMMARY

SCOPE AND METHODOLOGY

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

- Conducted an inspection of the subject site and the surrounding area in order to determine their impact on the proposed hotel.
- Assembled, reviewed and analyzed economic, demographic and real estate market data pertaining to the Lake Charles market area to evaluate the present economic climate and to estimate future growth potential, particularly as it relates to lodging demand.
- Interviewed representatives of the Southwest Louisiana Convention & Visitors Bureau, Southwest Louisiana Economic Development Alliance, Lake Charles Civic Center, City of Lake Charles, Lakefront/Downtown Development, local casino hotels and other local business representatives to gather data on current and future area growth and the demand for lodging and meeting facilities.
- Interviewed competitive hotels located within the market area to determine the degree of competition that they are likely to offer the proposed hotel, size and type of facilities available, and rate structure for the proposed hotel.
- Prepared a summary of historical market performance, including available rooms, occupied rooms, market occupancy, average daily room rate and revenue per available room for the period 2006 to 2010.
- Identified other proposed hotels to assess their probability of completion and the degree to which they will compete with the proposed hotel.
- Recommended the proposed concept, size and type of facilities, and amenities for the proposed hotel that were supported by the needs of the market.
- Estimated future competitive position and market performance of the subject proposed hotel for the period 2014 to 2016, the stabilized year.
- Based on the estimated future competitive position of the subject proposed hotel, prepared a schedule of prospective cash flow before debt service and income taxes for the subject hotel for the period 2014 to 2023.

CONCLUSIONS

A summary of the conclusions of this report follows:

- Corresponding to the national rebound, Lake Charles' recovery will pick up steam by the end of the year. The strength of the oil and gas industry, port activity, casino expansion and education-related projects will provide support for the lodging industry for the foreseeable future.
- The subject site is located in downtown Lake Charles, Louisiana, adjacent to the existing Lake Charles Civic Center, directly on the waterfront of Lake Charles. The area currently houses the offices of a variety of companies in the downtown area, as well as a marina and other tourist attractions along the lakefront.
- The following table presents the recommended facilities for the proposed hotel.

Recommended Facilities			
Proposed Lakefront Downtown Hotel			
Type of Hotel	Select Service		
Number of Guestrooms	150		
Hotel Meeting Space			
Ballroom	6,000	sq. ft.	divisible by 3 to 4
Board Room	500	sq. ft.	
Total	6,500	sq. ft.	
Amenities	Three Meal Restaurant Lobby Lounge Room Service Swimming Pool Business Center Fitness Center High Speed Internet Area Shuttle		
Recommended Brands	Hilton Garden Inn Courtyard by Marriott		
Source: PKF Consulting USA			

- With the recommended facilities, the hotel will offer many of the amenities and services necessary to serve the businesses and residents of the Lake Charles community. It would be important for the hotel to offer amenities expected by visitors such as a business center, meeting facilities, an area shuttle system and appropriate food and beverage facilities. A small ballroom that can be divided by three or four and a board room would help support the existing facilities within the civic center.
- The hotel would be best served by an affiliation with a major national brand with a strong reservation system. The Hilton Garden Inn or Courtyard by Marriott brands would bring strong reservation systems to the Lake Charles market and would be a good fit with the existing civic center.
- Based upon our review of the area, we have identified 15 hotels containing 1,227 rooms as the subject hotel's primary competition. These properties were included in the competitive supply based upon their location, facilities, brands, markets served and/or average daily rates. The degree of competition offered by each varies by property and market segment; however, generally these properties tend to be primarily oriented toward the Individual Business Traveler (IBT) and Leisure segments.
- The total competitive set has shown an average annual supply growth of 17.9% over the past five years. The total competitive set showed occupancies of 76.3% in 2006, declined slightly to 73.3% and 73.4% in 2007 and 2008. The market declined to 56.5% in 2009 and again to 55.4% in 2010 due to the large amount of new supply being added to the market as well as the effects of the national economic recession. As of June 2011 year-to-date, occupancy has increased to 59.7%.
- Average Daily Rates (ADR) remained stable in 2006 and 2007, increased in 2008, began to decline 2009 and again in 2010. June 2011 year-to-date shows ADR remaining stable. The decline in ADR during 2009 and 2010 was due to the additional supply in the market lowering rates to be competitive as well as the impact from the national economic recession.
- The following table summarizes the competitive market's mix of demand in 2010.

Competitive Set 2010 Mix of Demand		
Market Segment	Room Nights	Ratio
IBT	138,700	58%
Leisure	71,800	30%
Group	28,700	12%
Total	239,000	100%
Source: PKF Consulting USA		

- Currently, there is one hotel newly constructed in the Lake Charles area. It is considered to be competitive to the proposed hotel and was added to our analysis, as follows, along with the subject hotel. A 108-room SpringHill Suites opened in the summer of 2011. The subject property will include 150 rooms and is estimated to open in 2014.
- The market is projected to increase to 57% in 2011 and 2012 with the addition of the SpringHill Suites. The market grows to 59% in 2013 and remains at 59% in 2014 with the addition of the subject hotel. With no other additions to supply, market occupancies grow to 66% by 2016.
- The following table shows the projected market mix for the proposed hotel upon stabilization.

Proposed Lakefront Downtown Hotel			
2016 Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
IBT	20,000	52%	102%
Leisure	10,700	28%	98%
Group	7,800	20%	148%
Total	38,500	100%	107%

Source: PKF Consulting USA

- The proposed Lakefront Downtown Hotel is projected to receive substantially more than its fair share of demand from the Group segment due to its location adjacent to the Lake Charles Civic Center. The property is projected to receive more than its fair share of demand from the Independent Business Traveler (IBT) segment due to the subject's select-service nature and proximity to downtown Lake Charles. The property will likely receive slightly less than its fair share in the Leisure segment due to the subject's higher rates and distance from the limited-service properties that capture the majority of spill-over from the casinos.
- The estimated operating performance of the proposed hotel is, as follows:

Estimated Operating Performance			
Proposed Lakefront Downtown Hotel			
Year	Annual Occupancy	Average Daily Rate*	Net Operating Income
2014	60%	\$124	\$1,557,000
2015	66%	\$130	\$1,919,000
2016	70%	\$135	\$2,168,000
2017	70%	\$140	\$2,266,000
2018	70%	\$144	\$2,331,000

* Stated Year Dollars, rounded to the nearest dollar

The subject hotel is estimated to open in January 2014.

Based on an ADR of \$110 in 2010 dollars.

Source: PKF Consulting USA

SECTION II
AREA OVERVIEW

INTRODUCTION

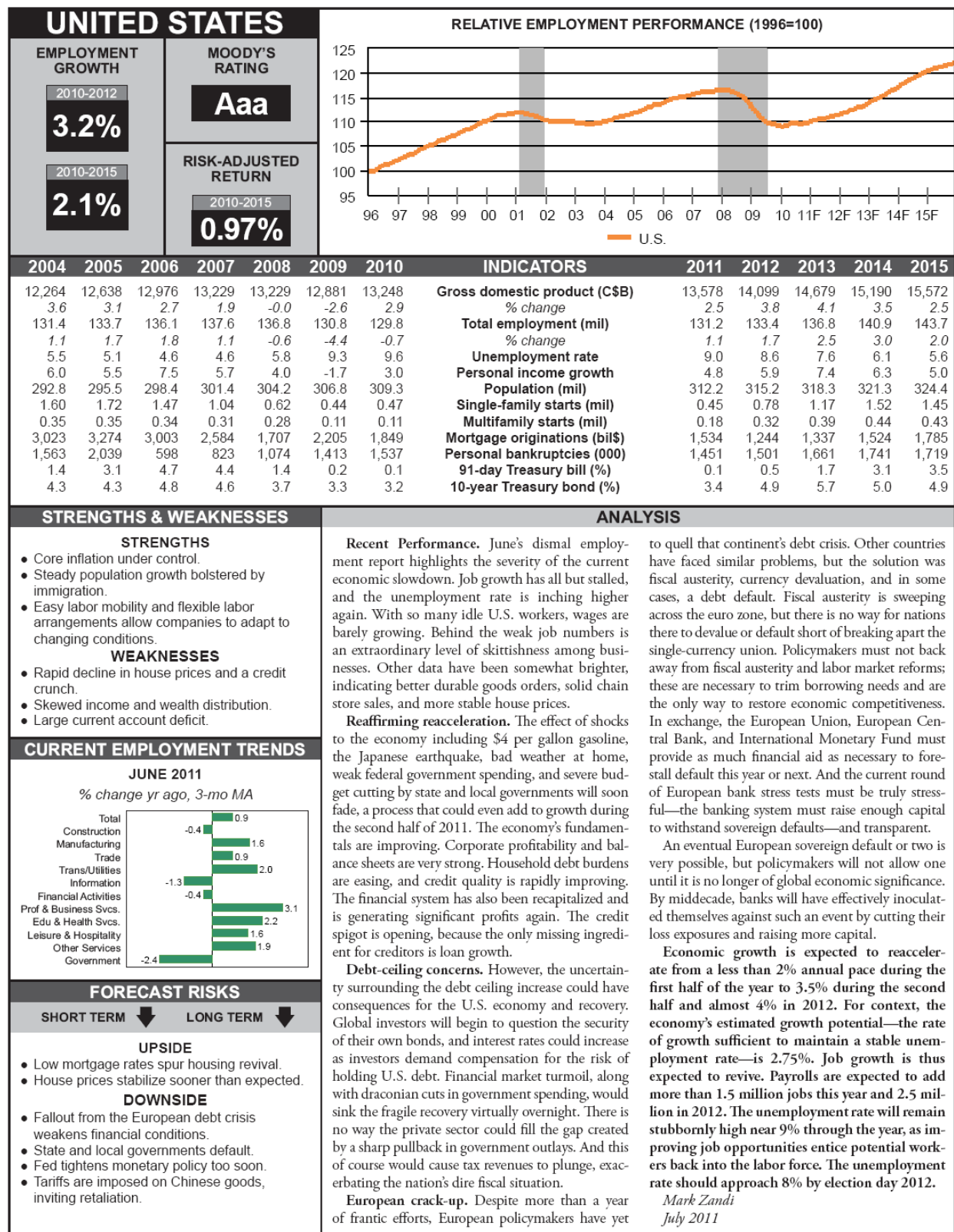
It is generally recognized that the relative success of a hotel is influenced by factors that can be broadly categorized as economic, governmental and environmental. Therefore, it is necessary to evaluate the dynamics of these factors within a market to understand their effect on the projected utilization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

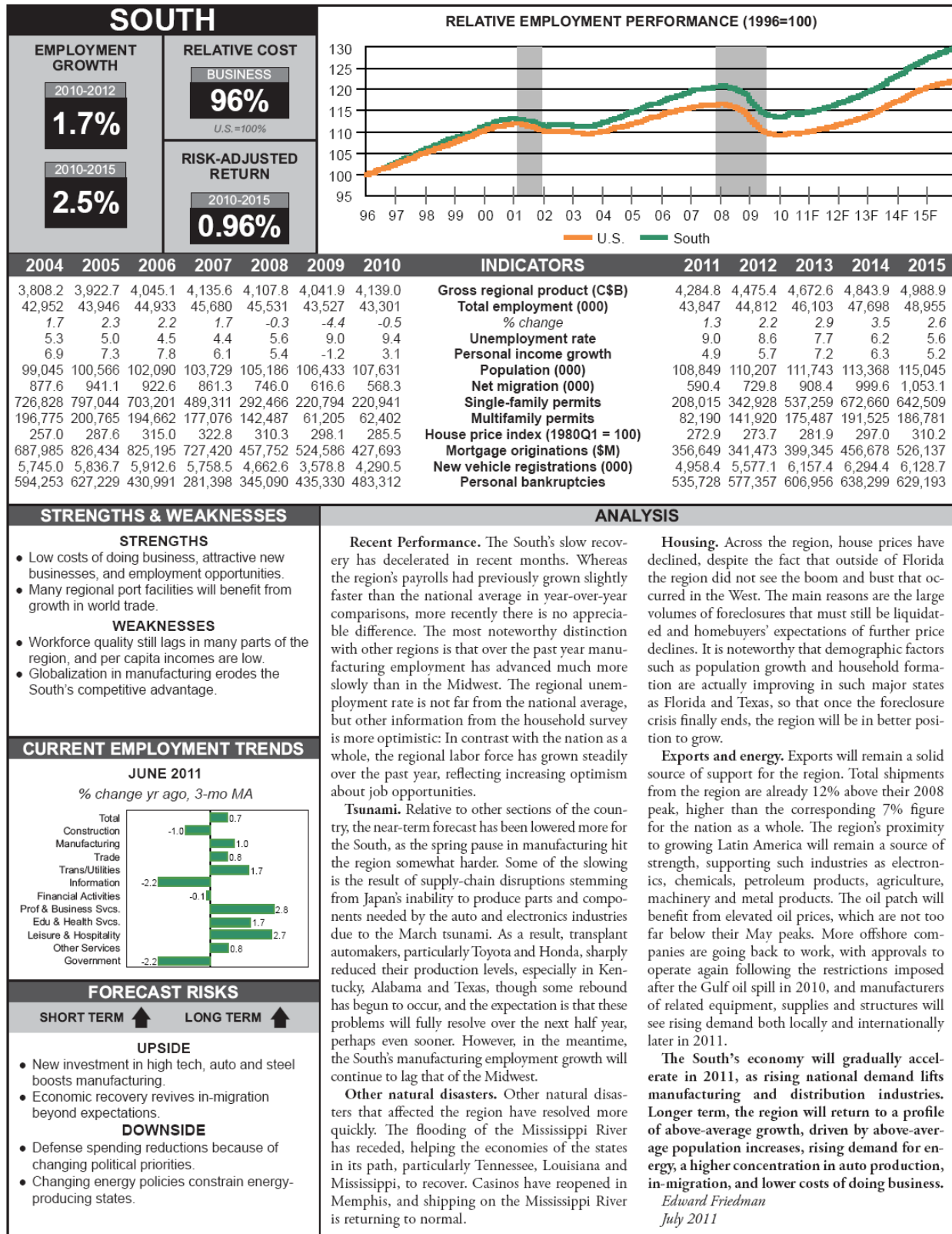
The proposed subject property will be located in Lake Charles, Louisiana, which is in Calcasieu Parish. Other cities located within Calcasieu Parish are Sulphur, DeQuincy, Iowa, Vinton and Westlake. Calcasieu Parish is located in Southwest Louisiana, between the Texas / Louisiana Border and Lafayette, Louisiana.

ECONOMIC AND DEMOGRAPHIC INDICATORS

Note: Economy.com provided the following demographic and economic data. Information relating to other topics has been obtained through a variety of media, including websites, publications, interviews or other sources considered reliable. PKF Consulting USA has reviewed and analyzed the Economy.com data.

The following pages present an economic snapshot of the United States, the South and Lake Charles, respectively.





FORECAST RISKS

SHORT TERM

LONG TERM

UPSIDE

- New investment in high tech, auto and steel boosts manufacturing.
- Economic recovery revives in-migration beyond expectations.

DOWNSIDE

- Defense spending reductions because of changing political priorities.
- Changing energy policies constrain energy-producing states.

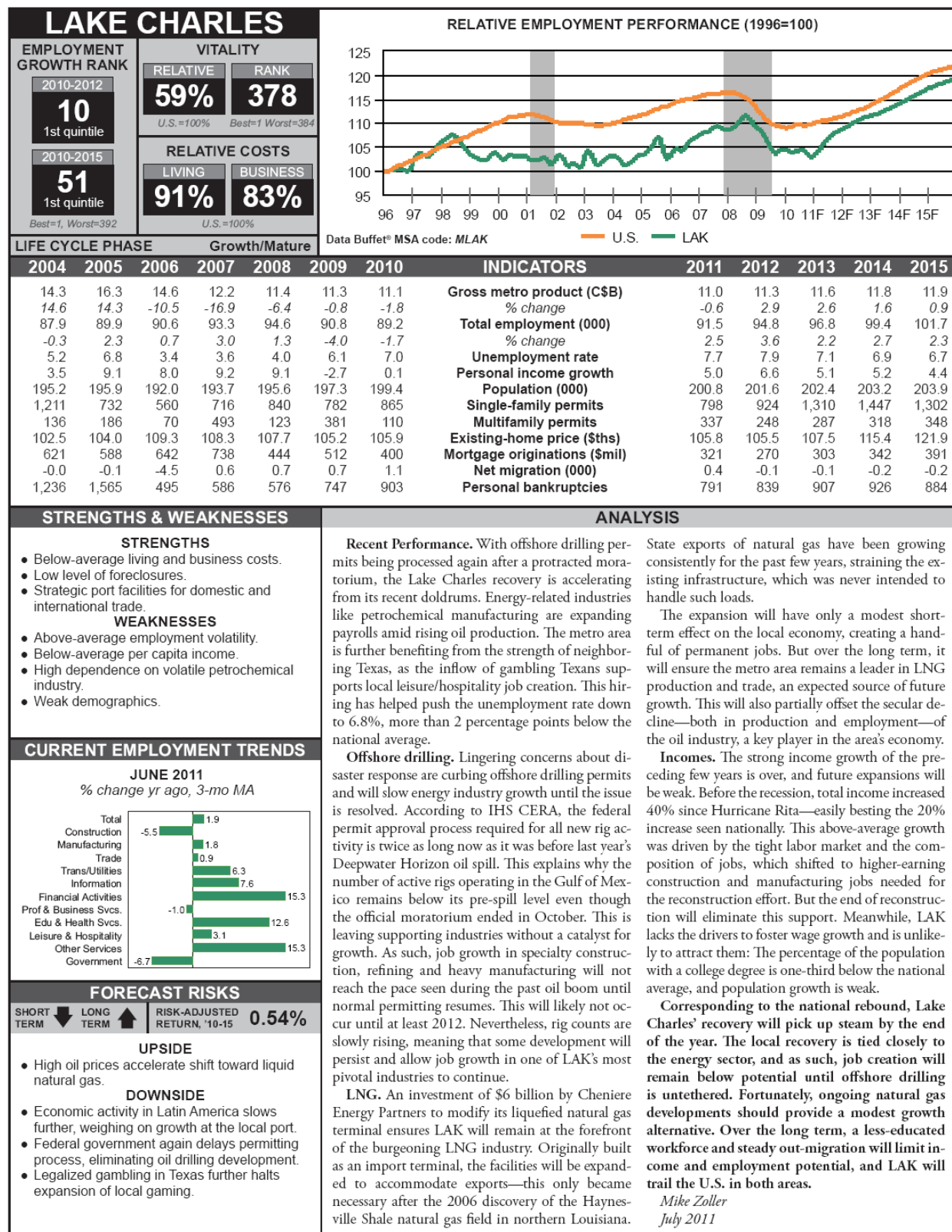
STRENGTHS & WEAKNESSES

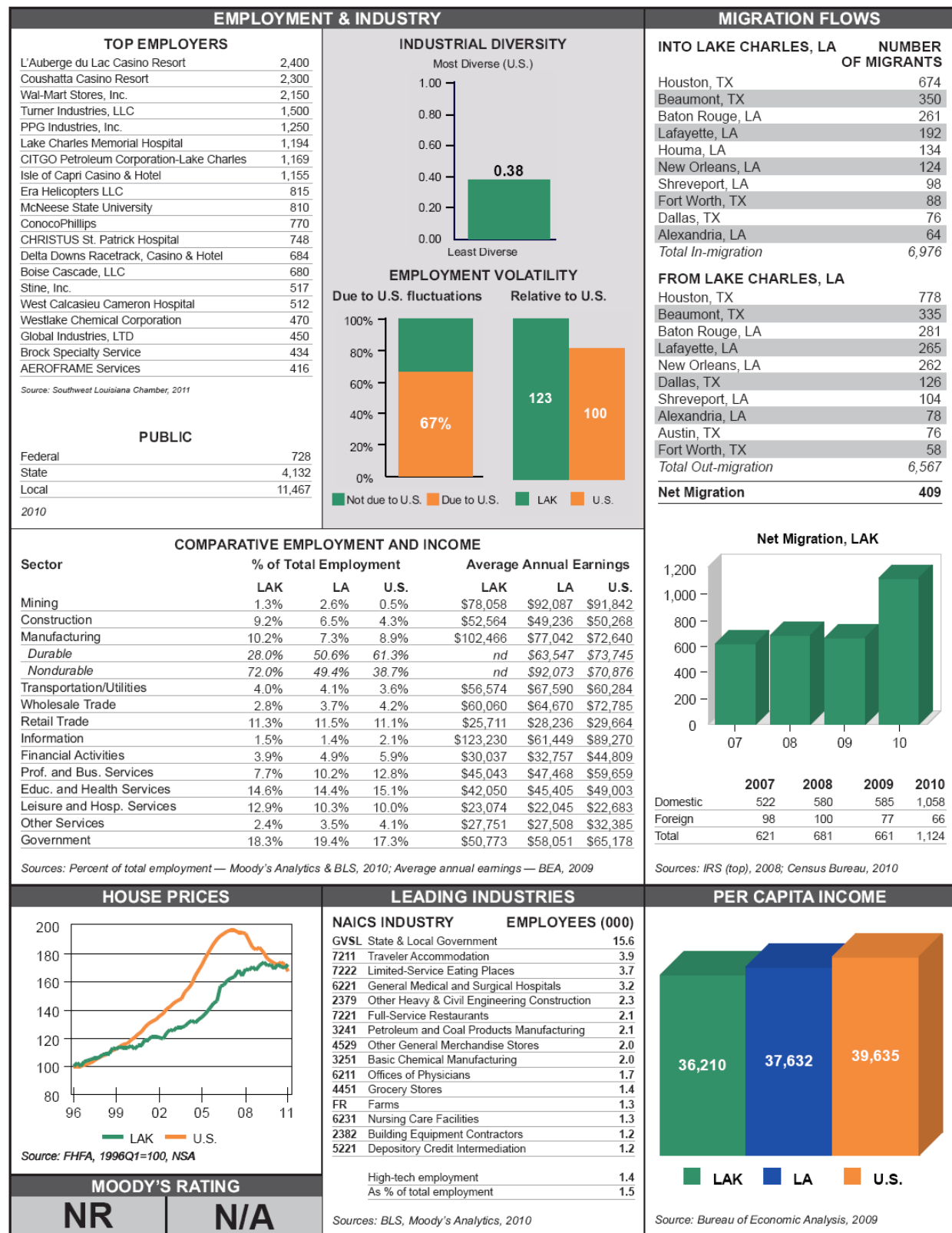
STRENGTHS

- Low costs of doing business, attractive new businesses, and employment opportunities.
- Many regional port facilities will benefit from growth in world trade.

WEAKNESSES

- Workforce quality still lags in many parts of the region, and per capita incomes are low.
- Globalization in manufacturing erodes the South's competitive advantage.

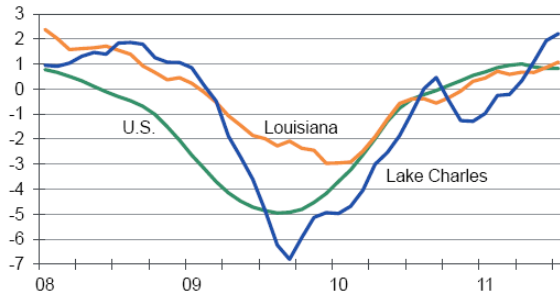




LAKE CHARLES

Oil Drilling Resumption Sparks Renewed Hiring

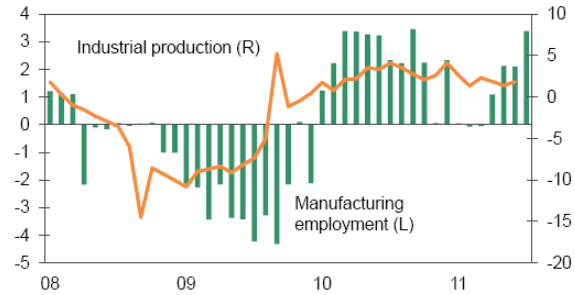
Employment, % change yr ago, 3-mo MA



Source: BLS

Production Rising, Supports Renewed Hiring

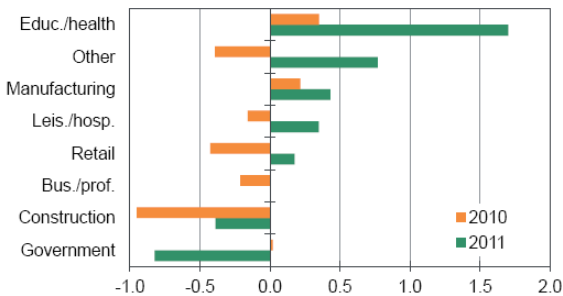
% change yr ago



Sources: BLS, Moody's Analytics

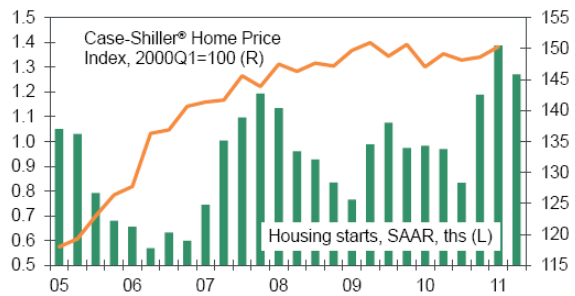
Public Sector Layoffs Will Slow Growth

Employment change, ths



Sources: BLS, Moody's Analytics

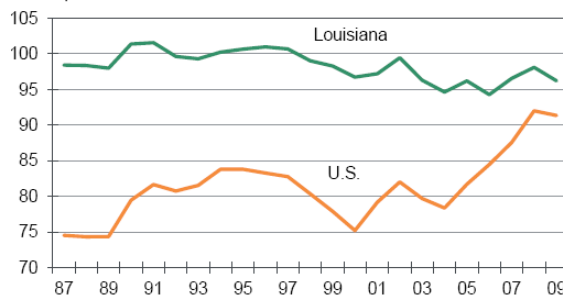
Housing Market Steadies, Ready for Growth



Sources: Fiserv, Census Bureau, Moody's Analytics

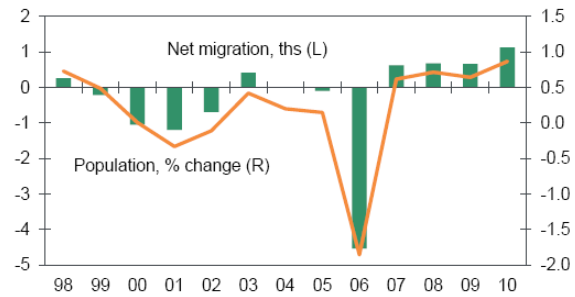
Hurricane Rebuilding Supports Income Growth

Per capita income indexed to...



Source: BEA

Demographics Stay Strong Post-Hurricane Rita



Sources: Census Bureau, Moody's Analytics

LAKE CHARLES OVERVIEW

The Lake Charles downtown area provides many options for leisure. On the shore of the fresh water lake is the only white sand inland beach on the Gulf Coast. A boardwalk stretches the length of the lakefront connecting the beach to a series of waterfront parks, including Millennium Park, the Veteran's Memorial Park and the September 11th Memorial. The city hosts many events on the lakefront including water sports shows, boat parades, firework displays and festivals. The Lake Charles Civic Center and Arcade Amphitheatre provide venues for a variety of live entertainment.

Downtown Lake Charles is the center point of economic growth for the city. Restaurants, shops, arts and cultural centers and other businesses attract visitors to this developing area. The Downtown Development Authority works with businesses to plan growth in the Downtown Historic District.

Downtown Development

Downtown development leaders have made incorporating the historical look into new buildings a priority. The City of Lake Charles has a unique downtown district that is quickly becoming the heart of the city. The City's lakefront and downtown area offer a variety of entertainment and economic options, attracting visitors, residents and businesses to the area.

As the Ryan Street Streetscape project continues to move north, Lake Charles city officials updated their projected schedule for the upcoming phases. The 15 phase project is currently in Phase 4 which began on August 30th and will last approximately 60 days with an anticipated deadline of November 5th. Phase 5 should be underway by then, slated to begin on October 29th with an anticipated deadline of December 8th. Phase 6 is scheduled to begin on November 30th and last until February 5, 2012.

One of the latest additions to the city following this philosophy is the Phoenix building on the corner of Ryan and Kirby Streets. Office windows capture sights of downtown, Ryan Street and historical buildings. The Phoenix Building is just one of many new projects that local residents can enjoy.

National Hurricane Museum and Science Center

The National Hurricane Museum and Science Center board members announced their new website initiative for the proposed plans to build the museum on the shore of Lake Charles. The project is estimated to cost about \$68 million, but must pass a vote of approval by the voters of Lake Charles before development plans can move forward. The vote is not for any new tax, but to ask for approval to move the building site closer to the downtown area. The museum will be the only science center that can save lives through education of meteorology, ecology and biology.

Demographics

For the purposes of this study, the assumed target market is the City of Lake Charles. The following table presents additional detail for the subject market area as well as for Calcasieu Parish and the Southwest Louisiana area.

Demographic Information			
	Southwest Louisiana	Calcasieu Parish	City of Lake Charles
Total Population			
2000 Census	283,429	183,577	71,757
2011 Estimate	287,010	188,313	72,405
2016 Projection	287,895	189,219	71,998
CAC ⁽¹⁾	0.1%	0.2%	0.0%
Number of Households			
2011 Estimate	108,950	72,747	29,108
Income (2011 Estimate)			
Average Household	\$54,548	\$56,487	\$52,641
Median Household	\$41,578	\$42,832	\$35,929
Per Capita	\$21,015	\$22,040	\$21,506
⁽¹⁾ CAC = Compound Annual Change			
Source: Southwest Louisiana Economic Development Alliance			

From 2000 through 2011, the geographic market area is estimated to grow from a population of 71,757 to 71,998. The average household income in 2011 is estimated at over \$52,000.

TRANSPORTATION

Lake Charles Regional Airport

The Lake Charles Regional Airport (LCH) began operation in 1961. LCH is a commercial air service and serves the air travel needs of the over 180,000 residents of Southwest Louisiana. Air service is provided by Continental Airlines and American Airlines. Continental provides service to their Houston hub six times daily which has connecting flights to virtually any place on the globe. American provides service to their Dallas/Fort Worth hub twice per day which has connecting flights worldwide. In addition to commercial air travel, the Lake Charles Regional Airport also serves general aviation and corporate travel needs.

The following table illustrates the historical airport passenger activity at Lake Charles Regional Airport over the period 2001 through 2010 and year-to-date August 2011.

Lake Charles Regional Airport		
Passenger Activity		
Year	Total Passengers	Percent Change
2001	96,758	---
2002	85,077	-12.1%
2003	79,590	-6.4%
2004	86,052	8.1%
2005	89,425	3.9%
2006	109,013	21.9%
2007	104,251	-4.4%
2008	90,731	-13.0%
2009	105,101	15.8%
2010	127,706	21.5%
CAC ⁽¹⁾	4.7%	-
Aug YTD 2010	82,958	-
Aug YTD 2011	80,019	-3.5%
⁽¹⁾ CAC = Compound Annual Change		
Source: Lake Charles Regional Airport		

Passenger activity had a compound average growth of 4.7% from 2001 to 2010. The large increase in passenger volume in 2006 is due to the increased activity resulting from Hurricane Katrina. The airport showed a decline of 4.4% and 13.0% in 2007 and 2008 and rebounded with strong growth of 15.8% in 2009 and 21.5% in 2010. As of August 2011 passenger activity declined slightly by 4.7% as compared to the same time during the previous year.

LCH is also home to two helicopter operators that service the oil and gas industries in Louisiana and the Gulf of Mexico. ERA Helicopters, LLC currently operates a large facility to perform maintenance, repair, training and painting services. LCH also serves as the headquarters for their parent company's (Seacor Inc.) helicopter operation.

Chennault International Airport

The Chennault International Airport's goal is to support business growth and expansion in Lake Charles, Louisiana. The airport provides potential sites that are available for sale with access to a 10,700 foot runway. The Part 139 Airfield caters to industrial and commercial companies. The State of Louisiana, Calcasieu Parish and the City of Lake Charles partner to offer incentives that support long term prosperity for the companies who do business in our area.

Two expansions at aerospace companies will bring approximately 130 new jobs and retain more than 500 jobs at the Chennault International Airport in Lake Charles, Louisiana. The Louisiana governor's office reports that defense contractor Northrup Grumman Technical Services Inc. will construct a 20,000-square foot assembly plant at the airport. This project will create 80 new jobs at an average annual salary of \$51,000 plus benefits and retain 217 existing jobs.

At the same time, Aeroframe Services LLC, an aircraft maintenance and repair contractor, will install a new tall dock that will increase its repair capacity. The company expects to create at least 50 new jobs at a minimum annual salary of \$50,000 plus benefits and retain more than 300 existing jobs. State incentives include \$1.2 million to Northrup Grumman and \$375,000 to Aeroframe. In addition, Chennault Airport will match the state's investments. The new expansion will add 100 additional direct jobs with an average salary of \$55,000 plus benefits

Port

The Lake Charles Harbor and Terminal District (Port of Lake Charles) was created under Act 67 of the Louisiana Legislature of 1924. The District encompasses 203 square miles in Calcasieu Parish and accommodates five million tons of cargo annually at its public facilities; it owns and operates two marine terminals, the City Docks, Bulk Terminal Number One and two industrial parks (Industrial Canal and Industrial Park East). The Port of Lake Charles is the 11th largest seaport in the U.S. The Ship Channel has a project depth of 40 feet and a bottom width of 400 feet. The Gulf Intracoastal Waterway intersects the Ship Channel 12 miles south of the City Docks.

The Port's Industrial Canal Terminal intersects with the Ship Channel and the Gulf Intracoastal Waterway. The Industrial Canal is three miles long, has a 1,400-foot by 1,400-foot turning basin at its east end, a project depth of 40 feet, and a bottom width of 400 feet. The principal cargo moving through the Port's terminals are bagged rice, flour and other food products, forest products, aluminum, petroleum coke and other petroleum products, woodchips, barites and rutile.

Governor Bobby Jindal joined IFG Port Holdings LLC CEO Kabir Ahmad and Union Pacific Railroad Chairman and CEO Jim Young to announce that the State of Louisiana, Port of Lake Charles, IFG and Union Pacific have finalized agreements necessary for IFG to launch a new, state-of-the-art export grain terminal at the Port of Lake Charles, the first of its kind to be built in the Gulf Coast region in about 25 years.

The project represents a capital investment by IFG of \$59.5 million and will create at least 36 new direct jobs. Louisiana Economic Development estimates that the 36 new direct jobs will result in approximately 20 new indirect jobs. IFG expects to begin construction on the terminal immediately and will require at least 200 construction workers.

Upon completion, the facility will handle agricultural products, such as Louisiana rice, wheat, corn, soybeans and dried distiller grain for shipment to other countries. The product entering the new grain terminal will originate from across the country and is expected to increase U.S. agricultural exports through Southwest Louisiana.

Highways

Highway transportation systems and ease of access can significantly affect demand for hotel accommodations. Lake Charles and its surrounding areas are well served by major highways that provide good regional access. I-10 is the major east/west highway connecting Lake Charles to Florida in the east and San Antonio and New Mexico to the west. State Highway 171 connects Lake Charles with Shreveport to the north.

MAJOR EMPLOYERS

Companies in Southwest Louisiana with at least 750 or more employees are listed in the following table.

Largest Employers	
Company	Number of Employees
Calcasieu Parish School System	5,000
L'Auberge du Lac Casino Resort	2,400
Coushatta Casino Resort	2,300
Turner Industries Group, LLC	1,500
PPG Industries, Inc.	1,250
Lake Charles Memorial Hospital	1,194
CITGO Petroleum Corporation	1,169
Isle of Capri Casino	1,155
Beauregard Parish School Board	865
Calcasieu Parish Sheriff's Office	835
Jefferson Davis Parish School Board	828
City of Lake Charles	820
Era Helicopters, LLC	815
McNeese State University	810
ConocoPhillips	770

Source: Southwest Louisiana Economic Development Alliance

Northrup Grumman has hired approximately 300 new, direct employees and approximately 200 additional contractors to date, and expects to maintain these levels throughout the contract period. In October 2010, Northrup Grumman reported it had already exceeded projected job creation levels related to its recent expansion at Chennault International Airport. Louisiana Economic Development now expects the project to generate approximately 700 new direct and indirect jobs, up from 452 jobs.

ENERGY

Oil and Gas

The petrochemical industry is the mainstay economically for the parish and the past decade has seen the aerospace and gaming industries broaden that base. Lake Charles is home to numerous energy-related companies operating on and offshore. The location of Lake Charles in close proximity to the oilfield and to the Port of Lake Charles which is only 34 miles from the Gulf of Mexico, the closest of any deep-water port in Louisiana, will benefit the area for many years to come.

Southwest Louisiana may be exporting natural gas as early as 2015. Cheniere Energy Partners is adding liquefaction services at the Sabine Pass LNG receiving terminal in Cameron Parish, which will allow it to export. The Sabine Pass site can readily accommodate up to four LNG trains capable of processing about two billion cubic feet of natural gas per day. The capacity of each liquefaction train would be about 3.5 million tons a year. The 853-acre Sabine Pass site is strategically situated to provide export services given its large acreage, proximity to unconventional gas plays in Louisiana and Texas, and its interconnections with multiple interstate and intrastate pipeline systems.

Sasol Ltd. announced plans to build the world's first commercial ethylene tetramerization unit on the 10/12 corridor capable of producing more than 100,000 metric tons per year of combined 1-octene and 1-hexene, at its production site in Lake Charles. Construction at the Lake Charles production site is set to begin in 2011 and the plant will reach beneficial operation in mid 2013. The product can be used in packaging, bags, toys and automotive interiors. The tetramerization unit is expected to bring \$175 million of capital investment, 36 new direct jobs at an average salary of \$62,000 and the retention of 350 existing jobs.

Westinghouse Electric Company will form a joint venture with engineering and construction company Shaw Group Inc. to build a facility in Lake Charles, Louisiana that will produce structural, piping and equipment modules for new nuclear power plants around the world. Global Modular Solutions, LLC, the name of the joint venture, will construct a 400,000-square foot facility on 300 acres at the Port of Lake Charles and hire approximately 1,400 new workers. The facility is the first of its kind in the United States and will produce steel, structural piping and equipment modules for new nuclear plants that utilize Westinghouse AP1000 technology.

CASINO DEVELOPMENT

The new \$400 million Mojito Pointe Casino project will generate 1,500 construction jobs over the next 2 years. When completed, it will employ 2,000 people with permanent jobs generating over \$72 million in wages for the local Lake Charles economy. There will be a ripple effect felt not only in Calcasieu Parish but throughout Southwest Louisiana. With the creation of permanent jobs and increased wages, individuals and management relocating to Lake Charles will need housing and others within the community will be able to buy homes.

Construction crews are pouring the deck for the sixth floor of a seven-story hotel expansion at the Coushatta Casino Resort. Construction of the \$60 million addition is expected to be open by mid 2012. The additional 401 rooms will bring the resort's room count to more than 950 which includes 18 luxury suites. The 250,000-square foot addition will feature a smoke-free lobby, bar, coffee shop and retail shop. The project is expected to create more than 1,000 construction jobs with 150 permanent employees once the hotel opens.

CONVENTION ACTIVITY

Lake Charles Civic Center

The Lake Charles Civic Center, with a sweeping view of the lake, has undergone major renovations with more upscale décor and plush seating along with high tech friendly equipment and versatile lighting options. The Civic Center has a variety of meeting space including a 22,440-square foot indoor arena with seating capacity for 8,000, an outdoor amphitheatre, an indoor performance theatre with seating for 2,050, a nearly 18,000-square foot exhibition hall, a ballroom with seating for up to 450 as well as a variety of pre-function space. The Civic Center overlooks Lake Charles and the I-10 beach. The Center is also the home of the Swashbucklers, a professional indoor football team.

Convention activity in Lake Charles from 2005 to 2012 is shown in the following table.

Lake Charles Southwest Louisiana Convention & Visitors Bureau					
Annual Convention Bookings					
Year	Number of Bookings	Room Nights Booked	Percent Change	Average Room Nights per Booking	Percent Change
2005	662	60,172	--	91	--
2006	466	64,071	6.5%	137	51.3%
2007	595	62,710	-2.1%	105	-23.3%
2008	685	75,729	20.8%	111	4.9%
2009	641	68,205	-9.9%	106	-3.8%
2010	600	62,817	-7.9%	105	-1.6%
Average	521	56,243	--	94	--
Future Convention Bookings					
2011	532	70,759	--	133	--
2012	64	30,283	--	473	--

Source: Lake Charles Southwest Louisiana Convention & Visitors Bureau

Room nights booked by the Convention and Visitors Bureau declined slightly in 2007. In 2008, the number of room nights booked increased dramatically as the energy industry became increasingly busy with the rise of oil prices. Room nights booked declined in 2009 and 2010 as a result of the national economic recession and the decreased demand for oil and energy related products. Current room nights booked for 2011 appear to be increasing as compared to 2010. The average number of room nights per booking increased greatly over 2010, showing an increase in the size of the groups coming to the area.

EDUCATION

McNeese State University

McNeese State University, founded in 1939, is located in Lake Charles, Louisiana. McNeese State University is an evolving comprehensive university with the primary educational mission to provide a wide range of baccalaureate and carefully selected graduate curricula, distinguished by academic excellence. Fundamental to this mission is the faculty commitment to excellence in teaching, research and creative scholarly activity. At McNeese, students can choose from more than 75 degree programs offered by the Colleges of Business, Education, Engineering and Technology, Liberal Arts, Nursing and Science, the Division of General and Basic Studies, and the Doré School of Graduate Studies.

The Southwest Louisiana Entrepreneurial and Economic Development or SEED Center is a 50,000-square foot project currently under construction across from McNeese State University campus. It will serve as an incubator for startup and existing small businesses and will also provide counseling and mentoring services in an effort to boost economic development in the region. Construction began in November 2010 and the project should be up and running by January 2013. McNeese State University furnished the property, federal grant money accounted for \$3.9 million and the development alliance contributed \$1 million. The SEED Center will host offices for the McNeese State University Small Business Development Center and College of Business, along with the headquarters of the development alliance.

SOWELA Technical Community College

An \$11.74 million construction project to expand SOWELA Technical Community College's nursing facilities will soon be under way. The project will allow the school to offer a new program and accept more students. Nursing is one of the largest degree programs offered at SOWELA and prospective students are being placed on a one-year waiting list because of space and faculty limitations. The 35,000-square foot, technology-rich facility, to be built at the corner of Sen. J. Bennett Johnson Avenue and Merganser, will fix this situation. In addition to its practical nursing program, SOWELA will offer an associates degree program for registered nurses, which will be moved from McNeese State University. The project will go out for bid in September 2011 and should be completed by the 2013 fall semester.

CONCLUSION

Corresponding to the national rebound, Lake Charles' recovery will pick up steam by the end of the year. The strength of the oil and gas industry, port activity, casino expansion and education-related projects will provide support for the lodging industry for the foreseeable future.

SECTION III
PROPERTY DESCRIPTION

LOCATION

The subject site is located in downtown Lake Charles, Louisiana, adjacent to the existing Lake Charles Civic Center, directly on the waterfront of Lake Charles. The area currently houses the offices of a variety of companies in the downtown area, as well as a marina and other tourist attractions along the lakefront.

SITE DESCRIPTION

Primary access to the site is by automobile via Bor Du Lac Drive, just off of the main thoroughfare of Veterans Memorial Boulevard/Lakeshore Drive/State Highway 385. The site offers excellent visibility from Bor Du Lac Drive as well as from the side of the Civic Center along Veterans Memorial Boulevard. The hotel site will be located adjacent to the Civic Center in a currently vacant lot. The hotel would likely benefit from being connected to the Civic Center via a covered walkway or sky bridge. Photographs of the site are located in Addendum A.

RECOMMENDED FACILITIES

The following table presents the recommended facilities for the proposed hotel.

Recommended Facilities			
Proposed Lakefront Downtown Hotel			
Type of Hotel	Select Service		
Number of Guestrooms	150		
Hotel Meeting Space			
Ballroom	6,000	sq. ft.	divisible by 3 to 4
Board Room	500	sq. ft.	
Total	6,500	sq. ft.	
Amenities	Three Meal Restaurant Lobby Lounge Room Service Swimming Pool Business Center Fitness Center High Speed Internet Area Shuttle		
Recommended Brands	Hilton Garden Inn Courtyard by Marriott		
Source: PKF Consulting USA			

With the recommended facilities, the hotel will offer many of the amenities and services necessary to serve the businesses and residents of the Lake Charles community. It would be important for the hotel to offer amenities expected by visitors such as a business center, meeting facilities, an area shuttle system and appropriate food and beverage facilities. A small ballroom that can be divided by three or four and a board room would help support the existing facilities within the civic center.

The hotel would be best served by an affiliation with a major national brand with a strong reservation system. The Hilton Garden Inn or Courtyard by Marriott brands would bring strong reservation systems to the Lake Charles market and would be a good fit with the existing civic center.

CONCLUSION

The subject site is located adjacent to the existing Lake Charles Civic Center in downtown Lake Charles with lakefront views and offers very good visibility and access. We consider the subject site to be well-located for the intended use. The proposed facilities program is appropriate for the market in type, size and quality. We believe it will afford the subject proposed hotel a competitive advantage in the area lodging market.

SECTION IV
HOTEL MARKET ANALYSIS

MARKET INTERVIEWS

In order to understand the needs of the Lake Charles community, as well as the facilities needed in the market, PKF Consulting USA (PKF) conducted a series of interviews. The interviews included representatives from the following entities.

Southwest Louisiana Convention & Visitors Bureau
 Southwest Louisiana Economic Development Alliance
 Lake Charles Civic Center
 City of Lake Charles
 Lakefront/Downtown Development
 Area Business Representatives
 Area Hotels
 Area Casino Hotels

COMPETITIVE SUPPLY

Based upon our review of the area, we have identified 15 hotels containing 1,227 rooms as the subject hotel's primary competition. These properties were included in the competitive supply based upon their location, facilities, brands, markets served and/or average daily rates. The degree of competition offered by each varies by property and market segment; however, generally these properties tend to be primarily oriented toward the Individual Business Traveler (IBT) and Leisure segments.

The competitive properties are listed in the following table. The photographs and location of the individual properties can be found in Addendum B and C, respectively.

Proposed Lakefront Downtown Hotel				
Competitive Set				
Property	Year Built	Number of Rooms	Total SF Meeting Space*	SF Per Room Ratio
Fairfield Inn & Suites Sulphur	1997	79	-	-
Hampton Inn Sulphur	1997	79	552	7
America's Best Suites Lake Charles Lakeshore	1998	111	600	5
Holiday Inn Express & Suites Sulphur	1998	84	1,250	15
Wingate by Wyndham Sulphur	1999	82	576	7
La Quinta Inn Lake Charles	2000	55	400	7
Holiday Inn Express & Suites Lake Charles	2001	81	-	-
Best Western Plus Executive Hotel Sulphur	2003	67	500	7
Comfort Inn Lake Charles	2008	71	-	-
La Quinta Inn & Suites Lake Charles	2008	75	158	2
Comfort Suites Lake Charles	2009	70	375	5
Comfort Suites Sulphur	2009	80	1,050	13
Holiday Inn Sulphur	2009	97	1,200	12
Holiday Inn & Suites Lake Charles South	2010	120	2,400	20
Wingate by Wyndham Lake Charles	2010	76	500	7
Total/Average		1,227	797	9
* Meeting space does not include prefunction space.				
Source: PKF Consulting USA				

The primary competitive set includes limited and select-service hotels in the Lake Charles area which compete for IBT and Leisure demand and are higher rated within the marketplace. The casinos in the market were not added to the competitive set of hotels. While the casinos may attract a large amount of the leisure demand to the area, they structure their rates differently due to a large amount of casino complimentary rooms and therefore are not directly competitive with the proposed hotel.

HISTORICAL MARKET PERFORMANCE

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

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2006	223,076	N/A	170,207	N/A	76.3%	\$92.18	N/A	\$70.33	N/A
2007	232,870	4.4%	170,694	0.3%	73.3%	91.97	-0.2%	67.41	-4.2%
2008	250,389	7.5%	183,786	7.7%	73.4%	99.06	7.7%	72.71	7.9%
2009	330,618	32.0%	186,799	1.6%	56.5%	93.09	-6.0%	52.60	-27.7%
2010	431,743	30.6%	239,186	28.0%	55.4%	88.12	-5.3%	48.82	-7.2%
CAAG	17.9%		8.9%			-1.1%		-8.7%	
10' YTD Jun	215,715	N/A	118,212	N/A	54.8%	\$88.71	N/A	\$48.61	N/A
11' YTD Jun	215,715	0.0%	128,782	8.9%	59.7%	87.79	-1.0%	52.41	7.8%

Source: PKF Consulting USA, Smith Travel Research

Occupied rooms grew at 8.9% per year from 2006 to 2010. Average Daily Rates (ADR) have fallen since 2009 with the impact of the national recession. The Revenue Per Available Room (RevPAR) declined sharply in 2009 and continued to decline in 2010 due to the large amount of new supply being added to the market as well as the effects of the national economic recession. However, as of June 2011 supply has remained flat, occupied rooms grew 8.9% , ADR is beginning to stabilize and RevPAR grew 7.8% as compared to the same time period during the previous year. This indicates the beginning of a recovery from the recession.

The total competitive set has shown an average annual supply growth of 17.9% over the past five years. The total competitive set showed occupancies of 76.3% in 2006, declined slightly to 73.3% and 73.4% in 2007 and 2008. The market declined to 56.5% in 2009 and again to 55.4% in 2010 due to the large amount of new supply being added to the market as well as the effects of the national economic recession. As of June 2011 year-to-date, occupancy has increased to 59.7%.

Average Daily Rates (ADR) remained stable in 2006 and 2007, increased in 2008, began to decline 2009 and again in 2010. June 2011 year-to-date shows ADR remaining stable. The decline in ADR during 2009 and 2010 was due to the additional supply in the market lowering rates to be competitive as well as the impact from the national economic recession.

FUTURE ADDITIONS TO COMPETITIVE SUPPLY

Currently, there is one hotel newly constructed in the Lake Charles area. It is considered to be competitive to the proposed hotel and was added to our analysis along with the subject hotel, as follows:

- A 108-room SpringHill Suites opened in the summer of 2011.
- The subject property will include 150 rooms and is estimated to open in 2014.

An abundance of limited service hotels have come online in the Lake Charles area with a specific target being the strong IBT and leisure markets.

MARKET DEMAND

Mix of Demand

The following table summarizes the competitive market's mix of demand in 2010.

Competitive Set 2010 Mix of Demand		
Market Segment	Room Nights	Ratio
IBT	138,700	58%
Leisure	71,800	30%
Group	28,700	12%
Total	239,000	100%
Source: PKF Consulting USA		

The proposed hotel will compete with the above listed properties for hotel demand. The total competitive set captures 58% of its demand from Individual Business Travelers (IBT), 30% from Leisure travelers and 12% from the Group segment.

IBT Demand

Based on the stability and resiliency of the Lake Charles economy, the IBT segment is expected to experience continued growth during the projection period. Based on interviews with local hotel operators, the growth of IBT demand is expected to be significant during the projection period due to the recovery from the recession. We estimate that IBT demand will increase 4.5% in 2011 and 2012, 4% in 2013 and 2014, followed by 3.5% in 2015 and 2016 and 3% thereafter.

We have also estimated the addition of 12,000 room nights of induced demand from 2011 through 2016, as the SpringHill Suites and subject property are added to the market. When new hotels are added to a market, they usually attract new business demand to the market.

Group Demand

We estimate that group demand growth will continue with 3% in 2011 through 2013, 4% in 2014 with the addition of the subject hotel adjacent to the civic center, 3.5% in 2015 and 3% in 2016 and thereafter.

The subject property with its proximity to the existing civic center will generate an increase in the amount of group demand attracted to a market. Therefore, we estimate that the subject hotel will provide the additional rooms needed to capture more meetings, which will result in 15,000 room nights of induced Group demand in 2014 and 2015.

Leisure Demand

Lake Charles area hotels indicated that Leisure demand is driven by the area casinos as well as a variety of lakefront activities.

We estimate that Leisure demand will increase by 3% in 2011 and 2012, 4% in 2013 and 2014, 6% in 2015 with the opening of the Mojito Pointe Casino, 5% in 2016 and returning to 3% thereafter. We estimate that the Lake Charles market will attract 12,000 room nights of induced Leisure demand from 2011 through 2016.

Key Assumptions

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

- Economic stability and recovery continues in the Louisiana market in general and Lake Charles area in particular.
- Recovery from the national economic recession continues.
- No major terrorist events or wars occur that have a material adverse impact on local travel volume.
- No natural disasters, such as major hurricanes, disrupt the local economy during the projection period.
- There are no new additions to the competitive supply other than noted previously.

Future Growth in Lodging Demand

Using the historical growth in the market as a base, we have estimated future growth in overall market demand. The following table presents the estimated future growth in the lodging supply and demand of the competitive market from 2010 through 2016.

Proposed Lakefront Downtown Hotel Competitive Market Estimated Future Growth in Lodging Supply and Demand 2010 - 2016							
	2010	2011	2012	2013	2014	2015	2016
ROOMS SUPPLY	906						
Additions/(Deletions) to Supply							
Proposed Lakefront Downtown Hotel					150		
Primary Competition	277						
Springhill Suites		54	54				
Cumulative Rooms Supply	1,183	1,237	1,291	1,291	1,441	1,441	1,441
Total Annual Rooms Supply	431,743	451,453	471,163	471,163	525,913	525,913	525,913
Growth Over the Prior Year	30.6%	4.6%	4.4%	0.0%	11.6%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR	2010						
IBT	138,728	58%					
Leisure	71,756	30%					
Group	28,702	12%					
TOTAL DEMONSTRATED DEMAND	239,186	100%					
INDUCED/(UNSATISFIED) DEMAND							
IBT		2,000	1,000	0	6,000	3,000	0
Leisure		5,000	2,500	0	3,000	1,500	0
Group		0	0	0	10,000	5,000	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		7,000	3,500	0	19,000	9,500	0
GROWTH RATES							
IBT		4.5%	4.5%	4.0%	4.0%	3.5%	3.5%
Leisure		3.0%	3.0%	4.0%	4.0%	6.0%	5.0%
Group		3.0%	3.0%	3.0%	4.0%	3.5%	3.0%
PROJECTED DEMAND							
IBT							
Demonstrated	138,728	144,970	153,584	160,767	167,198	179,260	188,639
Induced/(Unsatisfied)	0	2,000	1,000	0	6,000	3,000	0
Total	138,700	147,000	154,600	160,800	173,200	182,300	188,600
Growth Over Prior Year	N/A	6.0%	5.2%	4.0%	7.7%	5.3%	3.5%
Leisure							
Demonstrated	71,756	73,908	81,276	87,127	90,612	99,228	105,765
Induced/(Unsatisfied)	0	5,000	2,500	0	3,000	1,500	0
Total	71,800	78,900	83,800	87,100	93,600	100,700	105,800
Growth Over Prior Year	N/A	9.9%	6.2%	3.9%	7.5%	7.6%	5.1%
Group							
Demonstrated	28,702	29,563	30,450	31,364	32,618	44,110	50,583
Induced/(Unsatisfied)	0	0	0	0	10,000	5,000	0
Total	28,700	29,600	30,500	31,400	42,600	49,100	50,600
Growth Over Prior Year	N/A	3.1%	3.0%	3.0%	35.7%	15.3%	3.1%
Total Market Demand	239,200	255,500	268,900	279,300	309,400	332,100	345,000
Growth Over Prior Year	N/A	6.8%	5.2%	3.9%	10.8%	7.3%	3.9%
Market Occupancy	55%	57%	57%	59%	59%	63%	66%
Source: PKF Consulting USA							

The market is projected to increase to 57% in 2011 and 2012 with the addition of the SpringHill Suites. The market grows to 59% in 2013 and remains at 59% in 2014 with the addition of the subject hotel. With no other additions to supply, market occupancies grow to 66% by 2016.

SECTION V
ESTIMATED HOTEL PERFORMANCE

METHODOLOGY

In formulating our estimates of the subject property's position in the competitive market, we considered its fair market share and potential ability to penetrate the market. Fair market share is defined as the percentage of demand allocated to a given property based on its ratio of available guestrooms to the total number of rooms in the competitive market. For example, the proposed subject hotel has 150 of the competitive market's 1,441 available rooms (including the subject hotel and other additions to supply), equating to a fair market share of 10.4% (150 divided by 1,441) in 2014.

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

EXPECTED COMPETITIVE POSITION

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

- The subject will be well-located in proximity to the lakefront in downtown Lake Charles and the existing Lake Charles Civic Center.
- The hotel will be developed, designed and furnished with upscale, quality facilities and amenities, as described in this report.
- The hotel will be competently managed, aggressively marketed and will maintain high levels of service throughout the hotel.

ESTIMATED SUBJECT PERFORMANCE

The subject is expected to achieve a strong competitive position within the local hotel market. The estimated subject's performance is shown in the following table.

Proposed Lakefront Downtown Hotel Market Penetration and Projected Occupancy			
	2014	2015	2016
TOTAL ROOM NIGHTS AVAILABLE			
Proposed Lakefront Downtown Hotel	54,750	54,750	54,750
Competitive Market	525,913	525,913	525,913
	=====	=====	=====
Fair Share of Supply	10.4%	10.4%	10.4%
	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND			
IBT	173,200	182,300	188,600
Leisure	93,600	100,700	105,800
Group	42,600	49,100	50,600
	-----	-----	-----
TOTAL	309,400	332,100	345,000
	-----	-----	-----
FAIR SHARE OF DEMAND			
IBT	18,000	19,000	19,600
Leisure	9,700	10,500	11,000
Group	4,400	5,100	5,300
	-----	-----	-----
TOTAL	32,100	34,600	35,900
	-----	-----	-----
SUBJECT PENETRATION			
IBT	98%	100%	102%
Leisure	92%	95%	98%
Group	136%	144%	148%
	-----	-----	-----
ROOM NIGHTS CAPTURED			
IBT	17,700	19,000	20,000
Leisure	9,000	9,900	10,700
Group	6,000	7,400	7,800
	-----	-----	-----
TOTAL CAPTURED DEMAND	32,700	36,300	38,500
	=====	=====	=====
MARKET SHARE CAPTURED	10.6%	10.9%	11.2%
OVERALL MARKET PENETRATION	102%	105%	107%
	-----	-----	-----
SUBJECT OCCUPANCY	60%	66%	70%
	-----	-----	-----
MARKET MIX			
IBT	54%	52%	52%
Leisure	28%	27%	28%
Group	18%	20%	20%
	-----	-----	-----
TOTAL	100%	100%	100%
	=====	=====	=====
Source: PKF Consulting USA			

The subject is expected to achieve an occupancy of 60% in its opening year, grow to 66% in 2015 and stabilize in its third year (2016) of operation at 70%. Upon stabilization, the subject is projected to penetrate the market at 107% of its fair share.

Demand Segmentation

The following table shows the projected market mix for the proposed hotel upon stabilization.

Proposed Lakefront Downtown Hotel			
2016 Mix of Demand and Market Penetration			
Market Segment	Room Nights	Ratio	Penetration
IBT	20,000	52%	102%
Leisure	10,700	28%	98%
Group	7,800	20%	148%
Total	38,500	100%	107%
Source: PKF Consulting USA			

The proposed Lakefront Downtown Hotel is projected to receive substantially more than its fair share of demand from the Group segment due to its location adjacent to the Lake Charles Civic Center. The property is projected to receive more than its fair share of demand from the Independent Business Traveler (IBT) segment due to the subject's select-service nature and proximity to downtown Lake Charles. The property will likely receive slightly less than its fair share in the Leisure segment due to the subject's higher rates and distance from the limited-service properties that capture the majority of spill-over from the casinos.

ESTIMATED AVERAGE DAILY RATE

The five years of occupancy and average daily rate projections are shown in the following table.

Estimated Occupancy & ADR		
Proposed Lakefront Downtown Hotel		
Year	Annual Occupancy	Average Daily Rate*
2014	60%	\$124
2015	66%	\$130
2016	70%	\$135
2017	70%	\$140
2018	70%	\$144
* Stated Year Dollars, rounded to the nearest dollar		
The subject hotel is estimated to open in January 2014.		
Based on an ADR of \$110 in 2010 dollars.		
Source: PKF Consulting USA		

The proposed Lakefront Downtown Hotel is projected to be the rate leader within the competitive set as the newest, most full-service property. The subject hotel will however be priced below the local casinos due to their resort-style amenities and leisure attractions on-site. We project that the subject hotel should achieve an ADR approximately \$20 higher than the other hotels in the competitive set. We have projected the average daily rate for the subject hotel based on an ADR of \$110 in 2010 dollars.

SECTION VI
PROSPECTIVE FINANCIAL ANALYSIS

BASES OF ESTIMATIONS

On the basis of our evaluation of market findings relative to the proposed 150-room Lakefront Downtown Hotel, we have prepared schedules of estimated operating results, which we believe could be generated by the operation of a facility of the type, size and caliber as described in the preceding sections of the report. The subject hotel is estimated to open in January 2014.

In estimating the future operating results, we analyzed historical 2010 operating statements of seven comparable hotels. We have not identified them by location in order to protect the confidentiality of our sample. These properties ranged in size from 130 to 171 rooms with an average of 152 rooms. Occupancy rates in all of the comparable properties ranged from 58% to 74% with an average of 68%. The properties used in the analysis had an ADR range of \$102 to \$130 with an average of \$114 in 2010 dollars.

We estimated revenues and expenses based on the market analysis described herein, the performance of comparable properties, typical industry parameters, and premiums and efficiencies for a full-service hotel. In evaluating comparables, we considered expenses as a percent of revenue, as well as per occupied room (POR) and per available room (PAR). We then incorporated such estimates into the assumptions that we have made, regarding inflation, start-up period and market penetration rates, in order to generate the estimated annual operating results, presented at the end of this section. Our estimates are for the period 2014 through 2023. All dollar financial POR and PAR are expressed in 2010 dollars.

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

DEPARTMENTAL REVENUES

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

Estimated Rooms Revenue			
Proposed Lakefront Downtown Hotel			
Year	Annual Occupancy	Average Daily Rate*	Rooms Revenue
2014	60%	\$124	\$4,073,000
2015	66%	\$130	\$4,698,000
2016	70%	\$135	\$5,175,000
2017	70%	\$140	\$5,366,000
2018	70%	\$144	\$5,520,000

* Stated Year Dollars, rounded to the nearest dollar
The subject hotel is estimated to open in January 2014.
Based on an ADR of \$110 in 2010 dollars.
Source: PKF Consulting USA

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

Departmental Revenues				
Dollars Per Occupied Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Food & Beverage	\$4.57 - \$18.59	\$9.49	\$6.51	\$10.00
Other Operated Departments	\$1.24 - \$2.41	\$1.69	\$1.47	\$1.50
Rentals and Other Income	\$0.00 - \$0.77	\$0.22	\$0.16	\$0.50

Source: PKF Consulting USA

DEPARTMENTAL EXPENSES

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

Departmental Expenses				
Percent of Departmental Revenue				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Room (\$ POR)	\$21.01 - \$25.18	\$22.54	\$22.11	\$22.00
Food and Beverage	66.6% - 140.4%	99.2%	88.6%	85.0%
Other Operated Departments	56.0% - 109.1%	82.1%	79.1%	80.0%

Source: PKF Consulting USA

UNDISTRIBUTED OPERATING EXPENSES

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

Undistributed Operating Expenses				
Dollars Per Available Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Administrative and General	\$2,550 - \$3,619	\$3,113	\$3,035	\$3,144
Marketing	\$1,360 - \$4,572	\$2,942	\$2,678	\$2,800
POM	\$1,089 - \$1,908	\$1,431	\$1,520	\$1,500
Utilities	\$931 - \$1,490	\$1,178	\$1,490	\$1,300
Source: PKF Consulting USA				

FIXED EXPENSES

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

Fixed Expenses				
Dollars Per Available Room				
Items	Comparable Hotels			Subject Hotel Projections Stabilized Year
	Range	Average	Median	
Management Fee (% of Total Rev)	0.0% - 5.1%	3.2%	3.0%	3.0%
Property Taxes ⁽¹⁾	N/A	N/A	N/A	N/A
Insurance	\$32 - \$768	\$322	\$337	\$500
⁽¹⁾ Property taxes are based on local tax rates as explained below.				
Source: PKF Consulting USA				

For the proposed Lakefront Downtown Hotel, property taxes would be calculated on the cost of the hotel structure, excluding land. The land is excluded because it is owned by the City and will be treated as a land lease to the developer.

The hotel is estimated to cost approximately \$18 million dollars. In Lake Charles, commercial property is taxed at 15% of cost times a millage rate of \$15.35 per \$1,000 of value. Therefore, property taxes in 2010 dollars would be \$41,445. Property taxes have been inflated at 2% per year throughout the projections period.

RESERVE FOR REPLACEMENT

The reserve for replacement provides for the replacement of furniture, fixtures and equipment, as well as certain building finishes and systems. This reserve has been tiered at 2% of total revenues in 2014, 3% in 2015, 4% in 2016 and thereafter.

SCHEDULE OF PROSPECTIVE CASH FLOW BEFORE DEBT SERVICE

The following schedules reflect the estimate of future operating performance of the proposed Lakefront Downtown Hotel. The schedules are presented in stated year (inflated) dollars.

Proposed Lakefront Downtown Hotel										
Projected Operating Results										
Calendar Years										
	2014		2015		2016		2017		2018	
Number of Units:	150		150		150		150		150	
Number of Annual Rooms Available:	54,750		54,750		54,750		54,750		54,750	
Number of Rooms Occupied:	32,850		36,140		38,330		38,330		38,330	
Annual Occupancy:	60.0%		66.0%		70.0%		70.0%		70.0%	
Average Daily Rate:	\$124.00		\$130.00		\$135.00		\$140.00		\$144.00	
Revenue Per Available Room:	\$74.40		\$85.80		\$94.50		\$98.00		\$100.80	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$4,073,000	90.2%	\$4,698,000	90.3%	\$5,175,000	90.4%	\$5,366,000	90.5%	\$5,520,000	90.4%
Food & Beverage	370,000	8.2%	419,000	8.1%	458,000	8.0%	471,000	7.9%	486,000	8.0%
Other Operated Departments	55,000	1.2%	63,000	1.2%	69,000	1.2%	71,000	1.2%	73,000	1.2%
Rentals and Other Income	18,000	0.4%	21,000	0.4%	23,000	0.4%	24,000	0.4%	24,000	0.4%
Total Revenues	4,516,000	100.0%	5,201,000	100.0%	5,725,000	100.0%	5,932,000	100.0%	6,103,000	100.0%
Departmental Expenses										
Rooms	881,000	21.6%	950,000	20.2%	1,007,000	19.5%	1,037,000	19.3%	1,068,000	19.3%
Food & Beverage	335,000	90.5%	365,000	87.1%	389,000	84.9%	401,000	85.1%	413,000	85.0%
Other Operated Departments	44,000	80.0%	50,000	79.4%	55,000	79.7%	57,000	80.3%	58,000	79.5%
Total Departmental Expenses	1,260,000	27.9%	1,365,000	26.2%	1,451,000	25.3%	1,495,000	25.2%	1,539,000	25.2%
Departmental Profit	3,256,000	72.1%	3,836,000	73.8%	4,274,000	74.7%	4,437,000	74.8%	4,564,000	74.8%
Undistributed Expenses										
Administrative & General	471,000	10.4%	523,000	10.1%	562,000	9.8%	580,000	9.8%	597,000	9.8%
Marketing	430,000	9.5%	472,000	9.1%	502,000	8.8%	517,000	8.7%	532,000	8.7%
Property Operation & Maintenance	236,000	5.2%	253,000	4.9%	269,000	4.7%	277,000	4.7%	285,000	4.7%
Utility Costs	206,000	4.6%	222,000	4.3%	233,000	4.1%	240,000	4.0%	247,000	4.0%
Total Undistributed Operating Expenses	1,343,000	29.7%	1,470,000	28.3%	1,566,000	27.4%	1,614,000	27.2%	1,661,000	27.2%
Gross Operating Profit	1,913,000	42.4%	2,366,000	45.5%	2,708,000	47.3%	2,823,000	47.6%	2,903,000	47.6%
Base Management Fee	135,000	3.0%	156,000	3.0%	172,000	3.0%	178,000	3.0%	183,000	3.0%
Fixed Expenses										
Property Taxes	47,000	1.0%	48,000	0.9%	49,000	0.9%	50,000	0.8%	50,000	0.8%
Insurance	84,000	1.9%	87,000	1.7%	90,000	1.6%	92,000	1.6%	95,000	1.6%
Total Fixed Expenses	131,000	2.9%	135,000	2.6%	139,000	2.4%	142,000	2.4%	145,000	2.4%
Net Operating Income	1,647,000	36.5%	2,075,000	39.9%	2,397,000	41.9%	2,503,000	42.2%	2,575,000	42.2%
FF&E Reserve	90,000	2.0%	156,000	3.0%	229,000	4.0%	237,000	4.0%	244,000	4.0%
Net Operating Income After Reserve	\$1,557,000	34.5%	\$1,919,000	36.9%	\$2,168,000	37.9%	\$2,266,000	38.2%	\$2,331,000	38.2%
Source: <i>PKF Consulting</i>	Full Year of Operation									

Proposed Lakefront Downtown Hotel

Projected Operating Results
Calendar Years

	2019		2020		2021		2022		2023	
Number of Units:	150		150		150		150		150	
Number of Annual Rooms Available:	54,750		54,750		54,750		54,750		54,750	
Number of Rooms Occupied:	38,330		38,330		38,330		38,330		38,330	
Annual Occupancy:	70.0%		70.0%		70.0%		70.0%		70.0%	
Average Daily Rate:	\$149.00		\$153.00		\$158.00		\$162.00		\$167.00	
Revenue Per Available Room:	\$104.30		\$107.10		\$110.60		\$113.40		\$116.90	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$5,711,000	90.5%	\$5,864,000	90.5%	\$6,056,000	90.5%	\$6,209,000	90.5%	\$6,401,000	90.5%
Food & Beverage	500,000	7.9%	515,000	7.9%	531,000	7.9%	546,000	8.0%	563,000	8.0%
Other Operated Departments	75,000	1.2%	77,000	1.2%	80,000	1.2%	82,000	1.2%	84,000	1.2%
Rentals and Other Income	25,000	0.4%	26,000	0.4%	27,000	0.4%	27,000	0.4%	28,000	0.4%
Total Revenues	6,311,000	100.0%	6,482,000	100.0%	6,694,000	100.0%	6,864,000	100.0%	7,076,000	100.0%
Departmental Expenses										
Rooms	1,100,000	19.3%	1,133,000	19.3%	1,167,000	19.3%	1,202,000	19.4%	1,238,000	19.3%
Food & Beverage	425,000	85.0%	438,000	85.0%	451,000	84.9%	464,000	85.0%	478,000	84.9%
Other Operated Departments	60,000	80.0%	62,000	80.5%	64,000	80.0%	66,000	80.5%	68,000	81.0%
Total Departmental Expenses	1,585,000	25.1%	1,633,000	25.2%	1,682,000	25.1%	1,732,000	25.2%	1,784,000	25.2%
Departmental Profit	4,726,000	74.9%	4,849,000	74.8%	5,012,000	74.9%	5,132,000	74.8%	5,292,000	74.8%
Undistributed Expenses										
Administrative & General	616,000	9.8%	634,000	9.8%	653,000	9.8%	672,000	9.8%	692,000	9.8%
Marketing	548,000	8.7%	564,000	8.7%	581,000	8.7%	599,000	8.7%	617,000	8.7%
Property Operation & Maintenance	294,000	4.7%	302,000	4.7%	311,000	4.6%	321,000	4.7%	330,000	4.7%
Utility Costs	254,000	4.0%	262,000	4.0%	270,000	4.0%	278,000	4.1%	286,000	4.0%
Total Undistributed Operating Expenses	1,712,000	27.1%	1,762,000	27.2%	1,815,000	27.1%	1,870,000	27.2%	1,925,000	27.2%
Gross Operating Profit	3,014,000	47.8%	3,087,000	47.6%	3,197,000	47.8%	3,262,000	47.5%	3,367,000	47.6%
Base Management Fee	189,000	3.0%	194,000	3.0%	201,000	3.0%	206,000	3.0%	212,000	3.0%
Fixed Expenses										
Property Taxes	52,000	0.8%	53,000	0.8%	54,000	0.8%	55,000	0.8%	56,000	0.8%
Insurance	98,000	1.6%	101,000	1.6%	104,000	1.6%	107,000	1.6%	110,000	1.6%
Total Fixed Expenses	150,000	2.4%	154,000	2.4%	158,000	2.4%	162,000	2.4%	166,000	2.3%
Net Operating Income	2,675,000	42.4%	2,739,000	42.3%	2,838,000	42.4%	2,894,000	42.2%	2,989,000	42.2%
FF&E Reserve	252,000	4.0%	259,000	4.0%	268,000	4.0%	275,000	4.0%	283,000	4.0%
Net Operating Income After Reserve	\$2,423,000	38.4%	\$2,480,000	38.3%	\$2,570,000	38.4%	\$2,619,000	38.2%	\$2,706,000	38.2%
Source: PKF Consulting										

ADDENDUM A
PHOTOGRAPHS OF SUBJECT SITE



View of the Subject Site Facing Towards the Back of the Civic Center



View of the Lake from the Subject Site

ADDENDUM B
PHOTOGRAPHS OF COMPETITIVE SUPPLY



Fairfield Inn & Suites Sulphur



Hampton Inn Sulphur



America's Best Suites Lake Charles Lakeshore



Holiday Inn Express Sulphur



Wingate by Wyndham Sulphur



La Quinta Inn Lake Charles



Holiday Inn Express & Suites Lake Charles



Best Western Plus Executive Hotel Sulphur



Comfort Inn Lake Charles



La Quinta Inn & Suites Lake Charles



Comfort Suites Lake Charles



Comfort Suites Sulphur



Holiday Inn Sulphur

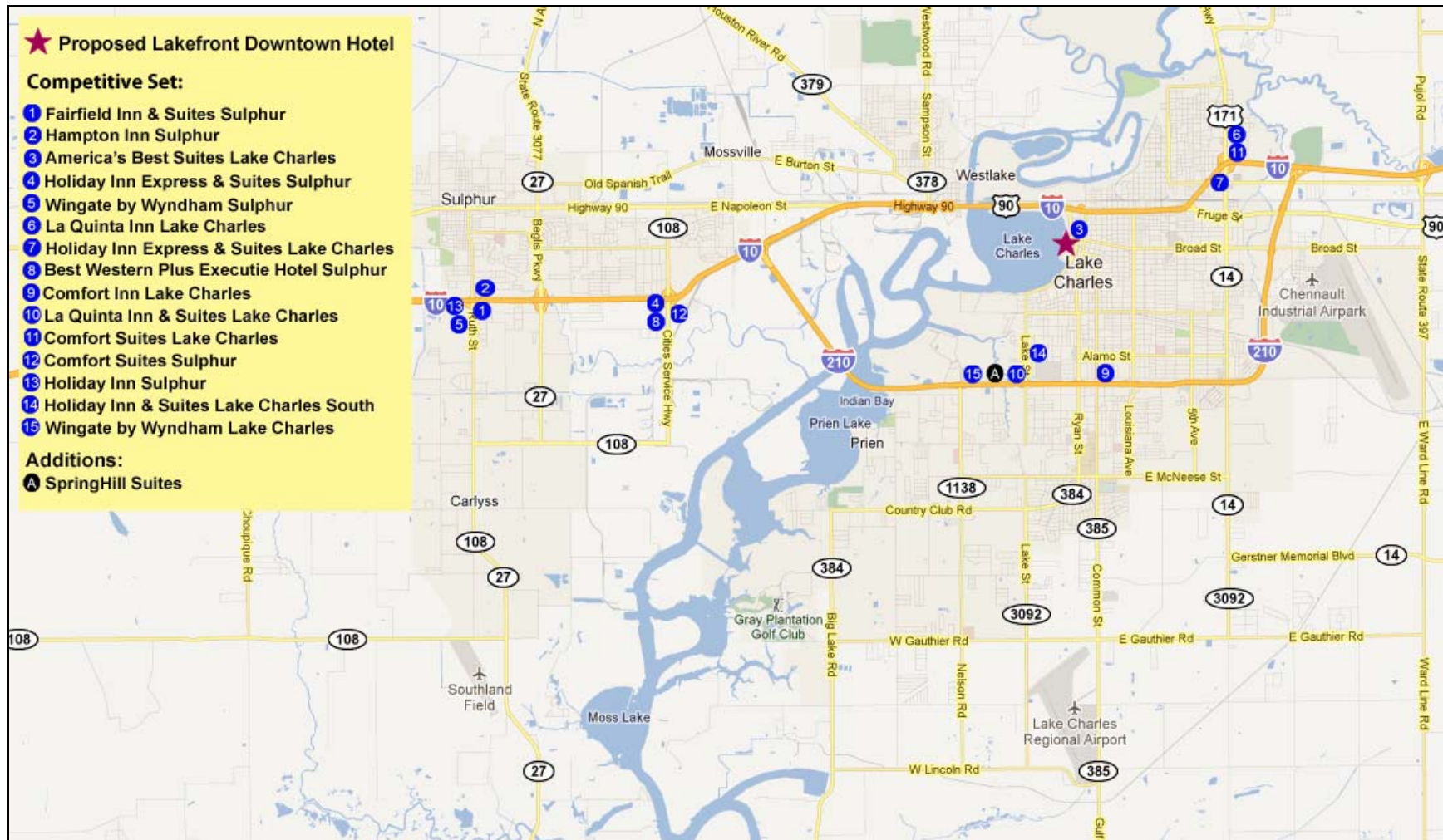


Holiday Inn Express & Suites Lake Charles South



Wingate by Wyndham Lake Charles

ADDENDUM C
MAP OF COMPETITIVE SUPPLY



ADDENDUM D
STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The following Standard Conditions apply to real estate consulting assignments by PKF Consulting USA and will be attached to the report:

Achievability of Projections - Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore actual results achieved during the period under study will vary from our estimates and the variations may be material.

Archaeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological significance.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report (including the identity of the consultant or PKF Consulting USA) shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of PKF Consulting USA.

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without the written consent of PKF Consulting USA. Liability to third parties will not be accepted.

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical, or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Income Data Provided by Third Party - Income and expense data related to the property being appraised was provided by the client and is assumed, but not warranted, to be accurate.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(Continued)

Information Furnished by Others - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Legal Expenses – Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

Legal Matters - No opinion is intended to be expressed for matters that require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Licenses and Permits - Unless otherwise stated, the property is evaluated assuming that all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the analysis contained in this report is based.

Limits of Liability – PKF Consulting USA cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Not a CPA Firm – PKF Consulting USA is not a Certified Public Accounting firm.

Obligation to Update Report - The report will be dated to coincide with our last day of fieldwork. The terms of this engagement are such that we have no obligation to update our estimates to reflect events or conditions which occur subsequent to the last day of our fieldwork. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the project.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of PKF Consulting USA, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this report, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting USA in any sales offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting USA has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Zoning and Land Use - Unless otherwise stated, the subject property is evaluated assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.

ADDENDUM E
CERTIFICATION

CERTIFICATION

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

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



G. Randle McCaslin
Vice President / Practice Leader



Christian Abbate
Associate



Patrick McCaslin
Consultant