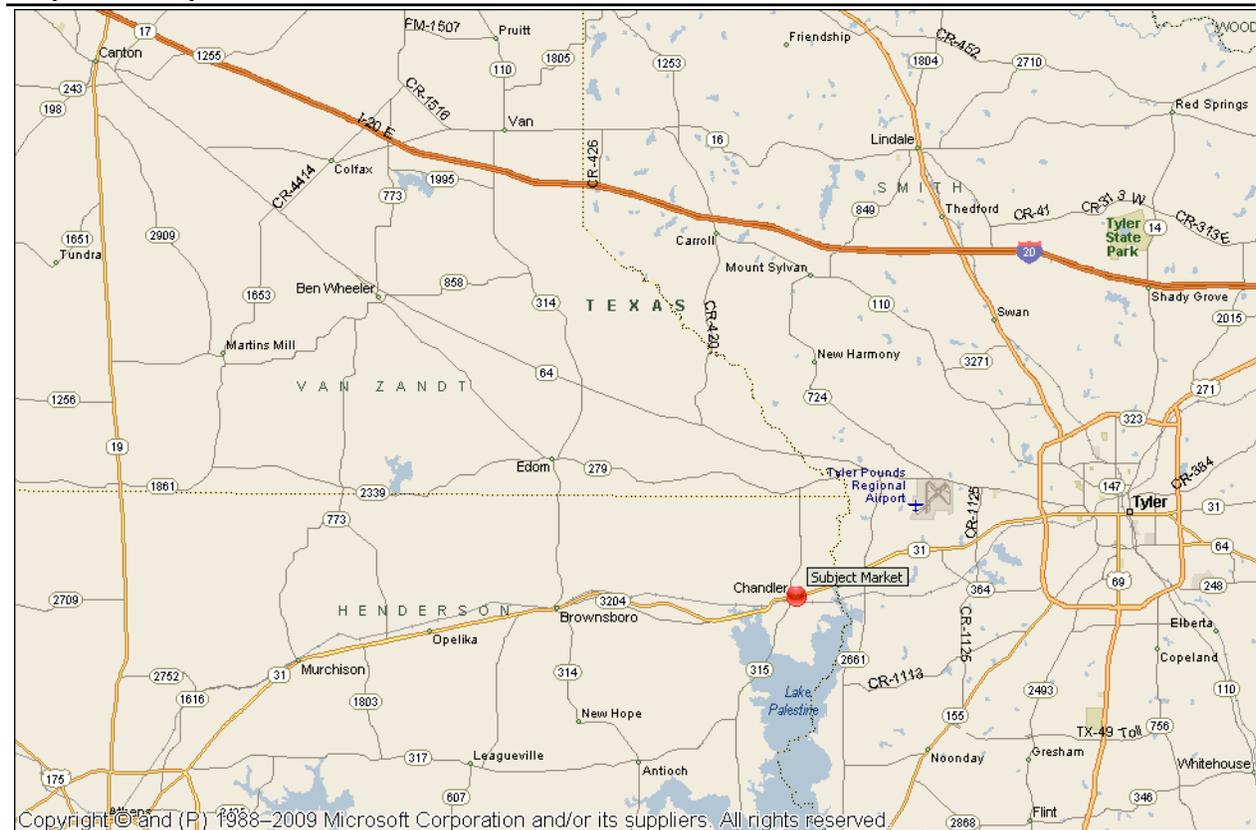


CHANDLER MARKET AREA ANALYSIS

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate feasibility. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site. While the specific site of the proposed subject property had not been selected at the time of this study, the subject site is expected to be located in the eastern portion of Chandler and in the county of Henderson, in the state of Texas. Given the lack of a specific site location, flood zone, zoning, site-specific nuisances or hazards or toxic ground contaminants, and soil conditions were not analyzed. We assume that all necessary certifications, permits, and approvals will be secured (including an appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. An independent analysis of hazardous waste and soil conditions should also be completed prior to construction.

It is important to analyze the market in regards to ease of access with respect to regional and local transportation routes and demand generators. The subject area is readily accessible to a variety of local, county, state, and interstate highways.

Map of Primary Access Routes



Accessibility and Visibility

Primary regional access to the area is provided by east/west Interstate 20, which extends to such cities as Dallas to the west and Shreveport, Louisiana to the east. U.S. Highway 69 is another major thoroughfare, providing access to such cities as Jacksonville to the south and Greenville to the northwest. The subject property's market is served by a variety of additional local routes, which are illustrated on the map.

The area enjoys a well-developed network of local roadways, highways, and interstates. While a specific site has not been determined, the proposed subject property is expected to be located directly off State Highway 31 and is expected to have adequate signage at the street; thus, the proposed hotel should benefit from very good visibility from within its local neighborhood. Overall, the subject site is expected to benefit from very good accessibility, and the proposed hotel is anticipated to enjoy very good visibility attributes.

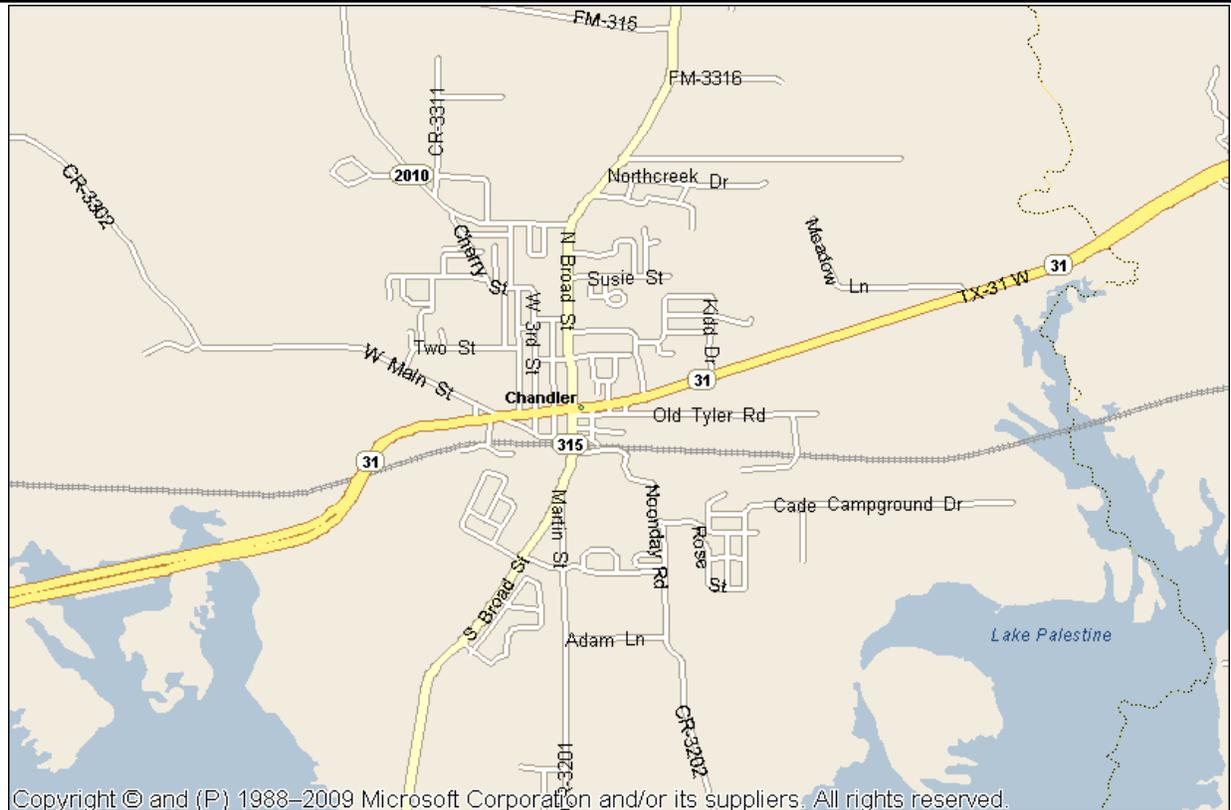
The proposed subject property will be well served by the Tyler Pounds Regional Airport, which is located approximately five miles to the northeast of Chandler. From the airport, motorists will follow signs to State Highway 64 and travel west on this thoroughfare to Farm-to-Market Road (FM) 2661. Motorists will then proceed southbound on State Highway 2661 until its intersection with State Highway 31. Motorists will then travel west into Chandler, and the site is expected to be located directly off this roadway. The proposed subject property will also be served by the Dallas/Fort Worth International Airport, located approximately 100 miles to the northwest of Chandler.

Neighborhood Analysis

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment.

The subject neighborhood is generally defined by Chandler city limits. From the intersection of State Highways 31 and Farm-to-Market Road 315, Chandler city limits generally span one mile to the north, east, south, and west. In general, this neighborhood is in the stable stage of its life cycle, with pockets of growth occurring in the residential sector. Land use fronting State Highway 31 is primarily commercial in nature, while residential and other community uses occupy land to the north and south of this main thoroughfare. Primarily a bedroom community, Chandler is also characterized by restaurants, a supermarket, gas stations, banks, medical offices, and small shopping centers that contain local stores.

Neighborhood Map

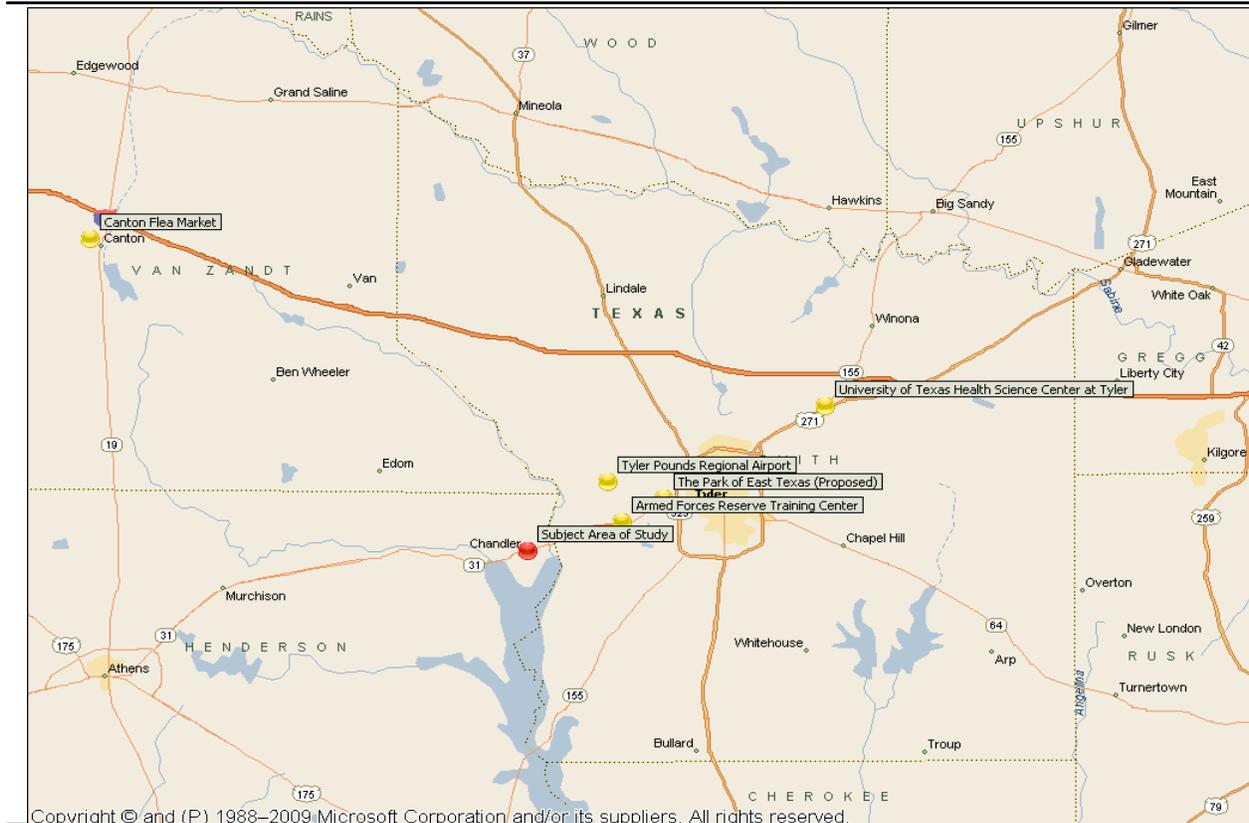


Some specific businesses in the area include Citizens National Bank, Citizens State Bank, Southside Bank, Brookshire's Food & Pharmacy, and an East Texas Medical Center Regional Healthcare System clinic. Restaurants in the area include SONIC, Taco Bell, and San Pedro's Mexican Restaurant. The expansion of a senior housing community, SilverLeaf at Chandler, is under construction in the northwest portion of the city. In general, we would characterize the neighborhood as 20% office/retail use, 50% residential use, 20% vacant, and 10% other. The proposed subject property's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses. In conclusion, the neighborhood is appropriate for the operation of a lodging facility.

Market Area Analysis

The economic vitality of the market area is an important consideration in forecasting lodging demand. The purpose of this section is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. These trends are then correlated based on their propensity to reflect variations in lodging demand. Chandler is located in the northeast portion of Henderson County; however, Smith County borders Henderson County to the east and is considered an important economic indicator for Chandler and the greater East Texas Market.

Market Area Map and Demand Generators



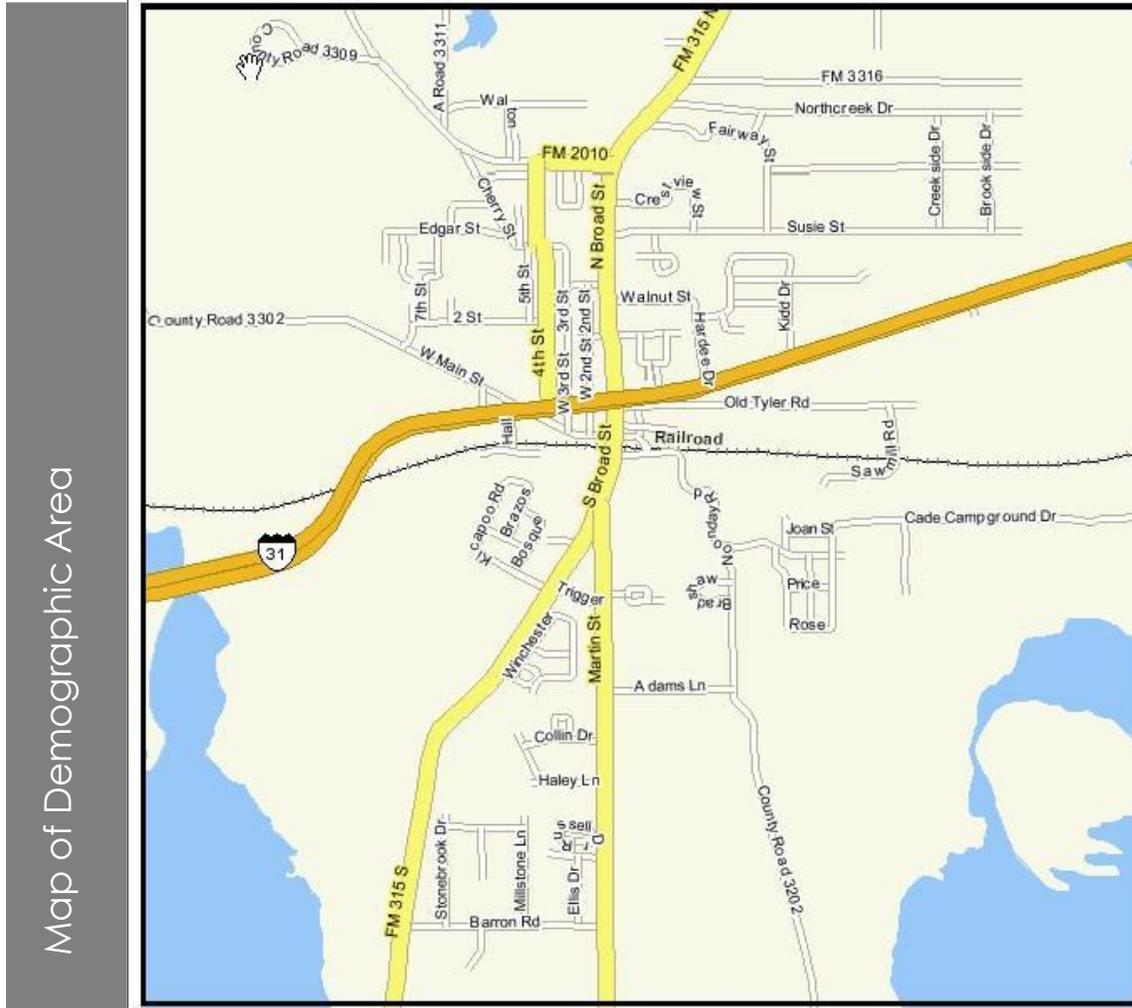
Demographics by Radius (1-, 3-, 5-mile radius)

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2016 Projection	2,463	4,670	9,605
2011 Estimate	2,278	4,347	9,062
2000 Census	1,774	3,483	7,680
1990 Census	1,273	2,587	6,100
Growth 2011-2016	8.12%	7.43%	5.99%
Growth 2000-2011	28.41%	24.81%	17.99%
Growth 1990-2000	39.36%	34.63%	25.90%
Households			
2016 Projection	963	1,830	3,739
2011 Estimate	892	1,704	3,516
2000 Census	676	1,335	2,955
1990 Census	439	914	2,219
Growth 2011-2016	7.96%	7.39%	6.34%
Growth 2000-2011	31.95%	27.64%	18.98%
Growth 1990-2000	53.99%	46.06%	33.17%
Income			
2011 Est. Average Household Income	\$62,665	\$60,188	\$56,851
2011 Est. Median Household Income	53,360	49,347	45,086
2011 Est. Per Capita Income	24,818	23,810	22,228
2011 Est. Civ Employed Pop 16+ by Occupation			
Architect/Engineer	30	53	80
Arts/Entertain/Sports	3	14	42
Building Grounds Maint	25	59	170
Business/Financial Ops	47	83	129
Community/Soc Svcs	12	25	63
Computer/Mathematical	8	20	60
Construction/Extraction	43	94	246
Edu/Training/Library	75	132	245
Farm/Fish/Forestry	5	8	20
Food Prep/Serving	29	59	144
Health Practitioner/Tec	41	90	226
Healthcare Support	40	72	112
Maintenance Repair	31	64	148
Legal	6	10	17
Life/Phys/Soc Science	2	6	17
Management	101	186	359
Office/Admin Support	154	291	590
Production	63	120	295
Protective Svcs	25	41	65
Sales/Related	137	241	481
Personal Care/Svc	33	56	107
Transportation/Moving	57	129	327

Source: The Nielsen Company

This source reports a population of 2,278 within a one-mile radius of the selected point, and 892 households within this same radius. Within a three-mile radius, population totals 4,347 with 1,704 households, while total population measures 9,062 and 3,516 households within a five-mile radius. Average household income within a three-mile radius of the subject property is currently reported at \$60,188, while the median is \$49,347.

The following map and table reflects demographic trends for the city of Chandler from this same source.

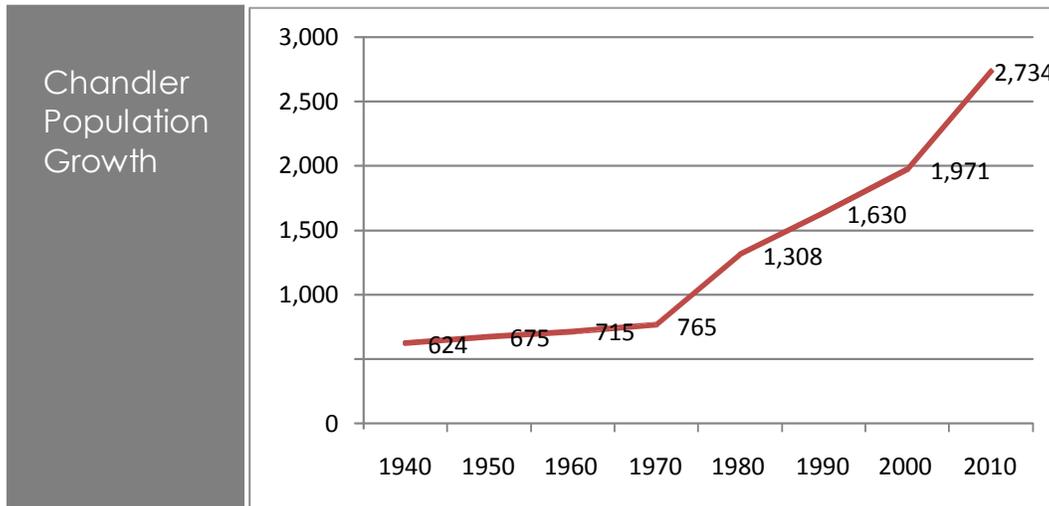


	Total
Population	
2015 Projection	2,910
2010 Estimate	2,670
2000 Census	2,099
1990 Census	1,630
Growth 2010-2015	8.99%
Growth 2000-2010	27.20%
Growth 1990-2000	28.77%
Households	
2015 Projection	1,136
2010 Estimate	1,033
2000 Census	817
1990 Census	554
Growth 2010-2015	9.97%
Growth 2000-2010	26.44%
Growth 1990-2000	47.47%
Income	
2010 Est. Average Household Income	\$64,683
2010 Est. Median Household Income	54,965
2010 Est. Per Capita Income	25,361
2010 Est. Civ Employed Pop 16+ by Occupation	1,121
Architect/Engineer	16
Arts/Entertain/Sports	3
Building Grounds Maint	28
Business/Financial Ops	64
Community/Soc Svcs	14
Computer/Mathematical	9
Construction/Extraction	54
Edu/Training/Library	80
Farm/Fish/Forestry	2
Food Prep/Serving	51
Health Practitioner/Tec	62
Healthcare Support	49
Maintenance Repair	39
Legal	6
Life/Phys/Soc Science	4
Management	109
Office/Admin Support	151
Production	82
Protective Svcs	23
Sales/Related	178
Personal Care/Svc	33
Transportation/Moving	64

Source: The Nielsen Company

This source reports a population of 2,670 within the city. Average household income is currently reported at \$64,683, while the median is \$54,965.

According to the City of Chandler, total population within the city measured 2,734 in 2010, reflecting a 38.7% increase from 2000. The growth of the population for the City of Chandler is illustrated below.



Major Employers and Other Pertinent Economic Indicators

Chandler was originally occupied by Native Americans and other settlers after the entrance of the railroad; the city's modern-day government was established in 1960. Since 2004, the City has been operated by a council/administrator form of government. According to the 2010 Census, Chandler has a population of 2,734. Chandler is located directly north of Lake Palestine, which spans 25,560 acres and is very popular for bass fishing tournaments. Chandler is strategically located to benefit from its own economic drivers, as well as commerce and tourism from surrounding communities.

The subject area's economic base is supported by a myriad of industries, including a predominance of the service sector. Major employers for this market are illustrated in the following table.

Firm/Institution	Number of Employees
Chandler Nursing Center	95
Brookshire's Food & Pharmacy	77
Chandler Elementary School	47
Kidd Jones Oil Company	44
Chandler Intermediate School	39
City of Chandler	18
Citizens National bank	14

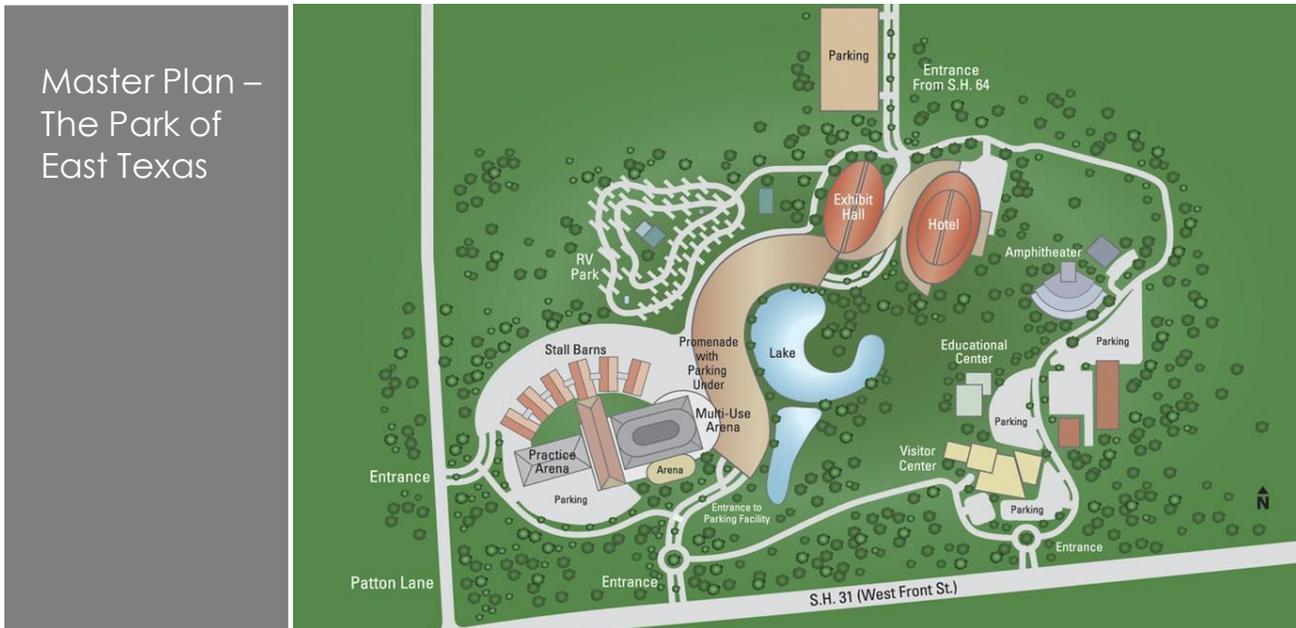
Source: Chandler Area Economic Development, 2010

The following bullet points highlight major demand generator factors for this market:

Neighboring Chandler to the east, Tyler is the county seat of Smith County and the principal city of the Tyler Metropolitan Statistical Area. Tyler earns the moniker "Rose Capital of America" because of its large role in the rose-growing industry; the city also boasts the nation's largest municipal rose garden and hosts the Texas Rose Festival each October, which draws more than 100,000 spectators. The economic diversity of Tyler is anchored by the healthcare sector, the headquarters of the Brookshire Grocery Company, and a variety of manufacturing industries. In early 2010, East Texas Medical Center Tyler completed a \$28-million expansion project. At University of Texas Health Science Center at Tyler (UTHSCT), a \$67-million Academic Center is under construction. In addition to the expansion at UTHSCT, Tyler is home to an Armed Forces Reserve Training Center. The 123,000-square-foot facility was completed in June of 2011 and is expected to begin accommodating soldiers in September of 2011. The facility is expected to draw 300 trainees to Tyler three weekends each month. It is important to note that the proposed subject property would be the closest lodging facility to the Armed Forces Reserve Training Center in terms of driving distance.



The East Texas State Fair Association has purchased 240 acres for the development of The Park of East Texas less than eight miles to the east of Chandler. The first phase of this development is an equestrian facility that adjoins a 4,500-seat multi-use events center with exhibit space, an outdoor arena, a parking facility, RV hookups, and a ten-acre promenade for the annual East Texas State Fair; later phases include an amphitheater and other facilities. The development may also include a hotel and a boardwalk in future phases. As the future new home of the East Texas State Fair, this development will create commerce for the market area and will attract national and regional equestrian shows, national tours, and conventions and trade shows.



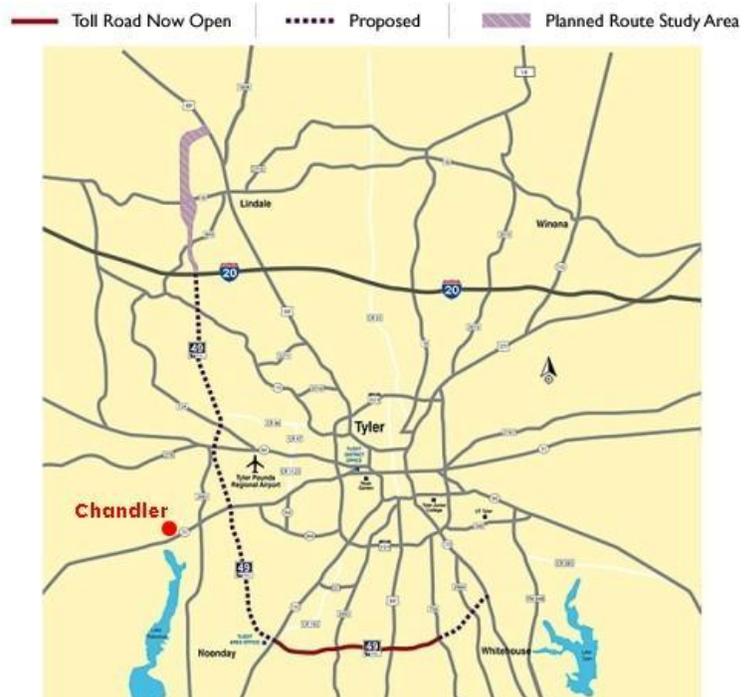
Fewer than 30 miles to the northwest, Canton is a popular flea market location with the famous First Monday Trade Days, an event that takes place during the four days before the first Monday of each month. This event, boasted to be one of the largest flea markets in the world, regularly sells out Canton hotels, bed and breakfasts, RV sites, and campsites. Additionally, hotel demand often spills into surrounding cities during peak months.

Aerial View of First Monday Trade Days in Canton



Highway and interstate travel helps support the communities in this region. Interstate 20 is located roughly 15 miles north of Chandler and is a major east-west interstate in the nation. Passing through Chandler, State Highway 31 is 153 miles long and extends from U.S. Highway 84 northeast of Waco to U.S. Highway 80 in Longview. To the north of Chandler, State Highway 64 traverses through Rusk, Smith, and Van Zandt Counties. Farm-to-Market 315 intersects State Highway 31 in Chandler, extends across Lake Palestine, and connects the southern portion of Van Zandt County to Anderson County, near the city of Palestine. The Loop 49 toll road is part of the Texas Department of Transportation's (TxDOT) state-of-the-art highway plan to reduce traffic congestion and improve the local transportation system. To the south of Tyler, the first and second segments of Toll Road 49 are open. The third and fourth sections, anticipated to be opened in the fall of 2012 and the spring of 2014, respectively, will eventually connect to Interstate 20 to the north. This future roadway will help expose Chandler to an increased number of motorists.

Toll Road 49 – Current and Future Phases



The market benefits from a modest number of tourist and leisure attractions in the area. Winchester Park features baseball fields, exercise stations, walking paths, and recreation areas for local residents. Spanning over 25,000 acres, Lake Palestine is very popular for largemouth bass tournaments. In addition, other leisure demand generators in the greater area include the Tyler Municipal Rose Garden and the Caldwell Zoo. Tyler hosts several annual events that draw visitors from the surrounding areas. These events include the Texas Rose Festival, the Rose Parade, Santa Land, and the Penny Nichols-Sanders Annual Spring Art Show. In addition, First Monday Trade Days in Canton, an event that takes place once a month, sells out all area hotels. There are no major changes related to these attributes of the market expected in the foreseeable future.



Lake Palestine

While Chandler lacks a significant economic base of its own, the growing city benefits from its location neighboring Tyler. The location of the new Armed Forces Reserve Training Center in the western portion of Tyler is beneficial to Chandler because training personnel will seek lodging, food, and other goods. It is evident economic growth slowed because of the struggling national economy during the most recent recession; however, Tyler benefits from a stable demand base from healthcare institutions and several deep-rooted corporations. The stability of Canton as a weekend destination, and the resulting regular sell-outs of hotels in the area, also bodes well for Chandler. It is expected that the greater market will bounce back along with the national economic recovery.

Airport
Traffic
And
Unemployment
Statistics

Year	Total Passengers	Percent Change	Unemployment Rate			
			Year	County	State	Country
2006	152,625	---	2006	5.2 %	4.9 %	4.6 %
2007	152,070	-0.4 %	2007	4.5	4.4	4.6
2008	149,614	-1.6	2008	5.4	4.9	5.8
2009	145,270	-2.9	2009	8.2	7.6	9.3
2010	146,091	0.6	2010	8.6(E)	8.2(D)	9.6
Year-to-date through May			Recent Month - April			
2010	28,397	---	2010	8.3 %	7.9 %	9.9 %
2011	29,192	2.8 %	2011	8.0	7.7	9.0

*Letters, if shown next to data points, reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: Tyler Pounds Municipal Airport

Source: U.S. Bureau of Labor Statistics

In 2006, air traffic registered 152,625 passengers; by 2010, this level had changed to 146,091. The change in passenger traffic between 2009 and 2010 was 0.6%; moreover, a rate of change of 2.8% was registered in the year-to-date period

for 2011, versus the same period in 2010. Tyler Pounds Regional Airport is located approximately five miles outside of Chandler. The airport offers daily flights to Dallas/Fort Worth and Houston via American Eagle and Continental Connection, respectively. In 2007, airport officials completed an exhaustive master-planning process to analyze usage trends and address expansion needs of the facility over the next 20 years. In June of 2009, the City of Tyler announced that the airport was awarded \$5.9 million for extensive rehabilitation as part of the American Recovery and Reinvestment Act.

The national unemployment rate was 9.6% in 2010, reflecting a 0.3-point higher level than 2009. Locally, unemployment was 8.6(E)% in 2010; for this same area in 2011, the most recent month's unemployment rate was registered at 8.0%, versus 8.3% for the same month in 2010. Unemployment rates in this area increased moderately in 2008, followed by a more notable increase in 2009, primarily due to the weakening national economy. The most recent comparative period illustrates that unemployment remains elevated, yet an improving trend is noted. Local employment has remained stable at entities such as Chandler Nursing Center and Brookshire's Food & Pharmacy. Our interviews with economic development officials and our research reflect an optimistic outlook as the greater economy is anticipated to emerge from recessionary conditions noted in 2009.

Governmental and Environmental Factors

The Chandler area is subject to a normal form of local government and is also subject to the laws and regulations of Henderson County and the state of Texas. None of these laws or government entities was noted to have a particularly abnormal influence on the operation of the property, its marketability, or property values in the market area. The environment of the subject property's city appears normal to its surrounding areas; we observed no adverse conditions and no such conditions were reported by market representatives. No noted environmental factors have particularly positive or negative influences on property values in the subject's market area.

Conclusion

We have reviewed and studied various social, economic, government, and environment data and observations pertaining to Henderson County and the state of Texas. After a period of economic expansion, the greater market area entered into a period of contraction as the local economy began to experience the challenges felt across the nation associated with the recession. Our market interviews and research revealed that although the area has been impacted by slowing business levels, a depressed housing market, and reduced levels of discretionary spending, the greater market benefits from a well-established, diversified economy. The expanding network of highways, the opening of the Armed Forces Reserve Training Center, and the continued stability of the healthcare sector and tourism industry should positively impact the local economy. No adverse governmental or environmental factors were noted. We will relate these historical and expected growth trends based on their propensity to reflect changes in lodging demand.

