

ENID RENAISSANCE



Enid, Oklahoma

Request for Proposals (RFP)
For Headquarters
Hotel Development
In Conjunction With
Events/Convention Center

March 22, 2011



CITY OF ENID
P.O. Box 1768
Enid, Oklahoma 73702-1768
(580) 234-0400 Phone
<http://www.enid.org>

March 22, 2011

RE: Enid Renaissance
Request for Proposal (RFP) for an Events/Convention Center Headquarters Hotel
Development
Located in Downtown Enid, Oklahoma

Ladies and Gentlemen:

The City of Enid invites written proposals for the development, financing, design, construction, and operation of an Events/Convention Center Headquarters Hotel as part of the Renaissance Project in downtown Enid, Oklahoma. Proposals are solicited in accordance with the terms, conditions, and instructions as set forth in this Request for Proposals (RFP).

The deadline for submitting the response to this RFP is 2:00 p.m. CST on June 21st, 2011
(If mailed, the proposal must be **received** by The City of Enid by this date and time).

Sincerely,



Eric Benson
City Manager

City of Enid, Oklahoma
Downtown Hotel Development Opportunity

REQUEST FOR PROPOSALS (RFP)
FOR Headquarters
HOTEL DEVELOPMENT
In conjunction with
EVENTS/CONVENTION CENTER
Project No. MFP-1118

Issued March 22, 2011

**CITY OF ENID, OK
REQUEST FOR PROPOSAL**

The City of Enid invites written proposals for the development, financing, design, construction, and operation of an Events/Convention Center Headquarters Hotel as part of the Renaissance Project in downtown Enid, Oklahoma. Proposals are solicited in accordance with the terms, conditions, and instructions as set forth in this Request for Proposals (RFP).

The deadline for submitting the response to this RFP is 2:00 p.m. CST on June 21st, 2011 (If mailed, the proposal must be **received** by The City of Enid by this date and time).

Proposals must be time stamped in at:

**City of Enid Planning Administrator's Office
401 W. Owen K. Garriott Road
Enid, OK 73701**

Late proposals will not be accepted.

Respondents must submit:

1. Original proposal clearly marked as "Original" in sealed package with ten (10) copies;
2. Proposal on a USB flash drive or compact disc (CD) in PDF Format in sealed package with proposal;
3. Additional or alternative proposals clearly marked "Additional or Alternate Proposal" and sealed in a separate package. Questions regarding this RFP may be submitted in writing to Chris Bauer, Community Development Office by May 17th, 2011. The City of Enid will issue responses to such questions and made available to all on the RFP at the FAQ website <http://www.Enid.org/hotelrpffaq>, by May 31st, 2011. City of Enid reserves the right to conduct a mandatory pre-submittal meeting. City of Enid reserves the right to reject any and all proposals or to accept any proposal deemed to be in its best interest and;
4. Ten (10) copies of Forms B1, B2, B3 and B4, specified herein, will be required only if the proposal is short listed for the interview process. These forms should be sealed in a separate package by themselves (To help maintain the confidentiality of the requested information, ten copies of these forms are to be submitted in a separate envelope from the remainder of the

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proposal.) Any and all financial information will **only** be required after a short-list of applicants has been determined.

City of Enid shall not be obligated to enter into any contract with any Respondent on any terms or conditions.

Questions regarding this RFP should be directed to:

**Chris Bauer, Planning Administrator
City Planning Office cbauer@enid.org
401 W. Owen K. Garriott Rd.
Enid, OK 73701
Phone: 580-616-7217**

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- EXHIBITS

EXHIBIT A: Property Site Boundary Map showing three on-site hotel pads and one off-site hotel pad, all four pad sites are owned by the City.

EXHIBIT B: Project Financing Forms (B1, B2, B3, and B4), which will only be required if the proposal is short listed for the interview process.

EXHIBIT C: Cherokee Strip Conference Center Exhibit and Non-Exhibit Events and Attendance

EXHIBIT D: National Hotel Trends and Lodging Market & Competitive Set, Hunden Feasibility Study

EXHIBIT E: Projection of Demand and Financial Performance, Hunden Feasibility Study

EXHIBIT F: Personal Property Tax Abatement

1. PURPOSE

The purpose of this Request for Proposal (RFP) is to identify a highly capable development team(s) to incorporate at a minimum an Events/Convention Center Hotel into the larger redevelopment plans of the City of Enid (City). While the project's schematic designs were just approved by the Mayor and Board of Commissioners the project continues to show progress; buildings within the proposed greenspace are being taken down, bids for the clearing and

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rough grading of the site have been advertised and design development will be complete in the following weeks. The proposed Events Center would include seating of 5,000 for entertainment and events, seating of 4,000 for sporting events and enough space for 110 booths during a convention or trade show. The Events Center will have retractable seating to make the floor of the Events Center functional in various configurations and a fully operational multi-use building. The designs include four (4) locker rooms to have enough room for various sporting events, dressing rooms for entertainers, an elephant door for loading and unloading of large equipment as well as concession areas, restrooms and a hospitality room for the visitors within the Events Center. The renovated Convention Hall will have a direct link to the Events Center making movement between the buildings easy and seamless. The primary function of Convention Hall will be for conferences or conventions but the building will have many other potential uses. Various meeting rooms will be reconstructed within the building and the grand stage, that is currently in the building, will be renovated to its previous grandeur to allow the space to function as more than just convention space. The large ballroom will have the ability to be divided into various configurations using three (3) operable partitions. The renovated Convention Hall will have a fully functioning kitchen with full access to the entire building. Work to abate asbestos within Convention Hall has already begun in preparation for the renovation and groundbreaking that is expected to be held May 2, 2011. The Events/Convention Center will be a premier destination for not only the Northwestern region of the State but many of the surrounding states as well. Construction and renovation of each of the buildings is expected to be completed in October of 2012.

The Downtown area of Enid is growing and thriving area with the Events/Convention Center being located within blocks from St. Mary's Regional Medical Center, Integris Bass Baptist Health Center, David Allen Memorial Ballpark, Enid Symphony Orchestra, Continental North and South Towers, Broadway Tower, Public Library of Enid & Garfield County, Enid Public School Administration Building, Garfield County Courthouse and the United States Post Office. The Downtown Square is a highly trafficked area full of professionals, retail and dining establishments that make the area the perfect location for a hotel to establish themselves. David Allen Memorial Ballpark is home to various High School, Junior College and Legion baseball games throughout the year. Enid is currently home to the Junior College World Series through this year and the City anticipates renewing the contract through 2014 or even possibly through 2017. This tournament, as well as other David Allen Memorial Ballpark events, has proven to be a valuable asset and continues to provide a substantial amount of visitors and sales tax revenue for the City, while filling the hotels across the City to capacity to the point where finding a hotel room is next to impossible within City Limits. Even throughout the year without big events, such as the Junior College World Series, the hotel occupancy rate remains high due to the many other attractions the City has to offer. With the addition of the expanded convention space and the added Events Center the possibilities for events and attractions are limitless for the area around the Downtown.

Upon recommendation from City Staff and a Selection Committee (Committee), the winning team will enter into a Memorandum of Understanding (MOU) and begin negotiation of related agreements for the services selected and agreed upon by the City. The selected team will be required to perform all duties as agreed upon in the MOU and follow all procedures of the City

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and the State of Oklahoma. The eventual recommendation by the City and Committee is envisioned to fall under one of the following scenarios:

1. Selection of a team to develop a Hotel
2. Selection of a team for development of a Hotel and other potential related development(s).

Although proposals are expected to range in scope and scale, proposals will be judged and compared against each other by the City and the Committee according to the listed criteria to achieve the best economic proposal that achieves the larger redevelopment goals of the City.

The best economic proposal may not necessarily be the largest nor, the one with the least amount of public investment, but rather the proposal that best leverages public and private resources to maximize the opportunity of the site and builds upon other existing and future developments in the Downtown area. The City realizes that hotel development and financing is difficult, especially in the current environment. However, the City has identified strategies to make the financing of the project a true public-private effort. These include the use of a Tax Increment Financing (TIF) District, creative land leases and other potential inducements. While the financial and budget information is not required within the proposal, proposers will be asked to provide additional information once a short list has been chosen. Proposers are encouraged to interact with other property owners and proposers to achieve these goals.

Proposers should expect to participate in interviews with the Committee and pre-negotiations with City Staff in between the RFP submittals and the development team selection by the Mayor and Board of Commissioners. A development team will be able to adjust their proposal in accordance to information received in these sessions. The City will adjust and post the schedule as needed during the process. This RFP is not being conducted as a design/build process.

1.1. The City solicits responses to this Request for Proposals (RFP) from selected qualified Developers (“Developers” or “Respondents”) interested in providing development services for the financing, design, construction, and operation of a Events/Convention Center hotel and potential related site infrastructure (the “Project”) in Enid, Oklahoma.

1.2. The RFP evaluation process will begin with a review of the proposals received, followed by interviews and a ranking of the developers. The City intends to enter into a Memorandum of Understanding (MOU) with the top-ranked Developer, at which time the two parties will negotiate agreements as necessary to procure all of those services necessary for the development of the Project within an established development plan, timeline, and financing plan. Respondents are to propose a development team that includes a developer, a hotel operator, and other parties as may be required for completion of the Project

1.3. The City reserves the right to modify and approve any of the members of the final development team for the Project.

1.4. The City is very interested in developers and/or operators who can show experience and success in bringing entertainment, retail or other major “destination” land uses to downtown environments that compliment the New Events/Convention Center and Convention Center.

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The City wants to maximize the development opportunity with uses complimentary to the urban entertainment district surrounding the property. Proposals may include only a hotel or a hotel with a mix of surrounding uses, such as residential, office and commercial projects. The chosen developer will not be based on their mixed use development background and it is the developer's discretion whether or not to include this information.

1.5. The developer and hotel operator selected to manage the property must:

- Have access to a prominent national sales office network and sales force positioned to primarily pursue convention and group meeting demand,
- Have a series of Events/Convention Center hotels in its portfolio in other U.S. major convention destinations,
- Make a financial commitment to the Project and the Community.

2. PROJECT SCOPE

2.1. The City seeks the development of a chain-affiliated Events/Convention Center hotel with approximately 144 rooms. The hotel will be located in Downtown Enid in the City's Renaissance Project District. The City of Enid is a progressive community and is willing to explore all incentive options in order to bring the right hotel to the Renaissance Project. For example this district may be considered as a Tax Increment Financing (TIF) District which the city has programmed the investment in excess of \$20 million dollars in public improvements, infrastructure, and attractions to leverage private sector development. The City controlled property is +/- 6.79 acres of vacant land and existing city owned space. The Renaissance Project District will include a newly renovated 53,000 square foot Convention Hall as well as a new 75,000 square foot Events/Convention Center projected for completion in October of 2012. The site also includes the existing Cherokee Strip Conference Center (CSCC) which can be repurposed into retail and restaurants or potentially could become part of a hotel proposal. As the City moves through the design development of the area there have been multiple sites located as potential hotel pad locations for a potential site. Each location would allow the hotel to connect directly to the new Events/Convention Center. The project is in the heart of the central business district and is conveniently located just blocks from St Mary's Regional Medical Center, Integris Bass Baptist Health Center, David Allen Memorial Ballpark, Enid Symphony Orchestra, Continental North and South Towers, Broadway Tower, Public Library of Enid & Garfield County, Enid Public School Administration Building, Garfield County Courthouse and the United States Post Office.

2.2. The City's larger goal through the development of this catalytic Project is to provide a positive economic impact resulting in income to the City, contribute to the urban fabric of the Downtown area and the City, add quality jobs to the City workforce, increased tax revenues, provide opportunities for Minority and Women's Business Enterprises (MWBE) and Disabled American Veterans (DAV) to participate in the Project development and operation, and contribute to the City's long-term economic growth. As the City moves forward with this project we understand the importance of having a hotel component included in the plan. The success of the Events/Convention Center lies heavily in having a hotel tied to the site and it will

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be crucial to have hotel input as we go through the Design Development and Construction phases of this plan. In order to have a successful venture for all parties involved getting input from the hotel industry on site location and needs is important to the City.

2.3. The selected Developer is expected to construct +/- 144 room upscale Events/Convention Center hotel(s) with a major national lodging brand with related amenities and facilities. Such amenities and facilities should at a minimum feature function and meeting space, three-meal restaurant, extended-hour room service, fitness center, pool and a bar/lounge.

2.4. The above is not intended to limit Respondents' creativity or ability to propose an alternative scale or set of features and amenities deemed to better suit the goals of the City through this Project. The City is open to proposals that offer distinctive features and amenities that go above and beyond those outlined above and set Enid apart from other destinations. The City reserves the right of final approval of the Project scale, features and amenities.

2.5. The City will require a room block agreement to be signed with the Enid Events/Convention Center.

2.6. Respondents are to assemble all of the necessary parties for the design and construction of the project with proven track records in the development of hotels similar in scope to the Project (the "Development Team"), including but not limited to architectural and engineering firm(s) and related sub-consultant(s) (including, without limitation, mechanical, electrical, civil and structural engineers), a highly qualified and financially capable general contractor, and a hotel operator (the "Operator"). If the proposal is funded using public money, the developer will have to procure their general contractor, design professionals and sub-contractors using the City's procurement process where appropriate. This information will only be required once the short-list has been determined, at which time each applicant may consult with the City before the interview process begins if need be.

3. OBJECTIVES

3.1. Through this RFP process, the City seeks to enter into a Memorandum of Understanding (MOU) and subsequently negotiate all agreements as necessary with a highly qualified, financially capable development firm for the services needed to develop the Project.

3.2. The City is seeking at a minimum a hotel in accordance with the provided studies. The City will actively consider proposals encompassing the entire site, additional sites or with changes to the City's site and development plans. The greatest weight given to a proposal will be based on a cost-benefit analysis that will weigh scope, timing, financial costs and risks, revenue generation, design and lifestyle amenities and level of quality and creativity. The City realizes that hotel development and financing is difficult, however, the City has identified various avenues to ensure that this project is a true public-private effort. The City has looked into the implementation of a Tax Increment Financing (TIF) District in the area, as well as the use of creative land leases and other potential inducements that will be discussed further throughout the process. The financing and budget information, while important, will not be necessary to

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include in this proposal and will be discussed once a short list of proposers have been selected. The Events/Convention Center will be a premier destination both locally and regionally and this vision will only be complete once a hotel is also placed on the site. While there are various potential sites around the development each of these is expected to have direct access to the Events/Convention Center allowing for it to be the cornerstone of the overall project.

3.3. The development shall be environmentally sensitive and use as much sustainable techniques and technology as is feasible. Certification at a minimum of a LEED standard is expected for the hotel as well as any other proposed structure(s) seeking public monies and/or subsidies.

3.4. The City and the Committee reserve the right to recommend the City Commission accept a combination of proposals, multiple proposals, or any portion of a proposal for the City's consideration. Respondents to the RFP process will be evaluated and ranked by the City staff and Committee and their proposals presented to the City Commission following the recommendations of the committee. Following this, a proposal(s) will be selected and will be entered into a MOU leading to formal negotiations for a development and operating agreements with the City of Enid.

Interested parties are encouraged to review plans for the area. These include:

- Downtown Development Analysis, Hunden Feasibility Study
- Enid Renaissance Site Plan
- Site Survey
- Charrette
- Schematics
- Downtown Parking Study

While these plans do not necessarily establish regulatory guidelines, they may provide context for site planning and design development. Copies are available at the City of Enid website: www.enid.org under "What's New" tab then select Enid Renaissance from the drop down menu (<http://www.enid.org/index.aspx?page=750>).

4. SITE AND MASTERPLAN

4.1. As noted above, the site consists of an approximately 6.79 acre site with an existing Cherokee Strip Conference Center (CSCC) renovated Convention Hall and New Events/Convention Center. The Site is across the street from the David Allen Memorial Ballpark. (Exhibit A).

The site is in the Renaissance TIF district, and is adjacent to the City's central business district.

4.2. A Master Plan for the site has been developed (Exhibit A). Developer teams are required to provide input into the Master Plan, via their architectural partner(s), making a strong urban statement addressing the Events/Convention Center, hotel, related parking, street level parking

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space, and other. Respondents have the opportunity to contribute their creative vision to a lasting piece of the City's development.

4.3. Respondents should generally assume the City-owned land in Exhibit "A" is in public control and on- and off-site improvements will be generally developed to the scale required to support the hotel, as proposed.

5. FINANCING

5.1. It is the City's goal to minimize the level of public financial participation in the Project and to attain the most distinctive, highest-quality and marketable project possible. Respondents will be expected to provide information regarding sources of debt and equity, and are urged to consider creative development and financing structures that will accomplish these ends. However, the City realizes that hotel development and financing is difficult and the City has identified various avenues to ensure that this project is a true public-private effort. The City has looked into the implementation of a Tax Increment Financing (TIF) District in the area, as well as the use of creative land leases and other potential inducements that will be discussed further throughout the process. The financing and budget information, while important, will not be necessary to include in this proposal and will be discussed once a short list of proposers have been selected.

5.2. Preference will be given to those developers that minimize the use of public financing, emphasize private sector financing and/or participation and provide the greatest economic opportunity for the City.

5.3. Respondents must state a single value for the present value of any and all subsidies requested to be provided by any public body, including cost of land. Required funds should be broken out between immediate subsidies (payment for any portion of the project, waived fees, etc.) and the present value of streams of subsidy over time, such as tax rebates.

5.4. Once the short-list of applicants has been decided, all applicants will be asked to submit a financial plan that details the assumptions used in the recommended development. The assumptions should include operating projections that are supported by market research, such as a Smith Travel Research report. In addition, a financing plan and Project schedule must be submitted. As part of the submission, the developer shall identify practical financial sources that could be considered to support the project.

5.5. Once the short-list of applicants has been decided, all applicants will be asked to break down all financial assumptions for the project, including price offered for any public land included.

5.6. The City will give weighted consideration to the Development Team with significant experience in developments similar in scope and quality to the proposed Project, and who also demonstrate that it has significant financial resources to support a guaranty of completion in accordance with a fixed schedule throughout the interview process.

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5.7. The City, understanding the economics of the hotel market, will consider various finance options and choose a development team that can creatively deliver a project that will best meet the needs of the Project and accomplish the following goals and objectives:

- Limit financial participation by and risk of the City.
- Ensure that the hotel is operated with the benefit of the overall community and Events/Convention Center, and results in an appealing urban addition to the community.
- Leverage economic gains of the Project for the general benefit of the City.

6. PROPOSAL CONTENT

6.1. Transmittal Letter, addressed to the Planning Administrator. The letter is not to exceed one page in length and should include:

6.1.1. An offer to negotiate, indicating the Respondent's understanding and agreement to comply with the terms of this RFP and all related addenda, and stipulating that the proposal set forth remains effective for a minimum period of 180 days.

6.1.2. Identification of the Respondent's firm, its ownership, officers, directors or partners, as well as a single contact person for all correspondence and notifications and its legal counsel. Full and complete disclosure of the Respondent and its ownership and control is mandatory.

6.1.3. In at least one copy, an original signature of a partner, principal, or officer of the Respondent, with a statement that the signatory is authorized to submit the proposal.

6.2. Development Team Qualifications

6.2.1. Legal name and officers, directors or partners of each member of the Development Team, at a minimum, including the developer, architect, construction manager or general contractor, hotel operator, and all other known team members.

6.2.2. A summary of qualifications, relevant experience and references for each Development Team member, specifically addressing matters related to the Project Scope and Objectives expressed in this RFP, as well as providing detailed descriptions of three hotel projects comparable to the proposed Project completed among the Development Team members.

6.2.3. A description of the type of entities that will be involved in the Project and whether the proposer is planning to develop, own or manage the Hotel or if the proposer has interest in doing a combination developing, owning or managing the completed Hotel. The City expects competent, efficient management to operate and market the Project.

6.3. Physical Development Proposal - The City expects the Project to possess the quality and level of finishes consistent with similar Events/Convention Center hotels of high quality in

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other North American cities. Respondents shall provide a design concept, including conceptual drawings, elevations, and/or models, for the proposed development program, inclusive at minimum of the following:

HOTEL:

6.3.1. An overall conceptual diagram for the Events/Convention Center, hotel, parking and related development and amenities.

6.3.2. Breakdown of the hotel room mix by category and the size of the rooms by category (king, double, suite, etc.).

6.3.3. The Hotel Brand intended for the proposed Hotel, if known at this time, or the Hotel Brand they would prefer to bring to the Project.

6.3.4. Approximately 4,000 square feet of meeting and ballroom space. This is an estimate and can be discussed further once the short-list of applicants has been determined.

6.3.5. Description of facilities for food and beverage services.

6.3.6. Total gross hotel building area, footprint, and number of stories.

6.3.7. Potential hotel expansion options.

6.3.8. Links between Project elements and parking structures, description of concierge space and services.

6.3.9. Proposed hotel room rate structure (in 2011 dollars).

6.3.10. Number of parking spaces required/provided for the Hotel.

6.3.11. Visual and physical relationship with the area, downtown Enid, and other commercial, residential, and recreational developments.

6.3.12. A description of any additional amenities.

6.3.13. A description of the level and commitment to using green technologies including goals of LEED certification.

6.3.14. An option, sale or related agreement showing control of any non-city owned piece included in the Proposal. The City and the Committee reserve the right to disqualify any proposal containing non-city owned land without proper agreements by the property owner.

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6.3.16. Conceptual elevations, 3-diminsional massing, and other appropriate design and architectural elements to help present the project will be required only after the short-list of applicants has been determined.

6.3.17. Explicit information on any other related needs to the hotel.

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TRANSPORTATION:

6.3.18. Proposed financing, ownership and related needs and agreements for parking.

6.3.19. Identify any proposed changes to the public right-of-way and road system and expectations of timing of changes and costs.

RELATED DEVELOPMENT (if applicable, but not required):

6.3.22. Scope and scale of proposed uses including gross floor area, building height(s) and massing, lot coverage and location on the site and general design characteristics.

6.3.23. Narrative description of how these additional developments conform to the overall goals of the City and overall vision for the combined project.

6.3.24. Expected financial arrangements for the project, including proposed public investment, subsidies and land acquisition costs will be required only after the short-list of applicants has been determined.

6.3.25. Conceptual elevations and project schedules for each component.

6.4. Concept Description - As part of the Project Description, Respondents should include the gross floor area of each use at all elevations and major entrances and the interrelationship of the proposed Project with the surrounding area and amongst its components. A narrative statement shall accompany the diagrams and summarize their content, the factors taken into consideration in developing the layout, and other information that the Respondent believes would be helpful in understanding the presentation.

6.5. Project Schedule - Respondents shall provide a project schedule that should run from authorization through negotiation, and to opening of the Hotel, assuming that an MOU is executed with the City by October/December 2011.

6.6. Project Financing - Exhibit B to the RFP contains Forms B1, B2, B3, and B4 that are to be completed by Respondents in Excel format and included only if the proposal is short listed for the interview process. If alternative project scenarios and financing approaches are considered, full information for each alternative is required. All financial assumptions including profit(s) must be identified, but will be required only after the short-list of applicants has been determined.

6.6.1. Respondents shall provide a detailed development budget in conformance with each of the line items provided in Form B1 only if the proposal is short listed for the interview process. Escalation of costs for inflation should be included and so identified in the projections.

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6.6.2. Respondents shall provide details of market assumptions that underlie projected occupancy levels and rates, as well as a five-year market history using Smith Travel Research data or alternatives, using Form B2 only if the proposal is short listed for the interview process.

6.6.3. Respondents shall provide a statement of net operating income for the proposed project in conformance with each of the line items provided in Form B3, assuming completion of construction and opening of the Project in the appropriate year, based upon the project schedule submitted by the Respondent only if the proposal is short listed for the interview process.

6.6.4. Respondents shall provide an analysis of the Project's cash flows on the Form B4. In this schedule, cash flows from operations, project costs, debt service, profit requirements, and the residual value of the Project are used to calculate the net present value of the proposed project.

6.6.5. Respondents shall provide a plan and demonstrate ability to obtain both equity capital and, as required, debt financing necessary to undertake the development, including the rates of return these sources are likely to require. Respondents are required to present evidence of equity capital and debt financing commitments from financial institutions, partners, and other resources, will be required only after the short-list of applicants has been determined.

6.6.6. Respondents shall provide evidence of the concurrence of key participants in the development concept, site plan, and economics.

6.7. Information requested in the RFP and deemed by the Respondent to be privileged and confidential must be marked "Privileged and Confidential Information." The City will endeavor to protect such information from disclosure to competitors to the extent allowable by law.

7. ADDENDA AND SUPPLEMENTAL INFORMATION

7.1. Addenda to the RFP shall be provided to all Respondents who received the initial RFP should it become necessary to make revisions, request additional information, or respond to written inquiries relating to the RFP.

7.2. It may be necessary for the City to request supplemental information from individual Respondents after proposals have been submitted and reviewed. Such information will be requested in writing to the specific respondent. This information will become a part of the original proposal submitted by the specific respondent and will be used by the City in evaluating the proposal and will not be shared with other respondents during the evaluation and award process.

8. GOOD FAITH EFFORT PLAN

8.1. It is the policy of the City to involve Minority and Women-owned Business Enterprises (M/WBE) and Disabled American Veterans (DAV) to the greatest extent feasible. In the Proposal Statement, the Developer must provide their proposed method for M/WBE and DVA participation.

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9. AWARD PROCEDURES

9.1. The Committee will evaluate all proposals received in response to this RFP. The City shall make its recommendation to the City Commission based on the committee's evaluation of the proposers' adherence to the goals, objectives, and evaluation criteria outlined in this RFP. All RFP submissions must be received by June 21st, 2011 2:00 P.M. PST.

9.2. Respondents who submit proposals will be required to make oral presentations to the City in interviews, to the public in forums and to the Mayor and Council for purposes of clarifying and presenting their proposal. The City will choose the number to be interviewed and schedule them accordingly.

9.3. From those presentations and interviews, the City will rank the proposals ordered by those that best satisfy the objectives and goals expressed by the City in this RFP. The City will pursue negotiations with the top ranked Respondent with the goal of a MOU by October/December of 2011. If a satisfactory agreement cannot be negotiated with the top-ranked Respondent, the City will formally end negotiations with that Respondent and pursue negotiations with the Respondent that next satisfies the objectives and goals expressed by the City in this RFP or end the process. The City will continue this process until either a MOU is executed, or until the City elects to end negotiations.

9.4. Upon recommendation of a proposal by the committee, the City will make the final decision for approval of the MOU. In its consideration of the proposal, the City may request additional information and presentation(s).

9.5. The selected Respondent must conform to zoning ordinances, subdivision requirements, and other applicable codes and ordinances of the City, County, or State. The City will assist in obtaining all necessary permits and land use approvals.

9.6. This RFP does not commit the City to procure or award a contract for the scope of work described herein.

10. EVALUATION CRITERIA

10.1. The City will rank the responding firms and their submittals based on the following criteria: (order of priority suggestion)

10.1.1. Demonstrated ability to arrange financing (equity and debt) within 60 days of execution of a Development Agreement.

10.1.2. Quality of response, including clarity and completeness.

10.1.3. Lowest financial and completion risk to the City, will only be evaluated only after the short-list of applicants has been determined.

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10.1.4. Creativity, Quality and logic in design and architectural concepts.

10.1.5. Ability of design and site to achieve the goals of the Project.

10.1.6. Historic ability to complete projects of a similar scale.

10.1.7. Experience developing, owning, and/or operating hotels.

10.1.8. Strength of hotel operator.

10.1.9. Scope of room count and function space.

11. RIGHTS RESERVED BY THE CITY OF ENID

11.1. The City reserves the right in its sole discretion to recommend the approval of a MOU related to this RFP. All portions of this RFP will be considered part of the MOU and will be incorporated by reference.

11.2. The MOU will reserve to the City the right to review and approve the plans and specifications for development with respect to their conformance with the goals and requirements of this RFP. The City will also reserve the right to refuse or approve any such drawings, plans, or specifications that are not suitable or desirable, in its opinion, for aesthetic or functional reasons. These drawings, plans, and specifications may include, but are not limited to the suitability of the site plan, architectural treatment, building plans and elevations, materials and colors, construction details, access, parking, loading, landscaping, identification signs, exterior lighting, refuse collection features, and street and sidewalk designs.

11.3. The City reserves the right to request additional information from any and all prospective Respondents if necessary to clarify any information contained in the proposals.

11.4. The City reserves the right, at its sole discretion, to accept or reject any and all proposals or portions received as a result of this RFP, to waive minor omissions, and to conduct discussions with all responsible respondents, in any manner necessary, to serve the best interest of the City.

11.5. The City reserves the right to suggest modifications to the team and approve the members of the final development team for the Project.

11.6. The City reserves the right to keep all responses in connection with this RFP, without restriction on future use.

12. ADMINISTRATIVE INFORMATION

12.1. The issue date for this RFP is March 22nd, 2011. A schedule of events follows in Section 13 of this document. The City may modify the schedule at any time for any reason.

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12.2. Questions and inquiries will be accepted via email at cbauer@enid.org. The closing date for submitting all written questions is 2:00 p.m. (CST) on Tuesday, May 17th, 2011. A summary of all substantive questions and responses will be provided to all parties receiving the RFP document and registering for addenda.

12.3. The deadline for receipt of proposals is 2:00 pm (CST) on Tuesday, June 21st, 2011. Send ten (10) copies of the proposal to:

Chris Bauer, City Planning, City of Enid
401 W. Owen W. Garriott Rd.
Enid, OK 73701

12.4. Proposals that are mailed or delivered by courier should allow sufficient time to ensure receipt by the City by the established deadline.

12.5. Interested developers must submit nine (9) photocopies of their proposal in addition to the original (labeled accordingly). A total of 10 (10) paper proposals shall be submitted. One (1) electronic copy of the proposal is also required in Adobe/Acrobat format on USB flash drive or compact disc (CD) media. The original proposal must be the actual document received by the City and must be clearly marked "Original." Faxed and emailed responses are not acceptable.

12.6. A list of teams submitting proposals may be made public, however because this project is designated as a real estate negotiation and contents are confidential, actual proposal contents will not be made public, to the extent allowable by law.

12.7. Communication with City staff and/or members of the selection committee regarding this process is strictly forbidden. Communication regarding this process with other local officials is strongly discouraged in order to protect the integrity of the selection process.

12.8. Development Teams acknowledge and agree that the City will not be liable for any costs, expenses, losses, damages (including damages for loss of anticipated profit), or liabilities incurred by the Development Team or any members thereof as a result of or arising out of, submitting a proposal, negotiating changes to such proposal, or due to the City's acceptance or non-acceptance of the proposal.

12.9. Proposals are to be valid and irrevocable for a minimum period of one hundred and eighty (180) days following final date for submission of proposals. This term may be extended by written mutual agreement between the City and the Respondent considered recommended for award.

12.10. Respondents should give specific attention to identifying any portions of their proposals they deem confidential, proprietary information, or trade secrets.

12.11. By submitting a proposal in response to this RFP, the Respondent selected for award represents that it will comply with all Federal, State and City laws, rules, regulations, and ordinances applicable to its activities and obligations under this RFP and the Development Agreement.

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13. SCHEDULE OF EVENTS

13.1. RFP Release March 22, 2011

13.2. Pre-Proposal Conference April 18, 2011

13.3. Due date for all written questions May 17, 2011 2:00 P.M. CST

13.4. Proposals are Due June 21, 2011 2:00 P.M. PST

13.5. Recommendation to City Council TBD

13.6. Interview of Shortlist, Presentations TBD

13.7. Development Agreement TBD 2011

13.8. Complete MOU TBD 2011

14. SPECIAL TERMS AND CONDITIONS

14.1. Reservation of Rights by City of Enid

The issuance of this RFP and the acceptance of submissions do not constitute an agreement by the City of Enid that any contract will actually be entered into by the City of Enid. Any and all disputes arising under the RFP and any contract negotiated as a result of this RFP shall be governed by the laws of the State of Oklahoma. The venue for any action brought to enforce provisions of the contract shall be in Garfield County, Oklahoma.

14.2. Form and Terms of Lease, or Sale, and Development Agreement

By submitting a response to this RFP, each Team agrees that the development agreement and lease or sale and any other contract resulting from this RFP will be drafted under the supervision of the Enid City Attorney. Teams may not insist on the use of standard contract agreements, documents or forms and waive any demand for the use of standard agreement forms. Selection of a team does not obligate the City of Enid to accept all of the terms of the successful Team's submission.

14.3. Copyright and Patent Indemnification

By submitting a response to this RFP, each Team agrees to hold the City of Enid, and their officers, agents, employees, and consultants free and harmless against any and all liability, including costs of claims, suit and attorneys' fees, arising from, growing out of, or incidental to the actual or alleged use of any copyrighted composition, secret or proprietary process, patented or unpatented invention, article or appliance.

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14.4. No Partnership/Business Organization

Nothing in this RFP or in any subsequent development agreement, lease, or any other contract entered into as a result of this RFP shall constitute, create, give rise to or otherwise be recognized as a partnership or formal business organization of any kind between or among the City of Enid or the Team.

14.5. Employment Restrictions and Indemnity

No person who is an officer, employee, contractor or consultant of a Team shall be an officer or employee of the City of Enid. No rights of the City of Enid's civil service, retirement or personnel rules accrue to Team, its officers, employees, contractors, or consultants. The successful Team shall have the total responsibility for all salaries, wages, bonuses, retirement, withholdings, worker's compensation, other benefits and taxes and premiums appurtenant thereto concerning its officers, employees, contractors, and consultant. Team shall save and hold the City of Enid harmless with respect to any and all claims for payment, compensation, salary, wages, bonuses, retirement, withholdings, unemployment compensation, other benefits and taxes and premiums in any way related to Team's officers, employees, contractors and consultants.

14.6. Immigration and Naturalization

All Teams shall be required to be in compliance with the Naturalization Reform Act of 1986 and all rules and regulations promulgated there under.

14.7. Non-Discrimination

The parties hereto, for themselves and their successors and assigns, and for their subcontractors, do hereby covenant and agree that no person shall be excluded from participation in, denied the benefit of, or otherwise subjected to discrimination under the terms of this RFP on the grounds of race, color, age, sex handicap, or national origin; and that, in carrying out the terms and conditions of this RFP, no person shall be subjected to description on the grounds of race, color, age, sex, handicap, or national origin.

14.8. Compliance with Laws

Persons submitting proposals shall conduct their business under the terms of this RFP in such a manner that it does not violate Federal, State, or local laws or regulations applicable to the conduct of its operations under the terms of this RFP.

14.9. Interpretation of Law

This RFP shall be deemed to have been made in the State of Oklahoma and shall be construed and interpreted in accordance with the laws of the State of Oklahoma.

14.10. Choice of Law

Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this RFP may be brought against any of the parties in the courts of the State of Oklahoma, County of Garfield, or, if it has or can acquire jurisdiction, in the United States District Court for the Western District of Oklahoma, and each of the parties consent to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein.

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14.11. Employment Verification

The City of Enid requires all contractors to verify that employees working pursuant to contracts with the City of Enid are legally authorized to work in the United States. The contractor agrees to verify and document the employment eligibility of all employees who may perform services pursuant to this RFP. The contractor also agrees to require all subcontractors who perform services under this RFP to verify and document the employment eligibility of all employees who perform services pursuant to this RFP.

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EXHIBIT A: City of Enid Renaissance Site Plan showing three on-site hotel pads and one off-site hotel pad, all four pads site are owned by the City.

EXHIBIT B: Project Financing – Form B1

The submission of Exhibit B will only be required if the proposal is short listed for the interview process.

Schedule 1: Hotel Cost Assumptions:

Gross Cost % Budget Cost/Key Gross Cost % Budget Cost/Key Gross Cost % Budget Cost/Key
Cost of Non-City Owned Land (if applicable)
Site Preparation
Soft Costs
Architectural/ Engineering
Other Consultants
Developer Fee
Permits/ Fees
Bonds/ Ins/ Builders Risk
Legal and Accounting
Pre-Development Expense
Construction Cost
F F & E
Marketing/ Pre-Opening
Marketing/ Pre Opening
Leasing Commissions
Tenant Improvement Allow.
Deposit/ Operating Reserves
Contingency
Total
Total Project Bond Financing Cost
Total Bond Issue under Tax Exempt Financing
Hotel Parking Structure Grand Total
Estimated Total Project Budget

EXHIBIT B: Project Financing – Form B2

Schedule 2: Market Assumptions and Projected Occupancy

Hotel Name Address
Number of
Rooms
Assumptions for Projections
Competitive Set Rooms
Supply
Occupied
Rooms ADR RevPAR

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Year
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

Define the Competitive Set Considered in projections:

EXHIBIT B: Project Financing – Form B3

Schedule 3: Estimated Cash Flows from Operations

Statistical Information

Number of Rooms

Available Room Nights

Occupancy Rate

Occupied Room Nights

Average Daily Use

RevPAR

Revenues

Rooms

Food & Beverage

Telecommunications

Parking

Other Departments & Rentals

Total Revenues

Dept. Costs & Expenses

Rooms

Food & Beverage

Telecommunications

Parking

Other Departments & Rentals

Total Departmental Expenses

Departmental Profit

Undistributed Expenses

Administrative & General

Sales & Marketing

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Energy
Property Operation/Maintenance
Total Undistributed Expenses
Gross Operating Profit
Franchise Fee
Management Fee
Total Fees
Income Before Fixed Charges
Fixed Charges
Real Estate/Property Taxes
Insurance
Land Lease
Other
Reserve for Replacement
Asset Manager Fees/Expenses (if applicable)
Total Fixed Charges Net Operating Income

EXHIBIT B: Project Financing - Form B4

Schedule 4: Cash Flow Analysis

Assumptions

Number of Rooms

Cost Per Room

Total Capital Costs

Percent Debt

Percent Equity

Debt Service Interest Rate

Capitalization Rate

Amortization Period (Yrs)

Yr 1 Yr 2 Yr 1 Yr 2 Yr 3 Yr 4 Yr 5 Yr 6 Yr 7 Yr 8 Yr 9 Yr 10 Yr 11 Yr 12 Yr 13 Yr 14 Yr 15

Net Op Cash Flow (Sch 1)

Less Equity Investment

Less Interest Payments

Less Principal Payments

Less Debt Repayment

Less Required Return on Equity

Net Projected Cash Flows

Construction Operations

PLEASE FORMAT TABLE TO FIT YOUR PROPOSED FINANCING SCENARIO

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**EXHIBIT C: CHEROKEE STRIP CONFERENCE CENTER EXHIBIT AND NON-EXHIBIT
EVENTS AND ATTENDANCE**

The following two tables illustrate the current demand for convention business and the conventions lost as a direct result of a hotel missing from the Convention complex.

| Current Data and Attendance | | | | |
|--|-----------------|-------------------------|---|-------------------------|
| Period Aug. 2009 thru Jun. 2010 | | | Period July 2010 thru January 2011 | |
| Exhibit Event | # Events | Total Attendance | # Events | Total Attendance |
| Convention | 4 | 870 | 1 | 500 |
| Flat Show | 4 | 2300 | 4 | 2100 |
| Non-Exhibit | | | | |
| Meeting | 200 | 11,287 | 145 | 6,011 |
| Banquet | 152 | 25,762 | 76 | 13,952 |
| Miscellaneous | 16 | 5,004 | 3 | 1,300 |

| Lost Convention/Group Business as a Direct Result of Hotel Missing from Convention Complex Business in the years 2011 and 2012 | | |
|---|----------------|--------------------------|
| # Delegates as Presented by Prospect | #Guests | Total Hotel Rooms |
| 2,100 | 1,450 | 4,738 |

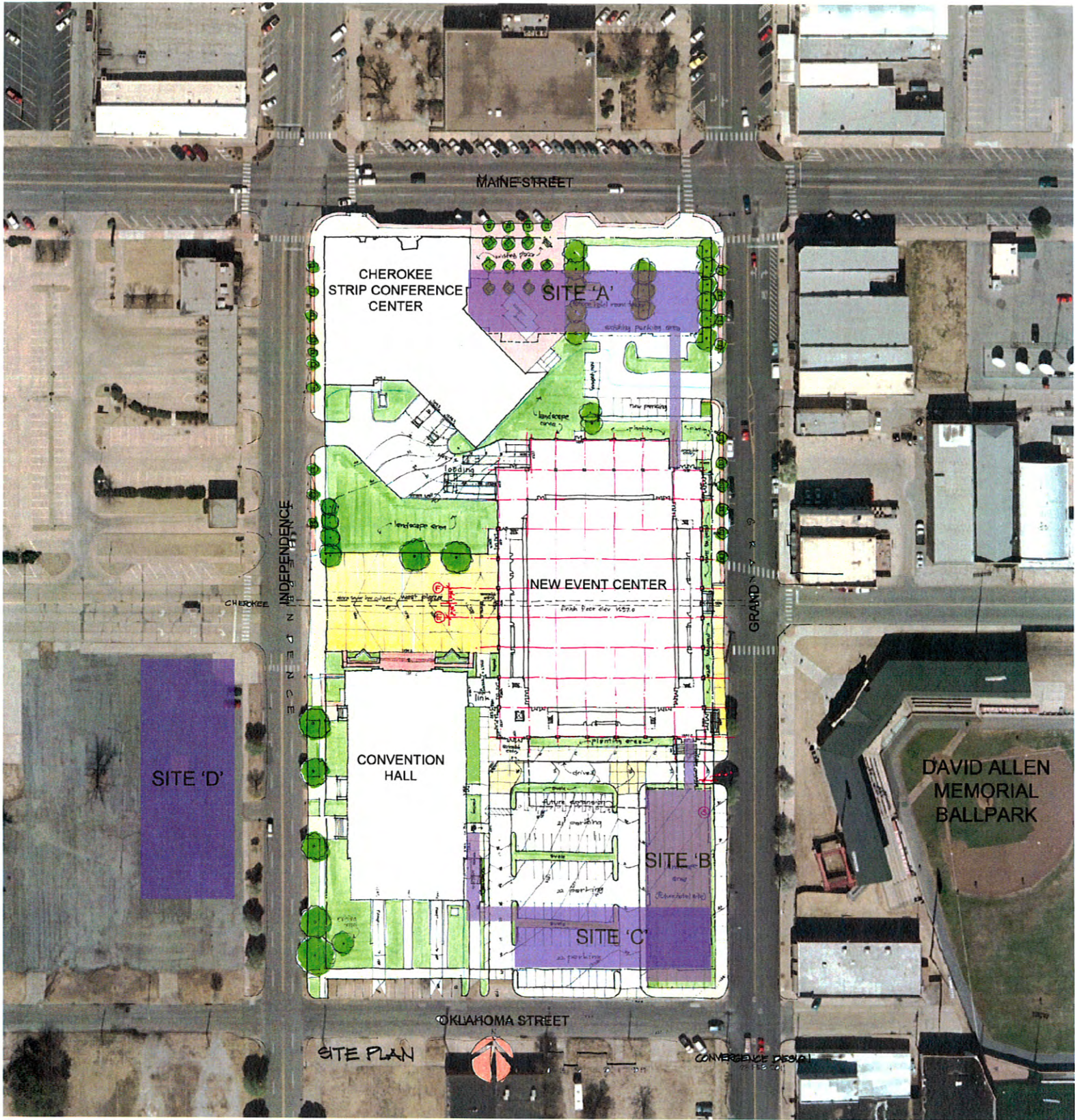
EXHIBIT D: National Hotel Trends and Lodging Market & Competitive Set, Hunden Feasibility Study

EXHIBIT E: Projection of Demand and Financial Performance, Hunden Feasibility Study

EXHIBIT F: Personal Property Tax Abatement

Oklahoma Statutes allow for the designation of economic revitalization areas for tax abatement on certain types of personal property, "Enterprise Zones." Types of property eligible for tax abatement include manufacturing equipment, research and development equipment, logistical distribution equipment and information technology equipment. Information technology equipment consists of equipment, including software, used in the fields of information processing, office automation, telecommunications facilities and networks, informatics, network administration, software development, and fiber optics. For example, using a current personal property tax rate for the downtown area, potential property tax savings over a five-year period on a \$100,000 investment in information technology equipment designated for tax abatement would be almost \$4,000.

Conceivably, a hotel development may have investment in computers, office equipment, telephone systems, computer-based systems for handling reservations and in-room check-out that could be eligible for abatement.





NATIONAL HOTEL TRENDS

National hotel trends are important to the development prospects of any hotel, whether it involved macro supply and demand issues, amenity trends, financing trends, or other trends impacting the industry. HSP reviews several areas of the industry that put the proposed project in perspective and will inform some of the recommendations.

The hotel industry is facing its worst downturn since the 1990-1991 recession and some believe since the Great Depression, as the duration of the decline appears to be the key concern. The effect of 9/11 was as severe, but occupancy rebounded much more quickly than is occurring now, at least in many markets. However, occupancy appears to be improving as of the first quarter of 2010, which, if this improvement continues will eventually lead to rate growth. However, revenue levels may not return to 2007 benchmarks for several more years.

U.S. Lodging Industry

With the growth of the travel industry, the U.S. lodging industry has also experienced strong expansion.

The table below shows selected characteristics of the U.S. lodging industry from 1992 through the first quarter of 2010.

Table 8-1

| National Lodging Industry Annual Summary | | | | | | |
|--|-----------|--------------|--------------------|-------------|----------------------------|-------------|
| Year | Occupancy | Change | Average Daily Rate | Change | Revenue per Available Room | Change |
| 1992 | 61.9% | -- | \$59.62 | -- | \$36.90 | -- |
| 1993 | 63.1% | 1.9% | \$61.30 | 2.8% | \$38.68 | 4.8% |
| 1994 | 64.7% | 2.5% | \$64.24 | 4.8% | \$41.56 | 7.4% |
| 1995 | 65.1% | 0.6% | \$67.17 | 4.6% | \$43.73 | 5.2% |
| 1996 | 65.0% | -0.2% | \$70.81 | 5.4% | \$46.03 | 5.3% |
| 1997 | 64.5% | -0.8% | \$75.31 | 6.4% | \$48.57 | 5.5% |
| 1998 | 63.8% | -1.1% | \$78.15 | 3.8% | \$49.86 | 2.7% |
| 1999 | 63.1% | -1.1% | \$81.29 | 4.0% | \$51.29 | 2.9% |
| 2000 | 63.5% | 0.6% | \$85.24 | 4.9% | \$54.13 | 5.5% |
| 2001 | 59.8% | -5.8% | \$84.45 | -0.9% | \$50.50 | -6.7% |
| 2002 | 59.0% | -1.3% | \$83.20 | -1.5% | \$49.09 | -2.8% |
| 2003 | 59.2% | 0.3% | \$83.28 | 0.1% | \$49.30 | 0.4% |
| 2004 | 61.3% | 3.5% | \$86.70 | 4.1% | \$53.15 | 7.8% |
| 2005 | 63.1% | 2.9% | \$91.29 | 5.3% | \$57.61 | 8.4% |
| 2006 | 64.2% | 1.7% | \$96.77 | 6.0% | \$62.13 | 7.8% |
| 2007 | 64.1% | -0.2% | \$102.38 | 5.8% | \$65.63 | 5.6% |
| 2008 | 60.4% | -5.8% | \$106.55 | 4.1% | \$65.61 | 0.0% |
| 2009 | 55.1% | -8.8% | \$97.51 | -8.5% | \$53.71 | -18.1% |
| Q1 2010 | 51.9% | 0.0% | \$98.15 | 0.0% | \$50.01 | -2.1% |
| Annual Growth Rate | | -0.6% | | 3.0% | | 2.5% |

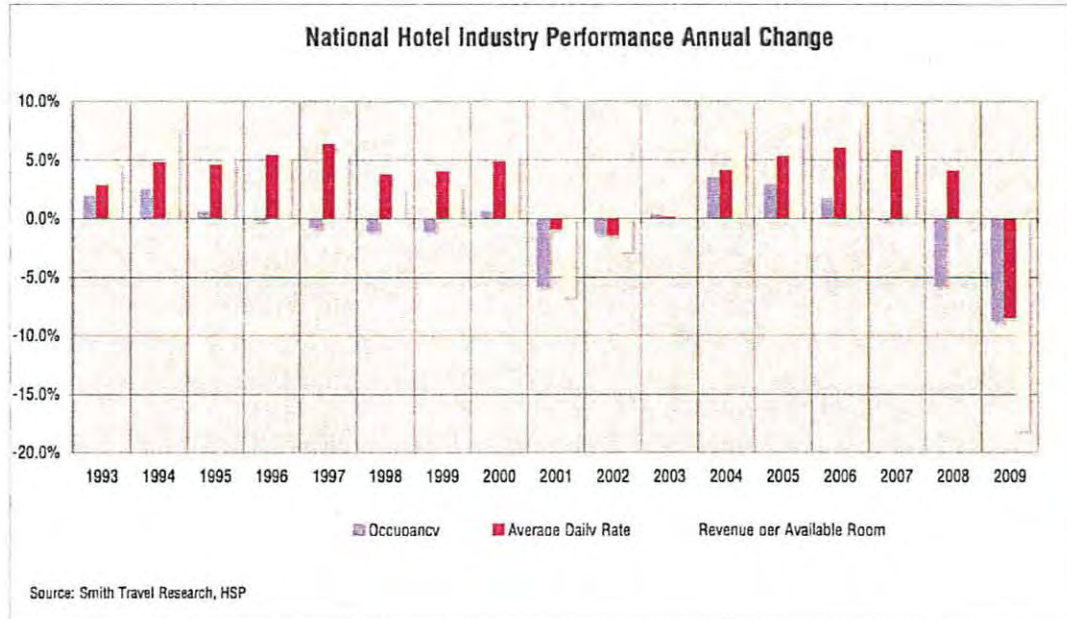
Source: Smith Travel Research, HSP

Occupancy peaked at an all-time of 65.1 percent in 1995 and recently was as high as 64.2 percent in 2006. After 9/11 and the recession in the early part of the decade, occupancy decreased to 59 percent, before increasing to the 64 percent range in 2006. The current economic conditions facing the United States have had an effect on hotel occupancy, which has decreased over six percent to 56.5 percent. Average daily rate (ADR) increased at an average annual rate of 3.7 percent during the period, outpacing inflation (when food and energy are not counted). The last five years have exhibited strong ADR growth from four to six percent, even in 2008. However, in 2009, occupancy declined by more than five percentage points and ADR declined by \$9. RevPAR decreased by more than 18 percent.

Based on the data in the table above, there appears to be a breakpoint at 60 percent national occupancy, above which ADR and RevPAR increase, and below which ADR and RevPAR decline.

The figure below shows the above data in graph form, highlighting the annual change in performance.

Figure 8-1



As the above graph indicates for the years 1996 through 1999, 2007, and 2008 even when occupancy declines, average daily rates can increase. This speaks to the concept of maximum practical occupancy. At a certain average occupancy, there are enough 'sold-out' dates and demand pressure to raise prices.

The following table shows industry supply statistics for 2008.

Table 8-2

| 2008 Property/ Room Breakdown | | |
|--|-------------|-----------|
| By Location | Properties* | Rooms** |
| Urban | 4,679 | 721,232 |
| Suburban | 16,780 | 1,668,321 |
| Airport | 2,115 | 294,494 |
| Interstate | 7,119 | 479,764 |
| Resort | 3,723 | 584,438 |
| Small Metro/ Town | 15,089 | 878,099 |
| By Rate | | |
| Under \$30 | 1,178 | 54,010 |
| \$30- \$44.99 | 7,343 | 417,649 |
| \$45- \$59.99 | 15,036 | 915,925 |
| \$60- \$85 | 14,538 | 1,325,999 |
| Over \$85 | 11,411 | 1,912,766 |
| By Size | | |
| Under 75 Rooms | 27,810 | 1,188,161 |
| 75 -149 Rooms | 15,798 | 1,667,750 |
| 150 - 299 Rooms | 4,259 | 852,953 |
| 300 - 500 Rooms | 1,116 | 415,606 |
| Over 500 Rooms | 522 | 501,878 |
| *Based on a total of 49,505 Properties | | |
| **Based on a total of 4,626,348 guestrooms | | |
| Source: Smith Travel Research | | |

Most properties and rooms are in suburban and small metro locations and most achieve average rates above \$60 per night. The size grouping with the most rooms is the 75 – 149 room group, with 1.7 million rooms, although the most properties are in the under 75 rooms group, with nearly 28,000 properties.

The table below shows the breakdown of supply by market segment, as well as the growth by segment from 2006 to 2009.

Table 8-3

| | Hotel Room Supply Growth Dec. 06 - Sept. 09 | | | | | | | | Total Change Sep-06 to Sep-09 |
|----------------------|---|------------|-----------|------------|-----------|------------|-----------|------------|----------------------------------|
| | Sep-06 | | Sep-07 | | Sep-08 | | Sep-09 | | |
| | Supply | % of total | Supply | % of total | Supply | % of total | Supply | % of total | |
| Luxury | 80,062 | 1.8% | 81,463 | 1.8% | 96,635 | 2.1% | 104,735 | 2.2% | 30.82% |
| Upper Scale | 539,457 | 12.1% | 546,288 | 12.0% | 571,680 | 12.2% | 593,695 | 12.4% | 10.05% |
| Upscale | 406,932 | 9.1% | 429,458 | 9.4% | 460,147 | 9.8% | 498,752 | 10.4% | 22.56% |
| Midscale with F&B | 534,063 | 12.0% | 539,628 | 11.9% | 511,001 | 10.9% | 510,475 | 10.6% | 4.42 |
| Midscale without F&B | 694,954 | 15.6% | 735,402 | 16.2% | 776,247 | 16.5% | 817,053 | 17.0% | 17.57% |
| Economy | 731,812 | 16.4% | 740,917 | 16.3% | 758,915 | 16.2% | 764,158 | 15.9% | 4.42% |
| Independents | 1,466,755 | 32.9% | 1,477,148 | 32.5% | 1,518,965 | 32.4% | 1,507,836 | 31.4% | 2.80% |
| Total | 4,454,035 | 100% | 4,550,304 | 100% | 4,693,590 | 100% | 4,796,704 | 100% | 7.69% |

Source: Smith Travel Research

The luxury supply increased by 31 percent in the past three years, a remarkable change. Upscale hotels increased their room count by nearly 23 percent and midscale without food and beverage increased by nearly 18 percent in three years.

Development & Financing

The hotel development pipeline had been robust until 2008, when the credit crisis hit and real estate in all sectors declined. This has made credit more expensive and the combination of lack of funds and poor market performance has essentially shuttered new developments in 2009.

The loan-to-value ratio is an important measure of the amount of risk banks are willing to take on real estate investments. Historically, hotels have exhibited a higher risk level in the eyes of lenders and as such, have required a substantial equity investment. However, cookie-cutter branded prototype deals at interstate intersections – very predictable to bankers in terms of safety and profitability – have achieved loan-to-value rate of 75 percent or more.

As the performance of hotels improved, bankers felt more comfortable approving higher loan amounts relative to the value of the project. At its peak in 2005, the LTV was nearly 70.6 percent on average. It decreased to 60 percent in 2008, but with the recession the LTV ratio has increased to over 70 percent again.

According to a Hotel Business survey in January of 2009, regional banks were the most often used source for hotel loans.

Transactions

Cap rates are a measure of risk and reward. The higher the cap rate, the riskier the market expects an investment to be (and the higher the reward expected). To determine value, appraisers, buyers and sellers use net operating income divided by the cap rate. A hotel with \$1 million in net operating income and a 10 percent cap rate would have a value of \$10 million. However, using a 5 percent cap rate would give a value of \$20 million. During the height of the

hotel buying frenzy in 2005 and 2006, some hotels were sold at effective cap rates lower than five percent, leading to extraordinary values.

Cap rates for hotels have historically been in the 10 to 12 percent range. The rate was below ten percent in 2005 and 2007 and below nine percent in 2006, leading to record sales prices and intense transaction activity. The rate in 2008 is increased slightly to 9.3 percent. The rate in 2009 and 2010 was expected to be more than ten percent.

Development Costs

The table below shows the hotel development costs for the different segments hotels for the latest year available.

Table 8-4

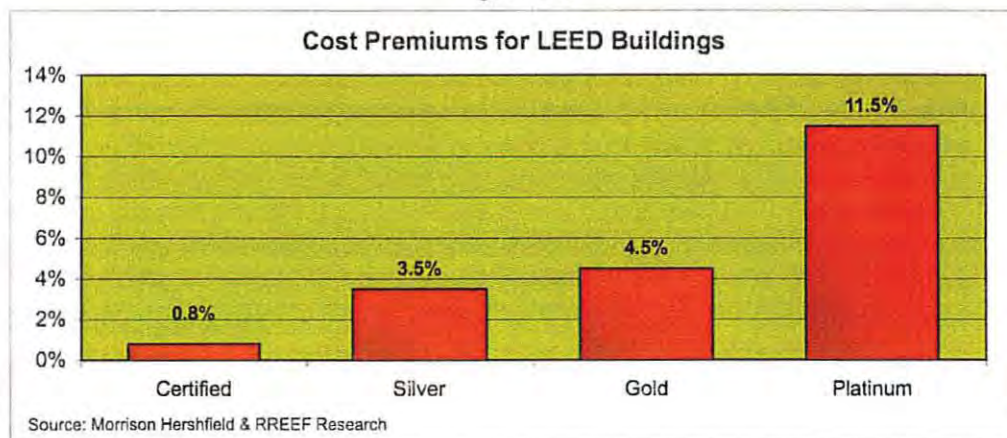
| 2008-2009 Hotel Development Cost Survey per-Room Averages | | | | | | |
|---|----------|--------------------------------|------------|----------|-------------------------------|-----------|
| | Land | Building and Site Improvements | Soft Costs | FF&E | Pre-Opening & Working Capital | Total |
| Budget/Economy Hotels | | | | | | |
| Average from Budgets | \$13,800 | \$48,800 | \$4,500 | \$8,500 | \$3,000 | \$63,900 |
| Median | \$13,200 | \$44,400 | \$2,300 | \$8,500 | \$2,900 | \$51,700 |
| Allocation | 14% | 55% | 8% | 8% | 4% | |
| Midscale Hotels w/o F&B | | | | | | |
| Average from Budgets | \$27,500 | \$68,700 | \$11,400 | \$10,000 | \$4,100 | \$96,100 |
| Median | \$14,400 | \$60,700 | \$8,300 | \$9,700 | \$2,800 | \$86,500 |
| Allocation | 16% | 65% | 10% | 10% | 4% | |
| Extended Stay Hotels | | | | | | |
| Average from Budgets | \$14,400 | \$76,000 | \$11,700 | \$13,300 | \$3,300 | \$129,000 |
| Median | \$12,800 | \$66,600 | \$10,200 | \$13,700 | \$2,400 | \$103,400 |
| Allocation | 12% | 68% | 9% | 12% | 2% | |
| Midscale Hotels W/ F&B | | | | | | |
| Average from Budgets | \$16,300 | \$73,800 | \$13,600 | \$12,600 | \$3,800 | \$115,000 |
| Median | \$12,000 | \$60,900 | \$10,700 | \$11,900 | \$3,000 | \$98,600 |
| Allocation | 13% | 66% | 12% | 12% | 3% | |
| Full-Service Hotels | | | | | | |
| Average from Budgets | \$18,700 | \$120,500 | \$22,700 | \$23,200 | \$6,900 | \$206,000 |
| Median | \$14,700 | \$109,400 | \$14,300 | \$19,000 | \$5,700 | \$154,700 |
| Allocation | 12% | 64% | 12% | 12% | 4% | |
| Luxury and Resorts | | | | | | |
| Average from Budgets | \$96,300 | \$338,900 | \$136,500 | \$56,800 | \$20,800 | \$592,600 |
| Median | 98,400 | \$293,900 | \$90,400 | \$60,700 | \$18,700 | \$532,900 |
| Allocation | 17% | 65% | 11% | 8% | 5% | |

Source: HVS

Costs per room vary dramatically for the various types of hotels, from a median of \$51,700 for economy properties to \$532,900 for luxury properties.

Green Development. The converging forces of rising energy costs, operating costs and the concern over real estate's impact on the environment have led many to adopt green design, building, and operating concepts. The Leadership in Energy and Environmental Design (LEED) standard is one being adopted by various developments. The table below shows the cost premium associated with each level of LEED achievement.

Figure 8-2



The impact of being certified is minimal at less than one percent of development cost. However, to reach the platinum level requires funding of an additional 11.5 percent, on average.

Largest Hotel Companies

One of the continuing trends of the past decade has been the growth of hotel companies to create and expand brands into every conceivable niche, including extended stay (discussed below), boutiques, fractionals, etc. While this is a concern because future growth will have to come from gains in performance as opposed to new product, the results over the last ten years have been the dominance of several large hotel companies. These companies typically do not own their hotels, but brand them and provide the support, advertising, group sales and other services for the hotel owners for a fee.

The table below shows the top ten hotel companies in the world, by number of rooms.

Table 8-5

| Top Ten Largest (Room Count) Hotel Groups in the World | | | | |
|--|---------------------------|---------------|------------------|-------------|
| Rank | Company | Hotels 2009 | Rooms 2009 | Rooms/Hotel |
| 1 | IHG | 4,186 | 619,851 | 148 |
| 2 | Wyndham Worldwide | 7,043 | 592,880 | 84 |
| 3 | Marriott International | 3,088 | 545,705 | 177 |
| 4 | Hilton Hotels | 3,259 | 544,361 | 167 |
| 5 | Accor | 3,982 | 478,975 | 120 |
| 6 | Choice International | 5,827 | 472,526 | 81 |
| 7 | Best Western | 4,032 | 305,387 | 76 |
| 8 | Starwood Hotels & Resorts | 942 | 284,800 | 302 |
| 9 | Carleson Hospitality | 1,013 | 151,487 | 150 |
| 10 | Global Hyatt | 373 | 114,343 | 307 |
| Total | | 33,745 | 4,110,315 | 161 |

Source : MKG Hospitality & HSP

Intercontinental Hotel Group (IHG), with its Holiday Inn and other brands, had the most number of rooms in 2009, with nearly 620,000. The largest company in terms of properties is Wyndham, which franchises many of the lower-end hotel brands. Marriott and Hilton are regarded as the large full-spectrum hotel companies, offering quality products in all categories except the economy segment.

The next table shows the largest brands by number of rooms.

Table 8-6

| Top Twenty Global Hotel Brands by Room Count | | | | | |
|--|-------------------------------|-------------------------------|--------------|----------------|-------------|
| Rank | Brand | Company | Hotels 2009 | Rooms 2009 | Rooms/Hotel |
| 1 | Best Western | Best Western | 4,032 | 305,387 | 76 |
| 2 | Holiday Inn | IHG | 1,353 | 249,691 | 185 |
| 3 | Comfort Inn & Suites | Choice International | 2,550 | 196,689 | 77 |
| 4 | Marriott Hotels & Resorts | Marriott International | 531 | 188,544 | 355 |
| 5 | Hilton Hotels & Resorts | Hilton Hotels | 521 | 176,523 | 339 |
| 6 | Express by Holiday Inn | IHG | 1,932 | 173,794 | 90 |
| 7 | Days Inn of America | Wyndham Hotels Group | 1,619 | 159,720 | 99 |
| 8 | Hampton Inn | Hilton Hotels | 1,880 | 152,971 | 81 |
| 9 | Sheraton Hotels & Resorts | Starwood Hotels & Resorts | 409 | 143,278 | 350 |
| 10 | Super 8 Motels | Wyndham Hotels Group | 2,110 | 130,920 | 62 |
| 11 | Quality Inns & Hotels | Choice International | 1,281 | 123,042 | 96 |
| 12 | Courtyard | Marriott International | 808 | 117,258 | 145 |
| 13 | Ramada Worldwide | Wyndham Hotels Group | 897 | 114,986 | 128 |
| 14 | Motel 6 | Accor | 1,003 | 101,935 | 102 |
| 15 | Ibis | Accor | 406 | 94,742 | 233 |
| 16 | Hyatt Hotels | Global Hyatt | 214 | 94,096 | 440 |
| 17 | Crowne Plaza Hotels & Resorts | InterContinental Hotels Group | 342 | 93,382 | 273 |
| 18 | Radisson Hotels | Carlson Hospitality/Rezidor | 342 | 89,617 | 262 |
| 19 | Mercure | Accor | 814 | 85,969 | 106 |
| 20 | La Quinta Inns & Suites | La Quinta | 708 | 74,415 | 75 |
| Total | | | 6,107 | 915,027 | 198 |

Source : MKG Hospitality & HSP

Best Western has been and continues to be the largest single hotel brand, with more than 4,000 affiliated properties worldwide.

The following table displays the U.S. hotel chain scale by performance.

Table 8-7

| U.S. Hotel Chain Scale - Performance by Year | | | | | | |
|--|--------------|--------------|--------------|-----------------|-----------------|-----------------|
| Scale | Occupancy | | | ADR | | |
| | 2007 | 2008* | 2009** | 2007 | 2008* | 2009** |
| Economy | 56.9% | 55.1% | 52.9% | \$53.77 | \$54.69 | \$55.39 |
| Midscale w/out F&B | 65.4% | 63.8% | 61.5% | \$87.18 | \$90.70 | \$91.62 |
| Midscale w/F&B | 59.0% | 56.5% | 54.0% | \$85.76 | \$88.79 | \$90.96 |
| Upscale | 69.2% | 67.0% | 64.3% | \$118.51 | \$120.26 | \$119.78 |
| Upper-Upscale | 67.2% | 69.9% | 71.3% | \$159.07 | \$162.52 | \$159.72 |
| Luxury | 70.9% | 69.1% | 67.0% | \$294.00 | \$298.86 | \$303.35 |
| All Hotels | 63.1% | 61.4% | 58.7% | \$103.83 | \$107.61 | \$109.01 |

*Based on actuals through June 2008
 **Projected
 Source: STR, PKF, Hospitality Business

The following table shows the development of hotels in the pipeline.

Table 8-8

| Phase | Jul-05 | Jul-04 | Difference | % Change |
|------------------------|----------------|----------------|-----------------|---------------|
| In Construction | 130,471 | 195,947 | -65,476 | -33.4% |
| Final Planning | 70,811 | 110,553 | -39,742 | -35.9% |
| Planning | 274,239 | 353,290 | -79,051 | -22.4% |
| Active Pipeline | 475,521 | 659,790 | -184,269 | -27.9% |
| Pre-Planning | 114,986 | 144,517 | -29,531 | -20.4% |
| Total | 590,507 | 804,307 | -213,800 | -26.6% |

Source: STR / TWR / Dodge Construction Pipeline

In all categories, the construction pipeline has contracted significantly, by 20 to 33 percent.

Other Trends of Note

Several other trends have been occurring in the industry over the past several years. These include:

- **Amenity Creep.** The major brands, led by Starwood, began expecting a higher quality of amenities in their hotels. This began with the “Heavenly Bed” for Westin and now all major brands have their own premium bedding product. It continued with bathroom products, flat screen televisions, wireless internet, branded gym/spa experiences, and other amenities now expected that previously were considered to be luxuries. These have even crept into the limited service brands.
- **Brands Multiply.** Worldwide, the expansion of brands continues to change the face of the competitive environment. Eager to show earnings and market share for Wall Street, major brands compete fiercely. Using multiple brand products clustered in the same corporate structure, proprietary reservation systems and corporate programs work in tandem to drive business. Larger brand portfolios result in a decreasing value proposition for hotel owners and franchisees that experience increased costs but declining service delivery. Comparing profit potential with a brand or without a brand is becoming a serious exercise for hotel owners. At the same time, the proliferation of brands means fewer independents that struggle for fair share using price as the preferred strategy. While independent hotel operators use the Internet to level the playing field, continued downward pressure on rates results in destabilized markets and further erodes profitability.
- **Condotels Decline.** Selling hotel rooms/units as condominiums was a financing trend and gimmick for several years in order to help front load the funding of projects. In



most markets, this is not feasible and the trend has abated due to numerous lawsuits and the failure of many projects.

- **Fractionals Increase.** Time Sharing and Fractional developments have continued to increase and in higher-end markets, fractional ownership is a popular trend.
- **Global Travel and the Impact of Energy Prices and Economic Conditions.** The large fluctuations in oil and fuel costs have a continual impact on travel and this will continue to be a major factor in the coming years.
- **Distribution.** The increase in booking travel via the internet has been a major trend in the industry for the past ten years, with approximately one-third of revenue booked online in 2009. An additional estimated 30 to 40 percent of bookings were researched online. This has brought transparency and increased competition to the market and all players with a solid internet and distribution strategy are able to compete effectively.
- **Demographics.** The advent of two major demographic shifts will have a positive impact on the hotel business over the foreseeable future. The first is the baby boomer generation reaching retirement. With the largest amount of disposable income and nest egg capital, this large group will have the ability to travel in large numbers for the next 10 to 15 years. Secondly, the BRIC economies (Brazil, Russia, India and China) have exploded in their economic power over the past several years. This has led to a massive increase in the middle classes in these nations and these populations are traveling in increases numbers.

LODGING MARKET & COMPETITIVE SET

HSP has chosen a set of primary competitive downtown hotels to analyze and relate to a proposed full-service conference hotel in Enid. Some of the factors considered were market orientation, quality, size, location, age, brand, and market demand mix. Most of the hotels in downtown Enid will compete at some level with the proposed hotel, due to the factors mentioned and due to the fact that there are very few quality hotels in the market. The hotels not included in the competitive set include old-line small motels and the Days Inn.

The following table shows a summary of the hotels in the competitive set.

Table 9-1

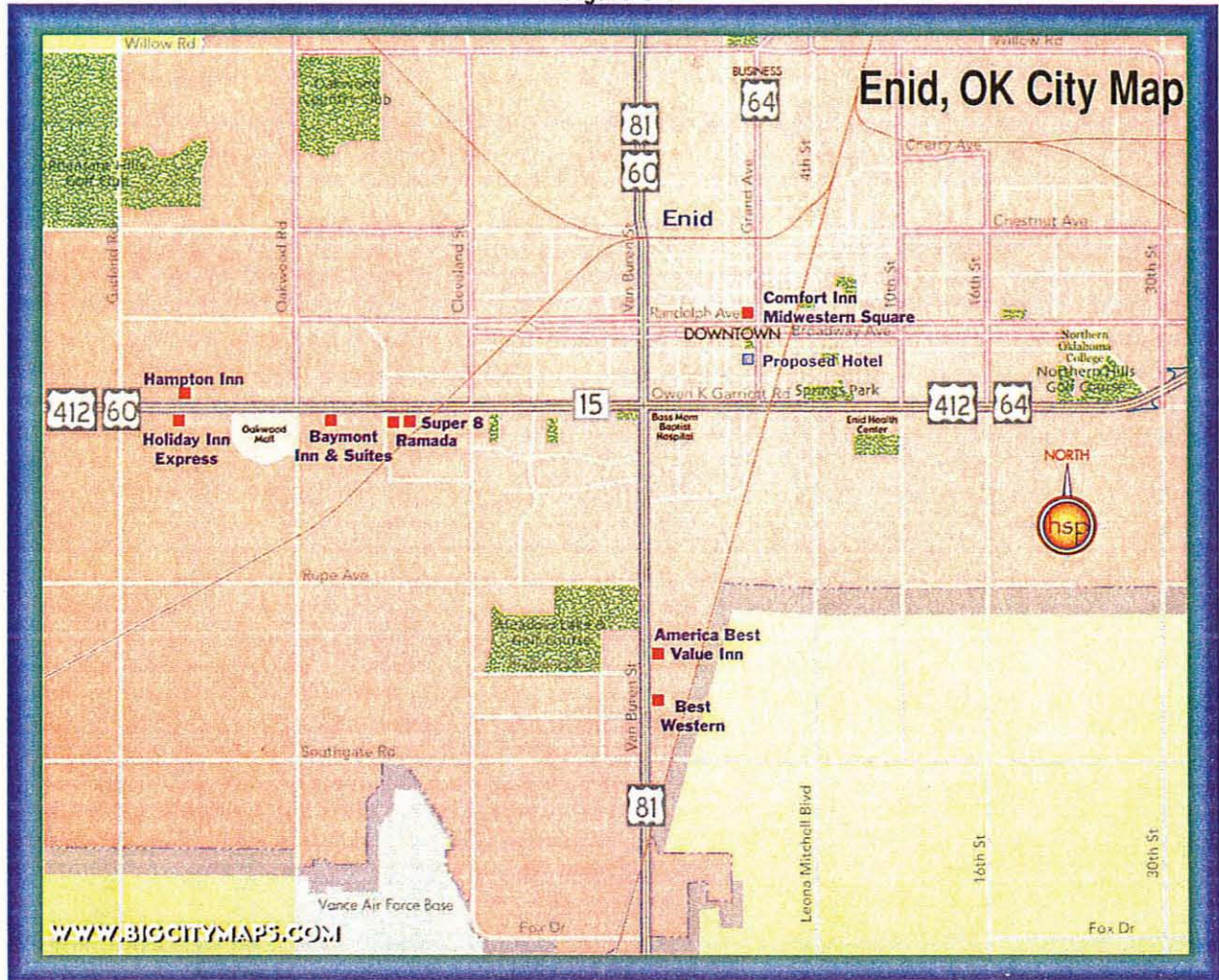
| Enid Competitive Set Hotels | | | |
|---|---------------|-----------------|------------|
| Hotel | Date Opened | Date Affiliated | Rooms |
| Hampton Inn Suites Enid | Feb-10 | Feb-10 | 78 |
| Holiday Inn Express & Suites Enid Highway 412 | Oct-05 | Oct-09 | 78 |
| Baymont Enid | Jun-02 | Oct-07 | 60 |
| Best Western Inn Enid | Jun-83 | Jun-83 | 98 |
| Super 8 Enid | Jun-86 | Apr-09 | 38 |
| Americas Best Value Inn Enid | Jun-84 | Nov-09 | 69 |
| Ramada Enid | Aug-75 | Aug-75 | 123 |
| Comfort Inn Midwestern Square Enid | Jun-74 | Jan-98 | 72 |
| Total | | | 616 |
| <i>Average</i> | <i>Apr-90</i> | <i>Jun-00</i> | <i>77</i> |

Source: Smith Travel Research

There are eight hotels in the competitive set totaling 616 rooms. The largest is the Ramada, with 123 rooms, but it is also one of the oldest and least appealing of the set. The newest hotels are both 78 rooms and include the Hampton Inn & Suites and Holiday Inn Express & Suites.

The following figure shows a map of the downtown hotels.

Figure 9-1



As shown, most of the hotels are located along 412/Garriott. The Comfort Inn is located north of downtown by a couple of blocks and two hotels are located south of downtown on 81/Van Buren. The proposed hotel would be the only hotel located directly downtown, although the Comfort Inn is close.

Segmentation

The hotel market is dominated by commercial transient visitors. The table below shows the estimated market segmentations.



Table 9-2

| Estimated Competitive Set Segmentation | |
|--|------|
| Corporate Transient Group | 72% |
| Leisure | 10% |
| Total | 18% |
| | 100% |

Source: HSP

Corporate transient demand makes up an estimated 72 percent of demand, while leisure supports 18 percent of room nights. Group demand, the focus of the proposed hotel, only makes up ten percent or less of current demand.

Competitive Set Performance

The following table shows performance data for the competitive set from 2004.

Table 9-3

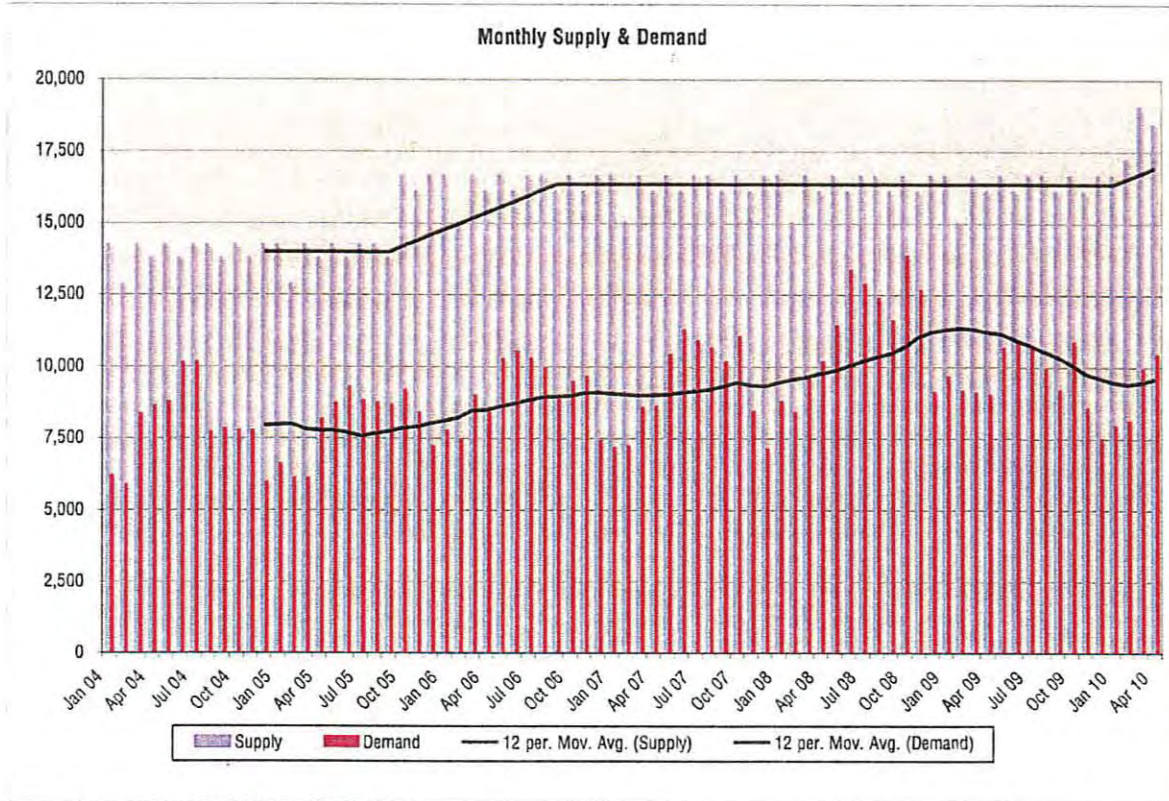
| Historical Supply, Demand, Occupancy, ADR, and RevPar for Competitive Hotels | | | | | | | | | | | |
|--|-----------------------------|-----------------------|----------|------------------|----------|-------|----------|---------|----------|---------|----------|
| Year | Annual Avg. Available Rooms | Available Room Nights | % Change | Room Nights Sold | % Change | Occ. | % Change | ADR | % Change | RevPar | % Change |
| 2004 | 460 | 167,900 | -- | 95,326 | -- | 56.8% | -- | \$51.57 | -- | \$29.28 | -- |
| 2005 | 480 | 175,076 | 4.3% | 96,162 | 0.9% | 54.9% | -3.3% | \$55.04 | 6.7% | \$30.23 | 3.3% |
| 2006 | 538 | 196,370 | 12.2% | 109,230 | 13.6% | 55.6% | 1.3% | \$63.84 | 16.0% | \$35.51 | 17.5% |
| 2007 | 538 | 196,370 | 0.0% | 111,864 | 2.4% | 57.0% | 2.4% | \$70.53 | 10.5% | \$40.18 | 13.1% |
| 2008 | 538 | 196,370 | 0.0% | 134,581 | 20.3% | 68.5% | 20.3% | \$74.72 | 5.9% | \$51.21 | 27.5% |
| 2009 | 538 | 196,370 | 0.0% | 115,397 | -14.3% | 58.8% | -14.3% | \$77.21 | 3.3% | \$45.37 | -11.4% |
| 2010 YTD (April) | 596 | 71,502 | 10.8% | 36,534 | -1.3% | 51.1% | -10.8% | \$76.98 | -1.9% | \$39.33 | -12.5% |
| Projected 2010 | 616 | 205,744 | 4.8% | 115,974 | 0.5% | 56.4% | -4.1% | \$77.36 | 0.2% | \$43.61 | -3.9% |
| CAGR* (2004-2010) | 5.7% | 3.8% | -- | 3.6% | -- | -0.1% | -- | 8.3% | -- | 8.2% | -- |

*Compound Annual Growth Rate
Sources: STR, HSP

With the addition of the Hampton Inn & Suites, total rooms increased by 78 rooms to 616 in 2010. Room night demand peaked in 2008 at nearly 135,000 room nights, but has since declined to 116,000 room nights, even with the improved quality in supply. Occupancy has ranged from 54.9 percent to 68.5 percent, with an estimated 56.4 percent rate in 2010. Rate has increased substantially over the six year period, including in the past year.

The following figure shows the supply and demand trends for the set for the period shown above.

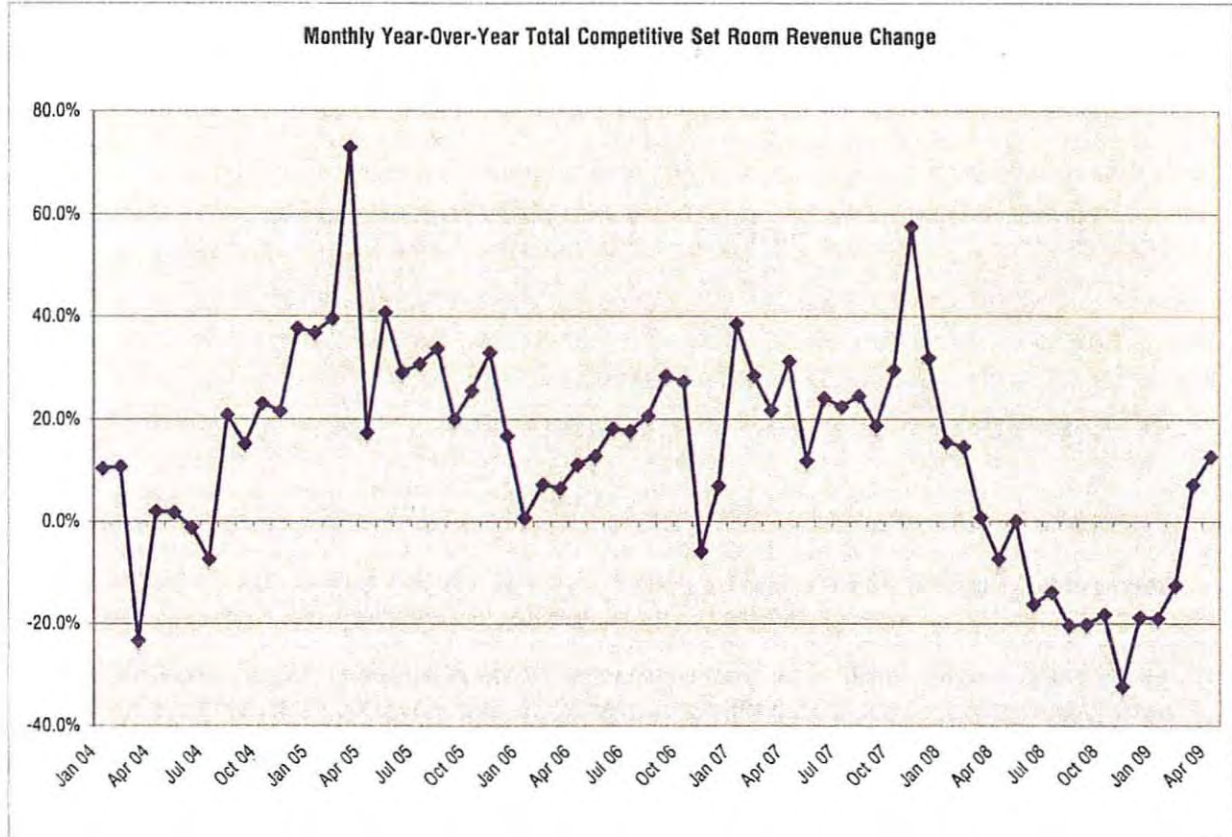
Figure 9-2



As shown, demand increased over time, even with a stagnant supply. Demand declined prior to the opening of the Hampton Inn & Suites, but appears to have stabilized and is on the way up. Discussions with Hilton (Hampton’s parent) suggest demand is improving.

The following figure shows room revenue changes by month (year over year).

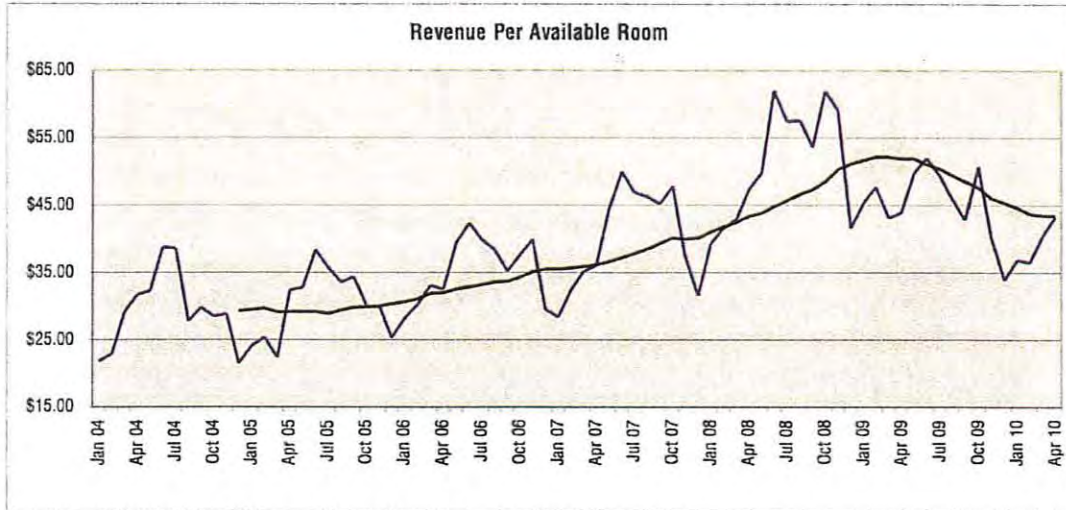
Figure 9-3



Any data point greater than zero is positive and the good news for Enid is that in the past two months, revenue has started to increase again after nine months of revenue declines.

The next figure shows Revenue Per Available Room (RevPAR), which is the product of occupancy and rate.

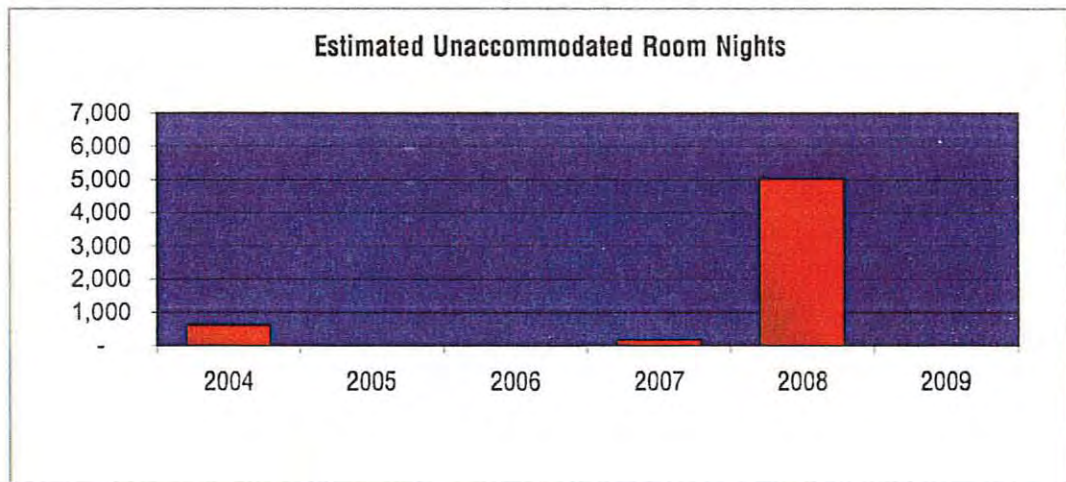
Figure 9-4



The smooth line above shows the 12-month moving average. RevPAR has generally increased since 2004, until the latest recession, when it declined beginning in late 2008.

The following figure shows the estimated unaccommodated room nights, which is based on the number of months of occupancy over 68 percent. When this occurs, there are many nights when hotels are sold out and guests must find accommodations outside of Enid's competitive set. With new supply, this demand can be recaptured.

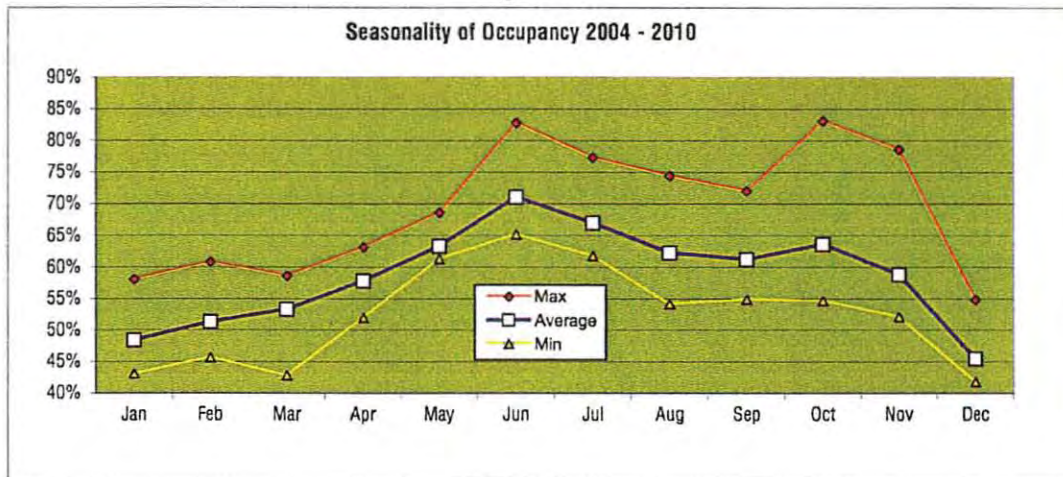
Figure 9-5



Unaccommodated demand has been very limited and was only significant in 2008. With the recession, the amount of unaccommodated demand has evaporated. This suggests a new hotel will either need to induce new demand to the market or take market share from other hotels.

The following figure displays the seasonality of occupancy during the last six years.

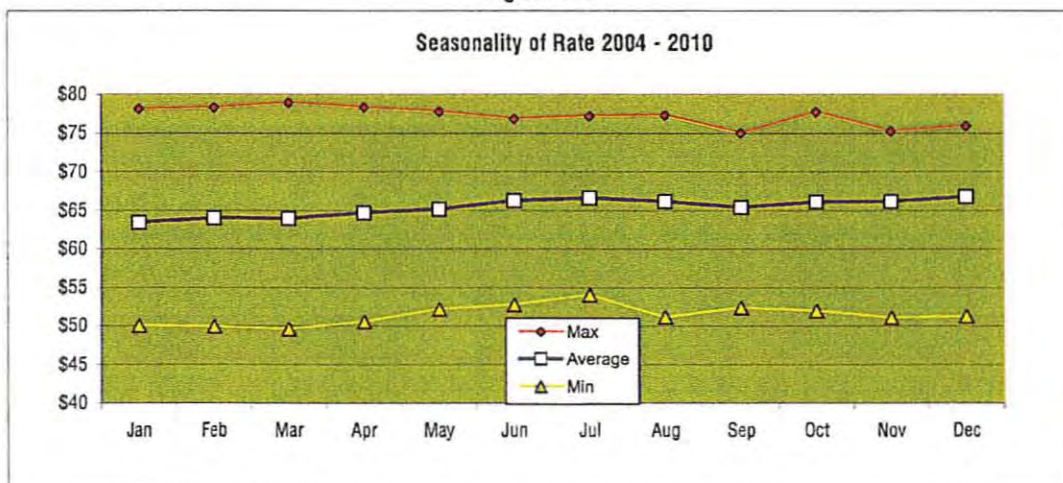
Figure 9-6



Occupancy peaks in June, which is traditionally one of the busiest leisure travel months. Like most markets, occupancy is lowest in December and January.

The following figure shows the seasonality of rate.

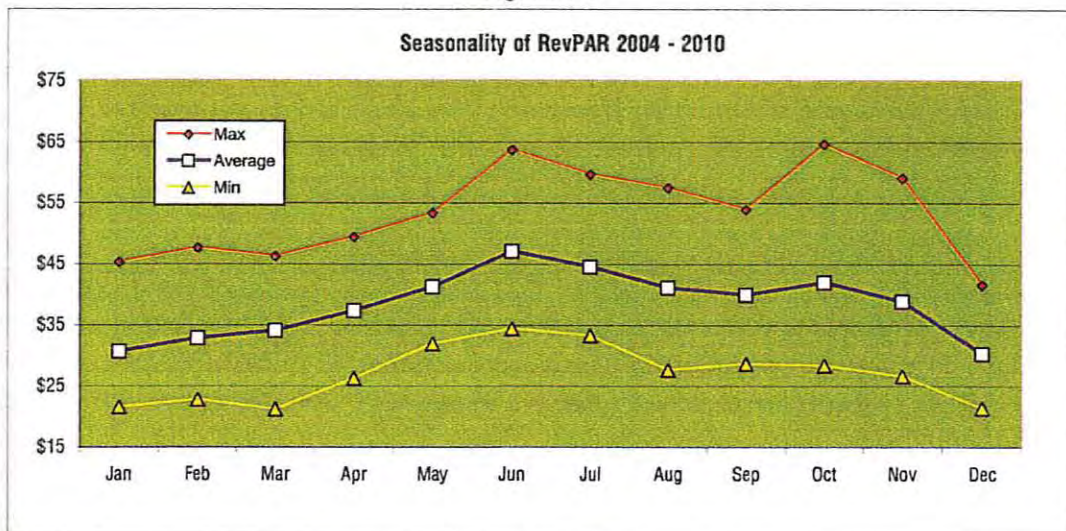
Figure 9-7



Average daily rate is generally consistent throughout the year, with a slight peak in July and December, on average.

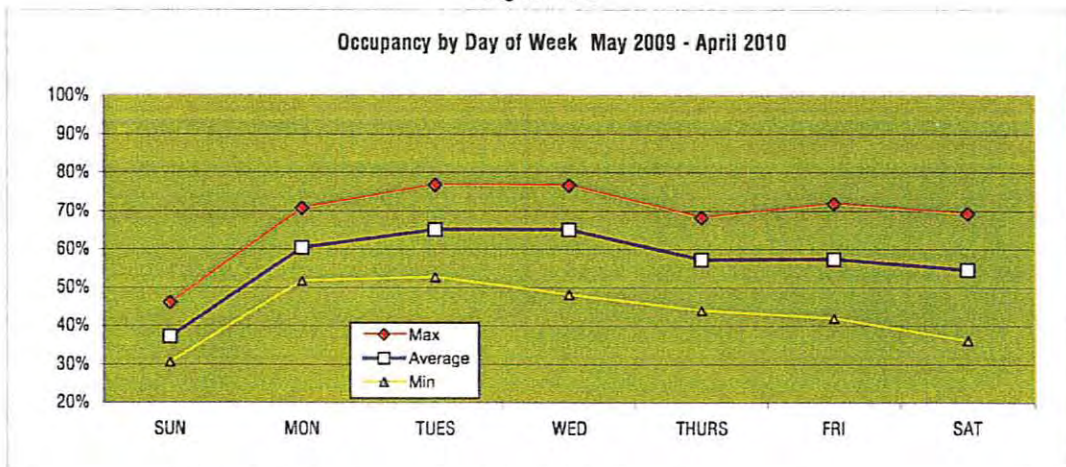
The following figure shows the seasonality of RevPAR, which the product of rate and occupancy and suggests overall revenue.

Figure 9-8



The following figure shows occupancy by day of week during the last 12 months of data.

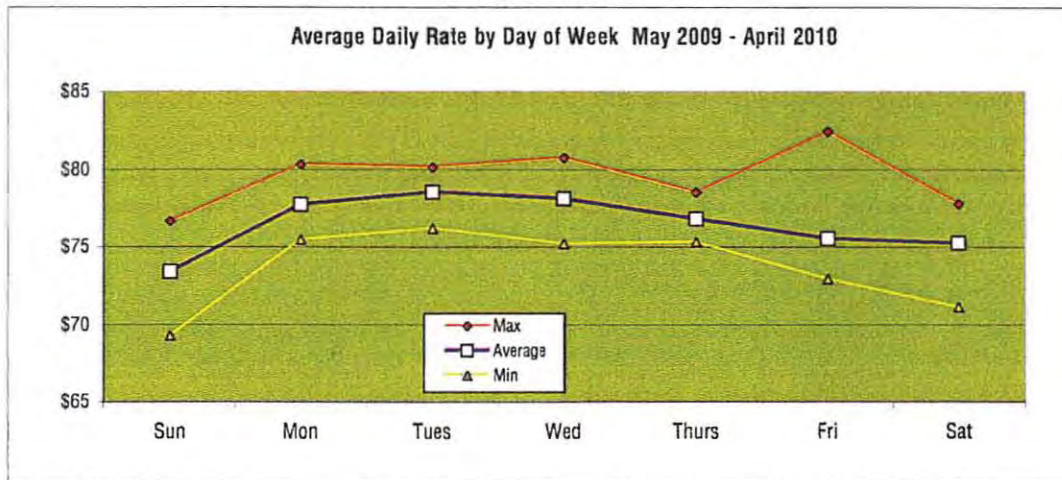
Figure 9-9



Occupancy is highest on Tuesday and Wednesday, suggesting the strength of the commercial market compared to other market segments.

The following figure shows average daily rate by day of week.

Figure 9-10



Rate is also highest on Tuesdays and Wednesdays and lowest during leisure weekend nights.

The table below shows the estimate of RevPAR yield or penetration for each hotel in the set.

Table 9- 4

| Hotel | Rooms | RevPAR Yield | Market Segmentation | | |
|---|------------|--------------|---------------------|------------|------------|
| | | | Corp. Transient | Group | Leisure |
| Hampton Inn Suites Enid | 78 | 159% | 75% | 10% | 15% |
| Holiday Inn Express & Suites Enid Highway 412 | 78 | 154% | 72% | 10% | 18% |
| Baymont Enid | 60 | 92% | 77% | 7% | 16% |
| Best Western Inn Enid | 98 | 110% | 72% | 10% | 18% |
| Super 8 Enid | 38 | 64% | 75% | 5% | 20% |
| Americas Best Value Inn Enid | 69 | 53% | 75% | 5% | 20% |
| Ramada Enid | 123 | 65% | 64% | 18% | 18% |
| Comfort Inn Midwestern Square Enid | 72 | 94% | 68% | 10% | 22% |
| Total/Weighted Averages | 616 | 100% | 72% | 10% | 18% |

Source: HSP

The Hampton and Holiday Inn each are estimated to penetrate the competitive set by nearly 160 percent. The Baymont, Best Western and Comfort Inn all exhibit similar RevPAR to the



competitive set. The Super 8, America's Best Value Inn and Ramada all perform below the competitive set by a significant margin.

The projection of occupancy, rate and financial performance for the proposed hotel is shown in Chapter 12.



PROJECTION OF DEMAND AND FINANCIAL PERFORMANCE

Event & Conference Center (“Events Center”)

It is assumed that the events center will be owned by a newly-created public authority with private management to maximize performance. There are assumed to be no professional resident tenants, such as basketball, hockey, football or soccer teams, although the high school girls and boys basketball team are assumed to have their games in the Events Center. There is assumed to be no ice capability in the facility initially. The facility is assumed to include the Cherokee Strip Conference Center (renovated and expanded) and the recommended Exhibit/Arena facility.

A description of events is provided below.

Family Shows are ticketed, public events that provide entertainment for a variety of demographic groups. These events include children’s themed traveling shows, circus events and other events.

Concerts. This projection is based on a comparison of facilities and the fact that Enid is a smaller regional market.

Other Sporting Events include WWE events, monster truck events, high school wrestling, volleyball and basketball tournaments, regional NCAA tournaments, Extreme Games events, and sports exhibitions. This is based on a weighted average of comparable facility attendance, combined with our judgment of market potential.

Community Events. Community events include local charitable, social, religious, civic and other events of a large nature that would require facilities larger than any that currently exist.

Flat-Floor Events include consumer shows and trade shows as well as events center-based conventions that use the events center floor and/or its meeting rooms. The events center could host a number of events oriented to local residents (such as consumer shows) in order to maintain facility occupancy and generate revenue when the events center is not being used for other events or the university.

Meetings/Banquets. These are meetings and banquets held by renting customers or meeting planners for their social, reunion, religious, fraternal, educational, company or other events and primarily will occur in the conference center component.

The table below summarizes the projected event demand for the Events Center in Enid.



Table 12-1

| Projected Schedule of Events by Category and Year | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Category | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Family Shows | 8 | 9 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Concerts | 9 | 10 | 11 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Sporting Events | 40 | 44 | 48 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| Community Events | 8 | 9 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Flat-Floor Events | 6 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Meetings/Banquets | 389 | 428 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | 449 |
| Total | 460 | 507 | 537 | 544 | 544 | 544 | 544 | 544 | 544 | 544 |

Source: Hunden Strategic Partners

The facility is projected to host 460 events in the first year, increasing to 544 events annually by stabilization. The largest events are the fewest and will occur in the new exhibit/arena facility, while the majority of events are smaller and will occur in the meeting and ballroom spaces. Currently the Cherokee Strip hosts nearly 350 meeting and events annually, averaging 104 attendees per event.

The next table summarizes the projected paid attendance at the Events Center by type of event.

Table 12-2

| Projected Attendance by Category and Year | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Category | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Family Shows | 22,400 | 25,200 | 30,800 | 33,600 | 33,600 | 33,600 | 33,600 | 33,600 | 33,600 | 33,600 |
| Concerts | 27,000 | 30,000 | 33,000 | 39,000 | 39,000 | 39,000 | 39,000 | 39,000 | 39,000 | 39,000 |
| Sporting Events | 96,000 | 105,600 | 115,200 | 124,800 | 124,800 | 124,800 | 124,800 | 124,800 | 124,800 | 124,800 |
| Community Events | 2,400 | 2,700 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Flat-Floor Events | 14,400 | 16,800 | 19,200 | 19,200 | 19,200 | 19,200 | 19,200 | 19,200 | 19,200 | 19,200 |
| Meetings/Banquets | 42,800 | 56,400 | 71,100 | 71,100 | 71,100 | 71,100 | 71,100 | 71,100 | 71,100 | 71,100 |
| Total | 205,000 | 236,700 | 272,300 | 290,700 | 290,700 | 290,700 | 290,700 | 290,700 | 290,700 | 290,700 |

Source: Hunden Strategic Partners

Attendance is projected to increase from 205,000 to 291,000 over the period. Currently, the Cherokee Strip hosts nearly 40,000 attendee each year.

The following table shows average attendance per event.



Table 12-3

| Turnstile | Average Turnstile Attendance | | | | | | | | | |
|-------------------|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Family Shows | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 | 2,660 |
| Concerts | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 | 2,850 |
| Sporting Events | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 | 2,280 |
| Community Events | 285 | 285 | 285 | 285 | 285 | 285 | 285 | 285 | 285 | 285 |
| Flat-Floor Events | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 | 2,400 |
| Meetings/Banquets | 110 | 132 | 158 | 158 | 158 | 158 | 158 | 158 | 158 | 158 |

Source: Hunden Strategic Partners

At stabilization, average attendance per event type ranges from 158 for meetings and banquets to 2,850 for concerts.

Described below is HSP's projection for the events center. The analysis is based on comparable facility operations, input from Global Spectrum, and the consulting team's experience.

Revenues include all revenues of the facility that can be used for operations and debt service. Expenses are categorized into two groups: 1) *Fixed operating expenses*, which are incurred regardless of the level of activity at the facility, and 2) *Variable operating expenses*, which are expenses related directly to the operation and demand of the facility that vary depending on the volume of activity. Some expenses have both a fixed and variable component. The center's projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues and expenses are adjusted for inflation at a 3.0 percent annual rate, unless otherwise specified.

The table below shows the financial projection for the Events Center.

Table 12-4

| Enid Event Center Financial Projection (thousands of inflated dollars) | | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Item | Fiscal Year | | | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating Revenue | | | | | | | | | | |
| Gate and Rent | \$505 | \$577 | \$647 | \$697 | \$718 | \$740 | \$762 | \$785 | \$808 | \$833 |
| Concessions | 212 | 242 | 278 | 315 | 325 | 335 | 345 | 355 | 366 | 377 |
| Novelties | 83 | 95 | 110 | 126 | 129 | 133 | 137 | 141 | 146 | 150 |
| Catering | 140 | 191 | 247 | 255 | 262 | 270 | 278 | 287 | 295 | 304 |
| Parking | 46 | 50 | 56 | 62 | 92 | 92 | 92 | 92 | 123 | 123 |
| Premium Seating | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Advertising and Sponsorship | 24 | 28 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
| Naming Rights | 25 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 |
| Facility Service Fee | 73 | 80 | 90 | 99 | 99 | 99 | 99 | 99 | 99 | 99 |
| Other Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | \$1,107 | \$1,291 | \$1,486 | \$1,613 | \$1,688 | \$1,733 | \$1,779 | \$1,827 | \$1,907 | \$1,957 |
| Operating Expense | | | | | | | | | | |
| Fixed | | | | | | | | | | |
| Salary - Permanent Staff | \$475 | \$489 | \$504 | \$519 | \$535 | \$551 | \$567 | \$584 | \$602 | \$620 |
| Benefits - Permanent Staff | 133 | 137 | 141 | 145 | 150 | 154 | 159 | 164 | 168 | 174 |
| General and Administrative | 169 | 174 | 179 | 185 | 190 | 196 | 202 | 208 | 214 | 221 |
| Utilities | 146 | 151 | 155 | 160 | 165 | 170 | 175 | 180 | 185 | 191 |
| Repairs and Maintenance | 45 | 46 | 48 | 49 | 51 | 52 | 54 | 55 | 57 | 59 |
| Insurance | 90 | 93 | 95 | 98 | 101 | 104 | 107 | 111 | 114 | 117 |
| Communications | 10 | 10 | 11 | 11 | 11 | 12 | 12 | 12 | 13 | 13 |
| Advertising | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 |
| Misc. | 15 | 15 | 16 | 16 | 17 | 17 | 18 | 18 | 19 | 20 |
| Variable | | | | | | | | | | |
| Utilities | \$115 | \$132 | \$149 | \$162 | \$167 | \$172 | \$177 | \$182 | \$188 | \$194 |
| Hourly Salaries and Benefits | 265 | 302 | 335 | 358 | 369 | 380 | 391 | 403 | 415 | 427 |
| Total Expenses | \$1,494 | \$1,580 | \$1,665 | \$1,736 | \$1,788 | \$1,842 | \$1,897 | \$1,954 | \$2,013 | \$2,073 |
| Net Operating Income (Deficit) | (\$386) | (\$289) | (\$179) | (\$123) | (\$101) | (\$109) | (\$118) | (\$127) | (\$106) | (\$116) |
| Deposit to Maintenance Reserve Account | \$33 | \$39 | \$45 | \$48 | \$51 | \$52 | \$53 | \$55 | \$57 | \$59 |
| Management Fee | \$125 | \$129 | \$133 | \$137 | \$141 | \$145 | \$149 | \$154 | \$158 | \$163 |
| Net Income | (\$544) | (\$457) | (\$356) | (\$308) | (\$292) | (\$306) | (\$321) | (\$336) | (\$322) | (\$338) |

Source: Hunden Strategic Partners

The events center is projected to gross \$1.1 million in the first year and increase to nearly \$1.7 million by the fifth year of operation. After all expenses are paid, the facility is expected to show a net stabilized loss of approximately \$300,000 annually. This is less than the current loss associated with the Cherokee Strip, which is part of this physical program and financial proforma.

The following section describes the assumptions and methodology used to estimate the financial performance of the facility. This projection is shown from the facility's perspective.

The following text describes the individual line items in more detail.

Operating Revenue

Gate and Rent – The first line item displays the gross ticket sales for all ticketed events.



The following table displays the assumptions of daily rental fees and average ticket prices by type of event. The arena will charge either a flat fee or a percent of ticket sales as rent for non-sports events. The specific method used, and the amounts charged, are often negotiable with the event promoter and will likely vary from event to event. The amounts will differ by scenario.

Family shows, concerts, and sporting events are projected to pay rents of eight percent of gross ticket sales. As previously mentioned, these amounts would likely differ from event to event, but the figures listed above are assumed averages and are typical amounts for a host arena to receive from an event promoter. For events such as concerts and family shows, ticket prices will vary depending on the act.

Concessions – Revenue projections are based on event attendance, and reflect a percentage of gross sales that the concessionaire pays the arena for the rights to be the exclusive provider of concessions. The projected per capita revenues for each type of event are based on actual revenues from other arenas that host similar events.

It is assumed that the facility will receive 35 percent of concessions revenue, as this commission commonly ranges from 30 to 40 percent.

Novelties – The projection assumes that arena management will contract for novelty sales and will collect a commission of 15 percent of gross revenue. Per capita novelty revenue is generally greater during concerts, family shows, and non-recurring sports events, as compared to tenants' sports events. Sales at tenants' games are generally lower because fans often attend multiple games per season and will not make repeat purchases of the same novelty items.

Parking – It is assumed that most will drive to events. 500 spaces are expected to be made available at a parking lot and the cost per car is assumed to be \$2.

Premium Seating – The projections assume that there is no premium seating in the facility.

Advertising and Sponsorship – revenues are generated from the inventory of signage located within the center. Many advertising contracts are long-term and for a constant annual amount until renewal, but for the purposes of this projection, advertising revenues are inflated each year. It is assumed that expenses related to the procurement of advertising revenue are ten percent of gross revenue sold.

Naming Rights – Based on finalized naming rights contracts in similar markets and facilities, the projections assume that the arena secures a naming rights sponsor or donor.

Facility Service Fee and/or Box Office Rebate – Facility service fees are often found in arenas and other public-assembly facilities as a way to financially support operations and debt service payments. In some instances, the arena negotiates a rebate from their box office service provider. Such fees are commonly \$0.50 to \$1.50, and appear at numerous major professional, collegiate, and minor league facilities. Additionally, it is common for ticketing agencies to rebate up to 30 percent of their convenience surcharge. It is assumed that the facility places a service fee and



earns a box office rebate resulting in a combined total of \$0.50 per ticket sold for all ticketed arena events.

Other Revenue – consists of revenue from box office fees and a share of revenue generated from ticket sales through outside agencies, such as TicketMaster or TicketWeb. It is assumed that this revenue will be 1.5 percent of total ticket sales revenue.

Operating Expenses

The bases for the non-departmental operating expenses are described below.

Fixed Expenses

As mentioned previously, fixed expenses are those that do not vary based on the specific number of events or attendees at the arena. These expenses are salaries and benefits, general and administrative, the arena management fee, a portion of utilities, repairs and maintenance, insurance, advertising, communications, and miscellaneous expenses.

Salaries – The facility will have to have a small group of permanent employees, including a general manager, chief financial officer, marketing and sales professionals and events services staff, as well as security and engineering. The remainder of staff can be brought on per event.

Salary Benefits – Benefits for full-time staff members are projected to be 28 percent of salary expense throughout the projection.

General and Administrative – General and administrative expenses include several categories, such as supplies, travel, trash, professional services, and others.

Utilities – the fixed component of utilities expense will not be related to the number of events in the arena, as a certain level of expense will be incurred regardless of event demand. This amount is inflated in future years. The variable portion of utility expense is projected based on facility event activity.

Repairs and Maintenance – This item consists of expenses incurred to repair or maintain the arena and its facilities, such as landscaping, plumbing and electrical work, seat repairs, and exterminating.

Insurance – Is based on insurance expense of arenas of similar size and level of activity.

Communications – expense is related to telephone services throughout the arena, as well as television service and Internet access.

Advertising - Advertising expense is primarily related to advertising in industry publications and local media outlets, as well as various promotions.



Miscellaneous Expenses – include taxes and licenses, publications, uniforms, and other various expenditures.

Variable Expenses

Variable expenses are those that fluctuate based on the usage of the arena. These expenses are utilities (not including the fixed portion) and hourly salaries and benefits.

Utilities – Based on the size of the arena, the projection estimates variable utilities per event.

Hourly Labor and Benefits – This item is dependent on the number of events held in the arena, as temporary workers are needed for event security, set-up, administration, cleaning, and other tasks. However, much of these expenses are charged to tenants and reimbursed to the facility owner, and this revenue is accounted for in gate and rent revenue.

Deposit to Maintenance Reserve Account – The maintenance reserve account funds major planned projects such as carpet, equipment, and roof replacement, as well as other scheduled maintenance programs that are not routine or paid for by the facility's repairs and maintenance account. Although facilities often have unique schedules for funding their maintenance reserve account, the annual amount deposited generally increases as a facility ages.

Management Fee – The projections assume that a professional facility management firm is hired to operate the new arena. Management fees paid to this type of firm can vary, with guaranteed fees and/or incentives based on the facility's performance. It is imperative to the assumptions that a private professional management company is hired and personnel expenses kept low in order to maintain a healthy financial result.

Mark Price Arena

Mark Price Arena will be primarily used by the school system, but is also assumed to be available for overflow and other events programmed by Events Center management. Management and other costs that are zeroed out here are assumed to be captured in the Events Center proforma.

The table below summarizes the projected event demand for the renovated Mark Price Arena in Enid. This does not include any school-related events or practices.



Table 12-5

| Projected Schedule of Events by Category and Year | | | | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Category | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Family Shows | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Concerts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-School Sporting Events | 16 | 18 | 20 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Community Events | 4 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Flat-Floor Events | 3 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Meetings/Banquets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 23 | 27 | 31 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |

Source: Hunden Strategic Partners

The facility is projected to host 23 events in the first year, increasing to 33 events annually by stabilization. Most events will be non-school sporting events such as tournaments that need multiple courts/spaces and can share with the Events Center.

The next table summarizes the projected paid attendance at Mark Price by type of event.

Table 12-6

| Projected Paid Attendance by Category and Year | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Category | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Family Shows | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Concerts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-School Sporting Events | 8,000 | 9,000 | 10,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| Community Events | 1,000 | 1,300 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Flat-Floor Events | 3,000 | 4,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Meetings/Banquets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 12,000 | 14,300 | 16,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 |

Source: Hunden Strategic Partners

Attendance is projected to increase from 12,000 to 17,500 over the period.

The following table shows average attendance per event.

Table 12-7

| Average Turnstile Attendance | | | | | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Turnstile | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Non-School Sporting Events | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 | 475 |
| Community Events | 238 | 238 | 238 | 238 | 238 | 238 | 238 | 238 | 238 | 238 |
| Flat-Floor Events | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |

Source: Hunden Strategic Partners

At stabilization, average attendance per event type ranges from 238 for community events to 1,000 for flat-floor events.



Described below is HSP's projection for Mark Price Arena. There is no assumption provided for revenue or rent from the school district, although this is recommended to recoup the majority of expenses associated with their dominant use of the facility.

Table 12-8

| Mark Price Financial Projection (thousands of inflated dollars) | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Item | Fiscal Year | | | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating Revenue | | | | | | | | | | |
| Gate and Rent | \$34 | \$45 | \$57 | \$59 | \$61 | \$63 | \$65 | \$67 | \$69 | \$71 |
| Concessions | 11 | 13 | 16 | 18 | 18 | 19 | 19 | 20 | 20 | 21 |
| Novelties | 3 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Catering | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Parking | 4 | 5 | 6 | 6 | 9 | 9 | 9 | 9 | 12 | 12 |
| Premium Seating | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Advertising and Sponsorship | 4 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 |
| Naming Rights | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Facility Service Fee | 8 | 9 | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Other Revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | \$65 | \$81 | \$97 | \$104 | \$110 | \$112 | \$115 | \$118 | \$124 | \$127 |
| Operating Expense | | | | | | | | | | |
| Fixed | | | | | | | | | | |
| Salary - Permanent Staff | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Benefits - Permanent Staff | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General and Administrative | 45 | 46 | 48 | 49 | 51 | 52 | 54 | 55 | 57 | 59 |
| Utilities | 60 | 62 | 64 | 66 | 68 | 70 | 72 | 74 | 76 | 78 |
| Repairs and Maintenance | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 |
| Insurance | 60 | 62 | 64 | 66 | 68 | 70 | 72 | 74 | 76 | 78 |
| Communications | 8 | 8 | 8 | 9 | 9 | 9 | 10 | 10 | 10 | 10 |
| Advertising | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 7 |
| Misc. | 14 | 14 | 15 | 15 | 16 | 16 | 17 | 17 | 18 | 18 |
| Variable | | | | | | | | | | |
| Utilities | \$36 | \$44 | \$52 | \$57 | \$59 | \$61 | \$62 | \$64 | \$66 | \$68 |
| Hourly Salaries and Benefits | 38 | 46 | 54 | 59 | 61 | 63 | 65 | 67 | 69 | 71 |
| Total Expenses | \$286 | \$308 | \$331 | \$348 | \$358 | \$369 | \$380 | \$392 | \$403 | \$415 |
| Net Operating Income (Deficit) | (\$221) | (\$227) | (\$233) | (\$244) | (\$249) | (\$257) | (\$265) | (\$274) | (\$279) | (\$288) |
| Deposit to Maintenance Reserve Account | \$2 | \$2 | \$3 | \$3 | \$3 | \$3 | \$3 | \$4 | \$4 | \$4 |
| Management Fee | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Net Income | (\$223) | (\$229) | (\$236) | (\$247) | (\$252) | (\$260) | (\$268) | (\$277) | (\$283) | (\$292) |

Source: Hunden Strategic Partners

The arena is projected to gross \$65,000 in the first year and increase to nearly \$110,000 by the fifth year of operation. After all expenses are paid, the facility is expected to show a net stabilized loss of approximately \$250,000 annually.



Hotel

The following table shows the estimated growth of each market segment from 2010 through 2015 (the stabilized year) for the competitive set.

Table 12-9

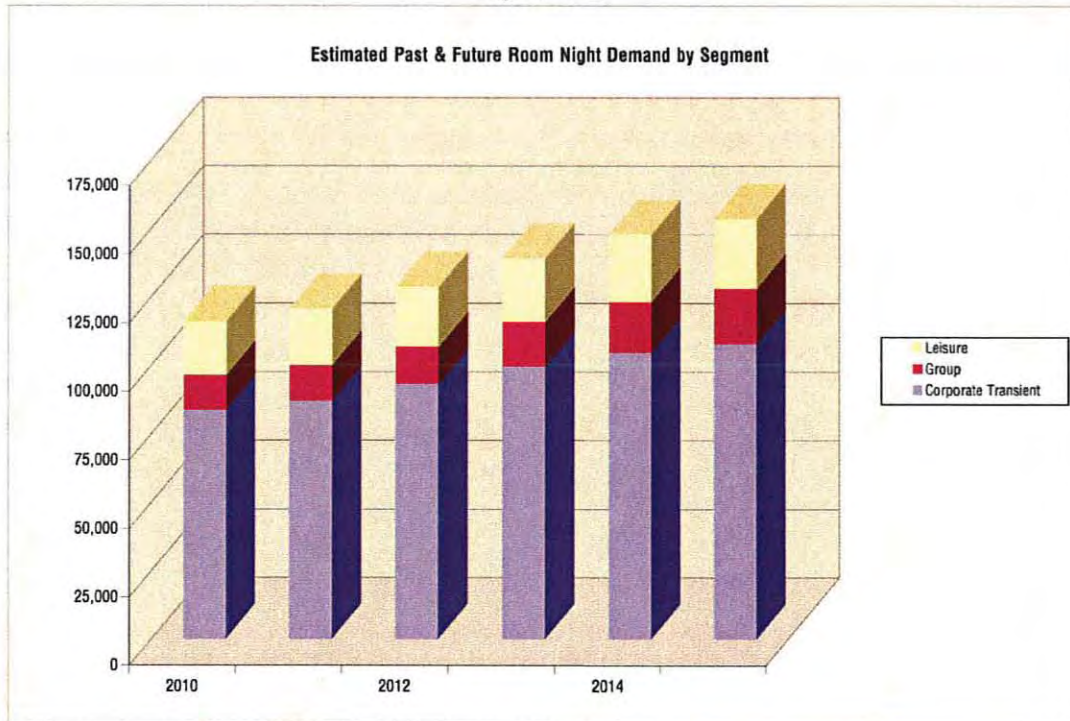
| Estimated Competitive Set Demand Growth by Segment | | | | | | | | | | | | |
|--|------------------------|----------|--------|----------|---------|----------|--------------|----------|--------------|----------|----------------|-----------|
| Year | Corporate Transient | % Change | Group | % Change | Leisure | % Change | Total Demand | % Change | Total Supply | % Change | Total Rooms | Occupancy |
| 2010 | 83,501 | 1.9% | 12,757 | 0.5% | 19,716 | -5.1% | 115,974 | 0.5% | 205,744 | 4.8% | 564 | 56.4% |
| 2011 | 86,841 | 4.0% | 13,076 | 2.5% | 20,504 | 4.0% | 120,422 | 3.8% | 224,840 | 9.3% | 616 | 53.6% |
| 2012 | 92,920 | 7.0% | 13,730 | 5.0% | 21,734 | 6.0% | 128,385 | 6.6% | 224,840 | 0.0% | 616 | 57.1% |
| 2013 | 99,425 | 7.0% | 16,339 | 19.0% | 23,256 | 7.0% | 139,019 | 8.3% | 277,400 | 23.4% | 760 | 50.1% |
| 2014 | 104,396 | 5.0% | 18,626 | 14.0% | 24,535 | 5.5% | 147,557 | 6.1% | 277,400 | 0.0% | 760 | 53.2% |
| 2015 | 107,528 | 3.0% | 20,302 | 9.0% | 25,516 | 4.0% | 153,346 | 3.9% | 277,400 | 0.0% | 760 | 55.3% |

Source: HSP

With the addition of the proposed hotel in 2013, the group market is expected to expand from its current very small base. The other market segments are projected to increase at healthy levels once the economy improves in 2012.

The following figure shows the estimated room night demand growth from above.

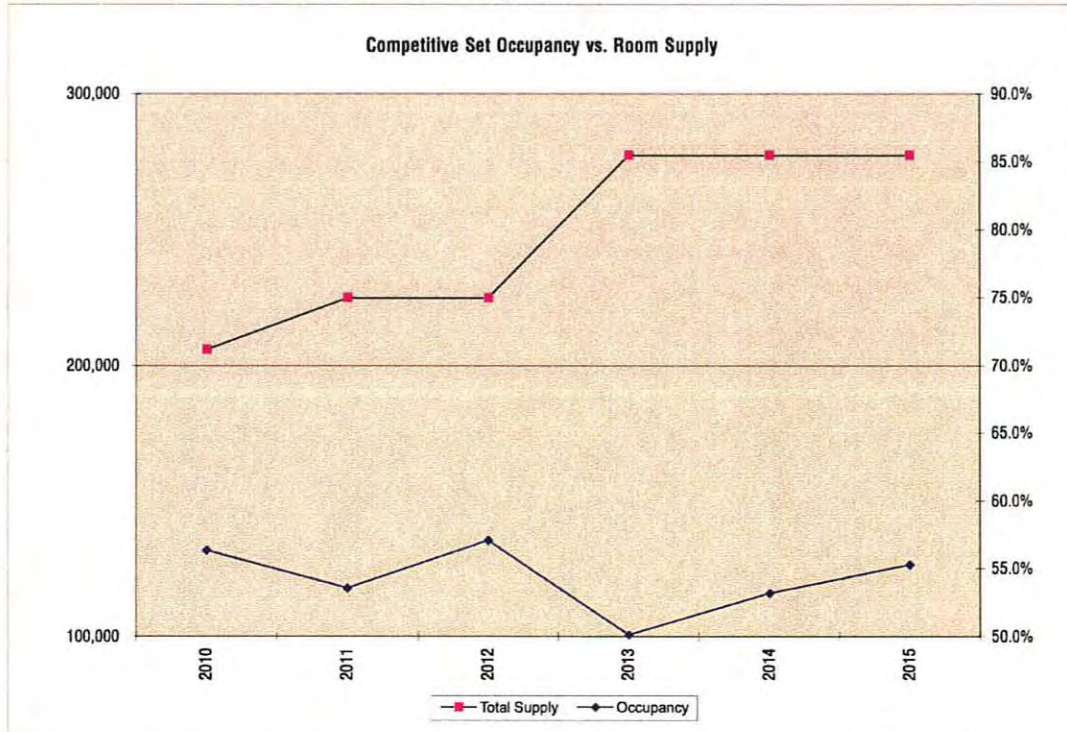
Figure 12-1



As shown, while all segments are projected to increase in size by 2015 (stabilization of the proposed hotel), commercial demand will increase the most in number of absolute room nights.

The following figure shows competitive set occupancy versus room supply.

Figure 12-2



With the new supply, occupancy is projected to decrease briefly before rebounding to the historical average of 55 percent by 2015.

The following table shows the fair share of hotel room nights expected to be sold at the subject hotel, should it perform with the same market segmentation as the competitive set. This is not how the hotel will actually perform, but represents how it would perform if it acted like the competitive market.



Table 12-10

| Fair Share for Proposed Hotel - Room Nights | | | | | | | | | | | | |
|---|---------------------|----------|-------|----------|---------|----------|--------------|----------|--------------|----------|-------------|-----------|
| Year | Corporate Transient | % Change | Group | % Change | Leisure | % Change | Total Demand | % Change | Total Supply | % Change | Total Rooms | Occupancy |
| 2013 | 18,838 | -- | 3,096 | -- | 4,406 | -- | 26,340 | -- | 52,560 | -- | 144 | 50.1% |
| 2014 | 19,780 | 5.0% | 3,529 | 14.0% | 4,649 | 5.5% | 27,958 | 6.1% | 52,560 | 0.0% | 144 | 53.2% |
| 2015 | 20,374 | 3.0% | 3,847 | 9.0% | 4,835 | 4.0% | 29,055 | 3.9% | 52,560 | 0.0% | 144 | 55.3% |
| 2016 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2017 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2018 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2019 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2020 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2021 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2022 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |
| 2023 | 20,374 | 0.0% | 3,847 | 0.0% | 4,835 | 0.0% | 29,055 | 0.0% | 52,560 | 0.0% | 144 | 55.3% |

Source: HSP

The table below shows the estimated market penetration of the proposed hotel, based on how the hotel will penetrate various markets.

Table 12-11

| Estimated Market Penetration of Proposed Hotel | | | | | | |
|--|---------------------|-------|---------|-------------------|-------------------------|-------------------|
| Year | Corporate Transient | Group | Leisure | Total Penetration | Projected Set Occupancy | Subject Occupancy |
| 2013 | 95% | 160% | 50% | 95% | 50.1% | 47.7% |
| 2014 | 100% | 180% | 60% | 103% | 53.2% | 55.0% |
| 2015 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2016 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2017 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2018 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2019 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2020 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2021 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2022 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |
| 2023 | 110% | 200% | 65% | 114% | 55.3% | 63.3% |

Source: HSP

The hotel is expected to primarily cater to the conference, meetings and corporate transient market and should penetrate those markets at high rates. The group penetration rate is high due to the lack of quality meeting hotels in Enid and the low base of group room nights. Overall, the hotel is expected to penetrate the competitive set at 114 percent (occupancy) by stabilization, leading to a stabilized occupancy of 63 percent.

The following table shows the estimated demand for the proposed hotel based on the penetration rates established above.



Table 12-12

| Projected Demand for Proposed Hotel | | | | | | | | | | | | |
|-------------------------------------|------------------------|-------------|-------|-------------|---------|-------------|--------------|-------------|--------------|-------------|----------------|-----------|
| Year | Corporate Transient | % Change | Group | % Change | Leisure | % Change | Total Demand | % Change | Total Supply | % Change | Total Rooms | Occupancy |
| 2013 | 17,896 | -- | 4,953 | -- | 2,203 | -- | 25,053 | -- | 52,560 | -- | 144 | 47.7% |
| 2014 | 19,780 | 10.5% | 6,352 | 28.3% | 2,789 | 26.6% | 28,922 | 15.4% | 52,560 | 0.0% | 144 | 55.0% |
| 2015 | 22,411 | 13.3% | 7,693 | 21.1% | 3,143 | 12.7% | 33,247 | 15.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2016 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2017 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2018 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2019 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2020 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2021 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2022 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |
| 2023 | 22,411 | 0.0% | 7,693 | 0.0% | 3,143 | 0.0% | 33,247 | 0.0% | 52,560 | 0.0% | 144 | 63.3% |

Source: HSP

The table below shows the estimated market segmentation for the proposed hotel versus the competitive set.

Table 12-13

| Projected Hotel Stabilized Demand Mix vs. Comp Set | | |
|--|---------------------------|----------|
| Segment | Hotel at Stabilization | Comp Set |
| Corporate | 67% | 70% |
| Group | 23% | 13% |
| Leisure | 9% | 17% |
| Total | 100% | 100% |

Source: HSP

The proposed hotel is projected to generate 67 percent of its room nights from the corporate transient sector, 23 percent from the group market and only nine percent from the leisure market. While the group segment is much higher than the competitive set, overall it is not the primary segment supporting the hotel.



The following table shows the projection of the proposed hotel's average daily rate compared to the average daily rate of the competitive set.

Table 12-14

| Average Daily Room Rate Projections | | | | | |
|-------------------------------------|---------------|-----------------|------------------------|----------------------|-----------------|
| Year | Comp. Set ADR | Annual Increase | Hotel Rate Penetration | Projected Hotel Rate | Annual Increase |
| 2004 | \$52 | -- | | | |
| 2005 | \$55 | 6.7% | -- | -- | -- |
| 2006 | \$64 | 16.0% | -- | -- | -- |
| 2007 | \$71 | 10.5% | -- | -- | -- |
| 2008 | \$75 | 5.9% | -- | -- | -- |
| 2009 | \$77 | 3.3% | -- | -- | -- |
| 2010 | \$77 | 0.2% | -- | -- | -- |
| 2011 | \$78 | 0.5% | -- | -- | -- |
| 2012 | \$80 | 3.5% | -- | -- | -- |
| 2013 | \$84 | 4.5% | 143% | \$121 | -- |
| 2014 | \$87 | 3.0% | 141% | \$122 | 1.6% |
| 2015 | \$89 | 3.0% | 141% | \$126 | 2.6% |
| 2016 | \$92 | 3.0% | 141% | \$129 | 3.0% |
| 2017 | \$95 | 3.0% | 141% | \$133 | 3.0% |
| 2018 | \$97 | 3.0% | 141% | \$137 | 3.0% |
| 2019 | \$100 | 3.0% | 141% | \$141 | 3.0% |
| 2020 | \$103 | 3.0% | 141% | \$146 | 3.0% |
| 2021 | \$107 | 3.0% | 141% | \$150 | 3.0% |
| 2022 | \$110 | 3.0% | 141% | \$155 | 3.0% |
| 2023 | \$113 | 3.0% | 141% | \$159 | 3.0% |

Source: HSP

The proposed hotel is projected to have a higher than average rate (143 percent rate penetration), due to its quality, amenities and location. This is only a few dollars higher than the two top-performing hotels in Enid currently. Based on this, the average daily rate at the hotel is projected at \$121 in the first year.

The next table shows the summary of occupancy and rate for the proposed hotel.



Table 12-15

| Performance Projections | | | | |
|--------------------------------|---------------------------|------------------|-----------------------------------|------------------------|
| Year | Average Daily Rate | Occupancy | Revenue per Available Room | Annual Increase |
| 2013 | \$121 | 48% | \$57 | -- |
| 2014 | \$122 | 55% | \$67 | 17.3% |
| 2015 | \$126 | 63% | \$79 | 17.9% |
| 2016 | \$129 | 63% | \$82 | 3.0% |
| 2017 | \$133 | 63% | \$84 | 3.0% |
| 2018 | \$137 | 63% | \$87 | 3.0% |
| 2019 | \$141 | 63% | \$89 | 3.0% |
| 2020 | \$146 | 63% | \$92 | 3.0% |
| 2021 | \$150 | 63% | \$95 | 3.0% |
| 2022 | \$155 | 63% | \$98 | 3.0% |

Source: HSP

Understanding how the hotel will perform internally is as important to the feasibility as the external occupancy and rate projections. The income and expense details for the conference center hotel is shown below. PAR stands for 'per available room' and POR stands for 'per occupied room night.'

The following table shows the projection of income and expense for the hotel.



Table 12-16

| Projection of Income & Expense: 144-Room Enid Hotel - (in \$000, inflated) | | | | | | | | | | | |
|--|----------------|---------------|-----------------|--------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|
| | Year 1 | | Year 2 | Year 3 | Year 4 | Year 5 | | Year 10 | | | |
| Room Count | 144 | | 144 | 144 | 144 | 144 | 144 | | 144 | | |
| Available Room Nights | 52,560 | | 52,560 | 52,560 | 52,560 | 52,560 | 52,560 | | 52,560 | | |
| Occupancy Rates | 48% | | 55% | 63% | 63% | 63% | 63% | | 63% | | |
| Occupied Room Nights | 25,053 | | 28,922 | 33,247 | 33,247 | 33,247 | 33,247 | | 33,247 | | |
| Average Daily Rate | \$121 | | \$122 | \$126 | \$129 | \$133 | \$133 | | \$155 | | |
| RevPAR | \$57 | | \$67 | \$79 | \$82 | \$84 | \$84 | | \$98 | | |
| Percent of Change from Prior Year | -- | | 17.3% | 17.9% | 3.0% | 3.0% | 3.0% | | 3.0% | | |
| | \$ | % | PAR | POR | \$ | \$ | \$ | \$ | % | | |
| REVENUE | | | | | | | | | | | |
| Rooms | \$3,021 | 71.6% | \$20,977 | \$121 | \$3,542 | \$4,178 | \$4,303 | \$4,432 | 71.0% | \$5,138 | 70.3% |
| Hotel Food and Beverage | 861 | 20.4% | \$3,977 | \$34 | 1,022 | 1,220 | 1,273 | 1,311 | 21.0% | 1,520 | 20.8% |
| Telephone | 42 | 1.0% | \$293 | \$2 | 50 | 59 | 61 | 62 | 1.0% | 72 | 1.0% |
| Other Operated Departments | 194 | 4.6% | \$1,348 | \$8 | 228 | 270 | 279 | 287 | 4.6% | 333 | 4.6% |
| Parking & Transportation | 0 | 0.0% | \$0 | \$0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rentals and Other Income | 101 | 2.4% | \$703 | \$4 | 119 | 141 | 145 | 150 | 2.4% | 242 | 3.3% |
| Total Revenue | \$4,219 | 100.0% | \$29,298 | \$168 | \$4,961 | \$5,868 | \$6,061 | \$6,242 | 100.0% | \$7,305 | 100.0% |
| DEPARTMENTAL EXPENSES | | | | | | | | | | | |
| Rooms | \$873 | 28.9% | \$6,062 | \$35 | \$953 | \$1,086 | \$1,119 | \$1,152 | 26.0% | \$1,336 | 26.0% |
| Hotel Food and Beverage | 645 | 75.0% | \$4,483 | \$26 | 756 | 903 | 929 | 957 | 73.0% | 1,109 | 73.0% |
| Telephone | 46 | 110.0% | \$322 | \$2 | 55 | 65 | 67 | 69 | 110.0% | 80 | 110.0% |
| Other Operated Departments | 9 | 4.5% | \$61 | \$0 | 8 | 9 | 10 | 10 | 3.5% | 12 | 3.5% |
| Parking & Transportation | 0 | 2.0% | \$0 | \$0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Rent and Other Income | 6 | 6.0% | \$42 | \$0 | 6 | 7 | 7 | 7 | 5.0% | 12 | 5.0% |
| Total Departmental Expenses | \$1,580 | 37.4% | \$10,970 | \$63 | \$1,778 | \$2,070 | \$2,132 | \$2,196 | 35.2% | \$2,549 | 34.9% |
| Gross Operating Income | \$2,639 | 62.6% | \$18,328 | \$105 | \$3,184 | \$3,797 | \$3,929 | \$4,047 | 64.8% | \$4,756 | 65.1% |
| UNDISTRIBUTED OPERATING EXPENSES | | | | | | | | | | | |
| Administrative and General | \$363 | 8.6% | \$2,520 | \$14 | \$402 | \$446 | \$455 | \$468 | 7.5% | \$548 | 7.5% |
| Marketing | \$312 | 7.4% | \$2,168 | \$12 | \$342 | \$387 | \$394 | \$406 | 6.5% | \$475 | 6.5% |
| Utility Costs | \$219 | 5.2% | \$1,523 | \$9 | \$233 | \$258 | \$267 | \$275 | 4.4% | \$321 | 4.4% |
| Property Operations and Maintenance | \$215 | 5.1% | \$1,494 | \$9 | \$228 | \$252 | \$261 | \$268 | 4.3% | \$314 | 4.3% |
| Total Undistributed Expenses | \$1,110 | 26.3% | \$7,705 | \$44 | \$1,206 | \$1,344 | \$1,376 | \$1,417 | 22.7% | \$1,658 | 22.7% |
| Gross Operating Profit | \$1,530 | 36.3% | \$10,622 | \$61 | \$1,978 | \$2,454 | \$2,553 | \$2,630 | 42.1% | \$3,098 | 42.4% |
| FIXED EXPENSES | | | | | | | | | | | |
| Property Taxes | \$249 | 5.9% | \$1,730 | \$10 | \$293 | \$347 | \$358 | \$369 | 5.9% | \$431 | 5.9% |
| Insurance | 68 | 1.6% | \$469 | \$3 | 74 | 82 | 85 | 87 | 1.4% | 102 | 1.4% |
| Management Fee | 0 | 0.0% | \$0 | \$0 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0.0% |
| Reserve for Replacement | \$84 | 2.0% | \$586 | \$3 | \$149 | \$235 | \$242 | \$250 | 4.0% | \$292 | 4.0% |
| Total Fixed Expenses | \$401 | 9.5% | \$2,785 | \$16 | \$516 | \$663 | \$685 | \$706 | 11.3% | \$826 | |
| Cash Flow from Operations | \$1,129 | 26.8% | \$7,837 | \$45 | \$1,462 | \$1,790 | \$1,868 | \$1,924 | 30.8% | \$2,272 | 31.1% |

Source: HSP

The property is projected to generate a total of \$4.2 million in gross revenue in the first year. Approximately \$1.1 million will be available to satisfy debt and equity requirements. By the fifth year the hotel is projected to generate \$1.9 million in net operating income.

Explanation of Income and Expense Items

The estimates of income and expense statements are based on the results of operations of comparable hotels.



The steps in the projection of income and expenses for the proposed Hotels include projecting the income and expenses for each year. The income for each of these years is estimated based on the expected impact that the change in occupancy and average daily room rates is expected to have on income and expenses. Expense estimates are assumed to have both fixed and variable components, and vary based on projected occupancy levels.

Departmental Revenues and Expenses

Distributed Departmental Revenues and Expenses

Rooms: Room revenue is estimated by multiplying the occupancy rate by the average daily rate (ADR) projected in this analysis.

Rooms expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry linens, cable television, and other items necessary to maintain guest rooms.

Food and Beverage: This item consists of both restaurant and catering revenue and expenses. Food and beverage expenses are among the highest in the Hotel's departments (outside of telecommunications). Hotels with significant food and beverage business tend to have lower net profit margins.

Telephone: Estimated telephone revenue is based on the experience of the similar hotel properties. Hotel telephone systems today are designed to generate profits, although the increasing use of cellular phones and expectation of free high-speed internet access has cut the gross and net revenue figures in this department across the industry in the last few years. Some hotel chains, such as Marriott, charge a flat \$10 per night fee for high-speed internet access, while others provide it gratis. In many hotels, this department loses money.

Rentals and Other Income: This income category is typically comprised of interest, commissions on vending machine sales, movies, and other miscellaneous income. Expenses associated with this line item are five percent at stabilization.

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the Uniform System of Accounts for hotels. These expenses are discussed in the following paragraphs.

Administrative and General: This category covers expenses such as salaries and wages for management staff, bookkeeping, data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, and similar items. General insurance (liability, business risk, etc.) is included in the Administrative and General (A&G) category.



Marketing Expenses: Marketing expenses include local advertising, marketing costs, the cost of printing brochures, and other related items.

Utilities: Utility expenses are typically between three and six percent for most hotels depending on regional energy costs.

Property Operations and Maintenance: Property operations and maintenance expenses include salaries and wages, employee benefits, other payroll costs, normal maintenance of the building and electrical and mechanical equipment. For newer hotels, this line item is relatively low, although is still a significant expense.

Fixed Charges

Property Taxes: Property taxes are limited to three percent of assessed value for commercial properties in Enid and the calculation of value is based on the income approach.

Insurance: This insurance category covers only the cost of building and contents insurance and no liability insurance. The liability insurance is found in the A&G expense.

Management Fees: It is estimated this fee will be set based on a percent of gross revenue throughout the projection period.

Reserve for Replacement: As is standard for income-producing properties, a reserve for replacement for furniture, fixtures, and equipment, as well as other capital items has been included in this analysis. Recent studies have indicated that, over the long-term, a minimum of four percent is required to properly maintain hotel facilities and actual costs could be higher. HSP projects a reserve level of five percent over the long-term, but each hotel begin at two percent and grow to the five percent level during the first few years of operation.

Valuation of Hotel Component

The table below shows how the hotel would be valued in the market with a bank loan amortized over 25 years, with debt coverage ratios of 1.4 minimum and a return on equity average of 25 percent. This mimics the market and suggests the value a developer or bank would put on the project.



Table 12-17

| Financing Assumptions - 144-Room Enid Hotel | | | | | | | | | | | | |
|--|-------------|-------------|-----------|----------|---------|-------------|---------|---------|---------|---------|---------|---------|
| | Constr. Yr1 | Constr. Yr2 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Net Operating Income | \$0 | \$0 | \$1,129 | \$1,462 | \$1,790 | \$1,868 | \$1,924 | \$2,023 | \$2,083 | \$2,144 | \$2,207 | \$2,272 |
| Interest and Debt Reserve W/D | \$170 | \$510 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | \$170 | \$510 | \$1,129 | \$1,462 | \$1,790 | \$1,868 | \$1,924 | \$2,023 | \$2,083 | \$2,144 | \$2,207 | \$2,272 |
| Debt Service Payment | (\$170) | (\$510) | (\$796) | (\$796) | (\$796) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) |
| Net Income to Repay Equity | \$0 | \$0 | \$332 | \$665 | \$994 | \$1,140 | \$1,196 | \$1,295 | \$1,354 | \$1,416 | \$1,479 | \$1,544 |
| Princ. Amount*** | \$2,125 | \$6,375 | \$8,500 | \$8,384 | \$8,258 | \$8,120 | \$8,001 | \$7,872 | \$7,734 | \$7,586 | \$7,426 | \$7,255 |
| Interest | \$170 | \$510 | \$680 | \$671 | \$661 | \$609 | \$600 | \$590 | \$580 | \$569 | \$557 | \$544 |
| Less Payment | (\$170) | (\$510) | (\$796) | (\$796) | (\$796) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) | (\$728) |
| Loan Balance | \$2,125 | \$6,375 | \$8,384 | \$8,258 | \$8,123 | \$8,001 | \$7,872 | \$7,734 | \$7,586 | \$7,426 | \$7,255 | \$7,070 |
| Assumptions | | | | | | Refi | | | | | | |
| Loan Amount (\$000's) | \$8,500 | | | | | \$8,120 | | | | | | |
| Amortization Period (Years) | 25 | | | | | 25 | | | | | | |
| Loan Interest Rate | 8.0% | | | | | 7.5% | | | | | | |
| Annual Debt Service Payment (\$000's) | (\$796) | | | | | (\$728) | | | | | | |
| Equity: | | | | | | | | | | | | |
| Developer's Equity (\$000's) | \$4,500 | 25% | | | | | | | | | | |
| Private Debt | \$8,500 | 48% | | | | | | | | | | |
| Total Private Financing | \$13,000 | 73% | \$90,278 | | | | | | | | | |
| Public Gap Subsidy | \$4,840 | 27% | | | | | | | | | | |
| Project Amount (\$000's) | \$17,840 | 100% | \$123,889 | per room | | | | | | | | |
| Debt (Private) Coverage Ratio | | | 1.42 | 1.84 | 2.25 | 2.56 | 2.64 | 2.78 | 2.86 | 2.94 | 3.03 | 3.12 |
| Return on Private Equity* | | | 7.4% | 14.8% | 22.1% | 25.3% | 26.6% | 28.8% | 30.1% | 31.5% | 32.9% | 34.3% |
| Return on Assets** | | | 6.3% | 8.2% | 10.0% | 10.5% | 10.8% | 11.3% | 11.7% | 12.0% | 12.4% | 12.7% |
| *On developer's equity only. | | | | | | | | | | | | |
| **On project cost. | | | | | | | | | | | | |
| ***Assumes 50% draw in Construction Year 1; 75% average during Construction Year 2 | | | | | | | | | | | | |
| Source: HSP | | | | | | | | | | | | |

Based on a cost of \$17.84 million (which does not include land or parking, assumed to be donated), the cost per room is nearly \$124,000. The hotel's cash flow supports debt of \$8.5 million (48 percent of cost), equity of \$4.5 million (25 percent of cost), for a total of \$13 million, or \$90,000 per room. This leaves a financing gap of \$4.8 million. Essentially, the market would support a 90 to 100-room hotel and so the additional rooms needed to support the events center require public subsidy. This represents a Catch-22 for the project. With a smaller hotel, the events center cannot induce certain business, but with a larger hotel, many of the rooms will remain unoccupied for many days during the year. With this size hotel, it is estimated that the proper balance will have been struck. However, the hotel could be upsized or downsized and the costs to the City would increase or decrease accordingly.