

**HOTEL MARKET ANALYSIS
AND FEASIBILITY STUDY
FOR THE TOWN OF EDENTON
CHOWAN COUNTY, NORTH CAROLINA 27932**

FOR:

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ELECTRICITIES OF NORTH CAROLINA, INC
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RALEIGH, NC 27626**

DATE OF REPORT: DECEMBER 18, 2008

BY:

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December 18, 2008

Ms. Brenda Daniels
Manager, Economic Development
Electricities of North Carolina, Inc
PO Box 29513
Raleigh, NC 27626-0513

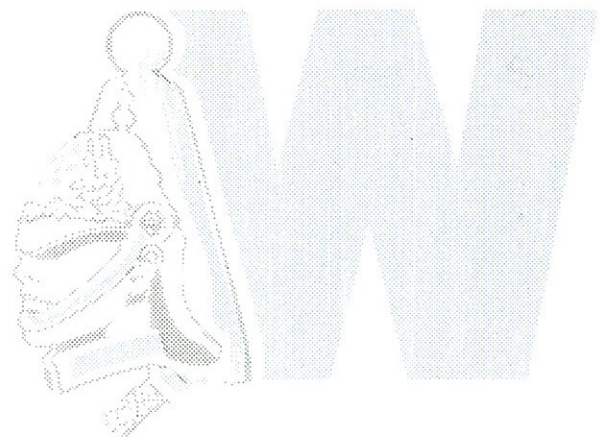
Re: Hotel Market Analysis and Feasibility Study for the Town of Edenton, Chowan County, NC
27932

Dear Ms. Daniels

In response to your engagement letter dated October 27, 2008, we have performed a market analysis and have determined the feasibility of developing a lodging facility within the jurisdiction of the Town of Edenton, Chowan County, NC.

Chowan County is located approximately 70 miles southwest of Norfolk, VA and 70 miles west of the beaches of the NC Outer Banks. Located along the Albemarle Sound in northeastern North Carolina, Edenton is the county seat of Chowan County. Economic development in the region is influenced by the social, economic, governmental and environmental characteristics of the North Carolina Outer Banks and the Elizabeth City, NC Micropolitan Statistical Area. Situated along US Highway 17, the town enjoys good regional access.

Although the area is traditionally known for its agricultural influences, the Chowan County workforce is transitioning to a diversified mix of employers from several different sectors, with government, professional services, health services, and manufacturing being the most significant sectors. In addition, Edenton has been able capitalize on its rich history and proximity to the North Carolina Outer Banks by marketing itself as a vacation area and tourism point of interest. Chowan County and the Town of Edenton have continued to experience relative economic stability over the past two decades despite periodic national and local economic downturns. Recently unemployment has trended slightly higher than the state and regional averages, however several businesses have located in the region diversifying the employment base that was seen prior to the previous macroeconomic recession of 2000-2001.



According to Edenton town records the population as of fall 2008 is 5,089. Additionally, 7,600 residential units have been permitted or are in various stages of planning within an approximate 15 mile radius of downtown Edenton. These range from condominiums in the lower \$200,000 range to master planned communities with waterfront lots in the \$400,000 range. As with other regions of the state and nation there has been a slowdown in the absorption of lots and finished homes sales. Several of these properties are being marketed to baby boomers and younger retirees with amenities including community gathering centers and retail, yacht clubs, active golf communities, and maintenance free living.

The client and intended user of this report is Ms. Brenda Daniels of Electricities of North Carolina, Inc., and assigns. The purpose of this report is to provide an opinion of the market analysis and feasibility of developing a lodging facility within the jurisdiction of the town. This report is based on market occupancies and the prevailing economic conditions observed on December 19, 2008, the effective date of the report. It is our understanding that the intended use of this report is for internal decision-making and planning purposes by the Town of Edenton.

In collecting the data necessary to form an opinion of feasibility, the appraisers have personally examined the national, state and local market economics for such a facility, including existing and proposed supply of hotels, as well as local and regional demand generators. Market data from other hotel properties on a national basis and within the subject's competitive market is obtained both from the appraiser's own primary research within the local market and from both *Price Waterhouse Coopers' Hospitality and Leisure Group* and *Smith Travel Research*, a Nashville, Tennessee firm specializing in providing market information for hotel/motel properties. We have also reviewed regional and national hotel operating data published in the most recent *TRENDS in the Hotel Industry-2007*, published by PKF Consulting.

During the course of our investigation we collected data on approximately fifty regional lodging facilities, which constitute lodging supply within an approximate thirty mile radius of Edenton. We subsequently analyzed and narrowed our selection of properties and supply generators to those we felt were most applicable to our market analysis and feasibility study.

In analyzing the data, we have focused on the hotels considered most competitive with a proposed hotel in the market and have analyzed occupancy rates, average daily rates (ADR), amenities, market segmentation, and competitive indices. We have reported the results of our analyses in the form of a narrative report.

Please note that the value opinions expressed in this report have been developed within the context of the following extraordinary assumptions.

Financial Analysis

Our report does not attempt to analyze potential room revenues, either gross or net, for a hypothetical hotel facility. It is beyond the scope of this assignment to generate cash flow projections for such a property. Feasibility is determined as it relates to relative level of occupancy achieved by the proposed hotel property only. We have estimated a market room rate for the subject based upon those achieved by competing facilities. If cash flow projections are desired, we recommend that the client obtain our services or those of other competent hospitality consultants as an additional assignment.

Site Selection

As of the date of this report no specific site has been reserved for development of a hotel facility. Therefore, we make the reasonable assumption that a site of adequate size, with suitable access and visibility characteristics is available within the jurisdiction of the town and that all publicly provided utilities will be available to such a site. While we make no recommendation of site and site selection the consultants believe careful selection of a site is vital to feasibility and integration with the town and its business environs.

Subject to the conditions and explanations contained in the following report, and based on our analysis of the market, together with our experience performing similar market studies, we have arrived at the following conclusion.

As of the date of this report, December 19, 2008, it is our opinion that a hotel facility within the jurisdiction of Edenton, NC is feasible provided a development and construction period of 18 to 36 months.

**60 ROOM, LIMITED SERVICE, FLAG HOTEL
ESTIMATED AVERAGE DAILY RATE (ADR) RANGE: \$80.00 to \$90.00**

The following report presents the data, analyses and other materials that give support to our conclusions. Within the report we provide a definition of *Market Share*, *Demand Generator*, *Competitive Index*, and other hotel-specific terms used.

Please note that our opinions are not based on a requested conclusion and are not meant to infer a market value of a specific lodging facility. We recommend that any party interested in developing a lodging facility within the specified market area seek the services of a Certified General Appraiser who is knowledgeable of the regional market and is competent to conduct a valuation of a proposed hotel property.

Though an opinion of value is not a component of this assignment, the analysis, opinions and conclusions, where applicable, were developed and this consulting report has been prepared in conformance with (and the use of this report is subject to) all regulations issued under the Uniform Standards of Professional Appraisal Practice (USPAP) 2008 Edition as promulgated by the Appraisal Standards Board of the Appraisal Foundation in Washington DC.


This letter of transmittal precedes our full narrative consulting report, further describing the market and containing the reasoning and most pertinent data leading our final conclusions. Your attention is directed to the "Certificate of Appraisal", "Hypothetical Conditions", "Extraordinary Assumptions", "General Assumptions", and "General Limiting Conditions" which are considered usual for this type of assignment and have been included within the text of this report.


It was a pleasure preparing this consulting report for you. Please contact us if you have unanswered questions regarding our report or if we can be of further assistance in the interpretation of our findings and opinions.


Respectfully submitted,


John M. McBrayer
Certified General Appraiser NC #A5723




Christopher F. Maisto
Certified General Appraiser NC #A6762




Albert B. Flanagan, III
Registered Trainee Appraiser NC # T4379

CERTIFICATE OF APPRAISAL

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

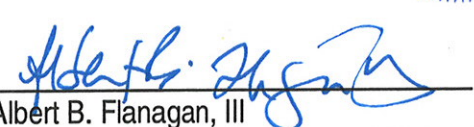
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and our personal, impartial, and unbiased professional analyses.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement of this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- An inspection of the property is not applicable in this assignment.


John M. McBrayer
Certified General Appraiser NC #A5723


Christopher F. Maisto
Certified General Appraiser NC #A6762






Albert B. Flanagan, III
Registered Trainee Appraiser NC # T4379

INTRODUCTION

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EXECUTIVE SUMMARY OF SALIENT FACTS

File Number:	C8392
Location of Market:	The subject market is defined as those primary competing flag hotels generally within a 30-mile radius of the Town of Edenton, Chowan County, North Carolina.
Street Address:	No Specific Site Has Been Identified
Type of Property:	Lodging Facility
Purpose of Report:	Market Study and Feasibility Analysis
Date of Report:	December 19, 2008
Hotel Size/Type Indicated:	60 ROOM, LIMITED SERVICE, FLAG HOTEL
ADR Range:	\$80.00 to \$90.00

DEFINITIONS

Source: Hotels & Motels Valuations and Market Studies by Stephen Rushmore, MAI and Erich Baum, Copyright 2001, The Appraisal Institute. Hotel/Motel Valuation and Investment Seminar, Glossary, Author – Stephen Rushmore, MAI.

Actual Market Share

The percentage share of the total hotel room night demand actually captured by a particular hotel. The actual market share for an individual hotel is calculated by dividing the number of room nights captured by the total number of room nights in the market.

Average Rate

The weighted average of rooms sold at the various stated rates, such as commercial, group, or tourist. It is calculated by dividing the property's gross rooms revenue by the number of rooms occupied by the number of for a given period of time. When calculated on a daily basis, it is known as Average Daily Rate (ADR).

Base Year

The year that serves as a benchmark for all future projections. The base year is generally the last calendar year completed before fieldwork begins.

Competitive Index

A number that reflects the relative competitiveness of a hotel. The competitive index of a hotel is calculated by dividing the number of room nights accommodated within a particular market segment by the property's room count. The result is the number of days per year that a guest room is actually occupied by a specific type of traveler. By comparing the competitive indexes of several hotels, an appraiser can evaluate the competitiveness of each property.

Demand Generator

Anything that creates or attracts hotel room night demand. Some examples of demand generators may include office parks, convention centers, scenic attractions, shopping malls, regional hospitals, sporting events, universities, military bases, airports, and convenient stopping points along a highway.

Fair Market Share (Market Share)

A hotel's average percentage share of the total area's room night demand. Fair market share is calculated by dividing a hotel's rooms count by the total number of competitive rooms in the market. This benchmark is used to determine whether a property is capturing more or less than its appropriate share of total market demand.

Hotel Unit

The smallest rentable accommodation that provides a guest with a bedroom, a bathroom, and lockable access to a public corridor or the exterior of the facility. A hotel unit is also referred to as a *room* or a *key*.

Penetration

The percentage relationship between the market share of a hotel and its fair share. When a hotel is capturing more than its average market share, the penetration is greater than 100 percent.

Room Night

A unit of hotel demand representing one hotel room occupied by one or more people for one night. A family of four occupying a hotel room for one night is considered one room night. That same family of four occupying two hotel rooms for one night is considered two room nights.

Unaccommodated Demand

The portion of latent hotel room night demand that cannot be accommodated in the market area because there are not sufficient new hotel rooms available to absorb it. Unless new hotel rooms are introduced into the market area, latent demand will remain unaccommodatable.

EXTRAORDINARY ASSUMPTIONS

Addressee

This report is addressed to Brenda Daniels, of Electricities of North Carolina, Inc., and assigns.

Special conditions of the report include our agreement that it may be relied upon by Ms. Daniels in decision-making. Please note however, that, in the absence of a written update specifically signed with original signatures and delivered by the undersigned appraiser, the report refers to conditions prevailing as of the effective date of the report.

Financial Analysis

Our report does not attempt to analyze potential room revenues, either gross or net, for a hypothetical hotel facility. It is beyond the scope of this assignment to generate cash flow projections for such a property. Feasibility is determined as it relates to relative level of occupancy achieved by the proposed hotel property only. We have estimated a market room rate for the subject based upon those achieved by competing facilities. If cash flow projections are desired, we recommend that the client obtain our services or those of other competent hospitality consultants as an additional assignment.

Site Selection

As of the date of this report no specific site has been reserved for development of a hotel facility. Therefore, we make the reasonable assumption that a site of adequate size, with suitable access and visibility characteristics is available within the jurisdiction of the Town and that all publicly provided utilities will be available to such a site. . While we make no recommendation of site and site selection the consultants believe careful selection of a site is vital to feasibility and integration with the town and its business environs.

HYPOTHETICAL CONDITIONS

There are no hypothetical conditions affecting our analysis of the subject property.

GENERAL ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
10. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on the or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.
12. The appraiser is not a land surveyor, nor an expert in flood zone determination. While general information relating to flood zones is included in our report for informative purposes, no formal determination is made of flood zone hazards as they affect the subject property.

Although our value estimate is predicated on a general overview of the FEMA FIRM Maps, the relative scale and detail of these maps is not sufficiently precise for us, as appraisers, to give a certified opinion about flood conditions. No responsibility is assumed, therefore for the presence or absence of such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to provide further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. If oral testimony is required at any time, a summary of the oral report will be placed on the workfile within a reasonable time after the issuance of the oral report, in compliance USPAP Standard Rules 2-2 (b) and 2-4, and with the Record-Keeping Section (Page 9) of the USPAP Ethics Rule.
5. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
6. No significant change is assumed in the supply and demand patterns indicated in the report. The study assumes market conditions as observed as of the current date of our market research stated in the letter of transmittal. These market conditions are believed to be correct; however, the consultants assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
7. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. In the case of improved property, we will not be responsible for conducting a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we have not considered possible non-compliance with the requirements of ADA in estimating the value of the property.

OVERVIEW OF CONSULTING ASSIGNMENT

PURPOSE OF CONSULTING ASSIGNMENT

The purpose of this consulting assignment is to provide a market analysis and an estimate as to the feasibility of developing a hotel facility within the jurisdiction of the Town of Edenton in Chowan County, NC.

CLIENT AND INTENDED USERS

The intended users of this report are Ms. Brenda Daniels, of Electricities of North Carolina, Inc., and assigns. Use of this report by others is not the intent of the appraiser.

INTENDED USE

The intended use of this report is for internal decision-making and planning purposes by the Town of Edenton.

EFFECTIVE DATE OF THE REPORT

This report is based on market occupancies and the prevailing economic conditions observed on December 19, 2008, the effective date of the report.

DATE OF THE REPORT

The date of this report is December 19, 2008.

FORM OF THE REPORT

Though an opinion of value is not a component of this assignment, the analysis, opinions and conclusions, where applicable, were developed and this consulting report has been prepared in conformance with (and the use of this report is subject to) all regulations issued under the Uniform Standards of Professional Appraisal Practice (USPAP) 2008 Edition as promulgated by the Appraisal Standards Board of the Appraisal Foundation in Washington DC.

SCOPE OF ASSIGNMENT

In collecting the data necessary to form an opinion of feasibility, the appraisers have personally examined the national, state and local market economics for such a facility, including existing and proposed supply of hotels, as well as local and regional demand generators. Market data from other hotel properties on a national basis and within the subject's competitive market is obtained both from the appraiser's own primary research within the local market and from both *Price Waterhouse Coopers' Hospitality and Leisure Group* and *Smith Travel Research*, a Nashville, Tennessee firm specializing in providing market information for hotel/motel properties. We have also reviewed regional and national hotel operating data published in the most recent *TRENDS in the Hotel Industry 2007*, published by PKF Consulting.

In analyzing the data, we have focused on the hotels considered most competitive with a proposed hotel in the market and have analyzed occupancy rates, average daily rates (ADR), amenities, market segmentation, and competitive indices. We have reported the results of our analyses in the form of a narrative report.

COMPETENCY OF CONSULTANTS

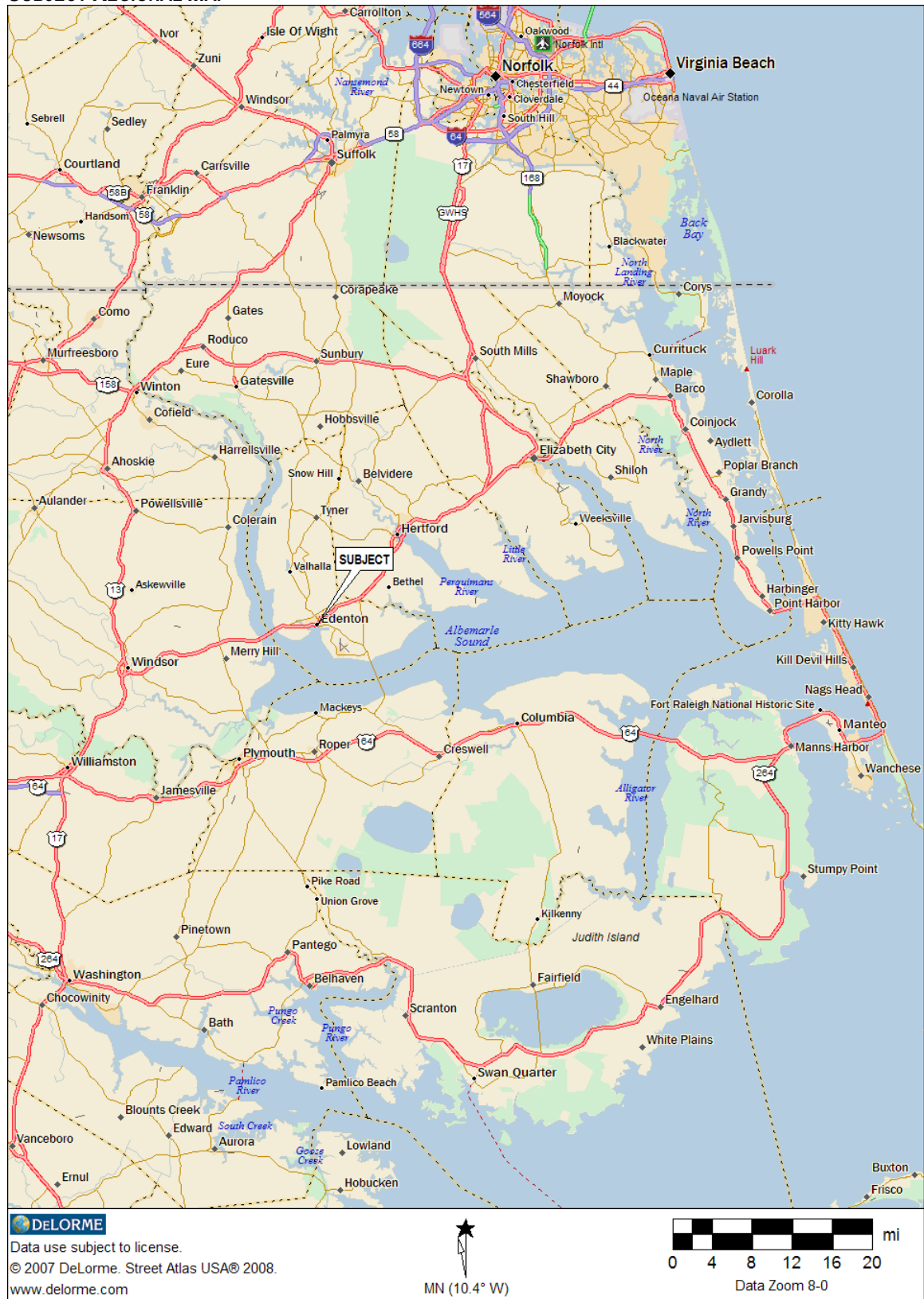
The consultants' specific qualifications are included within the Addenda to the report. These qualifications serve as evidence of our competence for the completion of this consulting assignment in compliance with the *Competency Provision* contained within the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The consultants' knowledge and experience, combined with their professional qualifications, are commensurate with the complexity of this assignment, based on the following:

- Professional experience
- Educational background and training
- Business, professional, academic affiliations and activities

The consultants have previously provided consultation and value estimates for properties of this type throughout the region.

GEOGRAPHIC MARKET ANALYSIS

SUBJECT REGIONAL MAP



GEOGRAPHIC MARKET ANALYSIS

Introduction

Chowan County is located approximately 70 miles southwest of Norfolk, VA and 70 miles west of the beaches of the NC Outer Banks. Located along the Albemarle Sound in northeastern North Carolina, Edenton is the county seat of Chowan County. Economic development in the region is influenced by the social, economic, governmental and environmental characteristics of the North Carolina Outer Banks and the Elizabeth City, NC Micropolitan Statistical Area. Situated along US Highway 17, the town enjoys good regional access.

CHOWAN COUNTY

Chowan County is bordered by Gates County to the north, Hertford County to the northwest, Perquimans County to the east, Washington County to the south, and Bertie County to the west. The county is divided into four townships: Edenton, Yoepim, Middle and Upper. As of the 2000 Census, the population was 14,256.

The population in this area is estimated to change from 14,526 to 14,898, resulting in a growth of 2.6% between 2000 and the current year. Over the next five years, the population is projected to grow by 3.5%. The population growth in the United States is estimated to increase from 281,421,906 to 304,141,549, resulting in a growth of 8.1% between 2000 and the current year. Over the next five years, the national population is projected to grow by 4.9%.

The number of households in the United States is estimated to change from 105,480,101 to 114,694,201, resulting in an increase of 8.7% between 2000 and the current year. Over the next five years, the number of households is projected to increase by 5.3%. The number of households in this area is estimated to change from 5,580 to 6,038, resulting in an increase of 8.2% between 2000 and the current year. Over the next five years, the number of households is projected to increase by 5.0%.

The average household income in this area is projected to increase 13.3% over the next five years, from \$47,270 to \$53,574. The United States is projected to have an 11.7% increase in average household income. The average household income is estimated to be \$47,270 for the current year, while the average household income for the United States is estimated to be \$67,918. The current year estimated per capita income for this area is \$19,323, compared to an estimate of \$25,933 for the United States.

Currently, it is estimated that 5.1% of the population age 25 and over in this area had earned a Master's, Professional, or Doctorate Degree and 10.9% had earned a Bachelor's Degree. In comparison, for the United States, it is estimated that for the population over age 25, 8.9% had earned a Master's, Professional, and Doctorate Degree, while 15.8% had earned a Bachelor's Degree.

Most of the dwellings in this area (73.2%) are estimated to be Owner-Occupied for the current year. For the entire country the majority of the housing units are Owner-Occupied (67.1%).

In Chowan County, 42.5% of the population is estimated to be employed. The employment status of this labor force is as follows: 0.2% are in the Armed Forces, 53.7% are employed civilians, 3.6% are unemployed civilians, and 42.6% are not in the labor force. For the United States, 47.2% of the population is estimated to be employed. The employment status of this labor force is as follows: 0.5% are in the Armed Forces, 60.2% are employed civilians, 3.6% are unemployed civilians, and 35.7% are not in the labor force.

The occupational classifications are as follows: 33.1% have occupation type blue collar, 44.2% are white collar, and 22.7% are service & farm workers. For the United States, the occupational classifications are as follows: 23.9% have occupation type blue collar, 60.1% are white collar, and 16.0% are Service & farm workers.

For the civilian employed population age 16 and over in this area, it is estimated that they are employed in the following occupational categories: 3.5% are in "Farming, Fishing, and Forestry", 13.2% are in "Construction, Extraction, and Maintenance", and 19.9% are in "Production, Transportation, and Material Moving". 8.6% are in "Management, Business, and Financial Operations", 15.5% are in "Professional and Related Occupations", 17.5% are in "Service", and 21.8% are in "Sales and Office".

For the civilian employed population age 16 and over in the United States, it is estimated that they are employed in following occupational categories: 13.7% are in "Management, Business, and Financial Operations", 20.3% are in "Professional and Related Occupations", 14.6% are in "Service", and 26.7% are in "Sales and Office". 0.7% are in "Farming, Fishing, and Forestry", 9.5% are in "Construction, Extraction, and Maintenance", and 14.4% are in "Production, Transportation, and Material Moving".

THE TOWN OF EDENTON

Located in inner banks region, Edenton was originally incorporated in 1722 and was as the capital of North Carolina from 1722 to 1743. The population in this area is estimated to change from 5,394 to 4,876, resulting in a decline of -9.6% between 2000 and the current year. Over the next five years, the population is projected to grow by 1.4%. The population in the United States is estimated to change from 281,421,906 to 304,141,549, resulting in a growth of 8.1% between 2000 and the current year. Over the next five years, the population is projected to grow by 4.9%.

The current year median age for this population is 35.9, while the average age is 38.8. Five years from now, the median age is projected to be 36.3. The current year median age for the United States is 36.7, while the average age is 37.5. Five years from now, the median age is projected to be 37.6.

The number of households in this area is estimated to change from 1,983 to 1,986, resulting in an increase of 0.2% between 2000 and the current year. Over the next five years, the number of households is projected to increase by 3.1%. The number of households in the United States is estimated to change from 105,480,101 to 114,694,201, resulting in an increase of 8.7% between 2000 and the current year. Over the next five years, the number of households is projected to increase by 5.3%.

Regional

Primary forces are those that influence the region's demographic trends. They include such factors as population, employment status, quality of education, availability of health care and the overall quality of life that can be found within the region.

A summary of the forecasted population growth in North Carolina, Chowan County, and the Town of Edenton are presented below.

Population Growth Trends							
Area	1990 Census	2000 Census	2008 (Est.)	2013 (Proj.)	%Change 1990-00	%Change 2000-08	%Change 2008-13
Edenton	5,269	5,394	4,876	4,944	2.37%	-9.60%	1.39%
Chowan County	13,506	14,526	14,898	15,416	7.55%	2.56%	3.48%
North Carolina	6,662,523	8,079,242	9,201,151	9,900,921	21.26%	13.89%	7.61%

Source: US Census Bureau, NC Office State Budget and Management (State Demographics), Claritas, Inc

The continued stability and the transitioning employment base of the local economy have positively impacted the demographic trends of the region. While job growth typically drives population growth, this area draws a workforce from a larger area than its population boundaries. Since population typically drives demand for new services we see modest demand for the area's commercial real estate in the short run.

After a conversation with representatives of the Town of Edenton, we are under the impression the population growth trend and forecast provided above is inaccurate. According to Edenton town records the population as of fall 2008 is 5,089. Additionally, there are 7,600 residential units that have been permitted or are in various stages of planning within an approximate 15 mile radius of downtown Edenton. These range from condominiums in the lower \$200,000 range to master planned communities with waterfront lots in the \$400,000 range. As with other regions of the state and nation there has been a slowdown in the absorption of lots and finished homes sales. Several of these properties are being marketed to baby boomers and younger retirees with amenities including community gathering centers and retail, yacht clubs, active golf communities, and maintenance free living.

Even though residential development in the region has slowed, many of the properties are continuing to be absorbed. We were told most of these projects are continuing to move forward however at a slower pace than is previously projected. If just twenty five percent of the planned properties are sold and absorbed in the next three to five years that would equate to doubling the population of the Town of Edenton. A summary of some of these projects is included in the addenda.

Higher Education

There are two primary sources of higher education near Chowan County which serve the region and assist in providing a skilled labor force. These are Martin Community College in Williamston and College of the Albemarle in Edenton and Elizabeth City.

With its primary location in Elizabeth City, College of the Albemarle also has locations in Edenton and in Dare County. They offer basic skills instruction and several certificate and diploma programs as well as first-year courses toward several degrees. The division of Corporate & Continuing Education serves the county and its business community by providing education and training. Workshops and seminars are made available through the Corporate and Continuing Education's Small Business Center and Edenton-Chowan Chamber of Commerce partnership. Corporate & Continuing Education courses include workforce development training, employability skills training, computer training, and a wide variety of self-interest classes

Located in Williamston, Martin Community College has academic programs in Accounting, HVAC, Biotechnology, Healthcare, Business and Computer technology as well as others. They offer a traditional course schedule as well as continuing education options.

There are also four colleges and universities located in eastern North Carolina. These are East Carolina University in Greenville, Chowan University in Murfreesboro, Barton College in Wilson and North Carolina Wesleyan College in Rocky Mount.

Lifestyle

Known as the "South's Prettiest Town", Edenton is known for its rich history and numerous recreational activities. Originally the capital of North Carolina, Edenton's history rivals that of Williamsburg, VA. During the year there are tours throughout its historic downtown that draw visitors from several parts of the country.

Once one of North Carolina's largest ports, the Chowan River and Edenton Harbor, provide abundant recreation activities to its residents and tourist. These range from kayaking and canoe trails, birding, water sport recreation, and fishing.

There are two marinas located in proximity to Edenton, namely Edenton Marina and Wharf Landing. Wharf Landing is a condominium, marina and restaurant development located slightly outside of town that is built in several phases. Of the 42 condominiums that have been built, 36 have been sold at an average of eight sales per year.

The Town of Edenton community calendar is filled with events that include garden tours, bull riding, cycling events, Edenton Steamers Baseball, historical tours, music in the park, county fairs and festivals, fishing tournaments, and numerous holiday events.

Based on the towns history and its attraction as a point of interest there is ample opportunity for all types of travelers to be entertained while visiting Edenton.

Healthcare

Located in Edenton, the 111 bed Chowan Hospital provides services and programs to 110,000 people in seven counties. They offer a wide range of services and healthcare specialties to residents of Chowan and surrounding counties. Chowan Hospital's partnership with University Health Systems of Eastern North Carolina gives patients access to state-of-the-art services provided by an academic medical center.

Medical staff specialties include primary care, pediatric, internal medicine physicians and surgeons in the region, and a telemedicine link with the Brody School of Medicine at East Carolina University. Special medical and surgical services at Chowan Hospital include intensive care, a surgical center, emergency department, an expanded labor and delivery suite and bone density screening.

Economic

According to The Appraisal of Real Estate, Twelfth Edition, "the relevance of economic influences to the appraisal process, relates to the financial capacity of a market area's occupants to rent or own property, maintain it in an attractive and desirable condition, and renovate or rehabilitate it as appropriate." In order to determine the economic condition of the region, we have researched items such as median household income, home ownership, unemployment, and employment by industry.

Median household Income

This is one of the primary demographic indicators of the regional economy's strength or weaknesses. Income drives the effective demand for commercial real estate. Typically, a market with a high median household income is indicative of economic vitality and a high standard of regional living.

The following table is a summary of the median household income levels within the Town of Edenton, Chowan County, North Carolina, and the USA.

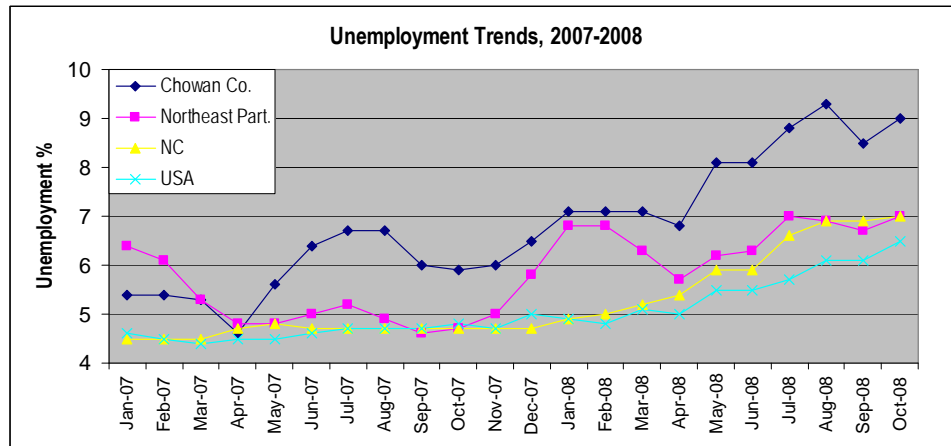
Median Household Income Estimates			
Area	2000 Census	2008 (Est.)	%Change 2000-08
Edenton	\$25,361	\$30,102	18.69%
Chowan County	\$31,209	\$37,926	21.52%
North Carolina	\$39,586	\$45,045	13.79%
USA	\$42,729	\$50,170	17.41%

Sources: US Census Bureau, American Community Survey Profile, Claritas, Inc.

While the most recent national recession of 2001-2003 created substantial job losses, resulting in a lower median household income nationally, the regions median household income maintained its growth, at its historical level slightly above the state and the United States levels. This is a definitive indicator of a stable economy and bodes well for the commercial real estate market within the Chowan County area.

Industries and Employment

The following graph is a summary of the historical unemployment rates within Chowan County, Northeast Partnership, North Carolina, and USA.



The average annual unemployment rate for Chowan County has maintained a level slightly above the national and state average unemployment rate for the past couple years. The following table provides a list of the top twenty-five employers in Chowan County according to the NC Employment Security Commission.

Top 25 Employers in Chowan County, 2008		
Company Name	Industry	Employment Range
East Carolina Health Inc	Education & Health Services	250-499
Edenton-Chowan Schools	Education & Health Services	250-499
Regulator Marine Inc	Manufacturing	100-249
Albemarle Boats Inc	Manufacturing	100-249
Chowan County	Public Administration	100-249
Life Inc	Education & Health Services	100-249
Britthaven Of Edenton Inc	Education & Health Services	100-249
J & J Peanut Company	Trade, Transportation & Utilities	100-249
Economic Improvement Council Inc	Other Services	100-249
Colony Tire Corporation	Trade, Transportation & Utilities	100-249
Sovereign Healthcare	Education & Health Services	50-99
Universal Blanchers	Manufacturing	50-99
Town Of Edenton	Public Administration	50-99
Leary Plant Farm Inc	Trade, Transportation & Utilities	50-99
Mitek Industries Inc	Manufacturing	50-99
United Parcel Service Inc.	Trade, Transportation & Utilities	50-99
Carolina Classic Boats, Inc	Manufacturing	50-99
Food Lion Llc	Trade, Transportation & Utilities	50-99
Home Life Care Inc	Education & Health Services	50-99
McDonalds of Edenton NC & Plymouth	Leisure & Hospitality	50-99
N C Department of Transportation	Public Administration	50-99
C A Perry & Son Inc	Trade, Transportation & Utilities	50-99
Pizza Of Clinton Inc	Leisure & Hospitality	Below 50
Farmers Foods	Trade, Transportation & Utilities	Below 50
State Of North Carolina	Public Administration	Below 50

Over the past several years the region has undergone significant transitions in its employment mix. The workforce is diversified and the largest employers come from several different sectors, with, education and health services, and trade, transportation & utilities, and manufacturing being the most significant sectors. Although the area is historically known as a rural area influenced by agriculture, the preceding table indicates various firms are included among the largest employers in the area.

Notably, there are several boat manufacturers in the Edenton area. The recent increase in unemployment can be attributed to two facility closings and boat manufacturer layoffs. These companies have been affected by the most recent macroeconomic recession, which according to the NBER began December 2007. These firms have undergone layoffs in 2008 and some of them discontinued manufacturing from late 2008 until the beginning of 2009.

The table below shows the forecast of the transition in employment by group from 2006 to 2012.

Employment by Major Industry Groups in 2006 and Projected to 2016			
Industry Group	Employment 2006	Employment 2016	Growth Rate, %
Construction	3,720	4,690	2.3
Education and Health Services	12,830	16,620	2.6
Financial Activities	4,400	5,250	1.8
Goods-Producing	8,730	9,350	0.7
Government	7,230	7,830	0.8
Information	520	520	0
Leisure and Hospitality	8,680	11,210	2.6
Manufacturing	3,410	3,540	0.4
Natural Resources and Mining	1,600	1,120	-3.5
Other Services (Except Government)	2,330	2,600	1.1
Professional and Business Services	2,970	3,970	2.9
Services-Providing	52,110	62,850	1.9
Trade, Transportation, and Utilities	13,150	14,850	1.2
Camden County, Chowan County, Currituck County, Dare County, Gates County, Hyde County, Pasquotank County, Perquimans County, Tyrrell County, Washington County			

Governmental

This influence relates to laws and regulation, along with the area's rates of property taxation. Also of relevance is the relationship between private sector businesses and the public sector.

Property Taxes

In analyzing the cities property tax rates we have compared the tax rates for the Town of Edenton with the tax rates of the other municipalities near Chowan County and compared Chowan County to other counties which border it. The comparative data is shown in the following table.

County/ Municipality	2008-09 Tax Rate	Yr. of Last Reval.	County	City/Town	Sales Assess Ratio	Effective Tax Rate
Bertie	\$0.7800	2004	0.7800		0.8662	\$0.6756
Chowan	\$0.5450	2006	0.5600		0.8865	\$0.4964
Gates	\$0.9100	2001	0.9750		0.4998	\$0.4873
Hertford	\$0.9100	2003	0.9100		0.8231	\$0.7490
Perquimans	\$0.4100	2008	0.6700		1.0000	\$0.6700
Washington	\$0.7900	2005	0.7900		0.8207	\$0.6484
Edenton	\$0.5450	2006		0.2900	0.8865	\$0.7402
Hertford	\$0.4100	2008		0.3500	1.0000	\$0.7600
Plymouth	\$0.7900	2005		0.5900	0.8207	\$1.1326

Edenton's tax rates are lower than the other municipalities in the region. This gives Edenton adequate leverage in attracting corporations considering relocation or expansion in the county. Additionally, the Chowan county tax rate is low relative to any other counties in its immediate geographic area.

The economic development policies of the county and municipal governments have positively impacted real estate development over the past decade. Developers generally find a favorable response to applications with approval fees and impact fees generally in line with other major urban areas.

Environmental

For the purpose of this analysis, environmental influences include such factors as accessibility of transportation within the region, the adequacy of public utilities and the attractiveness of routes into and out of the area.

Highways

With approximately 78,000 miles of highways, North Carolina has one of the largest, state-maintained highway systems in the country. U.S. Route 17 runs north to south through Chowan County and is accessed within the Edenton town limits. Interstate 95 is accessible within an hour and a half to the west via U.S. 17 and U.S. 64. Additionally, the Norfolk Portsmouth Virginia Beach VA CBSA is accessible via U.S. 17 approximately one hour to the north.

Given its accessibility to major highways traffic counts in the area are significant and it's considered a good location to position businesses related to the distribution of goods since many metropolitan areas can be reached via trucking service in one day.

Air

The Northeast Regional Airport is located three miles outside of town and is primarily used for general aviation.

Located northwest, the Raleigh-Durham International Airport (RDU) provides efficient and cost-effective travel options for the Raleigh-Durham area. RDU is served by 12 major airlines with a total of over 220 flights daily. Non-stop weekday flights to inter-national destinations include London, Toronto, and the Bahamas. RDU has recently completed a major capital improvement program including a \$39 million access-road project to all terminals through, a system of bridges and non-signalized intersections, and a five-story, 6,150-space, extension to the existing terminal parking facilities. In addition, redevelopment of General Aviation area was recently completed in 2005. Terminal C redevelopment is currently in the final of three phases and is scheduled for completion by year-end 2008.

Norfolk International Airport is a public airport located three miles northeast of the central business district of Norfolk, a city in Virginia. It is owned by Norfolk Airport Authority. The airport serves the entire Hampton Roads metropolitan area of southeast Virginia, along with Newport News/Williamsburg International Airport in Newport News, as well as northeast North Carolina.

A US Customs office, twenty-five freight forwarders and five air cargo carriers are housed at Raleigh-Durham International Airport facilitating the transportation of goods for local companies.

Ports

North Carolina's port cities are Wilmington and Morehead City. Exporters who use the North Carolina ports at Morehead City and Wilmington, and who are subject to payment of North Carolina income taxes, can apply and qualify for a tax credit.

Wilmington- Foreign Trade Zone # 66

With 390 acres and 1million square feet of warehouse space Wilmington is one of the few US South Atlantic ports with a rail line running directly into its container yard.

Morehead City-Foreign Trade Zone # 67

At 40 acres and 190,374 square feet of warehouse space Morehead City is along the Newport River, four miles from the Atlantic Ocean. It is used principally for handling break bulk and bulk cargo, but does have container-handling capability

Railway

Four thousand miles of track and twenty railroads connect in North Carolina. The Chesapeake & Albemarle Railroad operates from Edenton through Elizabeth City to Norfolk, Virginia serving businesses in the Northeastern North Carolina counties of Currituck, Camden, Pasquotank, Perquimans, and Chowan. The company began operations in 1990 after leasing the line from Norfolk Southern under the "Thoroughbred Shortline Program." The Chesapeake & Albemarle is a member of the RailAmerica Inc. family of railroads headquartered in Boca Raton, Fla. Commodities carried by the railroad are aggregate stone, lumber, grain, paper, fertilizer, and utility transformers.

Conclusion

Centrally located in northeastern North Carolina, Chowan County and the Town of Edenton have continued to experience relative economic stability over the past decade despite national and local economic downturns. Unemployment has trended slightly higher than the state averages, however several businesses have located in the region replacing many of the jobs which were lost in the macroeconomic recession of 2000-2001. Until spring of 2007 unemployment in the county was on par with regional, state, and national averages. Much of the increase in unemployment is due to layoffs related to three local boat builders and recent plant closings.

There are 7,600 residential units that have been permitted or are in various stages of planning within an approximate 15 mile radius of downtown Edenton. These range from condominiums in the lower \$200,000 range to master planned communities with waterfront lots in the \$400,000 range. As with other regions of the state and nation there has been a slowdown in the absorption of lot and finished homes sales. Several of these properties are being marketed to baby boomers and younger retirees with amenities including community gathering centers and retail, yacht clubs, active golf communities, and maintenance free living.

Even though residential development in the region has slowed, many of the properties are continuing to be absorbed. If just twenty five percent of the planned properties are sold and absorbed in the next three to five years that would equate to doubling the population of the Town of Edenton.

Given its location and proximity to the North Carolina outer banks the Town of Edenton is poised to be a tourist point of interest. With the outlook for population growth over the next three to five years will positively affect the demand for commercial real estate in the region.

NATIONAL LODGING MARKET SUPPLY AND DEMAND ANALYSIS

UNITED STATES HOTEL MARKET OVERVIEW

PricewaterhouseCoopers' Hospitality & Leisure Consulting Practice lodging demand forecast calls for the largest occupancy decline since 1980 (excluding 2001), offset by continued growth in ADR, resulting in 2008 revenue per available room (RevPAR) that is only slightly higher than last year. Overall, the outlook anticipates stagnant RevPAR for the next four quarters, due to declines in demand through the end of 2008, coupled with increased supply. RevPAR in 2008 is expected to increase 0.4%, followed by a modest gain in 2009. Growth in both years is well below the 3.5% average for the period 1988 to 2007.

Room Starts

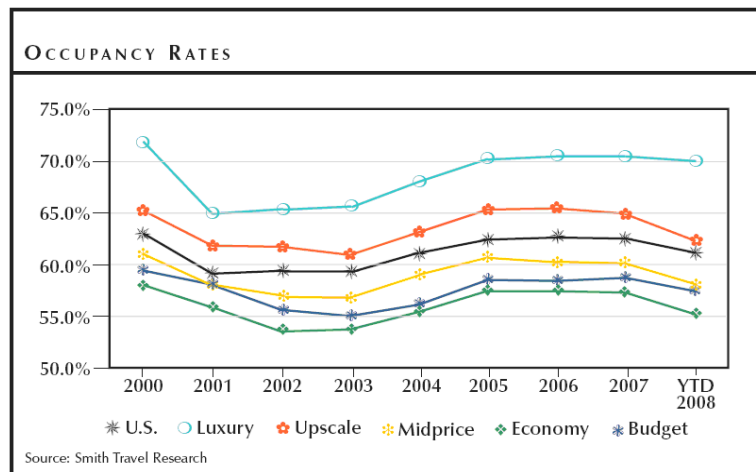
The volume of room starts has begun to slow. Even as PricewaterhouseCoopers anticipates the pace of room starts to decelerate in the second half of 2008, projects under construction are expected to reach completion and result in 2008 end-of year supply growth of 2.1%, the fastest annual growth since 2000. In 2007, average room supply grew the most in the upscale and midscale without- food-and-beverage lodging segments, which each posted a year-over-year increase of 4.1%. The luxury segment trailed them with a 3.0% average increase in room supply, while the upper-upscale segment reported a growth rate of 1.5%. Only the midscale-with- food-and-beverage segment experienced a decrease in room supply in 2007, declining by 2.6%.

Investment Activity

Sales activity in the lodging industry has dropped dramatically over the past year due to tighter lending requirements, a fragile U.S. economy, and an expected deceleration in average daily rate (ADR) and RevPAR growth. After back-to-back years of record-breaking transaction volumes and huge mega deals, U.S. hotel sales volume plummeted 79.0% in the first half of 2008 compared to the first half of 2007, according to Real Capital Analytics, Inc. In the 12 months ending June 2008, the largest number of hotel properties traded in the Southeast region of the country (280 assets), followed by the West (190 assets) and the Southwest (158 assets). On a price-per room basis, the highest average sale price was in the Northeast region during that time frame, \$168,016 per room, followed closely by the West region at \$161,331 per room. Top buyers over the past 12 months included The Blackstone Group, Goldman Sachs, and JER Partners. Top sellers included Hilton Hotels Corp., Equity Inns, and Highland Hospitality.

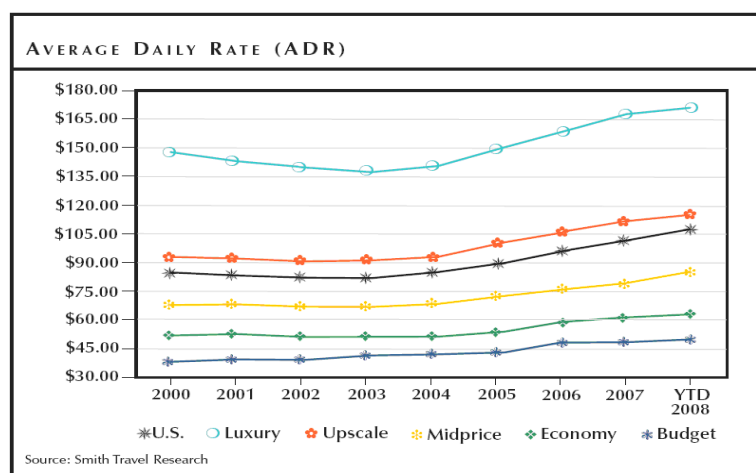
Performance Trends

Overall occupancy for the lodging industry was 61.4% for the first half of 2008, a 2.6% decrease from the same period in 2007. Occupancy levels declined in each chain-scale segment over this time period with the midscale-with-F&B posting the large loss of 4.1%. The upper-upscale segment posted the smallest shift in occupancy between year-to-date 2007 and year-to-date 2008, moving down 1.7%. Geographically, the nine regions of the country experienced declines in occupancy for the first half of 2008 compared to 2007 with the exception of the New England region (the states of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, and Rhode Island) where occupancy held steady at 56.4%. Within the New England region, Boston reported an occupancy gain of 0.8%. Even though this increase is minimal, Boston was one of only six of the top 25 markets tracked by STR that reported a year over- year gain in occupancy for the first half of 2008. A graphic of occupancy rates by segment follows.



The overall ADR for the lodging industry was \$107.64 for the first half of 2008, a 4.2% increase from the same period in 2007, according to Smith Travel Research. Improvement in ADR was reported in all chain scale segments over the past year. The midscale-without-food and beverage segment posted the highest annual ADR increase at 4.6% with midscale-with-F&B close behind at 4.2%. The economy chain-scale segment posted the lowest gain at 2.0%.

Within the United States, the Middle Atlantic region realized the greatest increase in ADR at 5.7% between midyear 2007 and midyear 2008. The top-performing market in the Middle Atlantic region in terms of year-over-year ADR growth was New York, which recorded an increase of 7.3%, the fourth highest increase reported for the top 25 individual markets. A graphic of average daily rates follows.



The U.S. Lodging Industry has seen an increase in the supply of mid-scale hotels without food and beverage over the last several years. Limited-service hotels seem to do well, especially during economic downturns when travelers closely watch their spending habits making this segment more attractive to investors. The change in market share over the last Lodging Census, 1990-2000, are shown in the following table.

Change to Total U.S. Lodging Industry Market Share, 1990-2000	
Segment	% change
Upscale	3.6
Mid-scale with F&B	-2.6
Mid-scale without F&B	10.4
Economy	2.3
Independent	-2.4
Upper Upscale	-0.2
All Chain Affiliated	1.3

National Economy/Limited-Service Lodging Segment

The two chain scales that comprise the economy/Limited-Service Segment continue to perform very differently. On one side, the midscale-without food-and-beverage segment remains one of the top-performing chain scales within the lodging industry, posting solid gains in both ADR and RevPAR growth during the first six months of 2008 compared with the same period in 2007. Specifically, ADR grew by 4.6% in the midscale-without-food and beverage segment during that time frame, while RevPAR grew by 6.5%, according to Smith Travel Research.

In contrast, the economy chain scale's performance continued to lag, recording ADR growth of 2.0% and a RevPAR loss of 1.8% during that time period. According to the August 2008 edition of *PricewaterhouseCoopers Hospitality Directions*, occupancy in the economy segment continues to post quarter-over-quarter declines on a seasonally adjusted basis. When combined with additions to supply and limited increases in ADR, this segment is expected to experience a 2.6% decrease in RevPAR for 2008.

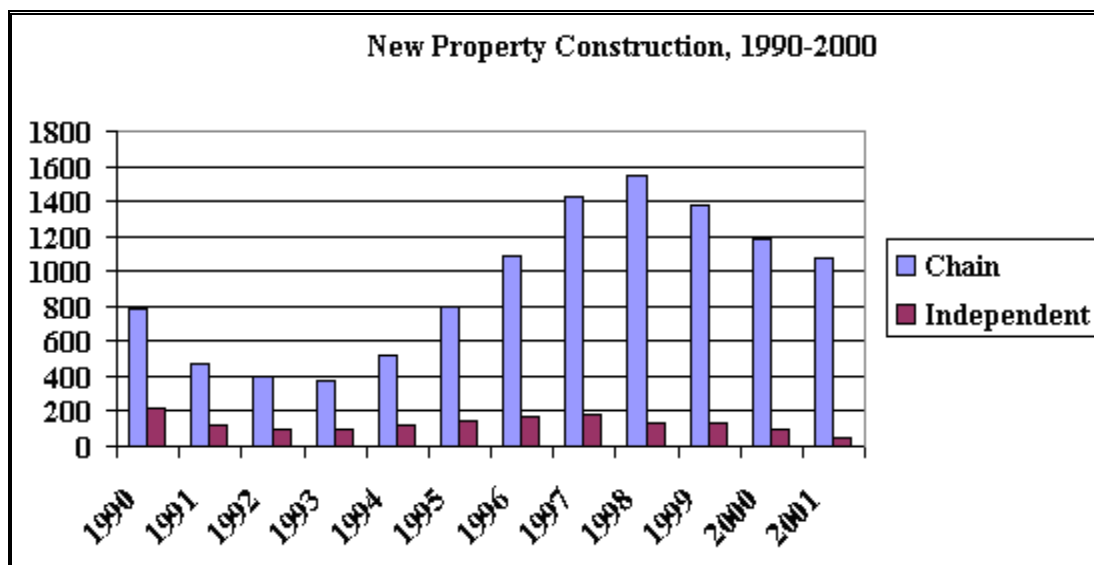
On the other hand, strong gains in ADR and positive demand trends will allow the midscale-without-F&B segment to hold RevPAR quite steady in 2008 and then experience a moderate increase in 2009. A weak economic climate, lingering uncertainty about the short run performance of this lodging segment, and tighter debt markets has stalled the acquisition pace of many investors. As a result, the number of trades involving limited-service assets has fallen considerably over the past year. In the 12 months ending June 2008, a total of 566 limited-service assets sold, according to Real Capital Analytics, Inc. This figure is down 60.0% from the same period last year. The average sale price for these assets was down 3.0% for that time period. A summary of lodging forecast data follows.

LODGING FORECASTS

	2008	2009
Midprice without F&B		
Occupancy	63.2%	62.1%
ADR	\$90.73	\$94.25
RevPAR Growth	+ 0.6%	+ 2.1%
Economy		
Occupancy	54.6%	53.9%
ADR	\$54.70	\$55.72
RevPAR Growth	- 2.6%	+ 0.6%

Source: *Hospitality Directions – U.S. Editions*, published by PricewaterhouseCoopers LLP; August 2008

There has been discussion in the past about whether or not there is enough value added to an independent hotel to justify paying the franchise and royalty fees associated with carrying recognizable flag. The cost associated with a national hotel name can reach as high as 10-15% of the property's total revenue. Smith Travel Research compiles a U.S. Lodging census database that consists of properties with twenty rooms or more. This data is updated every ten years when the US Census Bureau data is updated. The following chart provides a look at the historical trend in new property construction in the hotel industry.



Survey results from Smith Travel Research indicate a majority of online travelers, 78 percent or 79 million Americans, turned to the Internet for travel or destination information in 2005, much higher than the 65 percent of online travelers in 2004.

Survey findings also indicate that 82 percent of travelers who plan their trips online now also book reservations online. That indicates more than 64 million Americans bought or reserved an airline ticket, hotel room, rental car or package tour online, up from 70 percent in 2004. With more consumers and travelers booking travel reservations online it's likely that being associated with a recognizable chain lodging facility is even more desirable. Although the franchise fees are a large expense, it has been estimated that the flag drives as much as 20% of the property's bookings. Additionally the recognition of a flag makes the prospective projects more appealing to potential customers as well as potential lenders who will finance the development projects.

The 2008 Trends in the Hotel Industry survey reports that the typical U.S. hotel achieved a 7.2 percent gain in net operating income (NOI) in 2007. While this bottom-line improvement was more than twice the pace of inflation for the year, the single-digit gain was the lowest year-over-year increase since 2004 and is further evidence of a projected slowdown in hotel income that Smith Travel Research is forecasting for the near future. The revenue, expenses, and net operating income by sector is summarized in the following table.

U.S. Hotel Industry: Change in Unit-Level Revenues, Expenses, and Net Operating Income, 2006-2007			
	Total Revenue	Operating Expenses	NOI
All Hotels	5.5%	4.8%	7.2%
Full Service	6.0%	4.9%	8.9%
Limited Service	2.3%	3.6%	0.5%
Suite with F&B	5.7%	5.3%	6.5%
Suite w/o F&B	4.4%	4.7%	3.9%
Convention	7.1%	5.2%	12.7%
Resort	3.8%	4.1%	3.0%

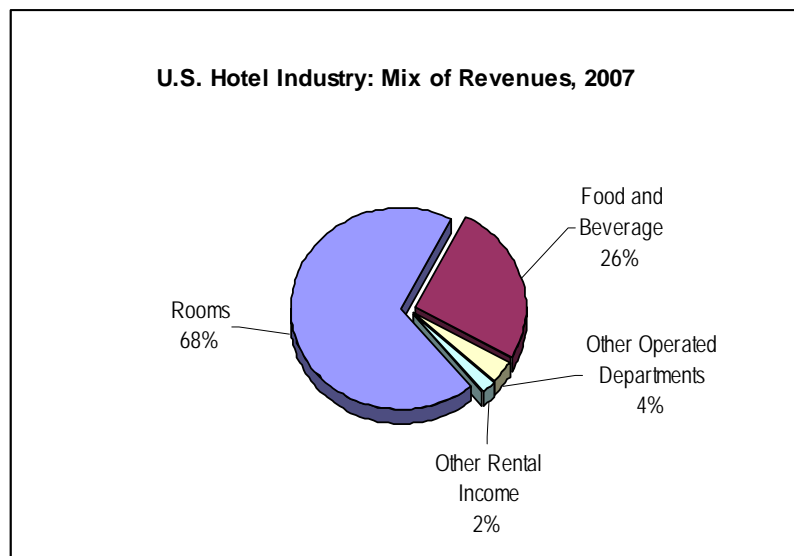
For the fourth consecutive year, gains in hotel revenues outpaced increased operating expenses. In 2007, the average hotel in the sample enjoyed a 5.5 percent increase in total revenue, while experiencing a 4.8 rise in operating expenses. The net result was the 7.2 percent increase NOI. For the purposes of this report, NOI is defined as income before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.

Revenue per available room (RevPAR)

Despite the strong performance of the U.S. lodging industry since 2004, the economic viability of significant hotel development activity was undermined by high construction costs and disciplined lending practices. While the number of properties proposed for construction reached record levels, the net increases in annual supply from 2003 through 2006, according to Smith Travel Research, averaged just 0.4 percent. However, in 2007, we observed the first signs of a breakthrough in the pipeline backup. During 2007, the net available inventory of U.S. hotel rooms grew 1.3 percent. While this level of new supply growth is still below the long-term average for this measure, it was a contributory factor to the decline in average occupancy for the sample.

In 2007, hotels also enjoyed the benefit of increased revenue from sources other than the rental of guest rooms. Food and beverage revenues grew 5.0 percent, while the combined sales from other operated departments and rentals and other income increased 2.1 percent.

Tighter control of costs in response to diminished revenue growth, combined with fewer occupied rooms, resulted in a slowdown in the pace of operating expense growth in 2007. During the year, the combined costs associated with all operated departments, undistributed departments, and fixed charges grew 4.8 percent. While this level of expense growth is above the pace of inflation, it is less than the 6.3 percent annual average recorded from 2004 through 2006. A graphic of hotel revenue sources is below.



Increased labor costs accounted for three-quarters of the expense growth at the average property in the sample. From 2006 to 2007, total labor costs grew 7.8 percent, the largest increase since 1984. As a result, labor costs represented 45.5 percent of total operating expenses in 2007, compared to 44.2 percent in 2006.

Due to changes in the Uniform System of Accounts for the Lodging Industry, it is difficult to assess whether the increase in labor costs is attributable to rises in salaries and wages, employee benefits, or both. Operated department expenses increased a relatively low 3.6 percent from 2006 to 2007. Within these departments, labor costs increased 8.9 percent, but all other operating costs declined 3.8 percent.

Further suppressing the relatively low increase in departmental operating costs was the decline in occupancy at the average hotel in the survey sample. With lower occupied room and guest counts, management purchases fewer operating supplies, guest supplies, and food and beverage for resale.

Marketing department expenses grew a modest 5.2 percent in 2007. Continuing a trend we started to see in 2006, the majority of increased expenditures within the marketing department were in non-labor-related areas. In 2007, labor costs associated with sales personnel grew just 2.9 percent, while other departmental expenses increased 6.3 percent.

Property operation and maintenance expenditures grew 6.9 percent in 2007, the largest year-over-year increase since 1984. Within the maintenance department, labor costs increased by 4.8 percent, while all other department expenses jumped 8.9 percent.

The cost for electricity, gas, water, and other utilities at the hotels in the sample grew a relatively modest 4.6 percent in 2007. This is down from the 7.3 percent spike observed in 2006. Given the rise in commodity prices we have seen through the first few months of 2008, hotel managers will be challenged to once again control this line item effectively.

In 2007, management fees rose 7.9 percent while total revenues increased just 5.5 percent. This implies that the profit-based incentive component grew at a greater pace than the base management fee. This marks the third consecutive year we have observed an escalation of incentive fees.

Property taxes increased 4.9 percent in 2007, a slight decline compared to the 5.5 percent growth rate observed in 2006. On the other hand, insurance costs continued a two-year trend of above-average growth. For the year, the cost of general liability and property insurance grew 7.9 percent.

Net operating income for the average hotel in the Trends sample increased 7.2 percent in 2007. While all property type categories achieved a gain in NOI, the amount of increase varied greatly among industry sectors.

Convention hotels, at 12.7 percent, and full-service hotels, at 8.9 percent, achieved the greatest gains in profits among the six property categories covered in the survey. Suite hotels with food and beverage operations saw their bottom lines improve by 6.5 percent.

Not enjoying such high gains in profitability were limited-service properties, suite hotels without food and beverage, and resort hotels. All of these property type categories experienced NOI growth of less than 4.0 percent. These three property types also achieved the lowest growth in ADR.

National Hotel Market Summary

The national hotel industry has begun to exhibit signs of weakness during the latest economic downturn. The changes in lodging industry market share show the supply of lodging moving towards the mid-scale sector due to the lower volatility in occupancy rates in recessionary environments. Additionally, with an increase in the number of individuals using the Internet to make travel arrangements the share of the national market occupied by independent hotel owners is continuing to decline. Nationally the hotel industry is in a period of expansion with new additions to supply being added to most national markets.

From a market and financial perspective, the U.S. lodging industry is in a healthier position entering this economic recession than prior recessions marked by sliding income and employment. External factors such as inefficient tax legislation or lax underwriting standards have not spurred excessive new construction, and hoteliers in most markets have, and will continue to, benefit as a result. Therefore, we believe the underlying foundation for the solid market and operational conditions that exist in the industry today are steadfast enough to withstand this recession.

In the 2007 Trends in the Hotel Industry report, PKF Hospitality Research forecast a 4.7 percent increase revenue and a 6.5 percent increase in profits for 2007. While the forecast of a year ago was highly accurate, it was slightly conservative as ADR once again surpassed most analysts' expectations.

Looking toward year-end 2008, the outlook is increasingly bleak. According to Smith Travel Research, RevPAR was up just 1.9 percent through the first quarter of 2008 compared to the same period in 2007. With reduced forecast for summer travel, the second quarter 2008 Hotel Horizons report from PKF is forecasting an annual increase in RevPAR of just 1.5 percent. This is projected to be the result of a 2.5 percent decline in occupancy, combined with a 4.1 percent increase in ADR.

With occupancy and guest count on the decline, PKF is forecasting that a 1.5 percent gain in RevPAR will translate to a 1.0 percent increase in total revenue for 2008. History has shown that U.S. hotel managers will cut expenses during periods of an industry slowdown. Accordingly, PKF is projecting a slight 0.2 percent increase in total operating expenses for the year.

More recently the outlook for the lodging industry has declined. Demand change for 2008 has fallen and the change in demand for 2009 is expected to decline 2.7%. The change in demand can be attributed to the softening economy and substantial reductions in airline travel. This decline in demand comes after a two year period of 275,000 rooms added nationally, the strongest increase in supply since 1998. There are other projects which were also expected to be added to the market but have had trouble securing capital in the current financial environment.

STATE LODGING MARKET SUPPLY AND DEMAND ANALYSIS

STATE AND REGIONAL HOTEL MARKET OVERVIEW

State and regional tourism/hotel data in the following table indicates that the state and regional hotel industry has been consistent with the national market. This data is collected by NC State University, North Carolina Department of Commerce Division of Tourism, and Smith Travel Research.

NC Travel Tracker Summary First Quarter 2008		
Categories	1Q 2008	± % 1Q 2007
Airport Deplanements	5,821,223	7.7%
Airport Enplanements	5,802,867	8.0%
Hotel/Motel Occupancy	53.8%	-3.4%
Average Daily Room Rate	79.65	5.6%
Revenue Per Available Room	42.82	1.9%
Welcome Centers	1,555,680	n/a
State Parks	1,724,278	0.9%
National Parks	2,159,159	-16.2%
Regional Visitor Centers	432,207	n/a

The North Carolina occupancy rate reported for the first quarter 2008 was 53.8%. On the state level, occupancy rates fell 3.4% in the first quarter of 2008 from the prior years first quarter, while room rates rose 5.6% to \$79.65. RevPAR climbed moderately 1.9%, compared to the 11.8% change seen from 2006 to 2007.

The North Carolina Department of Commerce also provides a breakdown of Hotel/Motel statistics in the coastal, piedmont, and mountain submarkets. As seen in the table below, the regional hotel market occupancy was down in each marketing region. This is consistent with information obtained from our own survey of hotels in the surrounding region, which we consider to be competitors. The following table summarizes the reported statistics for North Carolinas three major marketing regions.

North Carolina Travel Tracker Marketing Regions Summaries for First Quarter 2008						
Regions	Coast	Change from 1Q 2007	Piedmont	Change from 1Q 2007	Mountains	Change from 1Q 2007
Airport Deplanements	187,656	12.50%	5,579,894	7.60%	53,673	-1.00%
Airport Enplanements	181,660	13.70%	5,566,006	7.90%	55,201	0.90%
Hotel/Motel Occupancy	53.70%	-1.60%	55.90%	-4.40%	44.90%	-2.60%
Average Daily Room Rate	\$69.08	8.00%	\$84.05	4.70%	\$76.18	5.20%
Rev. Per Available Room	\$37.15	6.10%	\$47.16	0.50%	\$34.17	2.30%
Welcome Centers	642,415	n/a	551,225	n/a	362,040	n/a
Regional Visitor Centers	325,387	n/a	88,557	n/a	18,263	n/a
State Parks	649,688	1.00%	893,186	4.90%	181,404	-15.50%
National Parks	324,169	-30.10%	70,514	n/a	1,764,476	-11.60%

The North Carolina Department of Commerce also reports data for seven economic development regions in the state. Edenton, in Chowan County, is located in the Northeast Region or Region 1. The following table compares the Northeast Region Hotel/Motel statistics with those of the coast submarket and North Carolina.

NC Travel Tracker Summary for 2008						
Categories	NC	Change from 3Q 2007	Coast	Change from 3Q 2007	Northeast Region	Change from 3Q 2007
Airport Deplanements	6,317,078	1.7%	246,656	3.5%	n/a	n/a
Airport Enplanements	6,267,198	1.6%	246,091	3.3%	n/a	n/a
Hotel/ Motel Occupancy	58.8	-8.9%	60.1	-7.2%	60.2	-11.5%
Average Daily Room Rate	86.27	1.9%	86.42	1.3%	105.70	0.1%
Revenue Per Available Room	50.77	-7.1%	52.44	-5.9%	64.86	-10.3%
State Parks	4,293,518	-10.9%	1,859,183	-2.8%	820,375	7.8%
National Parks	6,516,312	-4.9%	1,548,430	-2.1%	1,536,643	-2.1%

Source: NC Dept. of Commerce

The Northeast Region includes the following counties: Bertie, Camden, Chowan, Currituck, Gates, Halifax, Hertford, Northampton, Pasquotank, Perquimans, Beaufort, Dare, Hyde, Martin, Tyrrell, and Washington. During the most recent reporting period the Northeast region occupancy rates fell along with a decline in North Carolina and the Coastal region. This decrease in occupancy is higher than the state and coast average. It may be the case that tourism along the immediate coast, and specifically Dare County, is more volatile and susceptible to changes in tourism travel. While above than the state and regional average, RevPAR fell at a rate higher than the average for the region. The high ReVPAR and high average daily rate lead one to consider the influence Dare, Currituck and Hyde counties have on the data reported for the Northeast Region overall. Since the majority of supply in the region is located in these counties the data may be heavily skewed and may not be representative of the counties located more inland.

TOURISM OVERVIEW

In 2007, the latest available reporting period, domestic travelers spent \$16.51 billion across the state, an increase of 57 % over the \$9.8 billion spent in 1996. In addition, tourism expenditures supported an estimated 190,900 jobs in 2007. The tourism industry contributed \$4.02 billion to the state's payroll in 2007. Traveler spending generated over \$2.5 billion in tax receipts, \$1.2 billion in federal taxes, \$1.3 billion in state tax revenue and \$529 million in local tax revenue. Approximately 50 million visitors traveled to North Carolina, ranking seventh in person-trip volume by state behind California, Florida, Texas, Pennsylvania, New York and Ohio. Approximately 68% of North Carolina person trips, around 30 million visitors, spend one or more nights in the state. Approximately 44% stay in hotels, motels, and B&B's. Annual tourism expenditures for the state over the last ten years are summarized in the following table:

North Carolina Tourism Revenues, billions										
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
\$10.10	\$10.80	\$11.40	\$12.00	\$11.90	\$12.40	\$12.60	\$13.30	\$14.20	\$15.40	\$16.51

Source: NC Dept of Commerce

Northeast Region

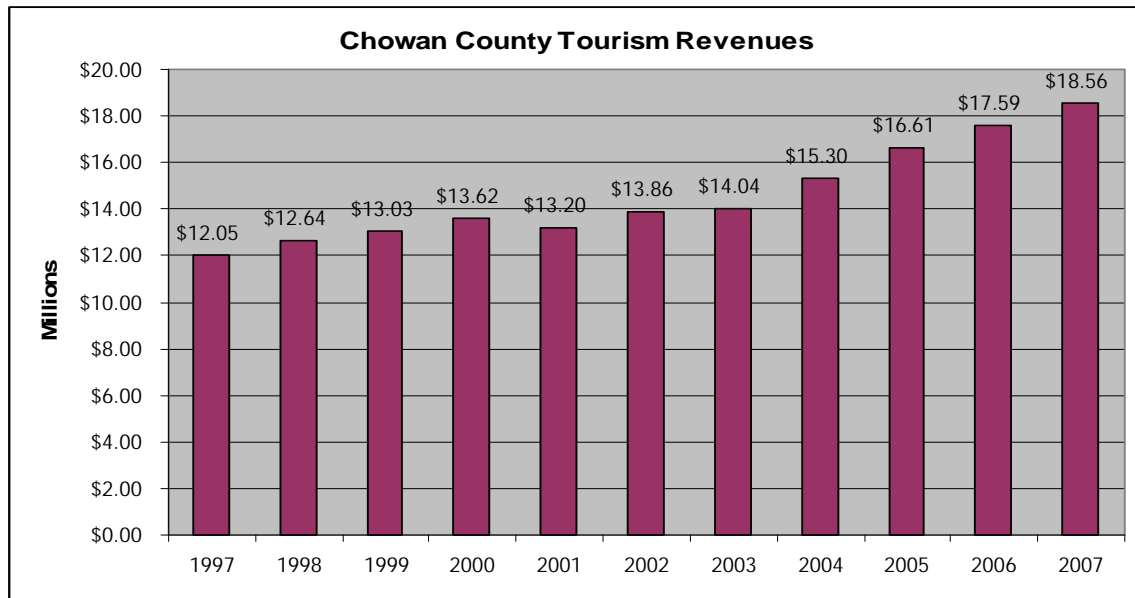
The following table provides a snapshot of the Northeast Region Tourism statistics for 2007, the most recent reporting period.

2007 County Tourism Statistics, Northeast Region of NC						
County	Expenditures (millions)	Percent Change (2006-2007)	Payroll (millions)	Employment (thousands)	State Tax Receipts (millions)	Local Tax Receipts (millions)
Beaufort	\$64.97	5.20%	\$8.79	0.45	\$3.13	\$4.11
Bertie	10.85	4.40%	1.16	0.05	0.56	0.65
Camden	1.69	3.60%	0.2	0.01	0.09	0.15
Chowan	18.56	5.60%	2.89	0.17	0.09	1.23
Currituck	120.01	-0.20%	23.53	1.52	5.09	5.91
Dare	762.65	8.60%	165.6	11.25	36.13	36.33
Gates	5.14	-0.50%	0.46	0.02	0.29	0.21
Halifax	64.8	7.40%	8.37	0.46	3.74	1.5
Hertford	24.53	4.20%	3.31	0.19	1.36	0.64
Hyde	27.29	-4.10%	5.5	0.37	1.27	1.53
Martin	27.24	2.60%	4.25	0.25	1.42	0.72
Northampton	12.03	2.50%	1.46	0.06	0.51	1.06
Pasquotank	47.55	8.20%	7.66	0.47	2.52	1.13
Perquimans	8.23	1.70%	1.04	0.04	0.34	0.97
Tyrrell	3.62	-0.50%	0.37	0.02	0.16	0.37
Washington	12.83	6.40%	1.78	0.1	0.68	0.57
Total/ Av.	1,211.99	3.44%	236.37	15.43	57.38	57.08
State Totals	16,510.74	7.20%	4,023.59	190.89	814.98	529.03

Source: NC Dept of Commerce

Chowan County

Domestic tourism in Chowan County generated an economic impact of \$18.56 million in 2007. This was a 5.5 % change from 2006, lower than the state rate of 7.2%. In 2007, Chowan County ranked 84 in travel impact among North Carolina's 100 Counties. More than 170 jobs in Chowan County were directly attributable to travel and tourism. Travel generated a \$2.83 million payroll in 2006. State and local tax revenues from travel to Chowan County amounted to \$2.03 million. This represents a \$138.31 tax saving to each county resident. Area attractions include a walking tour of historic Edenton, Iredell House State Historic Site, the National Fish Hatchery part of the Charles Kuralt Trail, Barker House - home of Penelope Barker organizer of the Edenton Tea Party, Chowan Arts Council Gallery and Museum, J. Robert Hendrix Park & Cannon's Ferry Heritage Riverwalk and Albemarle Sound. Annual tourism expenditures for Chowan County over the last ten years are summarized in the following table.



As with the state tourism expenditures, Chowan County tourism expenditures have increased steadily with a decreased noticed in the 2001. The reduction can be attributed to the economic recession which began in March 2001 according to the National Bureau of Economic Research. The state as a whole also saw a reduction in tourism expenditures in 2001 and very minimal growth in tourism during 2003. We expect the Chowan County statistics to continue to trend along with the state statistics and would anticipate tourism in the county to increase in the long run as Chowan County and the neighboring Outer Banks continue to influence this region of North Carolina.

PRIMARY LODGING MARKET SUPPLY AND DEMAND ANALYSIS

Primary Lodging Market Supply and Demand Analysis

After analyzing the national and state supply and demand for hotel properties, investigation is focused on the economic environment surrounding the subject area of Chowan County and the Town of Edenton. We will first examine the sources of demand for room nights in the local area, followed by an analysis of the existing and proposed supply of hotel rooms in the subject's primary market.

LOCAL DEMAND ANALYSIS

Choosing a geographic area upon which local demand analysis is concentrated requires an objective examination of the community as well as the interaction of the subject's community with other cities and towns in the region. One must consider the intertemporal substitution consumers will make in the future as well as the relative competition other communities' exhibit based on their infrastructure and amenities.

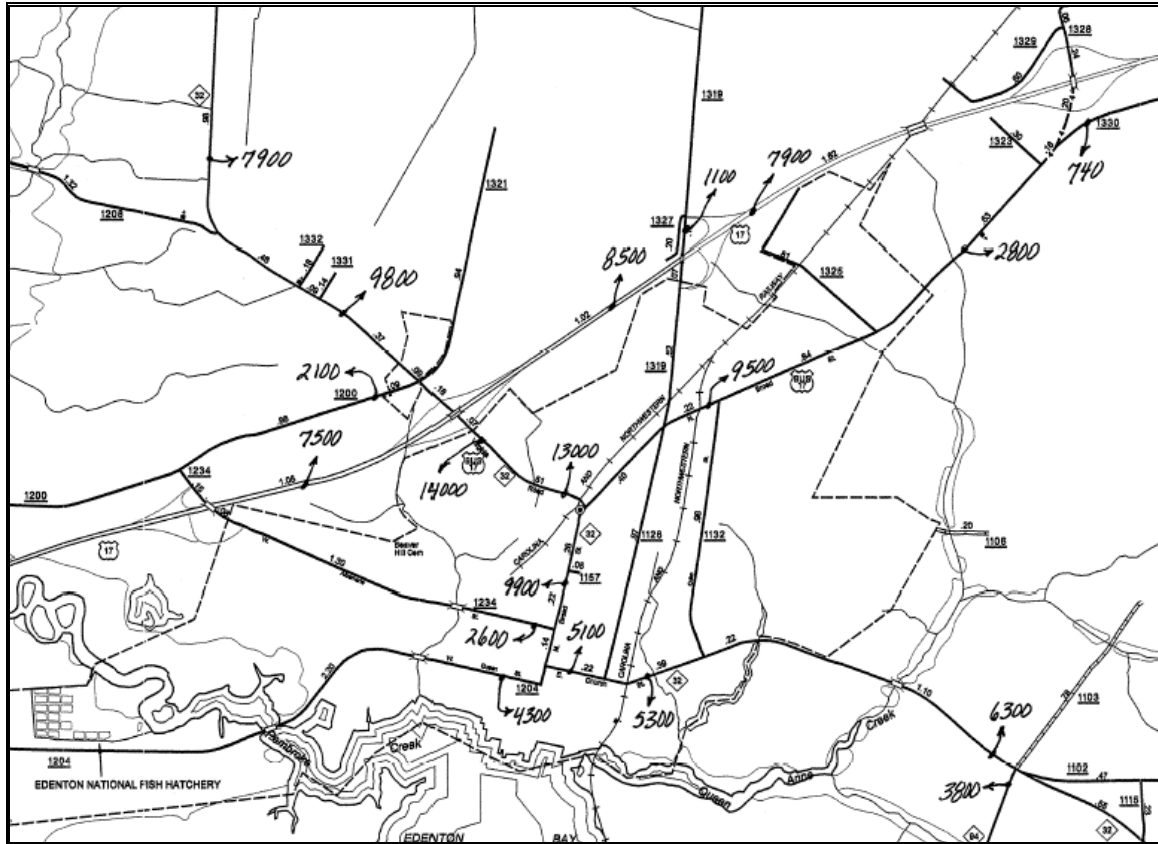
Consumer preference will vary depending upon a number of variables but typically one will make accommodation choices based on their convenience to their destination, restaurants, and ease of access to the interstate or other major highways.

While corporate travel to Edenton and Chowan County contributes to local demand for room nights in the area, an examination of travel and occupancy patterns in the primary market reveals the majority of demand seen by hotels is related to the leisure segment and travel and tourism. A detailed discussion of the market segmentation can be found on page 56-58.

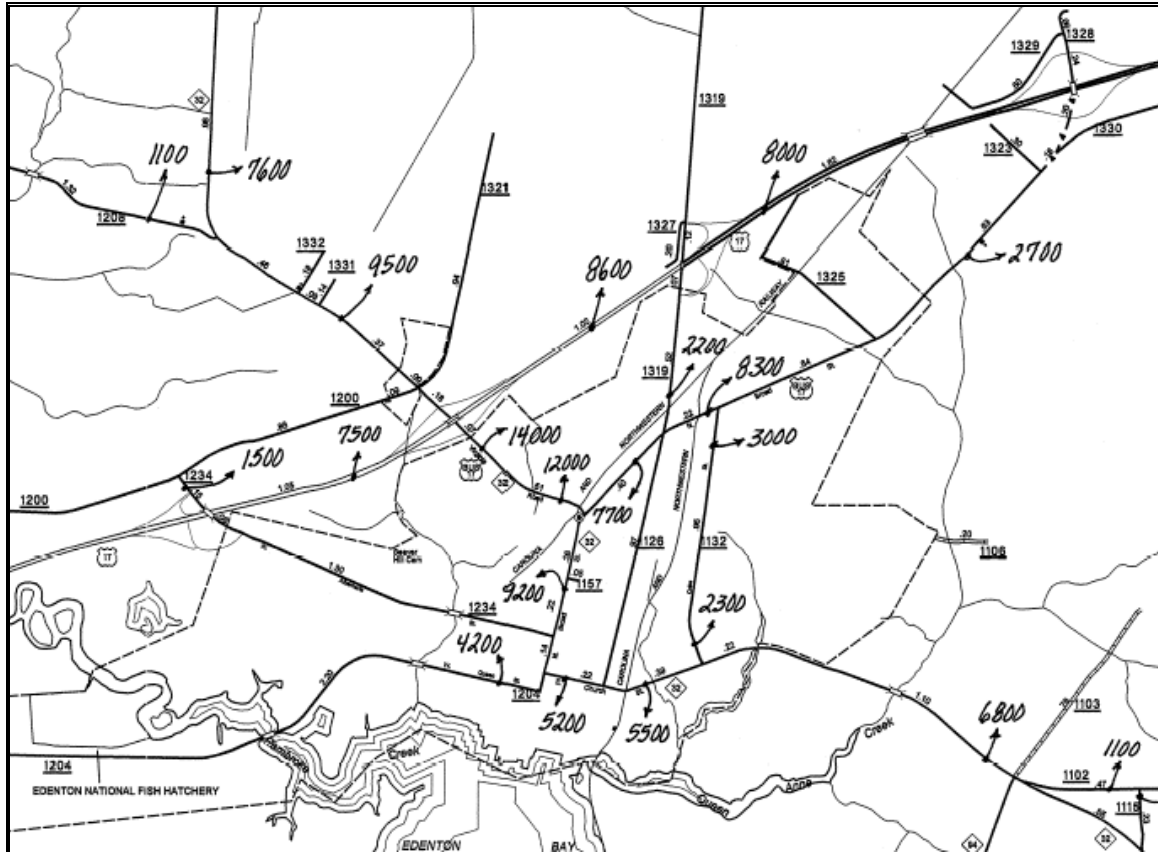
Taking these and other factors into consideration, we estimate the vast majority of any proposed hotels competitors will be found within a few miles of the US 17 exits to the north and south of the Town of Edenton. Any other demand for accommodations due to corporate travelers visiting Edenton or other communities for specific business purposes in the region makes up a minor share relative to the share seen by intrastate tourism and travelers visiting to take advantage of the leisure activities in the surrounding area. Although the hotels surveyed attributed a portion of their room night demand to a corporate segment many stated the corporate travelers were repeat patrons traveling along the US 17 corridors as salesmen or technicians.

This rationale leads one to examine the historic traffic counts along US 17 and their interaction with hotel occupancy rates. The following pages show traffic count estimates collected by the NC Department of Transportation from 2004 to 2007 in the Edenton region. A search of the North Carolina Department of Transportation did not reveal any future traffic pattern changes that would likely impact current travel patterns in proximity to Edenton.

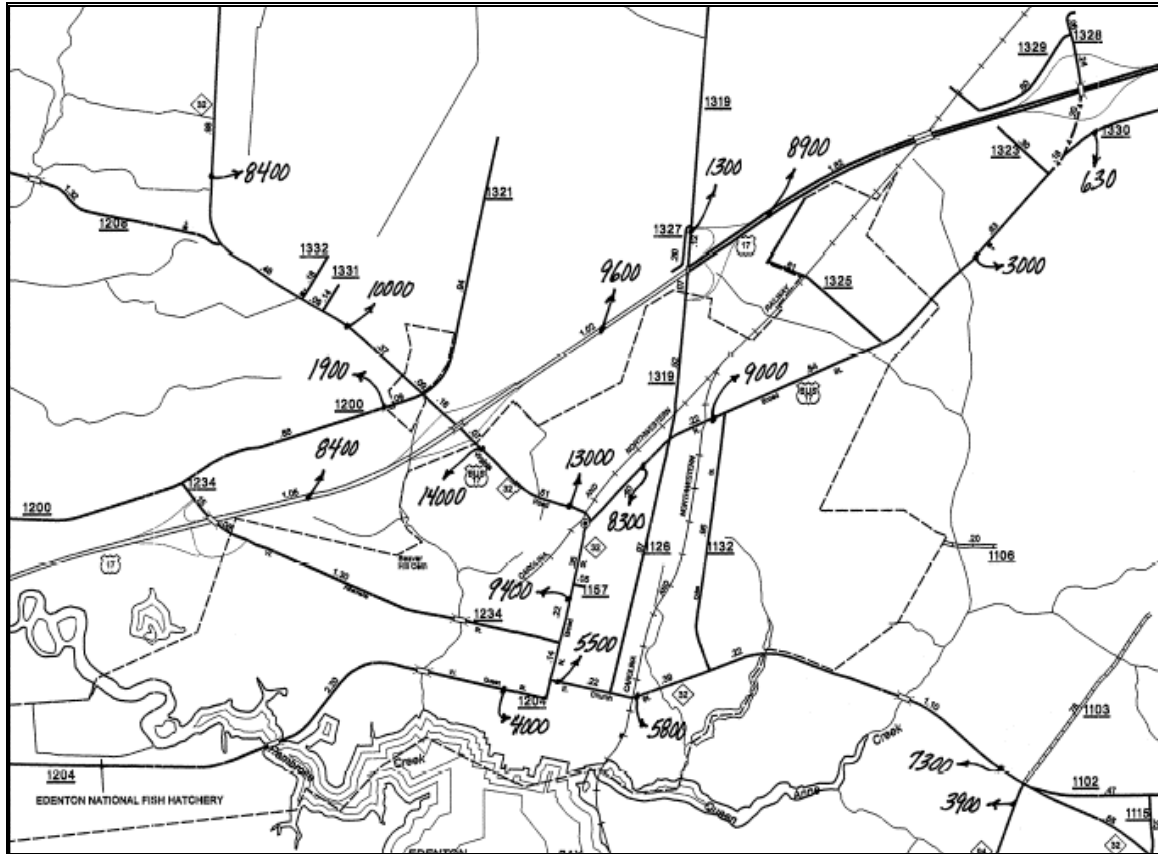
NC Dept. of Transportation GIS Traffic Survey Map 2004



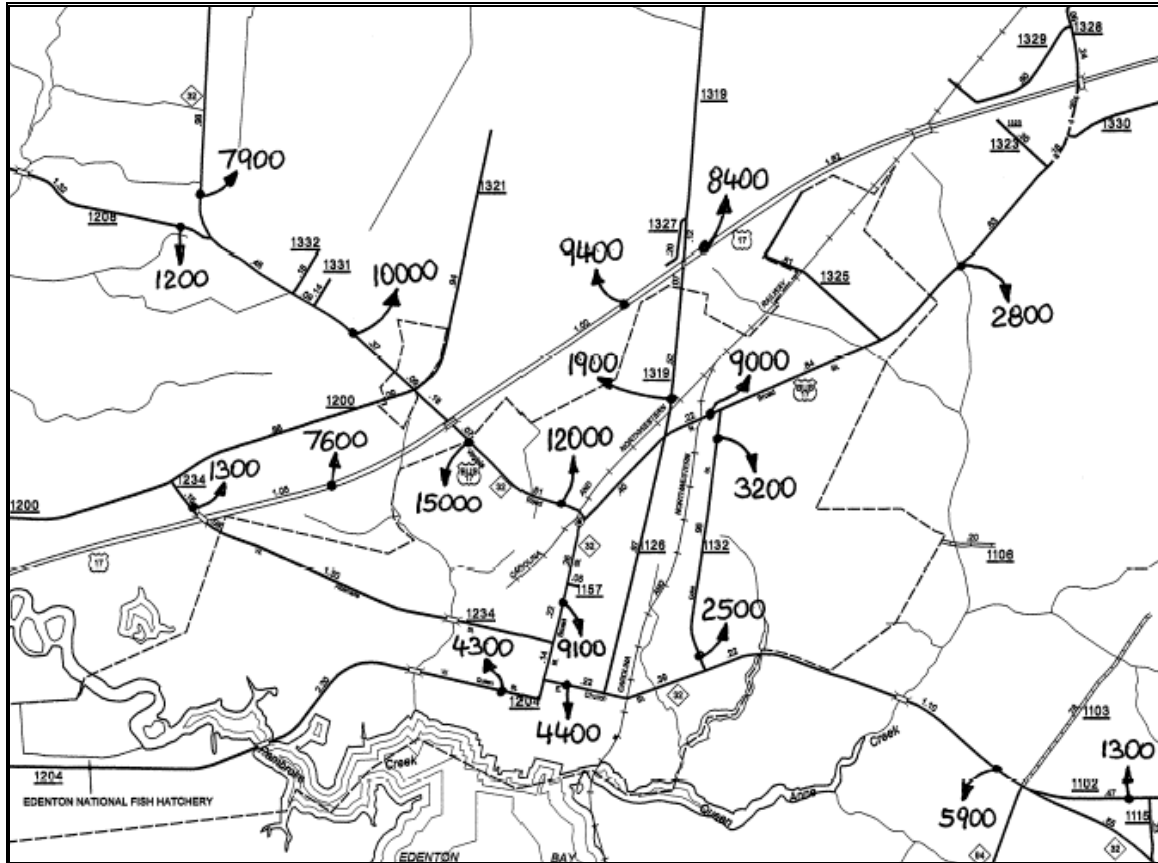
NC Dept. of Transportation GIS Traffic Survey Map 2005



NC Dept. of Transportation GIS Traffic Survey Map 2006



NC Dept. of Transportation GIS Traffic Survey Map 2007



The following table summarizes the average traffic counts along US 17 in the Edenton region.

Traffic Counts, Occupancy, Supply and Demand 2004-2007				
	Av. Traffic Counts	Occupancy (%)	Δ Supply	Δ Demand %
2004	7,966		0.00%	--
2005	8,033	59.5	0.00%	--
2006	8,966	61.0	0.00%	1.5%
2007	8,466	62.5	0.00%	1.5%

Traffic counts in the region have increased slightly in the most recent four reporting years and the occupancy rate has remained within the range of 59.5 to 62.5%. The coast region saw a reduction in occupancy in its most recent reporting period of 7.2% while the Northeast region saw a decrease of 11.5 % to an overall 60.2% for its most recent reporting period. Generally, markets that sustain an occupancy rate above 55% are well suited for additions of supply to the market. The Edenton region with an average occupancy above 60% for the past two years meets this criterion. However, year to date occupancy has decreased 16.3% to 54.5%.

OTHER DEMAND SOURCES

There are other sources of demand that cannot be quantified, or in some cases, identified. As such, the above total is only a segment of the actual demand for lodging that likely exists in the Edenton region. It is extremely difficult to survey an entire market to estimate total market demand because patrons do not originate from within the subject market.

We may refer to demand outside the surveyed demand as latent demand. Examples are seasonal festivals, weddings, and family reunions that come to the area or travelers on secondary routes through the Town of Edenton. The number and types of latent demand sources are almost limitless. In nonmetropolitan communities the identifiable sources of local demand generators typically comprise only a fraction of the potential total demand, once latent demand is considered.

Conclusion – Demand Generators

We have analyzed the historic traffic patterns along the US 17 corridor providing demand estimates from the travel sector for the Edenton region. In addition, based on comments of interviewees, there is clearly a significant amount of latent demand, especially in the areas of family gatherings, leisure, recreational activities, and recent population growth in Chowan County.

The proximity of Edenton to US 17 makes it a convenient point for consumers given the tourist attractions, recreational activities, and restaurants also located in the region to the east toward the North Carolina outer banks. Edenton Commons, a retail center being developed by Wheeler Real Estate Company, is planned at the intersection of N.C. Highway 32 (Virginia Road) and US 17. This will provide consumers additional retail and restaurant options in the area. It will be anchored by Lowe's Home Improvement and a grocery store. Additionally, there will be approximately 90,000 SF of retail suite space and ten outparcels which will include a gas station and a CVS pharmacy. According to a representative of Wheeler Real Estate Company they are planning to begin construction in early 2010.

HOTEL SUPPLY ANALYSIS

This section of the report presents a qualitative and quantitative analysis of the primary market area, with respect to lodging facilities near Edenton. To evaluate the existing and future supply of hotel facilities in the subject market, we conducted the following steps:

- Identified all area lodging facilities within a designated geographic area and surveyed facilities to gain information regarding construction date, flag affiliation, current and historical rate structures, current and historical occupancy levels, market orientation, and property amenities.
- Identified and obtained all possible information regarding additional hotel units currently under construction or projects which may be proposed for the foreseeable future.
- Analyzed the surveyed properties to quantitatively and qualitatively select those facilities that we felt were the most competitive with a proposed hotel in the subject's primary market.
- For the selected properties in the subject's primary market, we calculated each facility's fair share and penetration rate for three market segments: commercial, group, and tourist segments.

Primary Hotel Competition – Existing

A thorough understanding of the subject's primary competition is an integral component of the supply and demand relationship. The consultants initially examined data on fifty hotels and motels within an initial 30-mile radius of Edenton. Out of these surveyed properties, we analyzed and selected two existing hotels as being in the subject's primary market. Another forty-eight hotels were identified as being within the subject's secondary market. Due to their distance these properties will take an insignificant level of demand from the subject's primary market and we have not included them in our final analysis.

Significant research and data support a traveler's preference to obtain accommodations in a recognizable chain hotel. The following quote supports this fact. *Independents are facing a revolution in consumer communications, compounded by the competitive threat from global brands, driving up marketing and technology costs significantly, said Peter Cass, President and CEO of Preferred Hotels & Resorts Worldwide, Inc. The success--indeed the survival--of independent hotels is likely to depend on capturing the required additional resources to compete in this consumer-focused environment.*

The hotel industry estimates 20-25% of chain hotel revenues are attributable to their recognizable flag. With the increase in Internet travel sites, online hotel bookings, and various travel reward programs it will be increasingly difficult for independents to remain competitive. Additionally chain hotels exhibit less room rate volatility than their independent competitors. This has been studied in a recent article entitled "*Chain Hotels versus Independent Hotels: An Analysis of Branding, Room Revenue & Volatility.*" The findings of this article conclude chain affiliated hotels have historically been less volatile than independent hotels. The lower volatility exhibited by chain hotels is due primarily to a lower volatility in room rate while the difference in occupancy volatility is not as evident.

For this reason we did not consider local motels such as Coach House Inn, as comparables in our primary market and did not obtain information from them on room rates, occupancy and the market segmentation of their clients since we do not consider independent hotels to be competitors with more recognized flag hotels. The following table lists the properties included in our estimated primary supply of hotel competition.

EXISTING HOTEL PRIMARY MARKET AREA SURVEY STATISTICS					
EDENTON, NORTH CAROLINA					
Number	Property	# Rooms	Location	Estimated Drive from Edenton	
				Miles	Minutes
1	Hampton Inn	61	Edenton, NC	3	5
2	Super 8	66	Edenton, NC	3	5
Total / Average		127		3	5

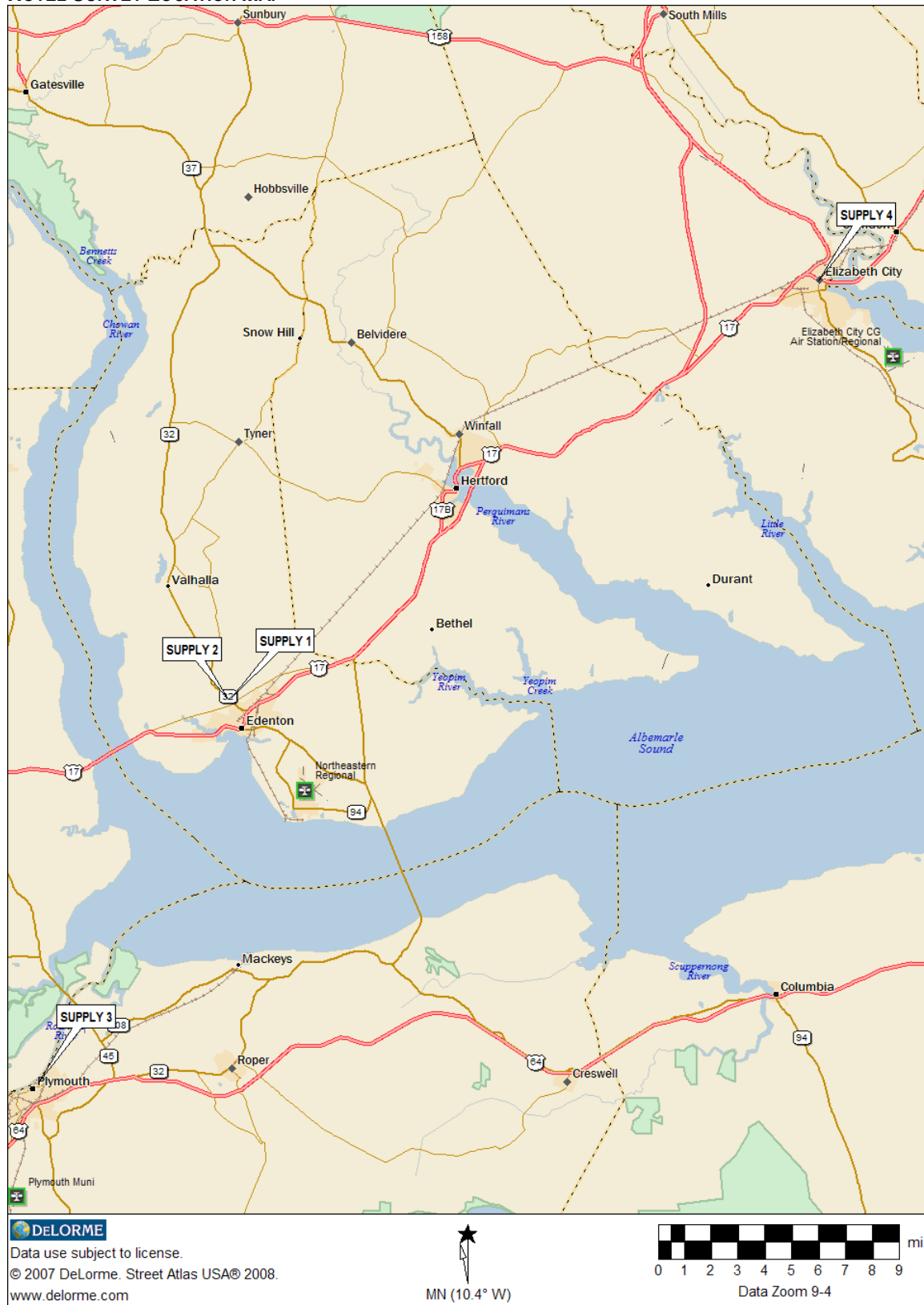
Source: Williams Appraisers, Inc, Smith Travel Research

Including independents as well as various chain scales in the secondary market the total room count for the market includes over 2,743 rooms in 50 hotels. This is an average of about 55 rooms per property. For our sample that report data to Smith Travel Research and based on location, age, chain scale, etc., competition to a prospective hotel entering the market is listed in the table above. It should be noted that the type of report used to obtain data is the Smith Travel Research Custom Trends Report. The minimum number of hotels that can be chosen for this type of detailed reporting is four. For this reason we have chosen to include a hotel from Plymouth and a hotel from Elizabeth City to include in our data sample. Given other two hotels location, demographic and economic similarities including these in our sample should not have drastically impacted the data acquired in the report. To verify our interpretation of Days of Week Analysis and hotel occupant mix we consulted a representative from the Chowan County Division of Tourism.

The primary market contains 127 rooms in two hotels at an average of about 63.5 rooms per hotel. The largest of the facility is the Super 8 in Edenton, NC. The average estimated distance to downtown is about 3 miles while the average estimated drive time is about 5 minutes. These estimates were obtained using a computer based mapping system and directions route finder. A location map and detailed description of each hotel and selected comments from some of the survey participants follow.

Additionally, several Bed and Breakfast are located in Edenton, NC. These are the Belvidere Bed and Breakfast, Capitan's Quarters Inn, Granville Queen Inn, Mulberry Inn, The Lord's Proprietor Inn, and Trestle House Inn. These typically range from five to twenty rooms and include breakfast, afternoon tea or wine, and sometimes an evening dinner service. Although bed and breakfast contribute to the supply of rooms, they typically cater to a different patron than the segment of the market being considered for the feasibility of an additional lodging establishment in the Edenton, NC area.

HOTEL SURVEY LOCATION MAP



Primary Market Hotel/Motels

Primary Supply Hotel # 1



Property:	Hampton Inn Edenton
Address:	115 Hampton Inn Drive, Edenton, NC 27932
Hotel type:	Mid w/o F&B
Year built:	2000
Condition:	Good
Stories:	3
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	61
Facilities:	Exercise Center, Pool, Business Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$85
Estimated mean occupancy:	60%
Estimated Business Mix:	
Commercial:	60%
Leisure/Transient:	40%
Group/Meeting:	10%
Verification:	
Survey Date:	12/12/08
Phone number:	(252) 482-3504

Comments: This hotel is located at the intersection of US 17 and Virginia Road on the west side of Edenton, NC. There are several amenities in the vicinity including restaurants. Additionally the Chowan Hospital is less than 1 mile away and is convenient for visitors. The representative stated occupancy typically gets high in the summer and often is fully booked. They stated that when the hotel is fully booked patrons either try to get a room at a local bed and breakfast or they will travel to Elizabeth City to stay instead of staying in the Super 8 across the street. Most patrons in the fall and winter are commercial traffic but the summer is filled with leisure and travel patrons. The meeting rooms there are typically used every other week in the fall and winter but can be used more than once per week in the summer.

Primary Supply Hotel #2



Property:	Super 8
Address:	501 Virginia Road, Edenton, NC 27932
Hotel type:	Economy
Year built:	1986
Condition:	Fair/ Average
Stories:	2
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Exterior
Number of rooms:	66
Facilities:	None
Amenities:	Bus Parking, Truck Parking, Safe Deposit Box, Television with Cable, Pool, wireless internet
Estimated ADR (Last 12 months):	\$70.00
Estimated mean occupancy:	55%
Estimated Business Mix:	
Commercial:	50
Leisure/Transient:	50
Group/Meeting:	0
Survey Date:	12/12/08
Phone number	(252) 482-2017

Comments This hotel is located at the intersection of US 17 and Virginia Road on the west side of Edenton, NC. There are several amenities in the vicinity including restaurants. Additionally the Chowan Hospital is less than 1 mile away and is convenient for visitors. The representative stated occupancy typically gets high in the summer but summer was slow and occupancy over the last 6 to 9 months is slower than normal. Occupancy is typically very seasonable with summer being the busiest and most patrons are from the travel and leisure segment. They also stated they consider the local independent hotel (Coach House Inn) to be a competitor.

MARKET SEGMENTATION

The following table represents data collected and analyzed as a result of recent surveys of the hotels making up the subject's primary market.

EXISTING HOTEL PRIMARY MARKET AREA SURVEY STATISTICS EDENTON, NORTH CAROLINA							
Number	Property	# Rooms	Occupancy, %	Estimated ADR	Estimated Market Segmentation, %		
1	Hampton Inn	61	60.00%	\$85	60	40	10
2	Super 8	66	55.00%	\$70	50	50	0
Total / Average		127	57.50%	\$77.50	55	45	5

Source: Williams Appraisers, Inc, Smith Travel Research

In analyzing demand within a specific market, individual segments are considered based on the nature of travel present in the area. Four primary demand classifications occur in most markets including commercial, meeting and group, leisure, and airline/contract demand. Because of the distance between Edenton and the nearest major airports, Raleigh Durham International or Norfolk International, airline demand is insignificant and this classification was eliminated from our report.

Based upon our study of the demand generators of the competitive hotel market, we project the market segmentation of the proposed hotel as follows.

Commercial Demand Segment

Commercial demand arises from individuals who are conducting business and visiting various firms in the subject's market area. Commercial/corporate demand is strongest Monday through Thursday nights, declining significantly on Friday and Saturday, and increasing slightly Sunday. Commercial/corporate travelers' typical length of stay ranges from one to three days, and this demand is relatively constant throughout the year, although some declines may be noticed in November and December through the early part of January, during the summer, and during other holiday periods. As one can tell by the Smith Travel Research data provided in the addenda the occupancy profile as calculated by Day of Week analysis does not fit the profile of strong commercial demand. Demand in this market is volatile with a 20% spread from its high in July to its low in February.

Commercial/corporate travelers generally are less rate-sensitive and represent a very desirable market that provides a relatively consistent level of demand at higher average room rates. Commercial/corporate demand in the subject's market area is generated by the existing businesses in Edenton. The hotel within the subject's primary market with the highest commercial demand is the Hampton Inn.

After analyzing the initial demand in the Edenton market, we anticipate approximately 40% of room demand for the subject hotel would most likely come from commercial sources. We estimate commercial demand will grow modestly; say 3% per annum in the initial years as this segment becomes aware of the new accommodations, depending on the flag affiliation and amenities offered. This market segment should level off in the 45-50% range, comparable to that of hotel survey participants due to its proximity to the major employment centers in the area.

Group and Meeting Demand Segment

Meeting and group demand includes groups who reserve blocks of rooms for corporate or other meetings, seminars, trade association shows, and other similar gatherings of ten or more persons. Group meetings and convention demand is typically strongest during the spring and fall months with some demand occurring in the winter. The summer months have historically represented the slowest period for this market segment. Meeting and group travelers typically average a length of stay in the range of three to five days. Unlike commercial groups, who typically gather only during the weekday, some groups have many of their functions during the weekend days.

Although room rates for meeting and group patronage may be typically discounted, hotels accommodating this demand benefit from the use of public facilities, conference rooms, and profits generated from food and beverage functions and recreational amenities offered.

The meeting and group segment is influenced by both commercial and leisure group travel. Hotels within the subject's primary market that have a significant level of accommodated group/meeting demand include the Hampton Inn.

After analyzing demand within the Edenton market we estimate that 5 to 10% of room demand for the subject hotel will come from group or meeting-oriented sources. This is typical of other hotels within the subject's primary market.

Leisure Demand Segment

The leisure demand segment consists of individual tourists and families visiting the attractions of a local market and/or passing through en route to other destinations. These travelers are typically more rate sensitive, as they are spending personal discretionary income. Leisure demand is strongest Friday and Saturday nights, holiday periods, and during the summer months. These peak periods generally are negatively correlated with commercial and meeting and group demand. Proof on leisure demand exists based the Day of Week analysis included in the addenda. The busiest days are Friday and Saturday. The months of May-August are the have the highest occupancy rates seen throughout the year.

Leisure demand is tied to the overall economic health of the subject's region and the nation as a whole. In the case of the Edenton and the Chowan County region, there is a significant attraction to the area for vacationing, festivals, and family gatherings as well as friends and families visiting for holidays, weddings and funerals.

Several of the hotels and bed and breakfast within the subject's primary market are positioned for the leisure travel market segment. Those having the majority of their demand in the leisure segment include the Hampton Inn and Super 8. Both of these stated their summer months are their busiest times. We anticipate 45% to 55% of room demand for the subject hotel will come from this leisure segment.

Unaccommodated Segment

Unaccommodated demand is defined as excess demand that was not realized due to the lack of hotel room supply in the existing market. When demand such as special tourist events, new employers, or new road systems change the guest profile of a certain segment, the existing lodging facilities experience shortages of rooms. Conversely, when existing hotels are closed or repositioned for different demand segmentation, lodging shortages occur. During prolonged periods of 100% occupancies, with hotels turning away guests, unaccommodated demand is said to exist. If the trend becomes more than a seasonal event, more hotel rooms are usually required.

Based on our interviews with people in the area, a level of unaccommodated demand exists especially during the summer months when some hotels are reporting occupancy greater than 70% over a period of several months. Some stated individual they know are occasionally forced to stay at one hotel because the one they prefer is entirely booked. We note these decisions are frequently based upon consumer preference for accommodations in chain hotels over that of the existing independent hotels as well as consumer preference for one chain hotel relative to others.

Primary Hotel Competition – Proposed

In addition to the existing supply of hotel rooms in the subject's primary market, we have also investigated new or planned hotel construction in the area. Based upon a survey of public planning officials in the surrounding counties and specific towns within the subject's geographic market and coupled by difficulty obtaining credit due to the financial crisis, no hotels are planned for the foreseeable future within the subject's market area.

MARKET PENETRATION

Supply and demand characteristics for the subject market have been analyzed and discussed in the previous sections of this report. Market segments were identified and analyzed for each of the hotels in the subject's primary market. In this section of our study, we develop our analysis of feasibility for the proposed hotel and report our results.

Given a market level room rate, a proposed hotel development is feasible if its projected occupancy in the first years of operation is at or near a stabilized level. It is our experience, supported by historical occupancy trends in the subject market, that lodging construction occurs when the aggregate market occupancy is above 55%, as is has been the case within the subject market. Hotel construction typically ceases when aggregate occupancy levels dip below stabilized levels. This assumes that the proposed hotel would be equally as competitive as those in its market and is just one of many factors that assist in determining feasibility.

The recognized method of projecting occupancy levels for a proposed hotel facility and its primary market is through the use of market penetration analysis. This method of occupancy projection first determines each existing hotel's competitive advantage with respect to market segments based upon market share measured in room nights captured within the segments. Next penetration rates are estimated for the competitive property based upon knowledge of local market conditions and anticipated strengths of the facility design. Finally, using the subject's estimated penetration rates, projected room nights are calculated for each market segment, the room nights are totaled for the subject and its competitors.

We have conducted an extensive survey of demand sources in the Town of Edenton and surrounding communities that would potentially contribute to demand for a hotel. We use an estimate of 100% market share, meaning the proposed hotel will consume 100% of its fair share of the demand seen by the market in the initial year of business. If a proposed hotel could theoretically be opened today our assessment of future growth over the next two years would be 0% and possibly negative based on the PKF Consulting U.S Hotel Market Summary 3Q 2008 where they project occupancy to decline 2.7% in 2009. This estimate is useful only if one desires to forecast future demand based on these initial surveys which would be prudent to ascertain proposed developments profitability in its initial years.

Estimated Performance - Occupancy

The unit of measure in evaluating market share is the penetration ratio. This is defined as a hotel's percentage of demand in a given segment divided by its portion, or fair share of total room supply. If all properties within a market were equal in quality, location, and rate structure, each could be expected to attract demand in proportion to its size, thereby achieving a penetration ratio of 100 percent. A property that has a competitive advantage in attracting demand from a given segment of the market can be expected to penetrate that segment at a rate that is greater than 100 %; the same property may achieve relatively low penetration in a segment in which it is at a competitive disadvantage.

The table on the following page illustrates penetration levels by segment for each of the proposed hotels primary competitors.

Historic Penetration by Market Segment									
Commercial									
Number	Property	# Rooms	Fair Share	Occupancy, %	Market Segmentation	ADR	Rooms Occupied	Market Share	Penetration Factor
1	Hampton Inn	61	48.03%	60.00%	60.00%	\$85	8,015.40	54.75%	113.99%
2	Super 8	66	51.97%	55.00%	50.00%	\$70	6,624.75	45.25%	87.07%
	Total / Average	127	100.00%	57.50%	55.00%	\$77.50	14,640.15	100.00%	100.53%
Leisure									
Number	Property	# Rooms	Fair Share	Occupancy, %	Market Segmentation	ADR	Rooms Occupied	Market Share	Penetration Factor
1	Hampton Inn	61	48.03%	60.00%	40.00%	\$85	5,343.60	44.65%	92.96%
2	Super 8	66	51.97%	55.00%	50.00%	\$70	6,624.75	55.35%	106.51%
	Total / Average	127	100.00%	57.50%	45.00%	\$77.50	11,968.35	100.00%	99.74%
Meeting and Group									
Number	Property	# Rooms	Fair Share	Occupancy, %	Market Segmentation	ADR	Rooms Occupied	Market Share	Penetration Factor
1	Hampton Inn	61	48.03%	60.00%	10.00%	\$85	1335.90	100.00%	208.20%
2	Super 8	66	51.97%	55.00%	0.00%	\$70	0.00	0.00%	0.00%
	Total / Average	127	100.00%	57.50%	5.00%	\$77.50	1335.90	100.00%	104.10%

As shown in the previous table, the commercial segment leader is the Hampton Inn. The meeting and group segment is dominated by the Hampton Inn. The leisure segment leader is the Super 8.

Historical Trends – Primary Market

Smith Travel Research (STR), an independent research firm who is recognized by the lodging industry as the standard source of reliable data for the hotel industry, provides operating statistics on local markets throughout the nation. The following table summarizes our analysis of the trends in lodging demand for the subject's primary market since 2005.

Historical Trends of Key Variables for the Edenton Submarket 2005-YTD 2008						
	Occupancy (%)	Δ Occupancy (%)	ADR (\$)	Δ ADR %	RevPAR (\$)	Δ RevPAR %
2005	59.5		63.43		37.74	
2006	61.0	2.4	66.29	4.5	40.40	7.0
2007	62.5	2.6	69.88	5.4	43.70	8.2
YTD 2008	54.5	-16.3	74.83	6.9	40.81	-10.5
	Supply	Δ Supply %	Demand	Δ Demand %	Revenue (\$)	Δ Revenue %
2005	97,455		57,993		3,678,426	
2006	97,455	0.00%	59,399	2.4	3,937,492	7.0
2007	97,455	0.00%	60,940	2.6	4,258,650	8.2
YTD 2008	97,455	0.00%	44,264	-16.3	3,312,173	-10.5

It is our experience that development occurs in a market when occupancy rates have stabilized over 55%. In the above table, the subject market occupancy rates have fluctuated from a low of 59.5% in 2005 to a 2007 level of 62.5%, and occupancy has been in the 60% range for each of the last two years. There has been a significant reduction in occupancy through year to date 2008. Forecast for 2009 call for a reduction in occupancy nationally followed by a recovery in 2010.

Since 2005 there has been no reduction in supply in the primary market or secondary market. RevPAR, because it accounts for both occupancy and average rate together, provides the best overall measure of revenue generating results for a single property or a group of hotels. As evident from the table above our sample of hotels had increasing RevPAR in 2006 and 2007 but exhibited a decline in RevPAR growth year to date 2008.

The occupancy reported by Smith Travel Research for October 2008 was 54.5%, 16.3% lower than was reported in October of 2007. We note the occupancy rate from our surveyed hotels in the area is higher than what is reported by Smith Travel Research. However, because the sample size is larger and Smith Travel Research data comes from formal reports submitted by participating hotels, we believe the occupancy rate of 54.5% reported by Smith Travel Research is a more reliable indicator of overall occupancies.

MARKET ANALYSIS

MARKET ANALYSIS

An accurate hotel market analysis calls for a careful investigation of the dynamics that affect the demand within the primary market area. These factors are as follows.

- 1) The location of the prospective subject site relative to the market area and tourist attractions
- 2) The growth of demand within the market area
- 3) The sources and strength of transient travel
- 4) Current and future travel patterns
- 5) The location of competitive properties and their physical and operational characteristics
- 6) Special conditions and trends

Using the collection of geographic and demographic trends found in the preceding sections of the study we will discuss each the factors that affect the feasibility of a lodging facility in the Edenton area.

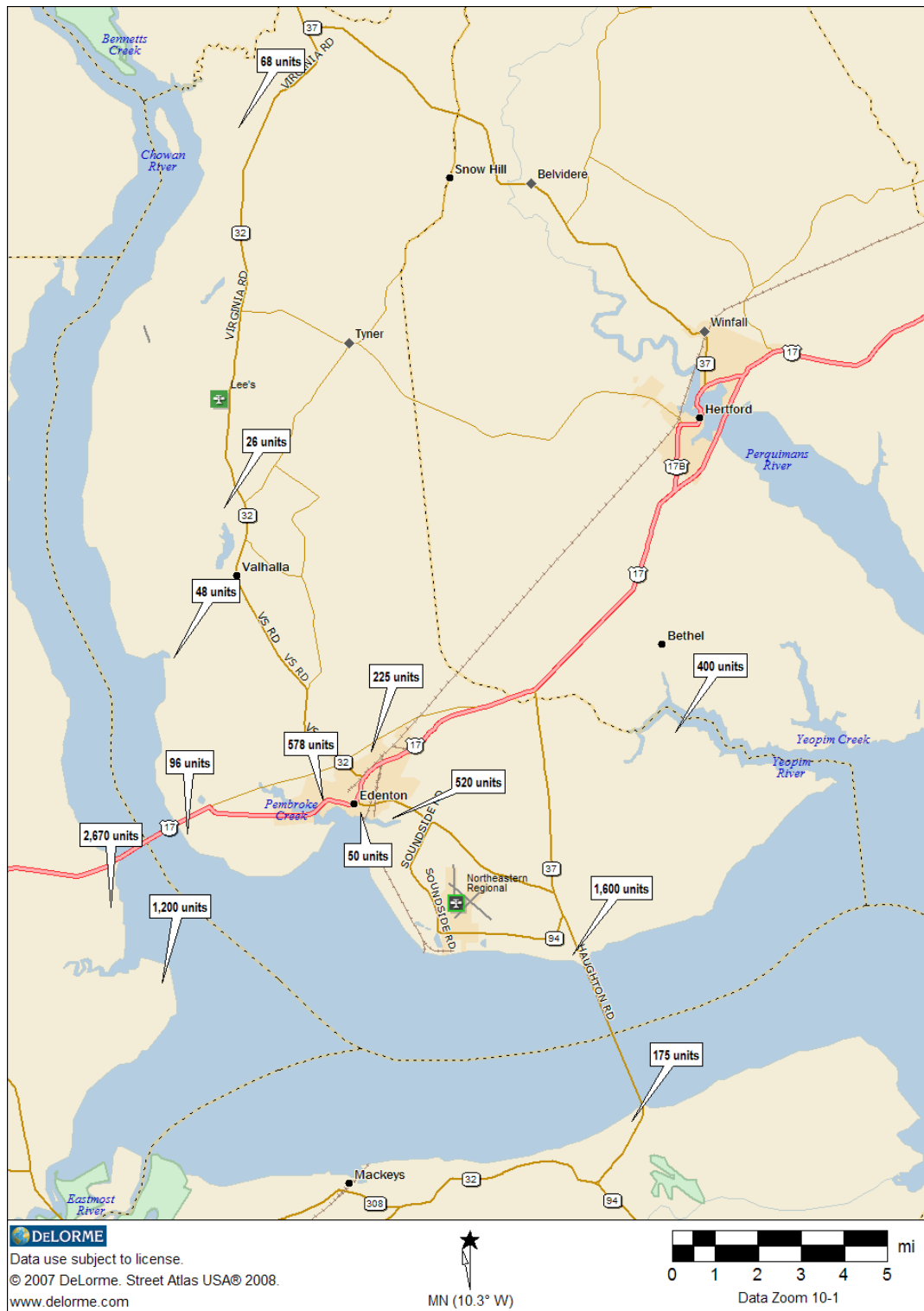
With respect to location, the primary distinction between hotels is typically whether they are located downtown, suburban, located near an airport, or some other special destination such as a resort or tourist attraction. Most hotels appeal to overlapping market segments which are difficult to delineate when assessing a property's market potential.

It is likely that sufficient demand exists in the Edenton area to support an additional hotel. A new facility would depend on capturing market share from the outlying areas as well as capturing some market share from the existing establishments currently in town. For example, the commercial segment, which typically is less price sensitive, tends to value short commutes to conduct their business and amenities nearby such as restaurants and retail. Therefore, in the summer when the Hampton Inn is near 100 % occupancy this market segment would choose a newer facility located near Edenton instead of driving to another town to obtain lodging. Additionally, since tourist attractions and points of interest are located in and around Edenton, tourists would likely view a new hotel located along US 17 as a primary source of supply when traveling throughout the region in the summer months.

There are several reasons to believe the Edenton area has seen increasing demand for lodging in recent years. One example of this is the increase in traffic counts seen along US 17 from 2004 through 2006. Even though the traffic counts were lower in 2007, likely due to the macroeconomic slowdown and recession which began in December 2007, occupancy in the area was up for the year to 62.5%. The Hampton Inn reported that they are often at 100% occupancy in the summer months and potential patrons either attempt to obtain a room at a local bed and breakfast or will travel to Elizabeth City to find lodging. This supports the existence of unaccommodated demand. In this instance the unaccommodated demand is present because consumers prefer to travel to a nearby town for lodging instead of staying at a less competitive establishment located in the immediate market area.

A third measure of increasing demand is the population growth which has recently occurred in Edenton as well as the prospect of continued population increase. As stated earlier, there are 7,600 residential units that have been permitted or are in various stages of planning within an approximate 15 mile radius of downtown Edenton. These range from condominiums in the lower \$200,000 range to master planned communities with waterfront lots in the \$400,000 range.

Some of these projects are on hold but other developments are continuing to proceed although at a slower pace than was previously forecasted. The following map provides the location of planned residential units in and around the Town of Edenton.



As population increases, demand will increase for all types of commercial real estate to support the population growth. Evidence of this is apparent based on information obtained from the Edenton-Chowan planning office, which outlines plans for medical, retail and shopping center development.

The population increase will boost the demand for lodging in the segment of travel and leisure for family gatherings and holiday visitations to name a few.

Known as the coastal highway, US 17 is a north to south highway which runs from southern Florida to northern Virginia. In North Carolina, US 17 closely follows the coastline passing through Wilmington, New Bern, Washington, and Edenton before continuing on to Elizabeth City and into the Virginia Beach-Norfolk-Newport News, VA-NC MSA. This route is well traveled in the summer months as tourists use it as a scenic alternative to Interstate 95. This allows the Town of Edenton to capitalize on their history and proximity to the scenic Albemarle Sound as tourist pass through the region. A representative with the Division of Travel and Tourism confirms our assessment of high travel and tourism demand between the months of May through October.

The advantage of being located along US 17 will continue to positively impact population growth and tourism in the Town of Edenton. According to the North Carolina Department of Transportation there are no plans to adversely affect travel routes in the Edenton area. There are plans and designs in progress to improve access to Soundside Road from NC 32 to the US 17 bypass. This will improve access to the airport and some manufacturing facilities located southeast of downtown.

Hotel demand is not generated by the existence of a hotel itself in most cases, but is generated by local businesses, convention centers, tourist attractions and other draws that bring travelers to a location. Unlike other types of real estate which respond to relatively local demand, hotels cater to patrons outside of the market area. Most patrons like to stay in an area near their intended destination where complimentary real estate is established such as restaurants and retail.

Chain scale and consumer preference for certain brands is one factor that drives the long run success of lodging facilities. Most of the competitive properties in the market area are economy type properties that tend to operate at higher occupancy levels than full service hotels and cater to a different market segment than bed and breakfast. They typically have higher income-to-expense ratios as a consequence of lower staffing requirements and the lack of food and beverage facilities. The limited service or economy hotel segment is most likely the type of facility that will continue to dominate the Edenton market.

It has become exceedingly difficult to obtain traditional long-term financing without a nationally known franchise affiliation or flag. There are certainly instances where independent limited-service hotels are capable of being financed, but they typically fall in the category of very small properties or have some type of intangible name associated with them. Reportedly, age is becoming increasingly important to many lenders. They are often hesitant to finance properties over twenty years of age. For these reasons any newly developed facility should be affiliated with a recognizable franchise or "flag" affiliation.

In addition to whether or not a property is flagged, it is important to distinguish between franchises since they are not viewed equally in the marketplace. For example, in the limited-service market segment it would be misleading to compare a Holiday Inn Express, one of the most highly coveted flags, with an EconoLodge.

One of the most obvious differences in property design is interior versus exterior corridors. Few hotels today are constructed with exterior corridors. There are only a limited number of franchises available for properties with this design. There are some exceptions, where exterior corridor properties are desirable. Examples can be found in the Southwest where drive up one-story properties have exterior entrances. There are also a few examples of franchise companies allowing a combination of both interior and exterior corridor rooms in a specific property. Despite these exceptions, the major flags are phasing out exterior corridor properties and replacing them with interior corridor properties.

Franchise companies are downgrading properties with older designs to a lower-tier with lower price points. This is illustrated by La Quinta, who converted older exterior corridor La Quinta properties to a sister Baymont Inn flag before it sold ownership of the Baymont brand to Cendant.

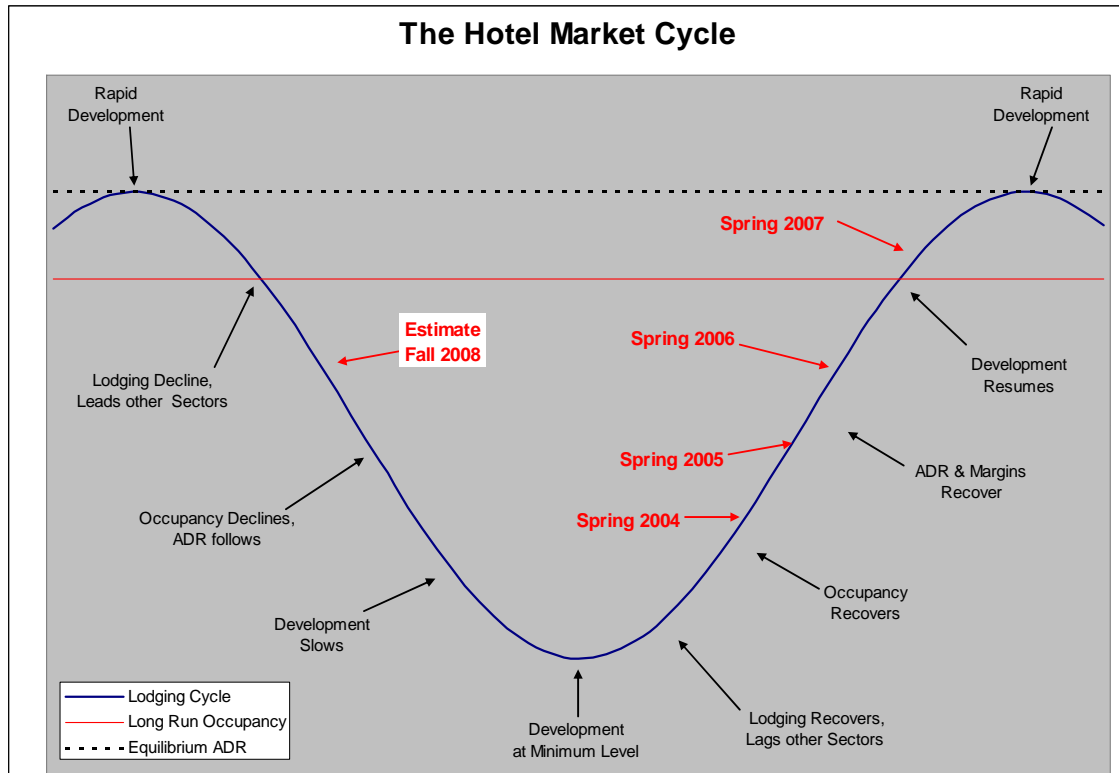
Built in 2000, the Hampton Inn is the major source of lodging supply based on their high occupancy rates and recognizable "flag". Representatives stated they are often at 100% occupancy in the summer months. They also stated that in times when occupancy is high, if patrons cannot find accommodations at a local bed and breakfast, they will travel to Elizabeth City to obtain lodging.

The Super 8 is an exterior corridor facility built in 1986 and is perceived to be a secondary source of supply of lodging in the area. They consider the Coach House Inn, a local independent motel, to be a competitor which points to their being in the lower tier of market segmentation and viewed by consumers as an inferior property relative to the Hampton Inn.

During the first half of 2008, the U.S. economy experienced multiple challenges, including volatile financial markets, rising energy prices, and declining consumer sentiment. Economic uncertainty, coupled with rising fuel costs, which have recently subsided, and moves by airlines combat reduced domestic capacity, has negatively impacted demand for lodging. Furthermore, lower levels of room night demand, combined with supply growth, caused occupancy declines that offset gains in average daily rates.

As of August 7, 2008, Macroeconomic Advisers, a private company that provides U.S. economic outlooks, believes that the economy is on the edge of a recession, with weakness in the second half of 2008 closer to a recessionary outcome than the pattern of growth seen to date. Real growth is expected to be restrained by large declines in equity prices to date, declining home prices, higher energy prices, continued softening in the labor market, and tight credit conditions. Despite this projected weakness in the second half of 2008, Macroeconomic Advisers continues to anticipate a gradual recovery beginning in 2009 as current drags on the economy moderate. Weak economic conditions in the second half of 2008 will cause further slowing in the U.S. lodging industry. Consumers are weighed down by significant factors that will take time to dissipate, and businesses are uncertain about the future state of the economy. The Lodging industry that is highly dependent on the overall economy is forecasted to pause until the second half of 2009 and then slowly begin to recover.

Advisors at PKF Consulting periodically publish their Hospitality Research Report in which they estimate where we are nationally in the hotel market cycle. This estimation is included in the following graphic.



As the economy weakens typically the lodging sector is one of the first to see a decline due to companies restricting travel to cut cost and leisure travel slows due to decreased consumer spending. This is followed by declines in occupancy as the average daily rate decreases in an attempt to increase demand. As the occupancy declines, development slows since investors find it difficult to penetrate into new markets in the face of declining occupancy rates. Based on the graphic above this describes the status of the hotel market is nationally.

Conclusion

Supply and demand characteristics for the subject market have been analyzed and discussed in the previous sections of this report. Market segments were identified and analyzed for each of the hotels in the subject's primary market. In this section of our study, we developed our analysis of feasibility for the proposed hotel and report our results.

Given a market level room rate, a proposed hotel development is feasible if its projected occupancy in the first years of operation is at or near a stabilized level. It is our experience, supported by historical occupancy trends in the subject market, that lodging construction occurs when the aggregate market occupancy is above 55%, as is currently the case within the subject market. Hotel construction typically ceases when aggregate occupancy levels dip below stabilized levels.

Most of the competitive properties in the market area are economy type hotels that tend to operate at higher occupancy levels than full service hotels. They typically have higher income-to-expense ratios as a consequence of lower staffing requirements and the lack of food and beverage facilities. The limited service or economy hotel is most likely the type of facility that will continue to dominate the Edenton market.

The advantage of being located along US 17 will continue to positively impact population growth and tourism in the Town of Edenton. This allows the Town of Edenton to capitalize on their history and proximity to the scenic Albemarle Sound as tourists pass through the region. A representative with the Division of Travel and Tourism confirms our assessment of high travel and tourism demand between the months of May through October.

As previously noted, the unit of measure in evaluating market share is the penetration ratio. This is defined as a hotel's percentage of demand in a given segment divided by its portion, or fair share of total room supply. If all properties within a market were equal in quality, location, and rate structure, each could be expected to attract demand in proportion to its size, thereby achieving a penetration ratio of 100 percent. A property that has a competitive advantage in attracting demand from a given segment of the market can be expected to penetrate that segment at a rate that is greater than 100%; the same property may achieve relatively low penetration in a segment in which it is at a competitive disadvantage.

Built in 2000, the Hampton Inn is the major source of lodging supply based on their high occupancy rates and recognizable "flag". This is evident by the penetration ratios. The aging Super 8 is considered a secondary source of lodging supply to the area since they are competitive in the leisure market only. Unaccommodated demand in the town is being lost to nearby towns when occupancy in the area is high, leading to lost revenue to local restaurants and retail establishments. To capture this unaccommodated demand a new hotel comparable to the Hampton Inn would be feasible.

The summary from PKF Hospitality Update, December 2008 edition states U.S. hotels have entered the initial stages of one of the deepest and longest recessions in the history of the domestic lodging. The 7.8 percent drop in RevPAR that PKF is now forecasting for 2009 will be the fifth largest annual decline in this important measure since 1930. Further, PKF is forecasting that the nation's hotels will not experience a year-over-year quarterly increase in RevPAR until the second quarter of 2010. The projected seven consecutive quarters of declining RevPAR, beginning with the just reported third-quarter decline of 1.1 percent, according to data from Smith Travel Research, marks the longest stretch of falling revenues endured by U.S. hotels since STR began tracking performance data in the late 1980s. Typical planning, development and construction of a new lodging facility can take from two to three years. This would coincide with the forecasted recovery period for the national lodging market. Based on current demand estimates and the prospect of increased demand associated with the macroeconomic and lodging market recovery the feasibility of a new lodging facility within the Edenton area will be feasible given a development and construction period of 18 to 36 months.

The hotels within the primary market were selected due to their location and somewhat similar market competitiveness. Average Daily Rates (ADR) for these properties ranged from \$70.00 to \$85.00 per night. It is anticipated the proposed hotel should be able to attain an ADR level similar to the competitive level of the surveyed. While expectations for hotel properties in some markets call for above inflationary increases, because of the new supply in the local market, we estimate the subject should attain only inflationary increases until sufficient market share has been captured. We have selected an ADR range for the subject of approximately \$80.00 to \$90.00 per night, to establish a competitive price in the marketplace, assuming a development occurs within the next 18 to 36 months.

Subject to the conditions and explanations contained in the following report, and based on our analysis of the market, together with our experience performing similar market studies, our conclusion is as follows:

As of the date of this report, December 19, 2008, it is our opinion that a hotel facility within the jurisdiction of Edenton, NC is feasible provided a development and construction period of 18 to 36 months.

**60 ROOM, LIMITED SERVICE, FLAG HOTEL
ESTIMATED AVERAGE DAILY RATE (ADR) RANGE: \$80.00 to \$90.00**

ADDENDA

APPRAISER'S QUALIFICATIONS

John M. McBrayer
Certified General Appraiser NC # A5723

John McBrayer is a Certified General Appraiser in the State of North Carolina and a Partner of Williams Appraisers, Inc. in Raleigh, North Carolina (www.williamsappraisers.com). In addition to North Carolina, John is certified to appraise in South Carolina and Virginia. Since joining Williams Appraisers in 2002, he has appraised a wide variety of properties for institutional lenders, government entities and individuals in the Triangle and throughout North Carolina, South Carolina and Virginia including office, retail, warehouse and industrial, hotel/motel, townhome and subdivision analysis, special use properties and vacant land. He has also prepared feasibility and impact studies for various property types, including hotel/motel, mixed-use development and environmentally contaminated properties.

In addition to traditional appraisal and consulting services, Williams Appraisers, Inc. provides appraisal services in condemnation cases (both condemnor and condemnee), real estate tax appeals, divorce and family disputes, donation of conservation easements, and other real estate-related arbitrations and mediations. John has been qualified as an expert witness for real estate in North Carolina Court for litigation services.

A graduate of Tulane University with a Bachelor's of Science in Economics, John began his career in commercial and residential real estate with Century Development and Jones Lang Wooten, USA (now Jones Lang LaSalle) in Houston, Texas and later as a principal of Coldwell Banker GSM Realty in Gatlinburg, Tennessee. He has held real estate licenses in Texas, Tennessee and North Carolina.

Listed below is a partial list of various real estate continuing education for appraisal, brokerage and property management disciplines completed by John during his real estate career:

510 Advanced Income Capitalization (AI)	Real Estate Investments (University of Houston)
520 Highest & Best Use / Market Analysis (AI)	Real Estate Finance (University of Houston)
530 Advanced Cost and Sales Approaches (AI)	Design & Operation of Office Buildings I & II (BOMA)
400 USPAP Update (AI)	Managerial Accounting & Finance (BOMA)
Introduction to Real Estate Appraisal (R-1)	Insurance & Risk Management (BOMA)
Valuation Principals and Procedures (R-2)	Real Estate Law (BOMA)
Applied Residential Property Valuation (R-3)	Real Estate Investment & Finance (BOMA)
Introduction to Income Property Appraisal (G-1)	Administration of Real Property (BOMA)
Advanced Income Property Valuation (G-2)	Management of Office Buildings (IREM)
Applied Income Property Valuation (G-3)	Managing Real Estate as an Investment (IREM)
Valuation of Income Property (University of Houston)	Long Range Management Plan (IREM)

Christopher F. Maisto
Certified General Appraiser NC # A6762

A North Carolina Certified General Appraiser, Christopher F. Maisto has been involved in the appraisal of real estate since 2001. His experience includes all types of residential properties including single-family, multi-family, and small income properties, along with condemnation work for various states' departments of transportation. Since his arrival at Williams Appraisers, Chris has appraised a wide variety of properties including retail, warehouse and industrial, hotel/motel, subdivision analysis, and vacant land. Having a strong background in real estate, Chris also holds a North Carolina Real Estate License.

In addition to his appraisal and real estate background, Chris has several years of management and sales experience with MCI Communications. He attended St. Bonaventure University and majored in accounting and finance. When not working, he enjoys spending time with his wife and children and playing golf.

Appraisal Education:

- R-1 Introduction to Real Estate Appraisal
- R-2 Valuation Principals and Procedures
- R-3 Applied Residential Property Valuation
- G-1 Introduction to Income Property Appraisal
- G-2 Advanced Income Capitalization Procedures
- 550 Advanced Applications (Appraisal Institute)

Albert B. (Benji) Flanagan, III
Registered Trainee Appraiser NC # T4379

Benji Flanagan is a Market Research Analyst working for Williams Appraisers, Inc., in Raleigh, North Carolina. Since joining Williams Appraisers in October 2005, he has conducted regional economic analysis, completed consulting assignments, and performed appraisals in several markets throughout the Southeast.

A graduate of Chowan College with a Bachelors of Science, in Physical Science, he completed post baccalaureate education in Chemistry at East Carolina University leading him into pharmaceutical and polymer research careers at Carolina Medical Products and Union Carbide, respectively.

An interest in financial markets led him to return to school at Virginia Commonwealth University in Richmond, VA where he obtained a Master of Arts degree in Economics with a concentration in Financial Economics. His areas of interest were the econometrics of financial markets and real estate. After completion of the degree, he taught undergraduate economics at VCU and conducted research on methods of performing mass appraisal for residential real estate valuation.

The research led to a report entitled "Examining the Performance of Neural Networks and Multiple Regression Models in Residential Real Estate Valuation." A forthcoming article, in association with a VCU Professor of Economics entitled "The Performance of Hedonic Pricing Models in Mass Real Estate Appraisal" has been accepted by the Journal of Real Estate Research. This report uses county public record databases to examine the difference in pricing errors observed by multiple regression models and nonlinear neural network models when valuing residential real estate.

He is has completed classes in the Graduate Certificate program in Geographic Information Systems at North Carolina State University.

In his spare time Benji enjoys jogging, cycling, and traveling. Since moving back to Raleigh in July 2005, he has completed the pre-certification education necessary to become a NC State-Registered Trainee Appraiser.

Appraisal Education:

Introduction to Real Estate Appraisal	Basic Income Capitalization
Valuation Principals and Procedures	General Applications
Applied Residential Property Valuation	Advanced Income Capitalization
Business Practices and Ethics	General Market Analysis and Highest & Best Use

CLIENTS

TrustAtlantic Bank Tom Quinn or John Sprink 6131 Falls of Neuse Road, Ste. 301 Raleigh, NC 27609 919-277-8715	Wachovia Corporation Denny Johnson, MAI 301 S. Tryon Street TL-8 Charlotte, NC 28255 704-383-1962
SunTrust Bank Mike Bateman or Hugh Pope (RECAD) 13341 Falls of Neuse Road Raleigh, NC 27614 919-556-7146	Wachovia Corporation Lamar Jerman 8740 Research Drive Charlotte, NC 28262 704-593-6606
SunTrust Bank Scott Stuchel or David Schafer 13341 New Falls of Neuse Rd Raleigh, NC 27614 919-556-7146	First Federal Bank Ray Rock or Locke Godwin 200 E. Divine Street Dunn, NC 28334 919-337-3250
Magnet Bank Craig Adair 5607 Glenridge Drive, Suite 750 Atlanta, GA 30342 404-260-0940	Capital Bank Chuck McGill or Todd Warrick 333 Fayetteville Street, Ste. 102 Raleigh, NC 27601 919-645-9735
Fidelity Bank Linda Shirley or Lionel Todd 100 W Chatham Street Cary, NC 27511 919-467-0173	North State Bank Gary Woodlief or Brenda Smith 11410 Common Oaks Drive, Ste. 112 Raleigh, NC 27614 919-562-9965
First Citizens Bank & Trust David Morrison 4400 Six Forks Road Raleigh, NC 27609 919-716-2815	Four Oaks Bank and Trust Jerry Thornton PO Box 274 Clayton, NC 27520 919-553-2323
Paragon Bank Matt Davis or Martin Borden 3605 Glenwood Avenue, Ste 100 Raleigh, NC 27612 919-863-9924	Bank of North Carolina Jay Harris 3202 Northline Avenue Greensboro, NC 27404 336-443-5200
Cindy Wiggins-Tiede Community Investment Corporation PO Box 19999 Raleigh, NC 27619 919-781-7979	RBC Centura John Gwynn or Gregg Ferrell 4300 Glenwood Avenue Raleigh, NC 27612 919-788-5500

Partial Institutional Client List

Aetna	Four Oaks Bank, NC
American General Corporation	GMAC Commercial Lending
AmSouth Bank	Gibraltar Savings, TX
Bank of America	Home Savings of America
BankOne	HomeTrust Bank, NC
Barnett Banks, FL	HomeTown Bank
Beechams Group	HVB Group, NY
BenEquity Life	M & T Bank, Buffalo, NY
Branch Bank & Trust, NC	Mechanics & Farmers Bank, NC
California Bank & Trust, CA	Medalist Capital
Capital Advisors Group, NC	Metropolitan Life, CA
Capital Bank, NC	Midland Loan Services
Cardinal State Bank, NC	Monarch Financial Services
Carolina Savings Bank, NC	NC Mortgage Funding
Central Carolina Bank, NC	North State Bank, NC
Chemical Bank, TX	Paragon Bank, NC
Citizens Bank	Peoples Community Bank
Cigna Financial	Providian Insurance Group
CIT Small Business	Regions Bank
Column Financial, GA	RBC Centura
Compass Bank	Research Triangle, Inc.
Crescent State Bank, NC	Southeast Financial, NC
Deutsche Bank, NY	Southern National Bank, NC
Equitable, IA	Southern Bank and Trust
Fidelity Bank, NC	SouthTrust Bank
First Bank, NC	Stancorp Mortgage Investors
First Capital Mortgage, NC	Sterling South Bank, NC
First Citizens Bank, NC	Stewart title
First Charter Bank	SunTrust
First Federal Bank, NC	TIAA-CREEF
First One Bank	USS Pension Fund
First South Bank, NC	Wachovia Corporation

Note: We are currently State Certified in NC, SC, and VA. The above clients represent local, regional, national, and international assignments.

Partial Non-Institutional Client List

Ammons, Inc.	MV Communities, Inc.
Angshuman De Compendium Group	Morgan Reeves Gilchrist
Anthony & Company, NC	NC Community Foundation
Anthony Allenton	NCDOT
ARKS, Inc.	Neal Well & Futrell, PA
Banks Law Firm	Nikko Hotels
Battle Winslow Scott & Wiley	Olympic Properties
Beasley Enterprises	Plaza Associates
Bennett Deal Sawyer, LLC	Poyner Spruill
Boxley Bolton & Garber, LLP	Prudential/VMS
Bradshaw Vernon & Robinson, LLP	Pulley Watson King & Lischer, PA
Brooks Pierce McLendon Humphrey & Leonard	RDU Airport Authority
Capcount USA	Regency Development Services
Childress Klein	Richardson Corporation
City of Raleigh	Ross-Civello Properties
Cranfill, Summer & Hartzog, LLC	Research Triangle Corporation
Creedmoor Partners	Sanford Law Firm, NC
Crossin Dannis, Inc.	Satisky & Silverstein, LLP
Cumalander, Adock & McGraw	Sperry Van Ness
CMC Hotels	State Employees of NC
Davis, Sturges & Thomlinson, LLP	Strategic Technologies
Dewitt Corporation	Stam Fordham & Danchi, PA
DHIC, Inc.	Stephens Properties
Dilweg Properties	Summrell Suggs Carmichael Hicks & Hart
Edminsten & Webb Law Firm	Taylor Woodrow
Ellis & Winters, LLP	The Brough Law Firm
Emmett Boney Haywood, Attorney at Law	The Pantry, Inc.
Ernst & Young	Thomas Ferguson & Mullins, LLP
FDIC	Thomas Worth, Attorney at Law
FDOT	Thorp Law Firm, NC
First American Hotels/Welcome Hotels, Inc.	Tillyard International
First Oakland Properties	Town of Ahoskie
Fore Property Company, DC	Town of Carrboro
Fuller Becton Slifkin & Bell	Town of Chapel Hill
Glenn Mills & Fisher, PA	Town of Holly Springs
Grand Metropolitan Estates	Town of Louisburg
Grosvenor Estates	Town of Mebane
General Services Administration	Town of Scotland Neck

Partial Non-Institutional Client List

Highwoods Properties	Trademark Properties
Holt York Darris & High, LP	Trinity Advisors
Hong Kong Land	Tune Entreken & White, TN
Horsley & Peraldo, PA	US Army Corps of Engineers
Howell Law Firm	US Bankruptcy Court
International Paper Realty	US State Department
Japan Airlines	Van Winkle Buck Well Starnes & Davis, PA
Kerr Drugs	Vandeventer Black, LP
Keystone Corporation, NC	Wake County Facilities/Public Schools/Revenue
Kilpatrick Stockton, LLP	Waste Industries
Kirk Kirk Howell Cutter & Thomas, LLP	Wil-Dor, Inc.
Lewis & Anderson, LLP	Wallace Creech & Sarda, LLP
Maupin Taylor	Wallis & Morton, PA
Manning Fulton Skinner	Winslow Properties, Inc.
Marshall & Stevens, PA	Wyrick Robbin Yates Ponton, LLC
Mills & Wiley	York Properties
Mitsubishi Finance	Young Moore Henderson, PA

ENGAGEMENT LETTER

OCT. 27. 2008 12:55PM

ELECTRICITIES OF NC INC

NO. 5383 P. 1

C8392



Williams Appraisers Inc.
PO Box 33785
Raleigh, NC 27607
Tel. 919-434-1900
Fax. 919-424-1922
<http://www.williamsappraisers.com>

To: Ms. Brenda Daniels
Electricities
1427 Meadow Wood Boulevard
Raleigh, NC 27604

Via Email
bdaniels@electricities.org

From: John McBrayer (919) 334-6740

Receiver's Phone: 760-6363

Date: October 27, 2008

Property: Hotel Market Feasibility Study for the Town of Edenton, North Carolina to determine the feasibility of a lodging facility. Our report will include a Supply and Demand Analysis, both of which will address National, State and the Primary Markets, and a Feasibility Analysis, including conclusions for the appropriate size and rate structure of a proposed hotel, if justified. The report will be in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Type of Report: Feasibility Study

Due Date: Six (6) weeks from date of engagement

Appraisal Fee: \$5,000

Payment Terms: Due on Completion of Report

Proposed by: John McBrayer (Digital Signature)

October 27, 2008

Date

Accepted by:

Brenda Daniels
Signature

10/27/08

Date

Brenda Daniels
Print Name



PLEASE COMPLETE THE FOLLOWING AND RETURN ENGAGEMENT VIA FAX TO (919) 424-1922:

Report should be addressed to:

Report should be invoiced to:

Contact names and phone:

Same as above

Same as above

Number of copies requested: 4 plus pdf copy

EDENTON CHOWAN PLANNING DATA

Edenton-Chowan County Planning & Inspections Office

Memo

To: Peter Rascoe, County Manager
From: Edenton-Chowan Planning Department
Date: 12/17/2008
Re: Development in Edenton-Chowan County

Below find a summary of proposed future developments and areas with potential for commercial redevelopment. The proposed developments are in various stages – from sketch plan/informational review to preliminary plat approval to build out...

Beginning with the Town of Edenton, the proposed developments are as follows:

1. **Beechwood** – Received Town Council approval of preliminary plat in 2005. Proposed 225 single-family residential (including patio homes and condominium/town homes). Construction began Fall 2007 on roads and utilities. Town Council approved an amendment to the original CUP March, 2008 to allow for Phase I to consist of 49 10,000 sq. ft. lots. Received Town Council approval for a Conditional Use Permit application for a 48 unit condominium project in August, 2008.
2. **Hayes (Strawberry Hill)** – Received Town Council approval of Rezoning to high density residential and neighborhood commercial in 2004, and Town Council approval for a Conditional Use Permit in October 2006 for 520 residential unit and 30,000 square foot each (60,000 square foot total) of specialty retail and office space subdivision. Conditional Use Permit was renewed in January 2008.
3. **Queens Landing (Boswell Tract)** – Received Town Council approval in 2006 for a Conditional Use Permit and Conditional Use Rezoning for a 578 unit subdivision for an "Active Adult Community"; permit was renewed February 2008.
4. **Claire Drive Medical Park** – Received Town Council approval for the subdivision and rezoning of the property to Medical Arts to allow for development as a Medical Park in 2005. Construction of the first building, Chowan Medical Office opened March, 2008.
5. **Griffin Tract** – Received Town Council approval for the subdivision and rezoning of the property to allow for development as a Shopping Center and Commercial out-parcels in 2005. Received an amended CUP from Town Council November 2007 which includes a Lowe's home improvement center.
6. **Leary Tract** – Planning Board recommended approval of a Conditional Use Permit for a Walgreens Pharmacy on December 1, 2008. Town Council will address the request in January, 2009.
7. **Harris Tract** – Recently demolished shopping center makes the tract eligible for redevelopment, zoned Highway Commercial (CH). Town Council approved a CUP subdividing the property into 4 tracts with one to include an Advance Auto center.
8. **Coke Avenue** – Out parcels near Edenton Village (Food Lion) Shopping Center eligible for development, zoned Highway Commercial (CH); the Shoppes at Edenton Village approved in April, 2008.
9. **Wharf Landing** – Annexed into the Town of Edenton jurisdiction in 2005, 96 condominium units (6 per building), approximately 1/3 of total buildings completed, 2 buildings currently under construction.

The proposed developments in the County are as follows:

1. **Sandy Point** – Preliminary Plat approval given by Board of Commissioners in 2005; extended in 2006, 2007, and 2008. Proposed 1600 units (1,100 on west side of Hwy 32 and 500 on east side) of residential development, also proposing small "main street" commercial development.
2. **RiverSound** – Proposed 350-400 total lots in a private, gated community. Received final plat approval for Phase I in June 2007 which consists of 233 lots. Phase I is predicted to be complete by late summer or fall 2008. Board of Commissioners approved the Conditional Use Permit and Conditional Use Rezoning for Phase II in July, 2008 from A-1 Agricultural District to CU-R-25 Residential District which consists of 299 lots.
3. **Welch Ridge** – Preliminary Plat approved by County Planning Board in Spring, 2006. Proposed 68 lot subdivision; no action taken, preliminary plat has expired, subject to current regulations.
4. **Cypress Landing Condominiums** – Conditional Use Permit and Conditional Use Rezoning for a 48 unit multi-family condominium development. Board of Commissioners approved the Conditional Use Permit and Conditional Use Rezoning in June 2007.
5. **Mill Creek Landing** – Proposed 26 lot subdivision off of Rocky Hook and Rocky Hook Creek Road, Board of Commissioners approved April, 2008.
6. **Refuge at Drummond's Point** – Received Preliminary approval in October, 2003 for a 14 lot subdivision. Board of Commissioners approved on September 8, 2008.

SMITH TRAVEL RESEARCH REPORT



Edenton Data

December 2004 to October 2008
Currency: USD - US Dollar

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Blue Fin Building
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Fax: +1 (615) 824 3848

Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Tab 2 - Data by Measure

Edenton Data
Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Occupancy (%)	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	45.5	49.6	60.1	71.2	59.9	66.1	72.8	72.6	59.3	57.6	57.5	41.5	59.5	61.5
2005	48.0	54.6	62.8	68.0	68.8	76.0	76.0	68.9	63.5	55.4	52.5	49.2	61.0	63.0
2006	49.2	56.7	66.3	66.3	66.0	76.8	71.8	69.9	63.5	64.6	63.5	45.7	62.5	65.1
2007	42.4	44.8	53.8	54.9	55.9	62.0	64.8	64.3	52.3	49.3			54.5	
2008	45.8	52.3	59.7	63.8	62.1	70.2	71.3	68.9	60.1	56.7	54.5	45.7	61.0	61.1
Avg														

ADR (\$)	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	59.04	58.59	58.50	61.42	65.92	66.61	67.95	64.69	65.16	63.90	63.90	60.61	63.43	63.58
2005	63.71	62.50	64.31	65.97	69.37	69.08	64.20	70.36	68.36	69.12	69.00	65.52	66.29	66.05
2006	65.74	66.78	66.30	70.14	69.87	71.46	73.24	73.33	71.02	69.54	69.77	68.66	69.88	69.98
2007	68.65	69.88	73.64	73.98	77.58	74.59	76.83	77.28	76.66	76.53			74.83	
2008	64.46	64.31	65.38	67.48	70.52	68.47	70.30	71.23	70.08	69.52	67.75	63.22	66.59	68.44
Avg														

RevPAR (\$)	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	27.25	29.06	35.19	43.72	39.49	44.01	49.47	46.99	38.63	36.82	36.71	25.15	37.74	39.13
2005	29.31	36.26	35.09	41.38	46.31	47.21	48.81	48.46	44.64	38.31	36.70	32.28	40.40	41.60
2006	32.37	37.89	43.94	46.47	46.09	54.91	52.95	51.24	45.08	44.99	37.32	31.35	43.70	45.59
2007	31.63	31.83	36.22	40.65	43.93	46.36	48.17	48.17	42.11	39.43	36.91	28.88	40.62	40.51
2008	28.52	33.63	38.59	43.00	43.82	48.16	50.15	49.09	42.11	39.43	36.91	28.88	40.62	41.78
Avg														

Supply	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	8,277	7,476	8,277	8,010	8,277	8,010	8,277	8,277	8,010	8,277	8,010	8,277	97,455	81,188
2005	8,277	7,476	8,277	8,010	8,277	8,010	8,277	8,277	8,010	8,277	8,010	8,277	97,455	81,188
2006	8,277	7,476	8,277	8,010	8,277	8,010	8,277	8,277	8,010	8,277	8,010	8,277	97,455	81,188
2007	8,277	7,476	8,277	8,010	8,277	8,010	8,277	8,277	8,010	8,277	8,010	8,277	97,455	81,188
2008	8,277	7,476	8,277	8,010	8,277	8,010	8,277	8,277	8,010	8,277	8,010	8,277	97,455	81,188
Avg														

Demand	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	3,763	3,708	4,978	5,702	4,958	5,292	6,025	6,012	4,749	4,769	4,802	3,435	57,963	49,956
2005	3,808	4,337	4,517	5,032	5,525	6,091	6,992	5,731	4,983	4,983	4,206	4,072	59,369	51,121
2006	4,076	4,241	5,485	5,307	5,400	6,155	5,940	5,784	5,084	5,343	4,285	3,779	60,940	52,876
2007	3,512	3,349	4,458	4,401	4,629	4,668	5,982	5,221	4,188	4,078			44,264	
2008	3,790	3,909	4,859	5,111	5,143	5,627	5,905	5,704	4,913	4,695	4,364	3,781	59,444	49,554
Avg														

Revenue (\$)	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2004	225,557	217,254	291,223	350,293	328,620	352,507	409,424	388,330	309,462	304,751	294,059	221,610	3,672,428	3,178,178
2005	242,629	271,077	294,479	334,437	389,282	376,130	403,366	401,074	357,931	371,704	243,997	269,084	3,937,462	3,376,899
2006	267,948	263,196	369,722	377,246	381,475	439,815	435,025	424,123	361,067	371,576	298,723	259,484	4,256,650	3,700,193
2007	241,107	234,013	325,451	325,607	359,113	370,559	411,944	411,216	321,054	312,109			3,312,173	
2008	244,305	251,395	317,721	344,881	362,675	395,253	415,000	426,336	337,276	326,395	295,076	239,023	3,963,199	3,361,308
Avg														

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Tab 3 - Percent Change from Previous Year - Detail by Measure

Edenton Data

Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Occupancy	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	1.2	17.0	-9.3	-11.8	11.4	15.1	4.4	-5.2	10.1	-3.8	-8.6	-10.5	2.4	2.3
2006	7.0	-2.2	21.5	5.5	-1.2	1.1	-5.6	1.6	-2.8	16.5	1.9	-7.2	2.6	3.4
2007	-13.8	-21.0	-18.8	-17.1	-15.2	-19.3	-9.7	-8.0	-17.6	-23.7	-3.4	0.3	2.5	-16.3
Avg	-1.9	-2.1	-2.2	-7.8	-1.7	-1.0	-3.6	-3.9	-3.4	-3.7	-3.4	0.3	2.5	-3.5

ADR	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	6.3	6.7	9.9	7.2	5.2	-6.8	-5.5	8.8	4.9	8.2	9.4	8.1	4.5	3.9
2006	3.2	6.8	3.1	6.5	0.7	15.1	14.1	4.2	3.9	0.6	-0.2	4.8	5.4	5.9
2007	4.4	4.6	10.2	5.5	11.0	4.4	4.9	5.4	7.9	10.1	4.6	6.0	5.0	6.9
Avg	4.6	6.1	7.7	6.4	5.7	4.2	4.5	6.1	5.6	6.3	4.6	6.0	5.0	5.6

RevPAR	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	7.6	24.8	-0.3	-5.4	17.3	7.3	-1.3	3.1	15.5	4.1	-0.0	28.2	7.0	6.3
2006	10.4	4.5	25.2	12.3	-0.5	16.3	7.7	5.7	1.0	17.2	1.7	-2.7	8.2	9.6
2007	-10.0	-17.4	-10.5	-12.5	-5.9	-15.7	-5.3	-3.0	-11.1	-16.0	0.8	6.5	7.6	-10.5
Avg	2.7	4.0	4.8	-1.9	3.6	2.6	0.3	1.9	1.8	1.7	0.8	6.5	7.6	1.8

Supply	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Avg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Demand	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	1.2	17.0	-9.3	-11.8	11.4	15.1	4.4	-5.2	10.1	-3.8	-8.6	-10.5	2.4	2.3
2006	7.0	-2.2	21.5	5.5	-1.2	1.1	-5.6	1.6	-2.8	16.5	1.9	-7.2	2.6	3.4
2007	-13.8	-21.0	-18.8	-17.1	-15.2	-19.3	-9.7	-8.0	-17.6	-23.7	-3.4	0.3	2.5	-16.3
Avg	-1.9	-2.1	-2.2	-7.8	-1.7	-1.0	-3.6	-3.9	-3.4	-3.7	-3.4	0.3	2.5	-3.5

Revenue	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Oct YTD
2005	7.6	24.8	-0.3	-5.4	17.3	7.3	-1.3	3.1	15.5	4.1	-0.0	28.2	7.0	6.3
2006	10.4	4.5	25.2	12.3	-0.5	16.3	7.7	5.7	1.0	17.2	1.7	-2.7	8.2	9.6
2007	-10.0	-17.4	-10.5	-12.5	-5.9	-15.7	-5.3	-3.0	-11.1	-16.0	0.8	6.5	7.6	-10.5
Avg	2.7	4.0	4.8	-1.9	3.6	2.6	0.3	1.9	1.8	1.7	0.8	6.5	7.6	1.8

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Tab 4 - Percent Change from Previous Year - Detail by Year

Edenton Data

Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Staff: AS

[illegible]

	Jan 06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Nov 06	Dec 06	Total Year	Oct YTD
Occ	1.2	17.0	-1.8	11.4	15.1	4.4	-5.2	10.1	-8.6	18.5	2.3	2.3	2.4	2.3
ADR	6.3	6.7	9.9	7.2	5.2	-5.5	8.8	4.9	8.2	9.4	8.1	4.5	3.9	3.9
RevPAR	7.8	24.8	-0.3	17.3	7.3	-1.3	3.1	15.5	4.1	-0.0	-28.2	7.0	6.3	6.3
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	1.2	17.0	-9.3	-11.8	11.4	15.1	4.4	-5.2	10.1	-3.8	-8.6	-18.5	-2.4	-2.4
Revenue	7.6	24.8	-0.3	17.3	7.3	-1.3	3.1	15.5	4.1	-0.0	-28.2	7.0	6.3	6.3

	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Sep 07	Oct 07	Nov 07	Dec 07	Total Year	Oct '10
Occ	7.0	-2.2	21.5	5.5	-1.2	1.1	-5.6	1.5	-2.8	16.5	1.9	-7.2	2.6	3.4
ADR	3.2	6.8	3.1	6.5	0.7	15.1	14.1	4.2	3.9	0.6	-0.2	4.8	5.4	5.9
RevPAR	10.4	4.5	25.2	12.3	-0.5	7.7	7.7	5.7	1.0	17.2	1.7	-2.7	8.2	9.6
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	-2.2	21.5	5.5	-1.2	1.1	-5.6	1.5	-2.8	16.5	1.9	-7.2	2.6	3.4	3.4
Revenue	10.4	4.5	25.2	12.3	-0.5	16.3	15.7	5.7	1.0	17.2	1.7	-2.7	8.2	9.6

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Total Year	Oct YTD
Occ	-13.8	-21.0	-18.8	-17.1	-15.2	-19.3	-9.7	-9.0	-17.6	-23.7				-16.3
ADR	4.4	4.6	10.2	5.5	11.0	4.4	5.4	7.9	7.9	10.1				6.9
RevPAR	-10.0	-17.4	-10.5	-12.5	-5.9	-15.7	-5.3	-3.0	-11.1	-16.0				-10.5
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0
Demand	-13.8	-21.0	-18.8	-17.1	-15.2	-19.3	-9.7	-9.0	-17.6	-23.7				-16.3
Revenue	-10.0	-17.4	-10.5	-12.5	-5.9	-15.7	-5.3	-3.0	-11.1	-16.0				-10.5

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Tab 5 - Twelve Month Moving Average

Edenton Data

Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Occupancy (%)	January	February	March	April	May	June	July	August	September	October	November	December
2005	59.6	60.2	59.7	59.0	59.6	60.4	60.7	60.4	60.9	60.7	60.3	59.5
2006	61.2	61.1	62.1	62.4	62.3	62.4	62.0	62.1	62.0	62.8	62.8	61.0
2007	62.0	61.0	60.0	59.1	58.2	57.0	56.4	55.9	55.0	53.7	52.8	62.5

ADR (\$)	January	February	March	April	May	June	July	August	September	October	November	December
2005	63.67	63.91	64.40	64.82	65.16	64.71	64.33	64.88	65.16	65.57	66.01	63.43
2006	66.42	66.73	66.87	67.24	67.28	68.22	69.13	69.42	69.65	69.68	69.67	66.29
2007	70.09	70.32	70.90	71.21	71.85	72.14	72.48	72.86	73.33	73.37	73.33	69.88

RevPAR (\$)	January	February	March	April	May	June	July	August	September	October	November	December
2005	37.92	38.47	38.46	38.27	38.85	39.11	39.06	39.18	39.68	39.80	39.80	37.74
2006	40.66	40.79	41.54	41.96	41.84	42.57	42.89	43.13	43.16	43.72	43.77	40.40
2007	43.42	43.92	42.53	42.05	41.82	41.11	40.87	40.74	40.33	39.72	43.77	43.70

Supply	January	February	March	April	May	June	July	August	September	October	November	December
2005	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455
2006	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455
2007	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455
2008	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455	97,455

Demand	January	February	March	April	May	June	July	August	September	October	November	December
2005	58,038	58,667	58,206	57,536	58,103	58,902	59,169	58,857	59,339	59,158	58,762	57,993
2006	59,667	59,571	60,540	60,915	60,750	60,814	60,462	60,546	60,399	61,154	61,233	60,940
2007	60,376	59,484	58,454	57,548	56,717	55,530	54,962	54,489	53,593	52,328	51,233	50,940

Revenue (\$)	January	February	March	April	May	June	July	August	September	October	November	December
2005	3,695,478	3,749,301	3,748,548	3,729,753	3,786,206	3,811,829	3,806,371	3,818,515	3,866,584	3,878,937	3,878,876	3,678,423
2006	3,962,831	3,974,950	4,048,193	4,069,002	4,087,195	4,148,860	4,179,939	4,202,986	4,206,524	4,260,986	4,265,972	3,937,492
2007	4,231,809	4,182,626	4,144,355	4,097,716	4,075,354	4,006,038	3,983,017	3,970,110	3,930,037	3,870,630	3,870,630	4,298,650

High value is boxed. Low value is boxed and italicized.

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Edenton Data

Edenton Data
Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Occupancy (%)									Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Nov - 07									
Dec - 07									
Jan - 08	30.5	50.1	56.9	51.0	36.2	39.3	51.0	44.8	
Feb - 08	40.4	57.5	56.8	58.5	50.4	54.9	59.5	53.8	
Mar - 08	30.9	50.9	61.6	82.4	54.8	64.7	55.5	54.9	
Apr - 08	42.9	48.6	58.5	53.4	48.0	68.5	69.6	55.9	
May - 08	43.3	59.9	67.3	85.1	59.1	73.9	70.9	62.0	
Jun - 08	42.4	62.2	86.2	64.2	60.6	79.2	79.4	64.8	
Jul - 08	45.9	84.6	69.5	85.5	54.9	70.9	78.2	64.2	
Aug - 08	39.0	51.2	59.4	52.9	48.5	54.2	59.1	52.3	
Sep - 08	30.2	42.7	49.0	51.9	46.4	56.5	66.4	49.2	
Oct - 08	37.0	52.5	58.7	57.3	50.1	58.6	61.6	53.7	
Total Year									

Occupancy (%)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Nov 05 - Oct 06								
Nov 06 - Oct 07								
Nov 07 - Oct 08	37.0	52.5	58.7	57.3	50.1	58.8	61.6	53.7
Total 3 Yr								

ADR \$	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Nov - 07								
Dec - 07								
Jan - 08	67.56	74.55	71.05	72.32	74.14	67.57	62.13	69.88
Feb - 08	73.55	74.93	71.29	69.39	69.32	76.63	74.92	73.04
Mar - 08	71.12	73.24	70.71	72.00	72.53	78.36	79.93	73.98
Apr - 08	71.37	72.68	70.88	70.29	69.93	86.18	86.46	77.53
May - 08	71.57	71.72	70.92	69.85	69.00	83.38	83.28	74.59
Jun - 08	75.80	71.48	70.44	72.16	72.17	86.07	76.83	76.83
Jul - 08	75.33	71.49	71.97	72.80	72.96	86.16	84.07	77.28
Aug - 08	71.97	71.53	71.42	71.80	72.49	83.79	81.42	75.65
Sep - 08	71.97	71.65	71.47	71.43	72.30	84.70	81.42	75.65
Oct - 08	71.97	71.65	71.47	71.43	72.30	84.70	81.42	75.65
Total Year	71.96	71.78	71.42	71.43	71.68	79.47	78.37	75.67

ADR (\$)							
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Nov06 - Oct06							
Nov07 - Oct07							
Nov08 - Oct08	71.96	71.76	71.47	71.43	71.66	79.47	78.37
Total Yr.							79.97

RevPAR (\$)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Nov - 07	20.02	37.32	40.43	38.88	26.81	26.54	31.71	31.30
Dec - 07	29.74	43.10	40.46	40.57	34.91	42.05	44.56	39.32
Jan - 08	21.86	37.29	43.59	44.96	39.77	50.68	44.48	40.65
Feb - 08	33.16	35.31	41.45	37.57	33.57	57.27	60.17	43.39
Mar - 08	31.01	42.92	47.75	45.46	40.75	61.58	59.01	45.49
Apr - 08	32.15	44.46	48.65	48.31	46.80	66.20	66.20	49.77
May - 08	34.60	45.19	50.01	47.01	40.08	51.09	65.70	49.68
Jun - 08	29.12	39.59	45.46	37.85	34.25	47.40	49.16	40.16
Jul - 08	26.19	39.59	35.46	37.28	34.25	47.40	37.73	37.73
Aug - 08	26.02	37.68	43.94	40.84	36.92	46.52	48.96	39.72
Total Year	21.86	37.29	43.59	44.96	39.77	50.68	44.48	40.65

RevPAR (\$)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Nov05 - Oct06								
Nov06 - Oct07								
Nov07 - Oct08	26.62	37.68	41.94	40.94	35.92	46.57	48.29	38.72

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Tab 7 - Raw Data

Edenton Data
 Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Date	Occupancy	ADR	RevPar	Supply	Demand	Revenue	Census Props	Census Rooms	% Rooms STAR
	This Year	This Year	This Year	This Year	This Year	This Year			Participants
	% Chg	% Chg	% Chg	% Chg	% Chg	% Chg			
Dec 04	46.4	57.74	26.77	8.277	3.838	221,610	4	267	100.0
Jan 05	45.5	59.94	27.25	8.277	3.763	225,557	4	267	100.0
Feb 05	49.6	58.59	29.06	7.476	3.708	217,254	4	267	100.0
Mar 05	60.1	58.50	35.19	8.277	4.978	291,232	4	267	100.0
Apr 05	71.2	61.42	43.72	8.010	5.702	350,232	4	267	100.0
May 05	59.9	65.92	39.49	8.277	4.958	326,829	4	267	100.0
Jun 05	66.1	66.61	44.01	8.010	5.292	352,507	4	267	100.0
Jul 05	72.8	67.95	49.47	8.277	6.025	409,424	4	267	100.0
Aug 05	72.6	64.69	46.99	8.277	6.012	388,930	4	267	100.0
Sep 05	59.3	65.16	38.63	8.010	4.749	309,462	4	267	100.0
Oct 05	57.6	63.90	36.82	8.277	4.769	304,751	4	267	100.0
Nov 05	57.5	63.90	36.71	8.010	4.602	294,058	4	267	100.0
Dec 05	41.5	60.61	25.15	8.277	3.435	208,190	4	267	100.0
Jan 06	46.0	63.71	29.31	7.6	3.808	242,609	4	267	100.0
Feb 06	58.0	62.50	36.26	7.476	4.337	271,077	4	267	100.0
Mar 06	54.6	64.31	35.09	8.277	4.517	290,479	4	267	100.0
Apr 06	62.8	65.87	41.38	8.010	5.032	331,437	4	267	100.0
May 06	66.8	69.37	46.31	8.277	5.525	383,282	4	267	100.0
Jun 06	76.0	62.08	47.21	8.010	6.091	378,130	4	267	100.0
Jul 06	76.0	64.20	48.81	8.277	6.292	403,966	4	267	100.0
Aug 06	68.9	70.36	48.46	8.277	5.700	401,074	4	267	100.0
Sep 06	65.3	68.35	44.64	8.010	5.231	357,531	4	267	100.0
Oct 06	55.4	69.12	38.31	8.277	4.588	317,104	4	267	100.0
Nov 06	52.5	69.90	36.70	8.010	4.206	293,997	4	267	100.0
Dec 06	49.2	65.52	32.23	8.277	4.072	266,806	4	267	100.0
Jan 07	49.2	65.74	32.37	8.277	4.076	267,948	4	267	100.0
Feb 07	56.7	66.78	37.88	7.476	4.241	283,196	4	267	100.0
Mar 07	66.3	66.30	43.94	8.277	5.486	363,722	4	267	100.0
Apr 07	66.3	70.14	46.47	8.010	5.307	372,246	4	267	100.0
May 07	66.0	69.87	46.09	8.277	5.460	381,475	4	267	100.0
Jun 07	76.8	71.46	54.91	8.010	6.155	439,815	4	267	100.0
Jul 07	71.8	73.24	52.56	8.277	5.940	435,025	4	267	100.0
Aug 07	69.9	73.33	51.24	8.277	5.784	424,123	4	267	100.0
Sep 07	63.5	71.02	45.08	8.010	5.084	361,067	4	267	100.0
Oct 07	64.6	69.54	44.89	8.277	5.343	371,576	4	267	100.0
Nov 07	53.5	69.77	37.32	8.010	4.285	298,973	4	267	100.0
Dec 07	45.7	68.66	31.35	8.277	3.779	259,484	4	267	100.0
Jan 08	42.4	68.65	29.13	8.277	3.512	241,107	4	267	100.0
Feb 08	44.8	69.88	31.30	7.476	3.349	234,013	4	267	100.0
Mar 08	53.8	73.04	39.32	8.277	4.456	325,451	4	267	100.0
Apr 08	54.9	73.98	40.65	8.010	4.401	325,607	4	267	100.0
May 08	55.9	77.58	43.39	8.277	4.629	359,113	4	267	100.0
Jun 08	62.0	74.59	46.26	8.010	4.968	370,559	4	267	100.0
Jul 08	64.8	76.83	49.77	8.277	5.362	411,944	4	267	100.0
Aug 08	64.3	77.28	54.49	8.277	5.321	411,216	4	267	100.0
Sep 08	52.3	76.66	40.08	8.010	4.188	321,054	4	267	100.0
Oct 08	49.3	76.53	37.71	8.277	4.078	312,109	4	267	100.0

Tab 7 - Raw Data

Edenton Data
Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
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Tab 8 - Classic

Edenton Data
Job Number: 230040_SADUM

Staff: AS

Created: December 11, 2008

Date	Occupancy	ADR	RevPar	Supply	Demand	Revenue	Census Props	Census Rooms	% Rooms STAR Participants
This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Dec 04	48.4	57.74	26.77	8,277	3,838	221,610	4	267	100.0
Od YTD 2004									
Total 2004									
Jan 05	45.5	59.94	27.25	8,277	3,763	225,557	4	267	100.0
Feb 05	49.6	58.59	29.06	7,476	3,708	217,264	4	267	100.0
Mar 05	60.1	58.50	35.19	8,277	4,978	291,232	4	267	100.0
Apr 05	71.2	61.42	43.72	8,010	5,702	350,232	4	267	100.0
May 05	59.9	65.92	39.49	8,277	4,958	326,829	4	267	100.0
Jun 05	66.1	66.61	44.01	8,010	5,292	352,507	4	267	100.0
Jul 05	72.8	67.95	49.47	8,277	6,025	409,424	4	267	100.0
Aug 05	72.8	64.89	46.89	8,277	6,012	388,930	4	267	100.0
Sep 05	59.3	65.16	38.63	8,010	4,749	309,462	4	267	100.0
Oct 05	57.8	63.90	36.82	8,277	4,789	304,751	4	267	100.0
Nov 05	57.5	63.90	36.71	8,010	4,602	294,058	4	267	100.0
Dec 05	41.5	60.61	25.15	8,277	3,435	208,190	4	267	100.0
Od YTD 2005									
Total 2005									
Jan 06	48.0	63.56	29.13	8,168	49,856	3,176,176			
Feb 06	58.0	63.43	37.74	97,455	57,993	3,675,426			
Mar 06	54.8	63.71	29.31	8,277	3,808	242,809	4	267	100.0
Apr 06	62.8	62.50	36.26	7,476	4,337	271,077	4	267	100.0
May 06	68.8	64.31	35.09	8,277	4,517	290,479	4	267	100.0
Jun 06	76.0	65.87	41.38	8,010	5,032	331,437	4	267	100.0
Jul 06	68.9	66.37	46.31	8,277	5,525	383,282	4	267	100.0
Aug 06	68.9	62.08	47.21	8,010	6,091	373,130	4	267	100.0
Sep 06	65.3	64.20	48.81	8,277	6,292	403,966	4	267	100.0
Oct 06	55.4	70.36	48.46	8,277	5,700	401,074	4	267	100.0
Nov 06	52.5	68.35	44.64	8,010	5,231	357,531	4	267	100.0
Dec 06	49.2	69.12	38.31	8,277	4,588	317,104	4	267	100.0
Od YTD 2006									
Total 2006									
Jan 07	49.2	66.05	28.23	8,168	51,121	3,378,689	6.3	267	100.0
Feb 07	56.7	66.29	40.40	97,455	59,399	3,937,492	7.0	267	100.0
Mar 07	66.3	65.74	32.37	8,277	4,076	267,948	4	267	100.0
Apr 07	66.3	66.78	37.88	7,476	4,241	283,196	4	267	100.0
May 07	68.0	66.30	43.94	8,277	5,486	363,722	4	267	100.0
Jun 07	78.8	70.14	46.47	8,010	5,307	372,246	4	267	100.0
Jul 07	71.8	69.87	46.08	8,277	5,480	381,475	4	267	100.0
Aug 07	71.8	71.46	54.91	8,010	6,155	439,815	4	267	100.0
Sep 07	69.9	73.24	52.56	8,277	5,940	435,025	4	267	100.0
Oct 07	63.5	73.33	51.24	8,277	5,784	424,123	4	267	100.0
Nov 07	53.5	71.02	45.08	8,010	5,084	361,067	4	267	100.0
Dec 07	45.7	69.54	44.88	8,277	5,343	371,576	4	267	100.0
Od YTD 2007									
Total 2007									
Jan 08	42.4	68.66	31.35	8,277	3,779	259,484	4	267	100.0
Feb 08	44.8	69.98	45.59	8,168	52,876	3,700,193	9.6	267	100.0
Mar 08	53.8	69.88	43.70	97,455	60,940	4,258,650	8.2	267	100.0
Apr 08	54.9	68.65	29.13	8,277	3,512	241,107	4	267	100.0
May 08	55.9	69.88	31.30	7,476	3,349	234,013	4	267	100.0
Jun 08	62.0	73.04	39.32	8,277	4,456	325,451	4	267	100.0
Jul 08	64.8	73.98	40.65	8,010	4,401	325,607	4	267	100.0
Aug 08	64.3	77.58	43.39	8,277	4,629	359,113	4	267	100.0
Sep 08	52.3	74.59	46.26	8,010	4,988	370,559	4	267	100.0
Oct 08	49.3	76.83	49.77	8,277	5,362	411,944	4	267	100.0
Nov 08	52.3	77.28	54.98	8,010	5,321	411,216	4	267	100.0
Dec 08	49.3	76.66	40.08	8,277	4,188	321,054	4	267	100.0
Od YTD 2008									
Total 2008									
Jan 09	49.3	76.53	37.71	8,277	4,078	312,109	4	267	100.0

Tab 8 - Classic

Edenton Data
Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms
Oct YTD 2008	54.5	-16.3	74.63	6.9	40.61	-10.5	81,168	0.0	44,264	-16.3	3,312,173	-10.5		

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Rooms STAR	
Participants	%

Tab 9 - Response Report

Edenton Data
Job Number: 230040_SADUM Staff: AS Created: December 11, 2008

[illegible]

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Tab 10 - Help

Methodology

While virtually every chain in the United States provides STR with data on almost all of their properties, there are still some hotels that don't submit data. But we've got you covered. Every year we examine guidebook listings and hotel directories for information on hotels that don't provide us with data. We don't stop there. We call each hotel in our database every year to obtain "published" rates for multiple categories. Based on this information we group all hotels - those that report data and those that don't - into groupings based off of price level and geographic proximity. We then estimate the non-respondents based off of nearby hotels with similar price levels. Similarly, we sometimes obtain monthly data from a property, but not daily data. We use a similar process. We take the monthly data that the property has provided, and distribute it to the individual days based on the revenue and demand distribution patterns of similar hotels in the same location. We believe it imperative to perform this analysis in order to provide interested parties with our best estimate of total lodging demand and room revenue on their areas of interest. Armed with this information a more informed decision can be made.

Glossary

ADR (Average Daily Rate) Room revenue divided by rooms sold.	Revenue (Room Revenue) Total room revenue generated from the sale or rental of rooms.
Affiliation Date Date the property affiliated with current chain/flag	RevPAR - Revenue Per Available Room Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).
Census (Properties and Rooms) The number of properties and rooms that exist (universe)	Sample % (Rooms) The % of rooms STR receives data from. Calculated as (Sample Rooms/Census Rooms) * "100".
Change in Rooms Indicator of whether or not an individual hotel has had added or deleted rooms.	Standard Historical TREND Data on selected properties or segments starting in 1997.
Exchange Rate The factor used to convert revenue from U.S. Dollars to the local currency. The exchange rate data is obtained from Oanda.com. Any aggregated number in the report (YTD, Running 3 month, Running 12 month) uses the exchange rate of each relative month when calculating the data.	STR Code Smith Travel Research's proprietary numbering system. Each hotel in the lodging census has a unique STR code.
Demand (Rooms Sold) The number of rooms sold (excludes complimentary rooms).	Supply (Rooms Available) The number of rooms times the number of days in the period.
Full Historical TREND Data on selected properties or segments starting in 1987.	Twelve Month Moving Average The value of any given month is computed by taking the value of that month and the values of the eleven preceding months, adding them together and dividing by twelve.
Occupancy Rooms sold divided by rooms available.	Year to Date Average or sum of values starting January 1 of the given year.
Open Date Date the property opened	
Percent Change Amount of growth, up, flat, or down from the same period last year (month, ytd, three months, twelve months). Calculated as ((TY-LY/LY) * "100".	

Tab 11 - Terms and Conditions

Before purchasing this product you agreed to the following terms and conditions.

In consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Smith Travel Research, Inc. ("STR") and purchaser of this product ("Licensee")

1. LICENSE

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1.2 **Grant of License.** Subject to the terms and conditions of this Agreement, and except as may be expressly permitted elsewhere in this Agreement, STR hereby grants to Licensee a non-exclusive, non-transferable, indivisible, non-sublicensable license to use, copy, manipulate and extract data from the Licensed Materials for its own INTERNAL business purposes only.

1.3 **Copies.** Except as expressly permitted elsewhere in this Agreement, Licensee may make and maintain no more than two (2) copies of any Licensed Materials.

1.4 **No Service Bureau Use.** Licensee is prohibited from using the Licensed Materials in any way in connection with any service bureau or similar services. "Service bureau" means the processing of input data that is supplied by one or more third parties and the generation of output data (in the form of reports, charts, graphs or other pictorial representations, or the like) that is sold or licensed to any third parties. Licensee shall not use the Licensed Materials in any way in connection with any service bureau or similar services, and shall not use the Licensed Materials in any way in connection with any service bureau or similar services, and shall not use the Licensed Materials in any way in connection with any service bureau or similar services, and shall not use the Licensed Materials in any way in connection with any service bureau or similar services.

1.6 **Security.** Licensee shall use commercially reasonable efforts to protect against unauthorized access to the Licensed Materials.

1.7 **Reservation of Rights.** Licensee has no rights in connection with the Licensed Materials other than those rights expressly enumerated herein. All rights to the Licensed Materials not expressly enumerated herein are reserved to STR.

2. DISCLAIMERS AND LIMITATIONS OF LIABILITY

2.1 **Disclaimer of Warranties.** The licensed materials are provided to the licensee on an "as is" and "as available" basis. STR makes no representations or warranties of any kind, express or implied, with respect to the licensed materials, the services provided or the results of use thereof. Without limiting the foregoing, STR does not warrant that the licensed materials, the services provided or the use thereof are or will be accurate, error-free or uninterrupted. STR makes no implied warranties, including without limitation, any implied warranty of merchantability, noninfringement or fitness for any particular purpose or arising by usage of trade, course of dealing, course of performance or otherwise.

2.2 **Disclaimers.** STR shall have no liability with respect to its obligations under this agreement or otherwise for consequential, exemplary, special, incidental, or punitive damages even if STR has been advised of the possibility of such damages. Furthermore, STR shall have no liability whatsoever for any claim relating in any way to any decision made or action taken by licensee in reliance upon the licensed materials.

2.3 **Limitation of Liability.** STR's total liability to licensee for any reason and upon any cause of action including without limitation, infringement, breach of contract, negligence, strict liability, misrepresentations, and other torts, shall be limited to all fees paid to STR by the licensee during the twelve month period preceding the date on which such cause of action first arose.

3. MISCELLANEOUS

3.1 **Liquidated Damages.** In the event of a violation of Section 1.5 of these Standard Terms and Conditions, Licensee shall be required to pay STR an amount equal to the sum of (i) the highest aggregate price that STR, in accordance with its then-current published prices, could have charged the unauthorized recipients for the Licensed Materials that are the subject of the violation, and (ii) the full price of the lowest level of republishing rights that Licensee would have been required to purchase from STR in order to have the right to make the unauthorized distribution, regardless of whether Licensee has previously paid for any lower level of republishing rights, and (iii) fifteen percent (15%) of the total of the previous two items. This provision shall survive indefinitely the expiration or termination of this Agreement for any reason.

3.2 **Obligations on Termination.** Within thirty (30) days of the termination or expiration of this Agreement for any reason, Licensee shall cease all use of the Licensed Materials and shall return or destroy, at STR's option, all copies of the Licensed Materials and all other information relating thereto in Licensee's possession or control as of the such date. This provision shall survive indefinitely the expiration or termination of this Agreement for any reason.

3.3 **Governing Law; Jurisdiction and Venue.** This Agreement shall be governed by the substantive laws of the State of Tennessee, without regard to its or any other jurisdiction's laws governing conflicts of law. Any claims or actions regarding or arising out of this Agreement shall be brought exclusively in a court of competent jurisdiction located in Nashville, Tennessee, and the parties expressly consent to personal jurisdiction thereof. The parties also expressly waive any objections to venue.

3.4 **Assignment.** Licensee is prohibited from assigning this Agreement or delegating any of its duties under this Agreement without the prior written consent of STR.

3.5 **Independent Relationship.** The relationship between the parties is that of an independent contractor. Nothing in this Agreement shall be deemed to create an employer/employee, principal/agent, partnership or joint venture relationship.

3.6 **Notices.** All notices required or permitted to be given hereunder shall be in writing and shall be deemed given (i) when delivered by facsimile transmission or e-mail, at the time of transmission (provided, however, that notice delivered by facsimile transmission shall only be effective if such notice is also delivered by hand or deposited in the United States mail, postage prepaid, registered, certified or express mail or by courier service within two (2) business days after its delivery by facsimile transmission); (ii) when delivered by a courier service or by express mail, at the time of receipt; or (iv) five (5) business days after being deposited in the United States mail, postage prepaid, registered or certified mail, addressed (in any such case) to the addresses listed on the first page of this Agreement or to such other address as either party may notify the other in writing.

3.7 **Waiver.** No waiver of any breach of this Agreement will be deemed to constitute a waiver of any subsequent breach of the same or any other provision.

3.8 **Entire Agreement.** This Agreement constitutes the entire agreement of the parties with respect to the matters described herein, superseding in all respects any and all prior proposals, negotiations, understandings and other agreements, oral or written, between the parties.

3.9 **Amendment.** This Agreement may be amended only by the written agreement of both parties.

3.10 **Recovery of Litigation Costs.** If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

3.11 **Injunctive Relief.** The parties agree that, in addition to any other rights or remedies which the other or STR may have, any party alleging breach or threatened breach of this Agreement will be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to restrain the other from breaching or threatening to breach any of the provisions of this Section, without posting bond or other surety.

3.12 **Notice of Unauthorized Access.** Licensee shall notify STR immediately upon Licensee's becoming aware of any facts indicating that a third party may have obtained or may be about to obtain unauthorized access to the Licensed Materials, and shall fully cooperate with STR in its efforts to mitigate the damages caused by any such breach or potential breach.

3.13 **Conflicting Provisions.** In the event that any provision of these Standard Terms and Conditions directly conflicts with any other provision of the Agreement, the conflicting terms of such other provision shall control.

3.14 **Remedies.** In addition to any other rights or remedies that STR may have, in the event of any termination by STR on account of a breach by Licensee, STR may, without refund, immediately terminate and discontinue any right of Licensee to receive additional Licensed Materials from STR.