AKGI

Project Valuation Report
Mixed-Use Development Project
Charlotte, North Carolina

THE CHARLOTTE CLUB
"Own Your Experience"

Prepared for

McClain Real Estate Development
1832 J. Julian Lane
Charlotte, North Carolina 28208
O: 704-392-3095 D: 919-671-3557
E: mclain7@bellsouth.net

March 2021

A. Project Summary

McClain Real Estate Development (MRED) developer for **"The Charlotte Club"** Project a **"LIFESTYLE" MIXED-USE DEVELOPMENT PROJECT**. The developer has planned a highly feasible project that creates value for all its stakeholders and will outperform many of the area's single-use real estate development projects.

Included in this world class facility, that will be implementing the latest green technology and materials, is a mixture of multifamily units (485 apartment units that features state-of-the-art amenities and décor and a upper scale 283 room hotel with amenities that includes a multi-purpose and specialty restaurants, lobby lounge bar, spa and wellness center with health club, ballroom, conference rooms, jazz club and a total event/entertainment facility (over 13,000 sq. ft.) with a recording studio.

The project development cost is projected at $321.7 million and will have over 1.2+ million gross sq. ft. That will include retail/office space and parking. This all adds in creating a LIVE-WORK-PLAY-VISIT experience. Parking for guests, owners, tenants and visitors will be incorporated in the42 story tower with podium/deck stack parking design. The design concept will maximize the size of 2.7 A/C by using height, amenities, architectural expression that helps mitigate traffic congestion while yet enhancing pedestrian traffic.

B. Valuation Method: Income Approach

This project will use income-based approaches that are primarily used when valuing a business, the Capitalization of Cash Flow Method and the Discounted Cash Flow Method. These methods are used to value a company based on the amount of income the company is expected to generate in the future.
The Capitalization of Cash Flow Method is most often used when a company is expected to have a relatively stable level of margins and growth in the future – it effectively takes a single benefit stream and assumes that it grows at a steady rate into perpetuity. The Discounted Cash Flow method, on the other hand, is more flexible than the Capitalization of Cash Flow Method and allows for variation in margins, growth rates, debt repayments and other items in future years that may not remain static. As a result, the Capitalization of Cash Flow Method is typically applied more often when valuing mature companies with modest future growth expectations. The Discounted Cash Flow Method is used when future growth rates or margins are expected to vary or when modeling the impact of debt repayments in future years.

USE OF FUNDS	AMOUNT	% OF TOTAL COST
Land	$12,000,000	3.7%
Site Improvements	$1,368,000	0.4%
Hard Construction	$182,034,000	56.6%
Pandemic Impact (COVID-19) Contingency	$17,500,000	5.4%
FF&E	$47,462,887	14.8%
Soft Costs	$48,192,323	14.9%
Financing Costs	$13,175,791	4.2%
Total	$321,733,000	100.0%

C. Projected As "Completed" Value

McClain Real Estate Development (MRED) recognized the challenge in building value in real estate. In **The Charlotte Club** project that have included commercial, residential, leisure, mixed use, and hospitality will deliver the capabilities and innovative approaches necessary to be successful. By taking extra steps to meet an owner, guest and tenant's special requirements and improve the communities where they **LIVE-WORK-PLAY-VISIT**. The developer's is committed to building the value of this project and others added to the portfolio for us our investment partners.

Based on our knowledge, analysis, vision, innovation, negotiation and soon performance; it is our projection that **The Charlotte Club** project will achieve an **"AS COMPLETED"** value of:

Five Hundred Third-teen Million, Six Hundred Fifty-Eight Thousands

$513,658, 000

The Charlotte Club
Projected Income Analysis - "As Completed" Value

As a result of our analysis, we are of the opinion that the market value of the fee simple interest of the subject hotel property, in its as is condition and subject to the assumptions and limiting conditions, certification and definitions, and extraordinary assumptions and hypothetical conditions, if any, as of March 1, 2021, is:

VALUE CONCLUSIONS: **Hotel Component Only**

Value	Total Keys	Value per Keys	Cap Rate
$235,549,000	283	$832,329	5.0%

VALUE CONCLUSIONS: **Apartments Component Only**

Value	Total Keys	Value per Units	Cap Rate
$134,709,000	465	$289,697	2.5%

VALUE CONCLUSIONS: **Entertainment Component Only**

Value	Total Sq. Ft. (NRA)	Value per Sq..	Cap Rate
$40,961,000	12,000	$3,413	2.0%

VALUE CONCLUSIONS: **Retail/Office Component Only**

Value	Total Sq. Ft. (NRA)	Value per Sq..	Cap Rate
$102,439,000	162,190	$632	3.6%

Total Projected Value			Cap Rate
$513,658,000			**3.0%**

Source: HVS, Cap Rates

AKGI

Exhibit: 1

The Charlotte Club
Projected Income Analysis - "As Completed" Value (Consolidated)

			Pro Forma Cash Flow Statement Omitted $(000)					
			Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income								
Apartment			$3,134	$3,495	$3,881	$5,980	$6,644	$23,134
Net: Retail & Office			$1,174	$2,544	$5,093	$5,086	$5,081	$18,978
Hotel			$25,796	$28,434	$30,121	$31,031	$31,783	$147,165
Entertainment Venue			$2,460	$2,523	$2,750	$2,807	$2,864	$13,404
Total Income			**$32,564**	**$36,996**	**$41,845**	**$44,904**	**$46,372**	**$202,681**
Expenses								
Hotel			$15,723	$17,072	$18,152	$18,576	$18,987	$88,510
Apartment Expenses			$724	$553	$579	$724	$769	$3,349
Entertainment Venue			$1,685	$1,751	$1,839	$1,924	$1,988	$9,187
Total Direct Costs			**$18,132**	**$19,376**	**$20,570**	**$21,224**	**$21,744**	**$101,046**
Total Gross Profit			**$14,432**	**$17,620**	**$21,275**	**$23,680**	**$24,628**	**$101,635**
Property Taxes			$722	$910	$931	$952	$975	$4,490
Depreciation/Amortization Expense			$1,497	$1,497	$1,497	$1,497	$1,497	$7,485
Interest Expense			$3,852	$3,803	$3,757	$3,711	$3,667	$18,790
Total All Costs & Expenses			**$6,071**	**$6,210**	**$6,185**	**$6,160**	**$6,139**	**$30,765**
Net Income			**$8,361**	**$11,410**	**$15,090**	**$17,520**	**$18,489**	**$70,870**
NOI %			25.7%	30.8%	36.1%	39.0%	39.9%	35.0%
EBITDA			$15,203	$18,431	$22,106	$24,531	$25,498	$105,769
EBITDA - %			46.7%	49.8%	52.8%	54.6%	55.0%	52.2%
Sale Valuation at NOI Multiple	3%	Cap Rate	$245,912	$335,588	$443,824	$515,294	$543,794	$2,084,412
Total Project Costs								
Projected value of completed project:								
at 3% annual discount (year 4 post closing)		$499,835						
at 3% annual discount (year 5 post closing)		$527,480						
Average of year 1 and year 5		**$513,658**						

			Pro Forma Income Statement Omitted $(000)					
DEPARTMENTAL REVENUE & EXPENSES			Year 1	Year 2	Year 3	Year 4	Year 5	Total
Total Operating Revenue			$32,564	$36,996	$41,845	$44,904	$46,372	$202,681
Total Direct Costs & Expenses			$24,203	$25,586	$26,755	$27,384	$27,883	$101,046
NET INCOME			**$8,361**	**$11,410**	**$15,090**	**$17,520**	**$18,489**	**$70,870**
DEBT SERVICE			$0	$0	$0	$0	$0	$0
NET OPERATING INCOME			$8,361	$11,410	$15,090	$17,520	$18,489	$70,870
Sale Valuation at Multiple	3%	Cap Rate	$245,912	$335,588	$443,824	$515,294	$543,794	$2,084,412
Projected value of completed project:								
at 3% annual discount (year 4 post closing)		$499,835						
at 3% annual discount (year 5 post closing)		$527,480						
Average of year 4 and year 5		**$513,658**						

Projected "As Completed Value"	**$513,658**
Investment	$321,733
ROI	$191,925
%	37.4%
Investment to Value Ratio	**63%**

AKGI Business Services 1832 J. Julian Lane Charlotte, NC 28208
Office: 704-392-3095 mclain7@bellsouth.net Mobile: 919-671-3557

AKGI

Exhibit 2

On-Site Project Program					
PROPERTY ADDRESS	800 West Morehead Street (Stadium Terraces Site)				
PROJECT TYPE	"Lifestyle" Mixed-Use Development Project				
APARTMENT BRAND	**The Charlotte Club**				
HOTEL BRAND	**Hard Rock Hotel - Charlotte**				
PROPOSED DEVELOPMENT	Mixed Use Development				
ZONING	(UMUD) Uptown Mixed Use District				
SQ FOOTAGE LOSS FACTOR	1.02				
PROPOSED HOTEL KEYS	283				
LAND TOTAL A/C	2.269				
LAND TOTAL GSF SQ. FT.	98,838				
PROJECTED FAR	12				
PROPOSED APARTMENT UNITS	485				
PROPOSED PARKING SPACES	1,339				
PROPOSED PARKING GSF SQ FT	468,730				
PROPOSED RETAIL GSF SQ FT	10,500				
PROPOSED OFFICE GSF SQ FT	155,000				
EVENT: LIVE VENUE/NIGHT CLUB GSF SQ FT	13,553				

Description	# Units	Unit Type	S.F/Unit	NRA	GSF
Hotel					
Hotel - Kings	125	King	350	43,582	44,454
Hotel - Double/Double	147	DD	375	55,185	56,289
Hotel - Jr. Suites	6	Suite	800	5,026	5,127
Hotel - Executive Suite	4	Suite	850	3,199	3,263
Hotel - Presidential Suites	1	Suite	975	1,214	1,238
Total Hotel Rooms	**283**			**108,206**	**110,371**
Average Space per Hotel Room HR Standard				**382**	
Apartments					
Apartment - Studio	82	Studio	525	43,286	44,152
Apartment - One Bedroom w/1BA	247	1-BR	728	180,071	183,672
Apartment - Two Bedroom w/2BA	150	2-BR	1,173	176,361	179,888
Apartment - Three Bedroom w/2BA	5	3-BR	2,210	10,719	10,933
Total Apartments	**485**			**410,436**	**418,645**
Average Rentable Space per Apartment Units				**846**	
Sub-Total	**768**			**518,643**	**529,015**

Description	NRA	GSF
Hotel/Office/Retail/Parking/Entertainment		
Hotel - Club Lounge, Board Room & Pantry	6,101	6,225
Hotel - Ballroom, Meeting & Banquet/BOH	19,412	19,808
Hotel - Lobby Lounge	3,328	3,396
Hotel - Restaurants	5,885	6,005
Hotel - Bar	2,685	2,739
Hotel - Spa	6,370	6,500
Hotel - Health Club	3,430	3,500
Apartment - Fitness Center	1,823	1,860
Apartment - Business Center	931	950
Apartment - Club House	1,862	1,900
Apartment - Deck /w Outdoor Pool	1,842	1,880
Apartment - Delivery Package Center	461	470
Commercial Office Space	151,900	155,000
Commercial Retail Space	10,290	10,500
Parking	459,355	468,730
Entertainment: Live Venue/Nightclub	12,000	13,553
Sub-Total	**687,675**	**703,017**
Grand Total (# Units: 768)	**1,206,317**	**1,232,032**

D. How “SYNERGY” is achieved - “Lifestyle” Mixed Use Development:

800 West Morehead Street

• Each use is able to generate revenue from the other uses on the site. The occupants, residential and office uses shop at the on-site retail facilities. Office and retail space users live in the residential units.

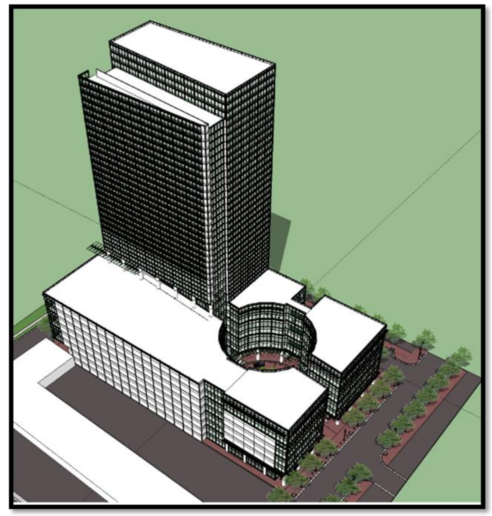
• Each use is an amenity for the other uses. Office users need restaurants and a hotel that is on-site attracts office and retail tenants. The hotel benefits from visitors to the office space.

• This combination of uses provides a place for supply to meet existing, unfulfilled demand on West Morehead & South Cedar Streets (SouthEnd) area of Uptown Charlotte.

Moreover, it lays the foundation to be a catalyst to develop an area which increases the future level of demand. It could be “the spot” for SouthEnd to attract consumers from further distances. Also be a starting point for additional development in the SouthEnd area.

Generating and maintaining strong linkages to other land users external to The Charlotte Club Development project is also important market factors. The on-site restaurants also need to serve potential customers (residential users and office space users) living or working in close proximity to the project. Retail establishments should also be able to do the same.

Competition with external projects is a larger consideration in planning this project. For example, building retail space near a highly successful super-regional mall surrounded by power centers, community centers and a lifestyle center may lead to high retail space vacancy when the office and residential components are successful. Similarly, building hotel space on the same site could be a problem if the existing economic node has excess hotel space. "Skyline" site offers just opposite for this development.



The geographic extent for the commercial retail, office and entertainment space in the project having anchor tenants and the majority of the non-anchor tenants are a large consideration. The developer can ill afford to mistake the assumption that the retail, office and entertainment are all the same. Some of the shops and offices will attract customers from a greater distance than others. A three-mile ring could be too much geography for some stores and not enough for other stores. Another mistake the developer wishes to avoid is assuming that the retail and office space trade area for the most prestigious retail store and office space is the trade area for the project. "Lifestyle" hotel mixed-use development will have phasing and timing issues that go beyond those typically experienced in single use development such as:

- Each phase should be able to survive on its own if subsequent phases are not built
- The first phase sets the theme, the tone and the quality level of the project
- Each phase need not have the same length of time or mass
- The financial feasibility of the next phase need not reflect that of the earlier phase(s).
- Phasing is more difficult because enough critical mass has to be created at the beginning.

AKGI Business Services 1832 J. Julian Lane Charlotte, NC 28208
Office: 704-392-3095 mclain7@bellsouth.net Mobile: 919-671-3557