



Scotch Hall Preserve

Merry Hill, North Carolina

900-Acre Waterfront Golf Resort Community

\$12,000,000

Marcus & Millichap

Scotch Hall Preserve

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**LEISURE
INVESTMENT PROPERTIES GROUP**

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Table of Contents

| | |
|--------------------------------|---------|
| Section I | Page 5 |
| Property Overview | |
| Section II | Page 15 |
| Community Amenities Overview | |
| Section III | Page 28 |
| Lot and Land Inventory | |
| Section IV | Page 37 |
| Pricing and Financial Analysis | |
| Section V | Page 48 |
| Competitive Properties | |
| Section VI | Page 52 |
| Recent Community Sales | |





**PROPERTY
OVERVIEW**

Offering Summary

The Leisure Investment Properties Group of Marcus & Millichap is pleased to exclusively offer the opportunity to acquire Scotch Hall Preserve in Merry Hill, North Carolina. Scotch Hall Preserve is a 900-acre residential waterfront community on the bluffs of North Carolina’s Albemarle Sound featuring a world-class Arnold Palmer Signature golf course, 17-slip marina site permitted for 107 slips, and resort-style amenities. This exceptional coastal community currently has 207 developed vacant lots for sale as well as four rental homes. Furthermore, the density allows for up to approximately 1,200 homes which means the remaining 360 acres +/- of developable raw land will allow for an additional 895 lots to be developed.

| | |
|---------------------------------|--|
| Offering Price: | \$12,000,000 |
| Property Address: | 105 Scotch Hall Court, Merry Hill, NC 27957 |
| Capital Investment to Date: | Over \$21 Million |
| Total Acres: | 900 +/- |
| Undeveloped Acres: | 360 +/- |
| Total Possible Lots: | Approximately 1,200 |
| Vacant Lot Inventory: | 207 (Included in 1,200 Lots) |
| Rental Homes: | 4 (Included in 1,200 Lots) |
| Existing Homes in Neighborhood: | 36 (Sold & Included in 1,200 Lots) |
| Home Value Range: | \$299K - \$1M+ |
| Golf Course Architect: | Arnold Palmer Design |
| # of Holes: | 18 |
| Total # of Rounds T-12: | 14,451 |
| # of Members: | 52 |
| # of Annual Members: | 113 |

Investment Highlights

- 900 Total Acres with Resort-Style Amenities
- Signature Arnold Palmer Designed Golf Course
- 207 Fully Developed Lots, Four Rental Homes
- 360 Acres of Undeveloped Raw Land Offers Potential for Approximately 895 Future Lots
- Investment Exceeds \$21 Million to Date in Acquisitions, Development, Permitting, Infrastructure and Amenities.
- 17-Slip Marina Site Permitted for Up To 107 Slips

Terms of Sale

- Fee simple Interest in the Sale. The Seller will consider an all cash buyer, seller carry, or a seller profit sharing proposal. Because of the heavily discounted offering price the seller is looking for a kickback on the tail end.

Property Tours

- Prospective purchasers are encouraged to visit the property prior to submitting offer
- All tours must be arranged by the Leisure Investment Properties Group. *Please do not contact on-site management or staff without prior approval.*

Investor Summary

- The purchasing entity should identify principals thereof and include a resume outlining real estate owned and/or management experience of comparable properties, as well as a statement of proof of funds.

Future Return Drivers



Excellent Development Opportunity

When Scotch Hall Preserve was first being developed in 2005 the community was approved for roughly 400-500 single-family residential lots. Around 2010 the community got preliminary approval from the county to increase the density which will now allow approximately 1,200 total lots. The current lot inventory includes 147 Interior/Wooded lots, 17 Golf lots, 5 Golf/Pond lots, 16 Pond lots, 2 Waterview lots and 20 Waterfront lots for a total of 207 fully developed lots. Lot values range anywhere from \$59,000 to \$200,000 and could generate over \$15,000,000 in Retail Lot Revenue for an investor. This could provide new ownership with immediate cash flow while continuing to develop new homesites and additional amenities as they see fit. The community currently has approximately 360 acres of developable land. The undeveloped land at Scotch Hall has potential value far in excess of the per acre value that seemingly comparable tracts outside of the community currently command. This is because Scotch Hall's undeveloped acreage benefits greatly by 1) being inside the gates of Scotch Hall, 2) the access and views of the Albemarle Sound and, 3) the resort-style amenities. In the right hands, this land could have exceptional value and upside by allowing new ownership to get creative in how to develop the remaining acreage within the community. Much of the undeveloped acres either abuts the golf course, marina, or woods and is former pasture land that is readily developable. Furthermore, current ownership does not offer spec homes and has shifted interest to other investments which has resulted in slower sales over the last few years. With a strategic sales and marketing effort, continued investment in the property and the luxury of offering spec homes, new ownership could significantly increase absorption, build out this beautiful waterfront community and generate a return upwards of 20%.



Continued Amenities Improvement and Expansion

To date, the total capital invested by the current owner exceeds \$21.5 million including site acquisition, development, permitting, infrastructure and amenities. The community's main attraction is the world-class Arnold Palmer designed golf course. The golf course has received numerous awards and accomplishments already and has tremendous upside in terms of income with the right ownership and management in place. The golf course has gained a ton of traction since 2016, increasing total rounds played by nearly 50% over the last two years and is now approaching 15,000 rounds. Once the surrounding community becomes more established, the golf club will benefit accordingly from increased membership sales, revenue and strong positive cash flow. Additionally, the golf course doesn't technically have its own clubhouse as of now. As the community continues to be built out, new ownership should consider building a clubhouse specifically for the golf course. This could help generate more F&B and Banquet revenue and would help facilitate the operations of the golf course better. One development piece that could dramatically enhance the amenities at Scotch Hall is providing better access to the water. The use is severely limited as it is and improving this could be one of the many avenues to help move the interior lot inventory. The marina site currently only has 17 slips but has been permitted for expansion up to 107 slips. New ownership should consider adding fuel, electric, water and potentially dry storage at the marina site as well. Lastly, constructing scenic hiking and biking riding trails would appeal to many potential residents, as they are commonly asked for by prospects and there is excess land for this amenity.

Site Plan



Capital Investment to Date

The total investment in Scotch Hall Preserve by the developer is in excess of \$21.5 million in real estate capital per their financial statements and is broken down as follows:

Real Estate Capital

| | |
|--|---------------------|
| Land, FF&E, Infrastructure, Construction Costs, Golf Course: | \$13,608,370 |
| Developer Owned Rental Housing: | \$775,195 |
| Activity Center/The Shed Bar & Eatery: | \$992,688 |
| Marina Site and Salmon Creek Watersports: | \$597,859 |
| Soundside Beach Club: | \$1,576,952 |
| Wastewater Treatment Plant: | \$3,968,969 |
| Church Entrance: | \$108,130 |
| Total: | \$21,628,162 |

Location Overview

Here in the hidden, but easy to get to northeast corner you will find a classic blend of all of Carolina’s assets—favorable climate, natural beauty, and unbounded recreational experiences that will cater to every member of your family. Scotch Hall Preserve offers the charm of small town living yet is a seamless drive from many of the most populous cities on the Carolina Coast and Southern Virginia.

Edenton

Just 20 minutes from Scotch Hall, Edenton sits amidst stands of cypress, yellow pine and oak trees on a bluff overlooking the Albemarle Sound, the second-largest estuary in America, second only to Chesapeake Bay. Edenton is home to a diverse collection of restaurants, boutique shops, medical facilities and centuries of historical milestones in U.S. History. Edenton was called the “Prettiest Small Town in the South” by Forbes Magazine.

Raleigh/Durham/Chapel Hill

Only two hours away sits the Raleigh, Durham, and Chapel Hill market which has been dubbed Research Triangle Park. It’s named after the three major research universities in those three cities (NC State, Duke, and UNC Chapel Hill). This area is one of the most-prominent high-tech research and development parks in the United States and is an ideal market to target for Scotch Hall Preserve as they are a great demographic for the Scotch Hall’s price point, are not too far away, good crowd for golfers and people looking for weekend homes.

Outer Banks

The Outer Banks is a 200-mile-long string of barrier islands and spits off the coast of North Carolina and southeastern Virginia. They cover most of the North Carolina coastline, separating Currituck Sound, Albemarle Sound, and Pamlico Sound from the Atlantic Ocean. The Outer Banks are a major tourist destination and are known around the world for their wide expanse of open beachfront.

Norfolk/Virginia Beach

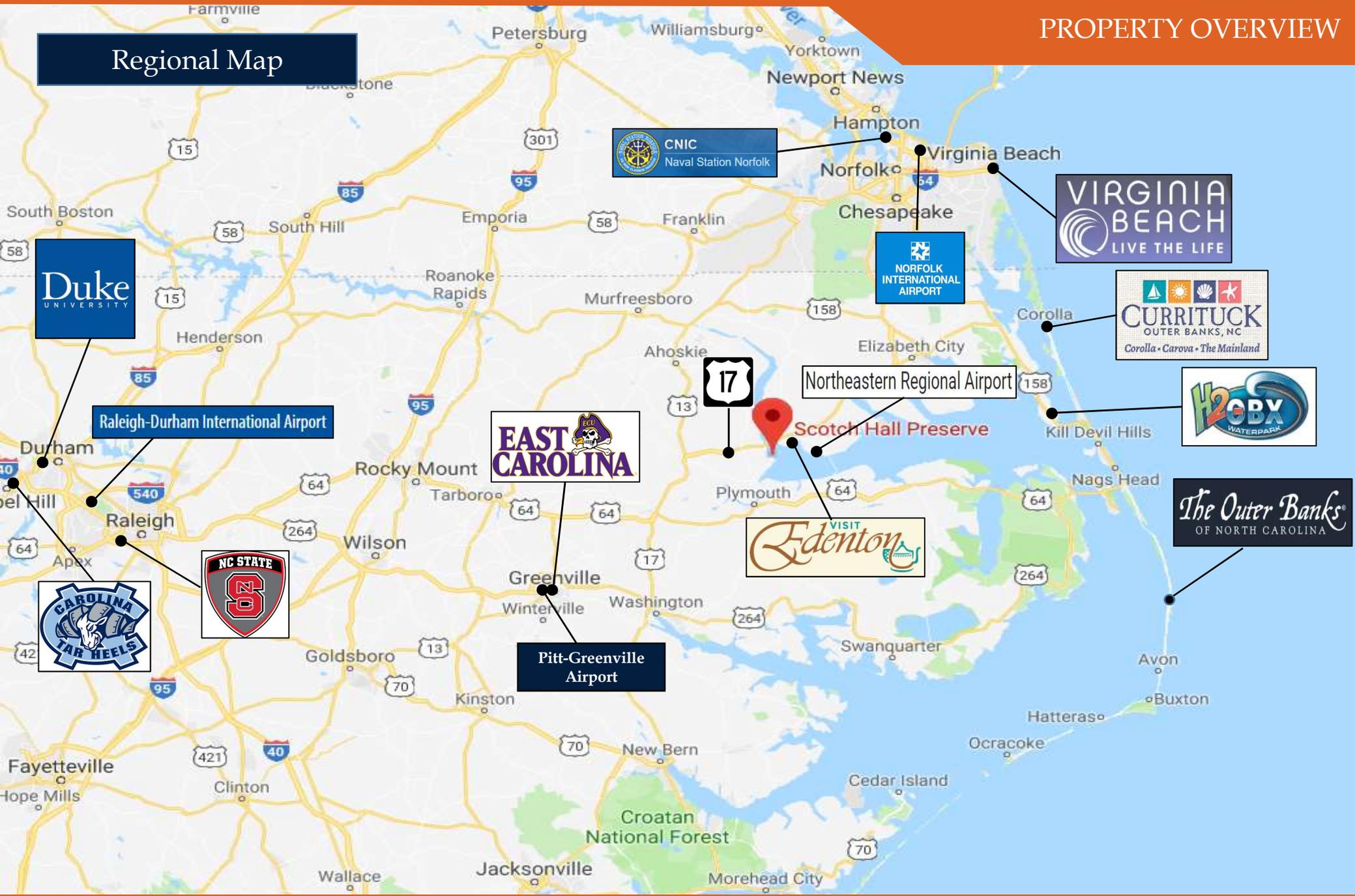
Norfolk/Virginia Beach has all the elements of a classic seaside resorts: gorgeous beaches, a lively boardwalk, plenty of restaurants, nightspots, and amusement rides sure to appeal to kids. Norfolk is home to the world’s largest naval base and the North American Headquarters for NATO (North Atlantic Treaty Organization). USA Today called Norfolk one of the Top 10 booming downtowns, recognizing a decades-long housing, retail and financial bloom.

Northern Virginia

Northern Virginia is highly populated as much of it is considered a suburb of metropolitan Washington, D.C. Northern Virginia has always been closely tied with the nation’s capital and benefits from the history and cultural aspects of the capital. Arlington and Alexandria, in particular, are every bit as dense urban areas as D.C. itself. Northern Virginia is another ideal target market for Scotch Hall Preserve.



Regional Map



Property Outline

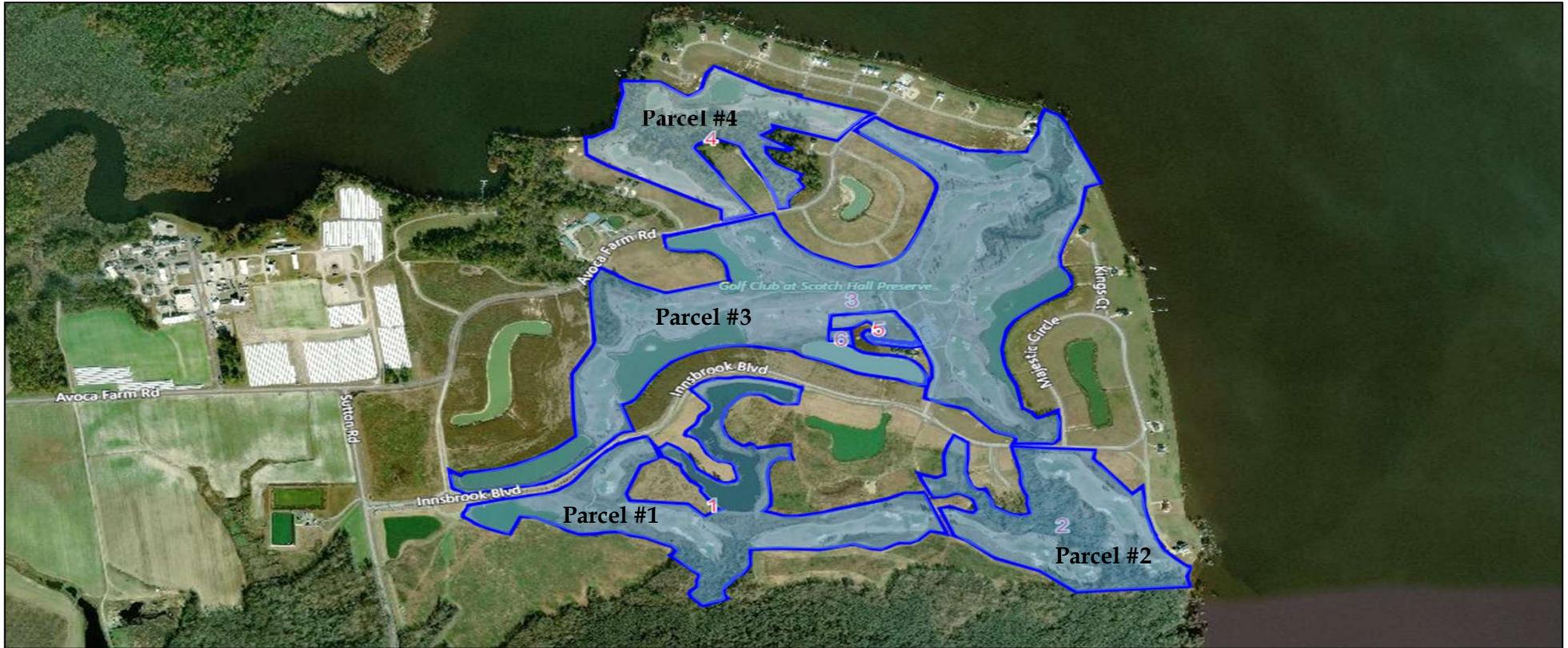


 **Scotch Hall**

Black Walnut Point

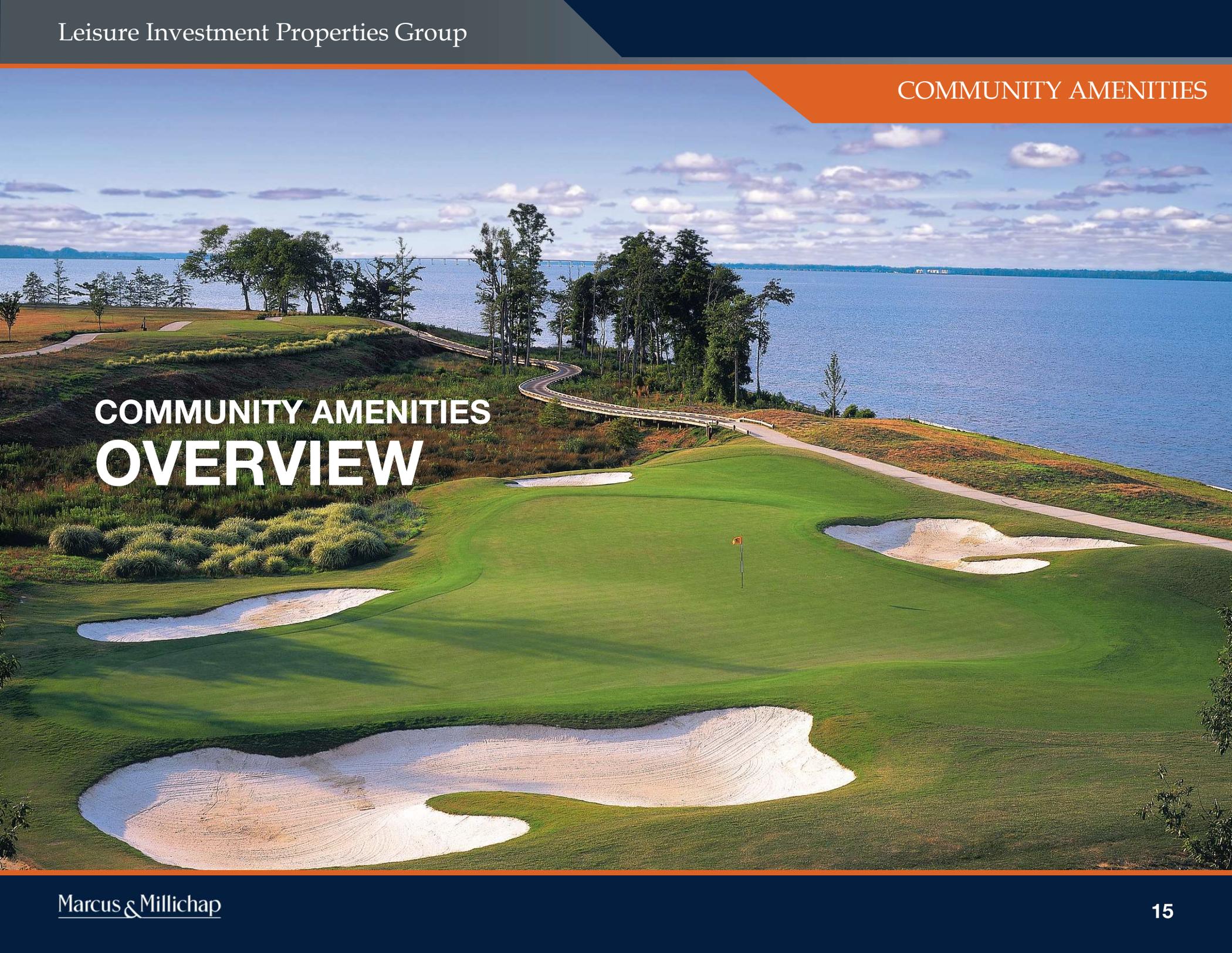


Golf Course Parcel Detail



GOLF COURSE PARCEL DETAIL

| <u>PARCEL NUMBER</u> | <u>Owner Name</u> | <u>Acres</u> | <u>2017 Property Taxes</u> | <u>2017 Assessed Value</u> |
|----------------------|-----------------------------|---------------|----------------------------|----------------------------|
| 1 6882-14-4129 | Innsbrook Golf & Marina LLC | 68.58 | \$13,603 | \$1,638,862 |
| 2 6882-44-3381 | Innsbrook Golf & Marina LLC | 49.05 | \$2,607 | \$314,059 |
| 3 6882-16-9797 | Innsbrook Golf & Marina LLC | 173.28 | \$4,168 | \$502,125 |
| 4 6882-18-0849 | Innsbrook Golf & Marina LLC | 44.19 | \$2,561 | 308610 |
| TOTAL: | | 335.10 | \$22,939 | \$2,763,656 |

An aerial photograph of a golf course green. The green is vibrant green and features several sand traps of varying shapes and sizes. A flag is visible on the green. In the background, there is a large body of water, likely a lake or reservoir, under a blue sky with scattered white clouds. A winding path or road runs along the edge of the green, and there are some trees and shrubs in the distance.

COMMUNITY AMENITIES OVERVIEW

Course History & Architect

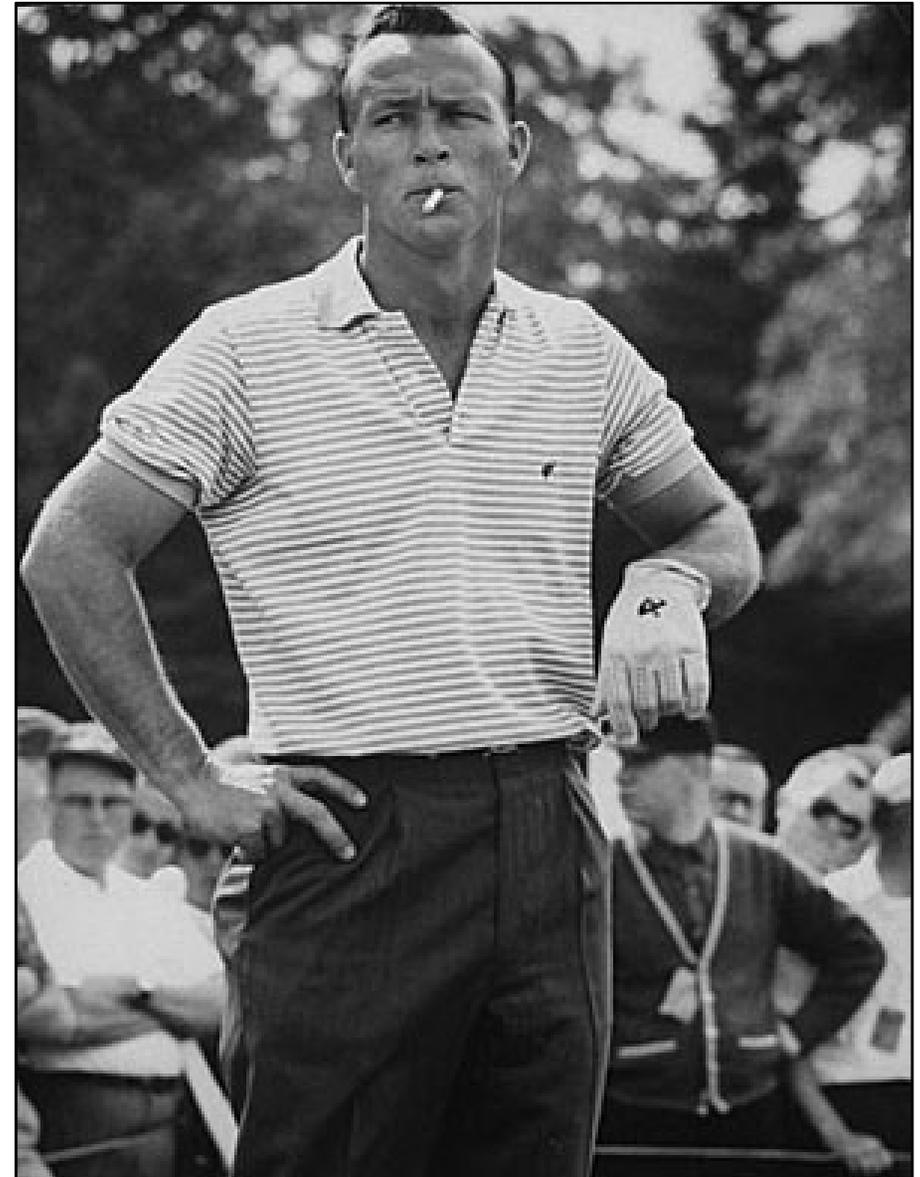
Arnold Palmer

Mr. Palmer knew from the beginning that this special property overlooking the picturesque Albemarle Sound, Chowan River and Salmon Creek, offered an opportunity to provide the finest golf and club experience in the eastern Carolinas. Palmer took on the challenge to enhance the natural beauty of the land and create a 7,262-yard world-class golf experience.

As the vision evolved, Scotch Hall Preserve with it's 900 plus acres offers stunning views of the historical Albemarle Sound, Chowan River and Salmon Creek along with a challenging course designed for all players. Complementing the world - class Arnold Palmer Signature Course will be its upcoming clubhouse offering social venues for Scotch Hall's members and guests, as well as a 107-slip marina.

Arnold Palmer is many things to many people...world famous golf immortal and sportsman, highly successful business executive, prominent advertising spokesman, skilled aviator, talented golf course designer and consultant, devoted family patriarch and a man with a down-to-earth common touch that has made him one of the most popular and accessible public figures in history.

His popularity and success grew with the tremendous golf boom in the latter half of the 20th Century to heights few ever anticipated, and his successes have been recognized in countless ways over the years. Arnold Palmer has amassed more than 92 championships in professional competition of national or international stature during his more than 50-year career. He is a four-time winner of the Masters, two-time British Open winner and winner of the U.S. Open.



Scotch Hall Golf Course

Featuring a signature Arnold Palmer course. With 11 of 18 holes framed by majestic views of The Sound, you may find your biggest challenge one you don't care to meet – keeping your eye on the ball. World renowned golf course designer Arnold Palmer has skillfully molded the unique environment and topography into a scenic, challenging course that reveals more of its subtleties each time you play. The Championship Golf Course is an extraordinary collaboration between Arnold Palmer and Mother Nature. Friends and family members who are golfers are sure to love it. The course, described as the “Jewel of the Inner Banks,” was named “America’s Ninth Best New Private Course” by Golf Digest. Each hole sits on its own and you feel like you are the only group on the golf course.

Features:

- ✓ 18 Holes of Championship Golf
- ✓ Arnold Palmer Design
- ✓ 7,262 Yards
- ✓ 11 Holes with Views of Albermarle Sound
- ✓ Five Sets of Tees
- ✓ A1/A4 Bentgrass Greens
- ✓ TifSport Bermuda Fairways, Rough, and Tees



Practice Facility

Scotch Hall Preserve features practice facilities for golfers of all levels, whether you are just a beginner or trying to focus on a particular part of your game they have a place for you!

Features:

- ✓ Driving Range
- ✓ Putting Green
- ✓ Short Game Area
- ✓ Practice Hole



Practice Facility

The Inn at Scotch Hall

Driving Range

Practice Hole

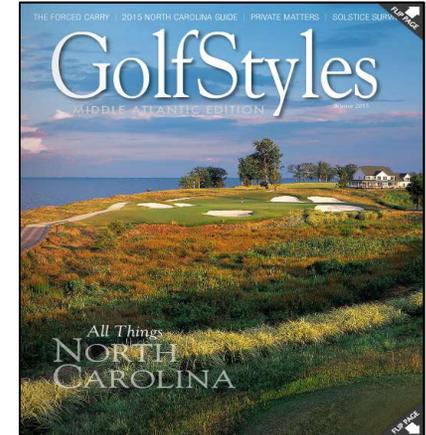
Hole #10

Putting Green



Awards & Accomplishments

- Top 100 Courses Through First Five Years of Ratings – Golf Advisor (#17 Course on List!)
- Top 25 Arnold Palmer Golf Course Designs in the U.S. – Golf Advisor (#1 Course Design)
- Top 20 Courses in North Carolina in 2015 (#2)
- Best of Golf Advisor – 2015 (#14)
- Top 25 Friendliest Courses in the U.S. in 2015 (#17)
- Top 25 Off-Course Amenities in the U.S. in 2015 (#7)
- Top 25 Value Courses in the U.S. in 2015 (#8)



Scorecard

| HOLE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | Out | P | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | In | Total Hcp | Net |
|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----------|-----|
| PALMER | 414 | 420 | 205 | 390 | 612 | 428 | 172 | 552 | 451 | 3644 | P | 443 | 523 | 331 | 404 | 233 | 462 | 445 | 207 | 570 | 3618 | 7262 | |
| SILVER | 402 | 407 | 195 | 381 | 594 | 402 | 161 | 538 | 436 | 3516 | L | 425 | 506 | 321 | 391 | 206 | 445 | 421 | 189 | 554 | 3458 | 6974 | |
| BLUE | 377 | 378 | 182 | 356 | 583 | 381 | 156 | 494 | 369 | 3276 | A | 393 | 469 | 296 | 358 | 195 | 415 | 385 | 167 | 491 | 3169 | 6445 | |
| GREEN | 364 | 358 | 152 | 332 | 561 | 365 | 146 | 480 | 358 | 3116 | Y | 375 | 452 | 289 | 343 | 175 | 355 | 361 | 144 | 463 | 2957 | 6073 | |
| WHITE | 321 | 327 | 139 | 294 | 464 | 315 | 124 | 434 | 306 | 2724 | E | 330 | 403 | 266 | 305 | 108 | 339 | 332 | 98 | 425 | 2606 | 5330 | |
| YELLOW | 222 | 273 | 92 | 290 | 406 | 219 | 124 | 351 | 300 | 2277 | R | 239 | 397 | 190 | 265 | 108 | 250 | 249 | 95 | 357 | 2150 | 4427 | |
| PAR | 4 | 4 | 3 | 4 | 5 | 4 | 3 | 5 | 4 | 36 | | 4 | 5 | 4 | 4 | 3 | 4 | 4 | 3 | 5 | 36 | 72 | |
| HANDICAP | 17 | 13 | 9 | 7 | 1 | 5 | 15 | 11 | 3 | | | 8 | 12 | 18 | 10 | 4 | 2 | 6 | 14 | 16 | | | |

Date: _____ Player: _____ Attest: _____

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Scotch Hall

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 Merry Hill, NC 27957
 Phone: 252-482-5300
www.scotchhallgolf.com

The Activity Center

The 7,500 Sq. Ft. Clubhouse and Pro Shop was constructed in 2016 and is the center for events, community gatherings and serves as the clubhouse for the golf course. The Clubhouse hosts a kitchen/bar featuring pizza, paninis, salads and other simple fare. The activity center, which encompasses the Golf Shop and The Shed Bar & Eatery with an outdoor kitchen and event lawn, features a lounge and game room with a large screen TV, shuffle board, darts, card tables and two tennis courts. Double doors open to a wraparound deck offering outdoor seating. A large lawn with ample room for tents and space to host outdoor events completes the clubhouse.

The Shed Bar & Eatery

The Shed Bar & Eatery features a full bar menu of great food, fine wine, craft beers on tap, and signature cocktails. The new outdoor grill station has already hosted a traditional shrimp boil and oyster roast with more great times to come in the future. The restaurant has a capacity of approximately 75 people.

The Pavilion & Lawn at The Shed

The Pavilion & Lawn at The Shed Bar & Eatery located on Scotch Hall grounds is perfect for entertaining larger events of 75 or more guests. The pavilion is perfect for a corporate party, wedding reception or special celebration. This large outdoor gathering space connects with the indoor dining area of The Shed.

The Boardroom at The Shed

The Boardroom at The Shed Bar & Eatery located on Scotch Hall Preserve grounds is the smallest, yet most entertaining venue, perfect for executive meetings, board gatherings, corporate retreats and holiday parties. The Boardroom seats up to 25 guests and features two large screen TV's.



Soundside Beach Club & Grill

The Soundside Beach Club & Grill features a resort style pool and hot tub overlooking the majestic Albemarle Sound. The Beach Club also hosts an array of family centered activities: kayak and sailing instruction, fishing classes, camp outs and nature programs. The opportunity to relish what matters most: playing, learning, discovering, and the most important of all—spending time together.

Features:

- ✓ Zero Entry Pool Overlooking the Albemarle Sound
- ✓ Large Hot Tub Spa
- ✓ Spiral Waterslide
- ✓ Children's Playground
- ✓ Pool Pavilion with Grill & Outdoor Dining Terrace
- ✓ Lawn Games Featuring Bocce Ball & Croquet
- ✓ Indoor and Outdoor Space for Special Events including an Event Lawn
- ✓ Fitness Center

Fitness Center

Wellness is certainly part of living well. The fitness center will help residents maintain their vibrant lifestyle. The center includes nine workout stations overlooking the Albemarle Sound that offer strength and aerobic training including treadmills, a recumbent bike, two ellipticals, a Bowflex climber, weight stations and free weights. The Fitness Center also enjoys easy access to showers, restrooms and the Soundside Beachclub & Grill where residents can order fruit smoothies and other healthy snacks after their workout.



The Marina at Scotch Hall

The Scotch Hall Preserve marina sits in a tranquil and shaded lagoon on the south side of Salmon Creek, within 100 yards of the Albemarle Sound.

Now open is the first of three planned piers, featuring 17 slips that can accommodate boats up to 50 feet in length. Construction of the other two piers has not yet begun but the marina will accommodate up to 107 slips when complete.

Slip prices begin at \$75 per month for members and \$100 per month for non-members.

Scotch Hall Preserve plans to provide full dockside service - including fuel and pump-out services - when the entire project is completed. Electrical or water service is currently unavailable at the initial pier.

The facility features a 20' by 60' boat ramp on the east edge of the lagoon. The ramp is paved in corrugated concrete to its underwater extension, while the landscaped turnaround above the ramp is paved in asphalt, giving vehicles and trailers ample traction and turning room. A marine boardwalk runs along the southern edge of the ramp, giving boaters side access to their boats once in the water.



Salmon Creek Water Sports

Salmon Creek Water Sports at Scotch Hall Marina in North Carolina's Inner Banks offers public jet ski, pontoon boat, kayak and paddle board rentals.



Marina Plat 2



Rental Options at Scotch Hall

The Inn at Scotch Hall

The Inn at Scotch Hall offers four beautifully appointed bedrooms en suite. Guests can enjoy a comfortable common area and kitchen. A large back patio opens to two pond-side fire pits for evening parties and late-night star gazing. Two single rooms (queen/king) and two double bed rooms (2 queens) Sleeps 4-8 people. The Inn is perfect for Golf Stay & Play, staycations, and special getaways.

Room 1 - The Rieder

- A luxury private room with a king bed, jacuzzi tub, separate shower, in room refrigerator, Direct TV and Wi-Fi. Included access to common area and kitchen, living room and large outside porch with gas fire pit. Surrounded by an Arnold Palmer

Room 2 - The Palmer

- A luxury private room with a queen bed, jacuzzi tub, separate shower, in room refrigerator, Direct TV and Wi-Fi. Includes access to common area and kitchen, living room and large outside porch with gas fire pit. Surrounded by an Arnold Palmer signature course.

Room 3 - The Avoca

- A luxury private room with two queen beds, private bath, in room refrigerator, Direct TV and Wi-Fi. Includes access to common area and kitchen, living room and large outside porch with gas fire pit. Surrounded by an Arnold Palmer signature course.

Room 4 - The Sutton

- A luxury private room with two queen beds on second floor, private bath, in room refrigerator, Direct TV and Wi-Fi. Includes access to common area and kitchen, living room and large outside porch with gas fire pit. Surrounded by an Arnold Palmer signature course.



Rental Options at Scotch Hall

The Chowan Villas

House Rental: \$262 - \$350 per night (Includes tax and cleaning fees)

Adorable is the only way to describe this lovely home. This incredible floor plan features an open living design perfect for entertaining or just enjoying a relaxing evening at home. The kitchen island offers plenty of space for cooking like a master chef. The Chowan offers two comfortable guest bedrooms each with a 3/4 bath, and a luxurious owner's suite with double vanities, a walk-in closet, and separate linen closet. A large screened patio offers beautiful space for outdoor living and the covered front porch will be the perfect place to sip coffee and watch the beautiful sunsets.

THE CHOWAN II

Fairways Neighborhood

Lot size .3 to 1.4 acres

MAIN FLOOR

Kitchen with Island 9'x10'

Dining Area 9'x10'6"

Living Room 17'3"x15'

Master Bedroom 12'x13'8"

Full Master Bath 9'6"x15'

2nd Bedroom with 3/4 Bath 12'x11'

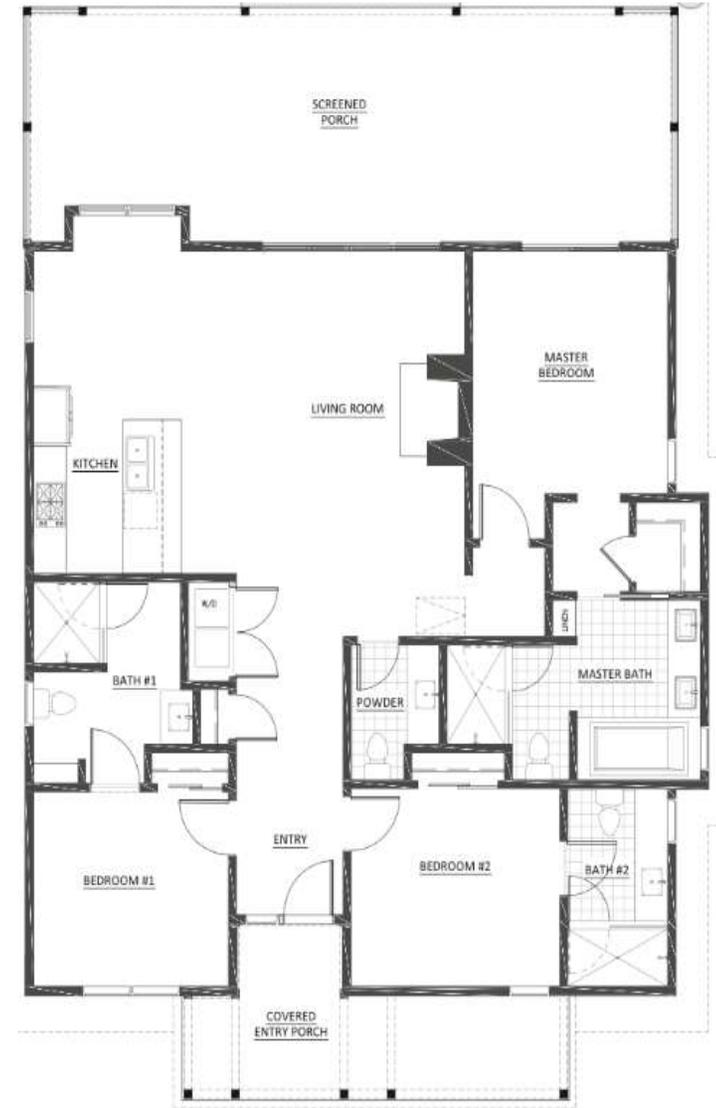
3rd Bedroom with 3/4 Bath 12'10"x11'

Powder Room 5'5"x7'6"

Screened Rear Porch with BBQ 13'x39'

Covered Entry Porch
Room for Washer and Dryer

Fireplace



Rental Options at Scotch Hall

The Capehart

House Rental: \$413 - \$570 per night (includes tax and cleaning fees)

This magnificent four bedroom, four-and-a-half bath home features an open floor plan, ample natural light via large custom Pella windows, and vaulted ceiling to create a spacious atmosphere perfect for entertaining family and guests. This incredible floor plan puts a gorgeous chef's style kitchen at the heart of the home that flows harmoniously into the dining area and great room. The home features a large back porch with push button retractable screening that cascades onto the outdoor patio. The master suite offers a private wet bar and spacious master bath with large walk-in closet. This home of approximately 2,600 sq. ft. offers generously sized guest bedrooms each with its own private bathroom.

THE CAPEHART

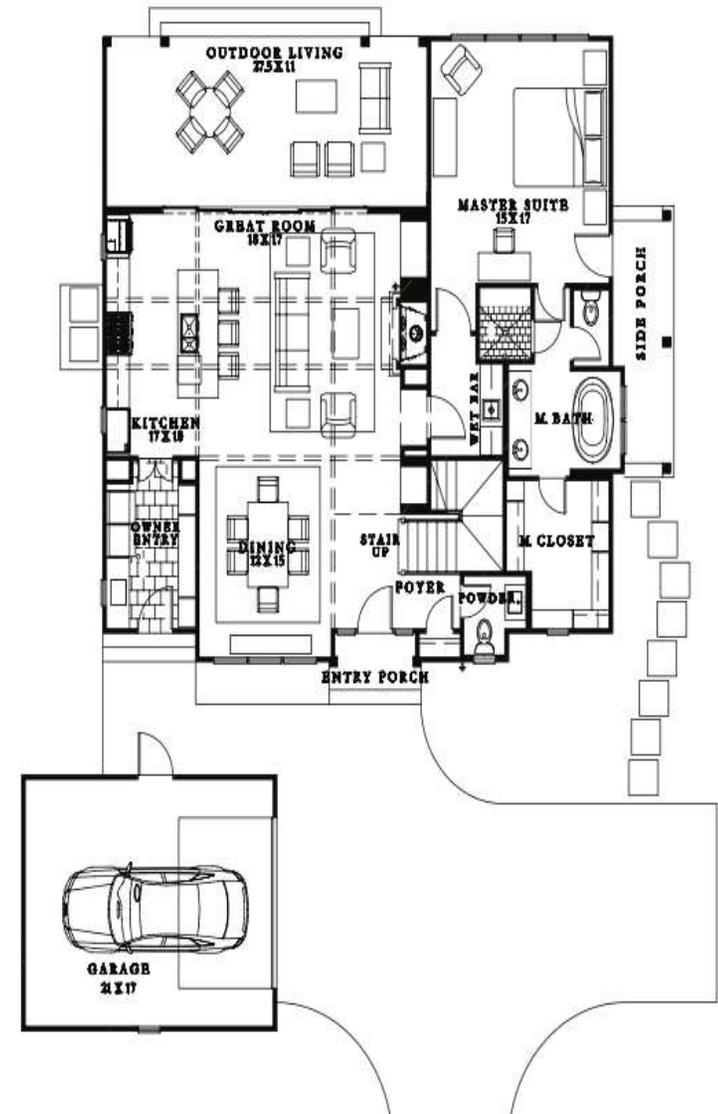
Capehart Neighborhood 2,600 Square Feet

MAIN FLOOR

- Kitchen 17' x 10'
- Dining Room 12' x 15'
- Great Room 18' x 17'
- Outdoor Living Room 27.5' x 11'
- Powder Room
- Master Suite 15' x 17' with Side Porch
- Wet Bar
- Spacious Garage 21' x 17'

SECOND FLOOR

- Bedroom 15' x 17'
- Bedroom 13.5' x 12' Bedroom 11.5' x 13.5'
- each with private full bath
- Deep 2-Bay Garage 23' x 29'



LOT AND LAND INVENTORY



Current Lot Inventory

| Current & Future Lot Summary | | | |
|--|---------------------------|-----------------------------|--------------|
| | <u>Owned by RIAL Corp</u> | <u>Owned by 3rd Parties</u> | <u>Total</u> |
| Developed & Partially Developed Lots | 207 | 58 | 265 |
| Finished Homes | 4 | 36 | 40 |
| Future Lots (Approximate Based on Density) | 895 | - | 895 |
| Total Current and Future Lots | 1,106 | 94 | 1,200 |

Lot Types

| Platted & Recorded Lots For Sale | |
|----------------------------------|------------|
| Lot Type | # of Lots |
| Interior | 147 |
| Golf | 17 |
| Golf/Pond | 5 |
| Pond | 16 |
| Waterview | 2 |
| Soundfront | 20 |
| Total | 207 |

*Note: Waterview Lots do not have frontage on the water just a view.

*Note: Soundfront Lots have water frontage.



Current Lot Inventory Map



Lot Types & Starting Prices

Soundfront/Waterview Lots

Starting Price at \$129,000

For those who are seeking magnificent views, the Soundfront homesites are a perfect fit. These homesites provide a perfect backdrop for a private waterfront lifestyle. There are a total of 22 developed Soundfront lots remaining within the community.

Golf Course/Pond Lots

Starting Price at \$69,000

An address located on or overlooking the Arnold Palmer Signature Golf Course offers residents a highly desirable location and tremendous views of the naturally undulating fairways and impeccably tended greens and bunkers. These beautifully situated homesites can accommodate both custom homes and semi-custom homes and give their owners a true sense of luxurious living. There are a total of 39 developed Golf Course/Pond Lots remaining within the community.

Interior/Wooded Lots

Starting Price at \$59,000

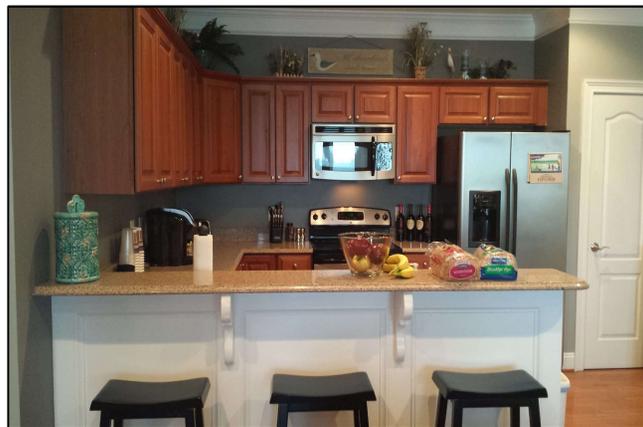
Interior and Wooded homesites can offer unparalleled privacy and serenity under the shelter of large hardwoods. Yet they are only a golf cart ride or short walk to the Golf Course, Activity Center or Marina. There are 147 developed Interior/Wooded Lots remaining within the community.



Existing Home Exteriors



Existing Home Interiors



General Architectural Guidelines

From the beginning, the intent was to create nine communities within the development that reflect the rich traditions of North Carolina's coastal and agricultural regions, that will create a "theme" reminiscent of the local history, that will inspire confidence among owners and purchasers, and that will protect property values. Traditional homes like those found in coastal towns and farming villages throughout eastern North Carolina are highly encouraged. The smallest home size currently allowed in the community is 1,200 Sq. Ft. In some areas of the property there is an 1,800 Sq. Ft. minimum for one floor and 2,600 Sq. Ft. for two floors. Currently, the largest home built is 8,000 Sq. Ft. There is no maximum square footage but there are some height restrictions. Height restrictions vary per HOA guidelines and covenants, but the developer controls these.

Design elements consistent with this theme can include:

- Front Porches
- Distressed Brick or Stone
- Board-and-batten
- Shutters
- Cylindrical Columns
- Formal Gardens
- Wrought Iron Fencing
- Metal Roofing
- Screened Porches
- Painted Brick
- Bead-Board
- Railings
- Box Columns
- Raised Gardens
- Rail or Picket Fencing
- Shingle or Slate Roofing
- Outdoor Ceiling Fans
- Lap Siding
- Multi-paned Windows
- Brick or Stone Chimneys
- Lamp Posts
- Outbuildings
- Brick or Stone Pavers

Using these general guidelines, the Architectural Control Committee (ACC) strives to achieve and maintain a general uniformity within the various communities (phases) of Scotch Hall Preserve. The ACC shall be the sole determinant of whether a proposed house, outbuildings and accompanying yard are of an acceptable style, size and appearance.



Property Owners' Association

Membership & Governance of the Association

- Every Owner shall be a voting Member of the Association
- The Members shall be entitled to vote on matters for which such a vote is expressly required by the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, The Articles of Incorporation or Master Declaration.

Two Classes of Members with Voting Rights

Class A:

- The Owner of each Homesite, Townhome Lot, Residential Condominium Unit, or Other Property.
- Entitled to one vote.

Class B:

- The Declarant (Owner of the community)
- Entitled to seven votes for each Homesite, each Townhome Lot, and each Residential Condominium Unit that it owns, and seven votes for each Other Property that it owns.
- The Class B membership shall cease and be converted to Class A membership at the end of the Declarant Control Period.

Declarant Control Period

- That period beginning on the date of the Master Declaration and continuing until the later of December 31, 2020 or the date that Declarant has conveyed 80% of the total number of existing or projected Homesites in the Development (including Homesites potentially to be located in any of the Expansion Area).

Executive Board

- Affairs of the Association shall be managed by or at the direction of the Executive Board.

Functions of Association

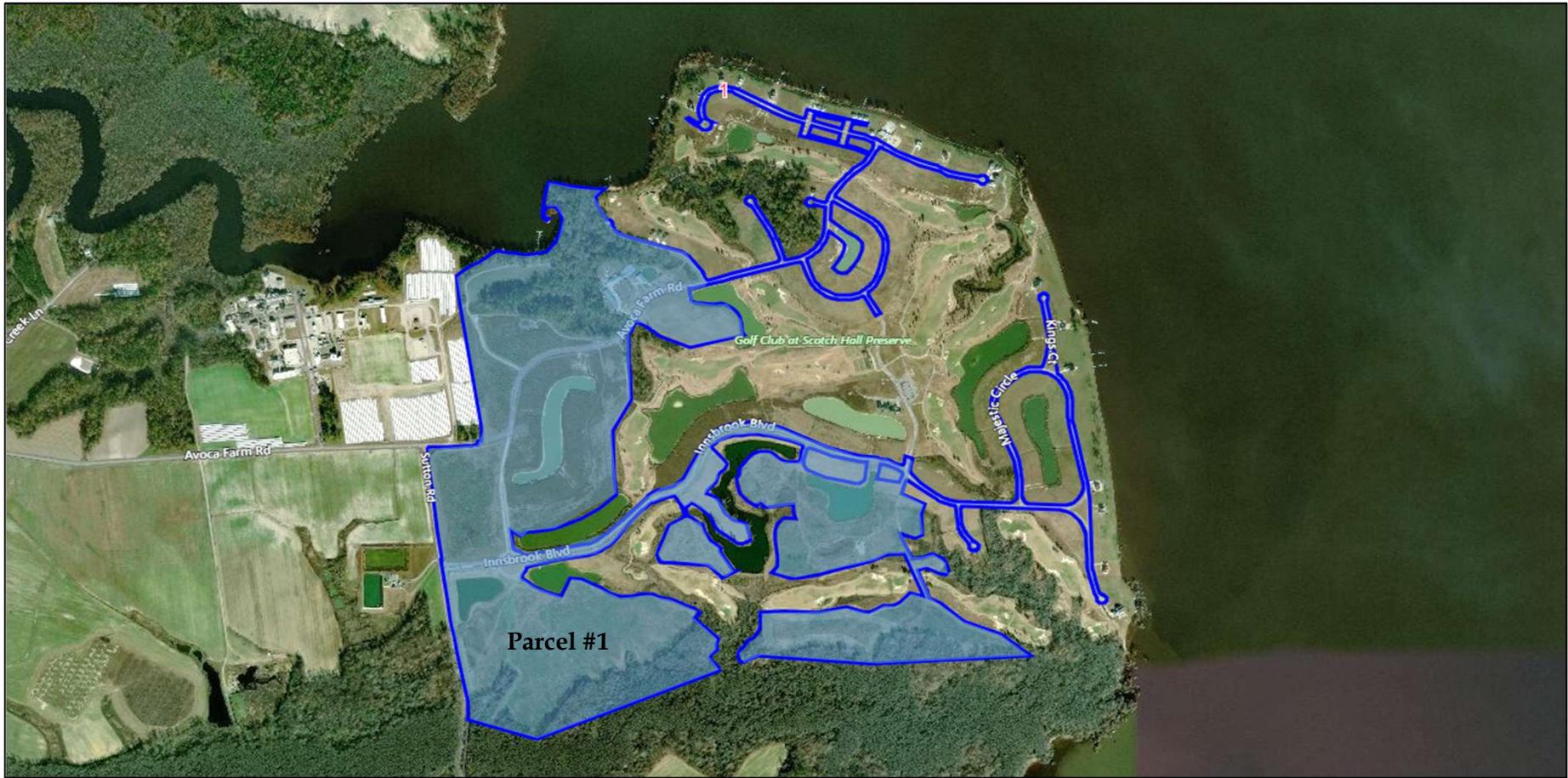
- Maintenance of Common Elements
- Management Contracts
- Rules & Regulations
- Sanctions for Violations
- Services
- Property & Liability Insurance
- Other Insurance

Scotch Hall Preserve HOA Dues

\$1,125 for Unimproved Lots

\$1,499 for Improved Lots

Undeveloped Land



PARCEL DETAIL

| <u>PARCEL NUMBER</u> | <u>Owner Name</u> | <u>Available Use</u> | <u>Acres</u> | <u>2018 Property Taxes</u> | <u>2017 Assessed Value</u> |
|----------------------|-------------------|----------------------|--------------|----------------------------|----------------------------|
| 1 6872-96-5270 | RIAL CORP | Residential | 363.65 | \$22,032 | \$2,654,445 |

*Note: The Marina and Activity Center are both located on this parcel.



PRICING & FINANCIAL
ANALYSIS

Scotch Hall Preserve – Consolidated Operations

Scotch Hall Preserve | Consolidated Income Statement

| REVENUE | T-12 (Nov 17 - Oct 18) | Adjustment | Adj. T-12 |
|----------------------------------|------------------------|-----------------------|-----------------------|
| Golf Operations | \$ 487,598 | | \$ 487,598 |
| Food & Beverage | \$ 254,683 | | \$ 254,683 |
| Outdoor Pursuits | \$ 33,520 | | \$ 33,520 |
| Overnight Rentals | \$ 146,646 | | \$ 146,646 |
| Development | \$ 5,500 | | \$ 5,500 |
| Developer Real Estate Sales | \$ 952,109 | | \$ 952,109 |
| GROSS REVENUE | \$ 1,880,055 | | \$ 1,880,055 |
| COST OF SALES | | | |
| Pro Shop | \$ 67,331 | | \$ 67,331 |
| F&B/Events | \$ 162,538 | | \$ 162,538 |
| Real Estate - Land | \$ 649,861 | \$ (649,861) | \$ - |
| TOTAL COST OF SALES | \$ 879,731 | | \$ 229,869 |
| GROSS PROFIT | \$ 1,000,325 | \$ (649,861) | \$ 1,650,186 |
| LABOR EXPENSES | | | |
| TOTAL SALARIES & WAGES | \$ 1,102,917 | | \$ 1,102,917 |
| OPERATING EXPENSES | | | |
| Golf | \$ 562,530 | \$ (184,729) | \$ 377,802 |
| F&B/Events | \$ 72,542 | | \$ 72,542 |
| Outdoor Pursuits | \$ 19,330 | | \$ 19,330 |
| Overnight Rentals | \$ 89,659 | | \$ 89,659 |
| Development | \$ 148,312 | \$ (26,355) | \$ 121,956 |
| Developer Subsidy | \$ 24,801 | | \$ 24,801 |
| Developer Real Estate Sales | \$ 341,606 | | \$ 341,606 |
| Professional Fees | \$ 256,784 | \$ (178,500) | \$ 78,284 |
| G&A | \$ 168,022 | | \$ 168,022 |
| Marketing | \$ 86,145 | | \$ 86,145 |
| Insurance | \$ 123,610 | \$ (33,801) | \$ 89,809 |
| Management Fees | \$ 90,000 | | \$ 90,000 |
| Utilities | \$ 106,950 | | \$ 106,950 |
| Property/Tangible Taxes | \$ 174,724 | | \$ 174,724 |
| TOTAL OPERATING EXPENSES | \$ 2,265,016 | \$ (423,385) | \$ 1,841,631 |
| TOTAL EXPENSES W/ PAYROLL | \$ 3,367,933 | \$ (423,385) | \$ 2,944,548 |
| NOI/EBITDA | \$ (2,367,608) | \$ (1,073,247) | \$ (1,294,362) |

Notable Adjustments

- The Cost of Land is on the Balance Sheet.
- \$144K in Golf Course Maintenance Equipment will be purchased in March of 2019. \$40K in pump station repairs that are not an annual expense.
- \$15K in Legal Fees from a past lawsuit. and \$11K in Travel for the head of the development company.
- \$178K Corporate Oversight Fee from the Developer.
- \$33K for D&O Insurance that is specifically related to the Developer.

Current Inventory Analysis

In order to determine the value of the current lot inventory we performed an absorption analysis over a ten-year period. After reviewing the supplied inventory we used the number of lots and adjusted sale value in order to project future cash flows over this ten-year period. The adjusted sale prices have been arrived at by taking an average of the low and high end of the retail price range, looking at the average market discount to the actual sales price to determine the average percentage discount that should be applied to arrive at the expected sales/closing price for similar lots. We first looked at similar resort-style golf communities along the Carolina coast, for example Bay Creek and Saint James Plantation, to see what comparable lot sales are going for. While lot pricing was relatively in-line with these communities both are significantly more built out and currently offer more amenities than Scotch Hall Preserve. Therefore, due to slow overall lot sales at Scotch Hall over the last few years, we applied a 15% discount to the Average Retail Lot Price.

| Platted & Recorded Lots For Sale | | | | |
|----------------------------------|------------------|---------------------|---------------------------|---------------------------------------|
| <u>Lot Type</u> | <u># of Lots</u> | <u>Size (Acres)</u> | <u>Asking Price Range</u> | <u>Adj. Sale Value (15% Discount)</u> |
| Interior/Wooded | 147 | .1 - 1.3 | \$59K - \$80K | \$59,000 |
| Golf | 17 | .3 - 1.4 | \$69K - \$125K | \$82,000 |
| Golf/Pond | 5 | .3 - 1.4 | \$69K - \$125K | \$82,000 |
| Pond | 16 | .3 - 1.4 | \$69K - \$125K | \$82,000 |
| Waterview | 2 | .2 - 2.5 | \$150K - \$200K | \$149,000 |
| Soundfront | 20 | .2 - 2.5 | \$150K - \$200K | \$149,000 |
| Total | 207 | | | |

For example, in order to determine an adjusted sale value for the interior lots we took an average of \$59,000 and \$80,000 to arrive at an average lot asking price of \$69,500. We then applied a 15% discount in our analysis to arrive at an adjusted sale price of \$59,075, which we rounded to \$59,000 per interior lot. The Adjusted Sale Value on the following lots were calculated the same way.

For this project, we applied a discount rate of 20%, which is within the range of 18 - 22% that developers are typically looking to generate. Please see the absorption analysis on the following page for a full breakdown of our absorption analysis, including the number of lots absorbed, the number of remaining lots, the gross revenue generated from lot sales each year of the 10-year analysis, net of the expected expenses associated with these sales, including sales and marketing (3%), overhead (4%) and closing costs (5%).

Absorption Analysis - Current Lot Inventory

Statement of Projected Cash Flows - Scotch Hall Preserve

| | 2019 EOY 1 | 2020 EOY 2 | 2021 EOY 3 | 2022 EOY 4 | 2023 EOY 5 | 2024 EOY 6 | 2025 EOY 7 | 2026 EOY 8 | 2027 EOY 9 | 2028 EOY 10 | Totals |
|-----------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|---------------------|
| Waterfront Lots(22) | | | | | | | | | | | |
| # Lots Absorbed | 2 | 3 | 3 | 4 | 5 | 3 | 2 | 0 | 0 | 0 | 22 |
| Total # Lots Absorbed | 2 | 5 | 8 | 12 | 17 | 20 | 22 | 22 | 22 | 22 | |
| # Lots Remaining | 22 | 20 | 17 | 14 | 10 | 5 | 2 | 0 | 0 | 0 | |
| # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Price/Lot (Grown 2%/Yr) | \$149,000 | \$151,980 | \$155,020 | \$158,120 | \$161,282 | \$164,508 | \$167,798 | \$171,154 | \$174,577 | \$178,069 | |
| Golf Lot Total Revenue | \$298,000 | \$455,940 | \$465,059 | \$632,480 | \$806,412 | \$493,524 | \$335,596 | \$0 | \$0 | \$0 | \$3,487,011 |
| Development Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gross Revenue | \$298,000 | \$455,940 | \$465,059 | \$632,480 | \$806,412 | \$493,524 | \$335,596 | \$0 | \$0 | \$0 | \$3,487,011 |
| Golf/Pond Lots(38) | | | | | | | | | | | |
| # Lots Absorbed | 3 | 3 | 4 | 5 | 6 | 7 | 5 | 3 | 2 | 0 | 38 |
| Total # Lots Absorbed | 3 | 6 | 10 | 15 | 21 | 28 | 33 | 36 | 38 | 38 | |
| # Lots Remaining | 38 | 35 | 32 | 28 | 23 | 17 | 10 | 5 | 2 | 0 | |
| # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Price/Lot (Grown 2%/Yr) | \$82,000 | \$83,640 | \$85,313 | \$87,019 | \$88,759 | \$90,535 | \$92,345 | \$94,192 | \$96,076 | \$97,998 | |
| G&W Lot Total Revenue | \$246,000 | \$250,920 | \$341,251 | \$435,095 | \$532,557 | \$633,742 | \$461,727 | \$282,577 | \$192,152 | \$0 | \$3,376,021 |
| Development Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gross Revenue | \$246,000 | \$250,920 | \$341,251 | \$435,095 | \$532,557 | \$633,742 | \$461,727 | \$282,577 | \$192,152 | \$0 | \$3,376,021 |
| Interior/Wooded Lots(147) | | | | | | | | | | | |
| # Lots Absorbed | 6 | 10 | 15 | 21 | 24 | 20 | 16 | 13 | 12 | 10 | 147 |
| Total # Lots Absorbed | 6 | 16 | 31 | 52 | 76 | 96 | 112 | 125 | 137 | 147 | |
| # Lots Remaining | 147 | 141 | 131 | 116 | 95 | 71 | 51 | 35 | 22 | 10 | |
| # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total # Lots Developed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Price/Lot (Grown 2%/Yr) | \$59,000 | \$60,180 | \$61,384 | \$62,611 | \$63,863 | \$65,141 | \$66,444 | \$67,772 | \$69,128 | \$70,510 | |
| Water Lots Total Revenue | \$354,000 | \$601,800 | \$920,754 | \$1,314,837 | \$1,532,724 | \$1,302,815 | \$1,063,097 | \$881,042 | \$829,535 | \$705,105 | \$9,505,709 |
| Development Costs | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gross Revenue | \$354,000 | \$601,800 | \$920,754 | \$1,314,837 | \$1,532,724 | \$1,302,815 | \$1,063,097 | \$881,042 | \$829,535 | \$705,105 | \$9,505,709 |
| Total Lots Sold (per year) | 11 | 16 | 22 | 30 | 35 | 30 | 23 | 16 | 14 | 10 | 207 |
| Gross Profit | \$898,000 | \$1,308,660 | \$1,727,064 | \$2,382,412 | \$2,871,693 | \$2,430,082 | \$1,860,420 | \$1,163,619 | \$1,021,687 | \$705,105 | \$16,368,741 |
| Sales & Marketing (3%) | \$26,940 | \$39,260 | \$51,812 | \$71,472 | \$86,151 | \$72,902 | \$55,813 | \$34,909 | \$30,651 | \$21,153 | \$491,062 |
| Overhead Costs (4%) | \$35,920 | \$52,346 | \$69,083 | \$95,296 | \$114,868 | \$97,203 | \$74,417 | \$46,545 | \$40,867 | \$28,204 | \$654,750 |
| Closing Costs (5%) | \$44,900 | \$65,433 | \$86,353 | \$119,121 | \$143,585 | \$121,504 | \$93,021 | \$58,181 | \$51,084 | \$35,255 | \$818,437 |
| Total Expenses | \$107,760 | \$157,039 | \$207,248 | \$285,889 | \$344,603 | \$291,610 | \$223,250 | \$139,634 | \$122,602 | \$84,613 | \$1,964,249 |
| EBITDA | \$790,240 | \$1,151,621 | \$1,519,816 | \$2,096,523 | \$2,527,089 | \$2,138,472 | \$1,637,170 | \$1,023,984 | \$899,085 | \$620,492 | \$14,404,492 |
| Discount Coefficient | 1.20 | 1.44 | 1.73 | 2.07 | 2.49 | 2.99 | 3.58 | 4.30 | 5.16 | 6.19 | |
| PV of Cash Flow | \$658,533 | \$799,737 | \$879,523 | \$1,011,054 | \$1,015,581 | \$716,170 | \$456,904 | \$238,146 | \$174,249 | \$100,213 | \$6,050,110 |

Discount Rate/IRR: 20.0%

Total EBITDA
\$14,404,492

Present Value
\$6,050,110

Scotch Hall Pricing Summary

The Pricing Summary below reflects the two standard valuation methods that were used in this package to create a range of value for Scotch Hall Preserve. The first was the 10-year Absorption Analysis on the previous page which we used a Discount Rate/IRR of 20% to arrive at a value of \$6,050,110 for the 207 current lot inventory. The second is a quick valuation method called the Developer Rule of Thumb Analysis. The Rule of Thumb Analysis assumes that the retail lot price of a home is worth 20% of the finished home value. The retail lot price is then used to project retail lot revenue which is then discounted assuming a developer buys in bulk. For this project, a discount of 60% was used based on the market and the risk involved. This calculates to a Total Bulk Value of \$6,064,000 for the 207 current lot inventory. This gives us a range of value between \$6,050,000 - \$6,064,000 for the 207 developed lots. The future lots were also valued based on the Developer Rule of Thumb Analysis. While approximately 895 lots is about the maximum lots that can be developed based on density, we believe 600 future lots is more likely and used a Retail Home Price of \$250,000, slightly lower than the current interior home price point. This gives us a Retail Lot Price of \$50,000 (20%). We then applied development costs of \$25,000 per lot which is the estimate that was given to us by a local developer/homebuilder. After discounting the Retail Lot Price 60% and including development costs, we arrive at a \$10,000 Bulk Lot Price or \$6,000,000 Total Bulk Value for the 600 Future Lots. The Inn/Sales Office, Three Chowan Villas, Soundside Beach Club were valued based on a price per square foot basis and then we deducted \$1.5M for the unfinished topcoat for the roads. **This gives us an aggregate value of \$12,660,000.**

| Scotch Hall Pricing Summary | | | | | | | | |
|---|-------------|--------------------------|-------------------------------|-------------------------------|--------------------------|-----------------|-----------------------------|-------------------------|
| | <u>Lots</u> | <u>Retail Home Price</u> | <u>Retail Lot Price (20%)</u> | <u>Retail Lot Revenue</u> | <u>Dev Costs Per Lot</u> | <u>Discount</u> | <u>Bulk Lot Price</u> | <u>Total Bulk Value</u> |
| <i>IRR Analysis from Previous Page</i> | 207 | | | \$14,404,492 | | | | \$6,050,110 |
| <u>Developer Rule of Thumb Analysis</u> | | | | | | | | |
| Golf/Pond Lots | 38 | \$400,000 | \$80,000 | \$3,040,000 | \$0 | 60% | \$32,000 | \$1,216,000 |
| Interior/Wooded Lots | 147 | \$300,000 | \$60,000 | \$8,820,000 | \$0 | 60% | \$24,000 | \$3,528,000 |
| Waterfront Lots | 22 | \$750,000 | \$150,000 | \$3,300,000 | \$0 | 60% | \$60,000 | \$1,320,000 |
| Total | 207 | | | \$15,160,000 | | | | \$6,064,000 |
| <i>Value Range (IRR Analysis - Rule of Thumb)</i> | | | | (\$14,404,492 - \$15,160,000) | | | (\$6,050,110 - \$6,064,000) | |
| <u>Existing Structures & Roads</u> | | | | | | | | |
| | <u>Lots</u> | | <u>Retail Price</u> | <u>Retail Lot Revenue</u> | <u>Price Per Sq. Ft.</u> | <u>Discount</u> | <u>Bulk Lot Value</u> | <u>Bulk Asset Value</u> |
| The Inn / Sales Office | 1 | | \$600,000 | \$600,000 | \$201 / Sq. Ft. | 20% | \$480,000 | \$480,000 |
| The Chowan Villas | 3 | | \$340,000 | \$1,020,000 | \$210 / Sq. Ft. | 20% | \$272,000 | \$816,000 |
| Soundside Beach Club | 1 | | \$1,000,000 | \$1,000,000 | \$200 / Sq. Ft. | 20% | \$800,000 | \$800,000 |
| Top Coat (Roads) | | | (\$1,500,000) | (\$1,500,000) | | | (\$1,500,000) | (\$1,500,000) |
| Total | 5 | | | \$1,120,000 | | | | \$596,000 |
| <u>Developable Land</u> | | | | | | | | |
| Future Lots (Approximate): | 600 | \$250,000 | \$50,000 | \$30,000,000 | \$25,000 | 60% | \$10,000 | \$6,000,000 |
| Total Developed & Future Lots: | 812 | | Total Revenue | \$46,280,000 | | | Current Asset Value | \$12,660,000 |

Executive Summary - Golf Course

| ANNUALIZED OPERATING DATA: | | T-12 - (Nov 17 - Oct 18) | | | PRO FORMA - EOY 1 | |
|----------------------------------|-----------|--------------------------|------------------------|-----------|---------------------|---------------------|
| Public Rounds Played: | | 10,279 | 71.13% | | 11,821 | 71.13% |
| Member Rounds Played: | | 4,172 | 28.87% | | 4,798 | 28.87% |
| TOTAL ROUNDS PLAYED | | 14,451 | | | 16,619 | |
| REVENUE | | | Current \$/Round | % Change | | Pro Forma \$/Round |
| Golf Revenue: | \$ | 309,756 | \$21.43 | 61% | \$ | 497,930 |
| Membership Revenue: | \$ | 103,690 | \$7.18 | 49% | \$ | 154,312 |
| Merchandise Revenue: | \$ | 79,652 | \$5.51 | 15% | \$ | 91,600 |
| Food & Beverage Revenue: | \$ | 254,683 | \$17.62 | 18% | \$ | 299,856 |
| Other Revenue: | \$ | 173,896 | \$12.03 | 34% | \$ | 233,217 |
| GROSS REVENUE | | \$ 921,677 | \$63.78 | | \$ 1,276,915 | \$76.83 |
| COST OF SALES | | | COGS % | % Change | | COGS % |
| Merchandise COS: | \$ | 67,331 | 84.53% | -5% | \$ | 64,120 |
| Food & Beverage COS: | \$ | 162,538 | 63.82% | -26% | \$ | 119,943 |
| TOTAL COST OF SALES | \$ | 229,869 | | | \$ | 184,063 |
| GROSS PROFIT | | \$ 691,808 | | | \$ 1,092,852 | |
| LABOR EXPENSES | | | % of Rev./% of Exp. | % Change | | % of Rev./% of Exp. |
| Course Maintenance: | \$ | 381,193 | 41.4% / 18.5% | 3% | \$ | 392,629 |
| Golf & Amenities: | \$ | 243,749 | 26.4% / 11.8% | 3% | \$ | 251,061 |
| Food & Beverage: | \$ | 223,647 | 24.3% / 10.9% | 3% | \$ | 230,357 |
| General Operations: | \$ | 106,887 | 11.6% / 5.2% | 3% | \$ | 110,094 |
| TOTAL LABOR EXPENSES | \$ | 955,476 | 103.7% / 46.4% | 3% | \$ | 984,141 |
| OPERATING EXPENSES | | | % of Rev./% of Exp. | % Change | | % of Rev./% of Exp. |
| Course Maintenance: | \$ | 462,744 | 50.2% / 22.5% | -2% | \$ | 455,697 |
| Golf & Amenities: | \$ | 231,253 | 25.1% / 11.2% | 3% | \$ | 238,190 |
| Food & Beverage: | \$ | 17,397 | 1.9% / 0.8% | 3% | \$ | 17,919 |
| General Operations: | \$ | 210,869 | 22.9% / 10.2% | -22% | \$ | 163,544 |
| Marketing: | \$ | 86,285 | 9.4% / 4.2% | -41% | \$ | 51,077 |
| Professional Management: | \$ | - | 0.0% / 0.0% | #DIV/0! | \$ | 80,446 |
| Insurance: | \$ | 65,127 | 7.1% / 3.2% | 3% | \$ | 67,081 |
| Property/Tangible Taxes: | \$ | 29,029 | 3.1% / 1.4% | 3% | \$ | 29,900 |
| TOTAL OPERATING EXPENSES | \$ | 1,102,704 | 119.6% / 53.6% | 0% | \$ | 1,103,854 |
| TOTAL EXPENSES W/ PAYROLL | \$ | 2,058,180 | 223.3% / 100.0% | 1% | \$ | 2,087,995 |
| NOI/EBITDA | | \$ (1,366,372) | | | \$ (995,143) | |

The information contained herein are projections only, which are based upon the occurrence of several variables, none of which have occurred or are guaranteed to occur. This information is only an opinion based on unverified and sometimes speculative numbers, and should not be construed as a guarantee or assurance. Buyer bears all responsibility for verifying the values and numbers set forth herein.

Current Membership Structure

Current Dues Structure (2018)

| <u>Member Type</u> | <u>#</u> | <u>Monthly Rate</u> | <u>Annual Rate</u> | <u>Scheduled Revenue</u> |
|---------------------|------------|---------------------|--------------------|--------------------------|
| Full Golf | 25 | \$125 | \$1,500 | \$37,500 |
| Resort | 25 | \$50 | \$600 | \$15,000 |
| Provisional Golf | 2 | \$0 | \$0 | \$0 |
| Annual Players Pass | 113 | - | \$799 | \$90,287 |
| Total | 165 | | | \$142,787 |

| <u>Golf Fees</u> | <u>Weekday</u> | <u>Weekend</u> |
|---------------------------|----------------|----------------|
| Full Golf | \$50 | \$60 |
| Resort | \$35 | \$45 |
| Full Golf Guest | \$20 | \$20 |
| Full Golf Member Cart Fee | \$0 | \$0 |
| Players Pass Cart Fee | \$15 | \$15 |

| <u>Other Fees and Charges</u> | <u>Fee</u> |
|-------------------------------|------------|
| Lesse Designation Fee | \$100 |
| Membership Transfer Fee | \$5,000 |
| Initiation Fee | \$15,000 |

***Note:** The developer has been waiving Initiation Fees as a lot purchase incentive.



Department Vitals

GOLF COURSE SPECIFICATIONS

| | |
|--|------------------------------|
| Year Built: | 2008 |
| Course Architect: | Arnold Palmer |
| Renovations Description Year: | Added New Forward Tee (2017) |
| # Holes Existing: | 18 |
| # Holes Future: | N/A |
| Total Acres: | 335 |
| Total Maintainable Acres: | 160 |
| Yardage (Back Tees): | 7,262 |
| Slope (Back Tees): | 146 |
| Rating (Back Tees): | 77.1 |
| Average Size of T-Boxes (Square feet): | 1,000 |
| Average Size of Greens (Square feet): | 5,000 |
| Golf Season: | Jan-Dec: Peak Season Apr-Oct |
| Greens Fees (Peak season High-Low): | \$45 - \$35 |
| Cart Fees (Peak season High-Low): | \$15.00 |
| Trail Fees (Annual): | \$450.00 |

TURF GRASS

| | |
|-------------------------------------|------------------|
| Green Composition: | A1/ A4 Bentgrass |
| Fairway Composition: | Tifsport Bermuda |
| Tee Box Composition: | Tifsport Bermuda |
| Rough Composition: | Tifsport Bermuda |
| Over Seed During Year (Y/N) Type: | N |

ROUNDS | MEMBERSHIP

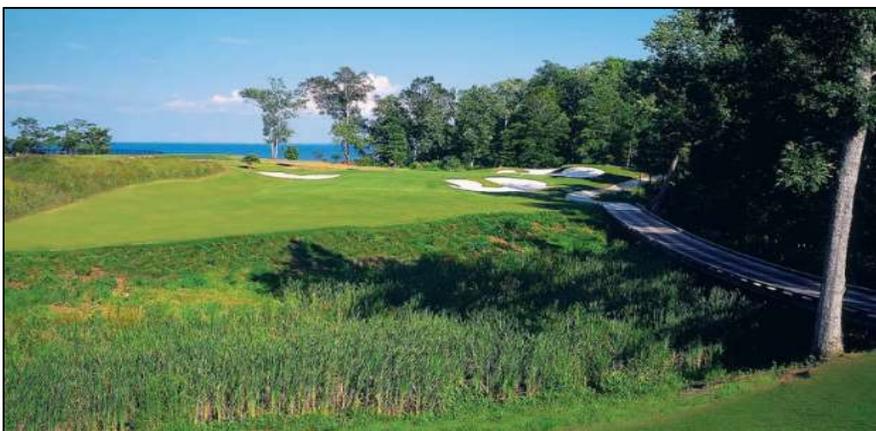
| | |
|---|--------|
| Total # Rounds 2017: | 14,038 |
| Total # Rounds YTD October 2018: | 13,352 |
| # Public/Guest Rounds 2017: | 9,519 |
| # Public/Guest Rounds YTD October 2018: | 9,390 |
| # Private Rounds 2017 (Includes Annual Pass Members): | 4,519 |
| # Private Rounds YTD October 2018 (Includes Annual Pass Members): | 3,962 |
| # of Members 2017 EoY: | 57 |
| # of Members YTD October 2018: | 61 |
| # of Annual Pass Members | 108 |
| # Members Lost in Last 12 Mos.: | 1 |
| # Members Gained in Last 12 Mos.: | 4 |
| # Members From Neighborhood: | 49 |
| Membership Compulsory for Neighborhood (Y/N): | N |
| Maximum Number of Golf Memberships: | 450 |
| Maximum Number of Social Memberships: | N/A |
| # Members on Resignation List: | None |
| Total Resignation List Liability (\$): | None |



Department Vitals

CLUBHOUSE | PRO SHOP

| | |
|--|-------------------------------------|
| Year Built: | 2016 |
| Square Footage: | 7,500 |
| Construction Type: | Metal, HardiPlank |
| Banquet Facility Description (Ballroom, Restaurant, Patio, Lawn, Tent, Restaurant, Patio, Tent, Etc.): | Restaurant, Patio, Lawn, Tent Acces |
| Restaurant Capacity: | 75 |
| Maximum Banquet Capacity: | 300+ with Lawn and Tent |
| Separate Meeting Rooms (Y/N): | N |
| Full Liquor License (Y/N): | Y |
| Locker Rooms (Y/N): | N |
| Prior Year # Outings (2017): | 25 |
| Prior Year # Banquets (2017): | 30 |
| POS System: | Golfnow/Fore Reservations |
| Accounting System: | Quickbooks |
| Payroll System: | Quickbooks |
| Pro Shop Inventory (Full/Ltd/None): | Full |



PRACTICE FACILITIES | GOLF CARTS

| | |
|--------------------------------------|-----------|
| PGA Professionals Instruction (Y/N): | N |
| Separate Teaching Pro Area (Y/N): | Y |
| Driving Range # Acres: | 8 |
| Driving Range 1 or 2 Sided: | 2 |
| # Hitting Stations: | 10 |
| Hitting Stations Front/Back: | Front |
| Chipping Area (Y/N): | Y |
| Practice Bunker (Y/N): | Y |
| # Putting Greens: | 2 |
| Putting Greens Size (Square Feet): | 8,000 |
| Cart Barn Sq. Ft.: | 2,500 |
| # Carts Barn Holds: | 36 |
| Cart Barn Construction Type: | Metal |
| # of Carts: | 59 |
| Carts Owned or Leased (Expiration): | Leased |
| Lease Type (Operating/Capital): | Operating |



Department Vitals

IRRIGATION | WATER SUPPLY | MAINTENANCE

| | |
|--|---|
| Irrigation Make: | Toro |
| # Pumps: | 3 |
| Year Installed: | 2006 |
| Total Gallons/Minute: | 2,800 |
| Water Supplier: | Do not purchase |
| Water Source (Reclaimed, Run-off, Well): | Run-off and Well |
| Permit Expiration: | Well Permit Renewable Annually |
| Other Restrictions on Water Use: | N/A |
| Known Environmental Issues: | Groundwater Test Wells at Maintenance Area, Former Magenese Dump Site from Former RJ Reynolds Company |
| Maint. Facility Construction Type: | Metal |
| Maint. Facility Sq. Ft.: | 7,500 |
| Maint. Equip. Owned/Leased (Expiration): | Leased With Exception of 3 Tractors |
| Lease Type (Operating/Capital): | Operating |
| Gasoline Storage Above/Below Ground: | Above |
| Underground Fuel Storage Now/Past (Y/N): | N |
| Separate Chemical Storage (Y/N): | Y |
| Washdown Separator (Y/N): | N |
| Cart Path Composition: | Concrete |
| Indoor Equipment Storage (Y/N): | Y |
| Floodplain # Years: | B/X Shaded (100-500) |



Department Vitals

NEIGHBORHOOD | LAND USE

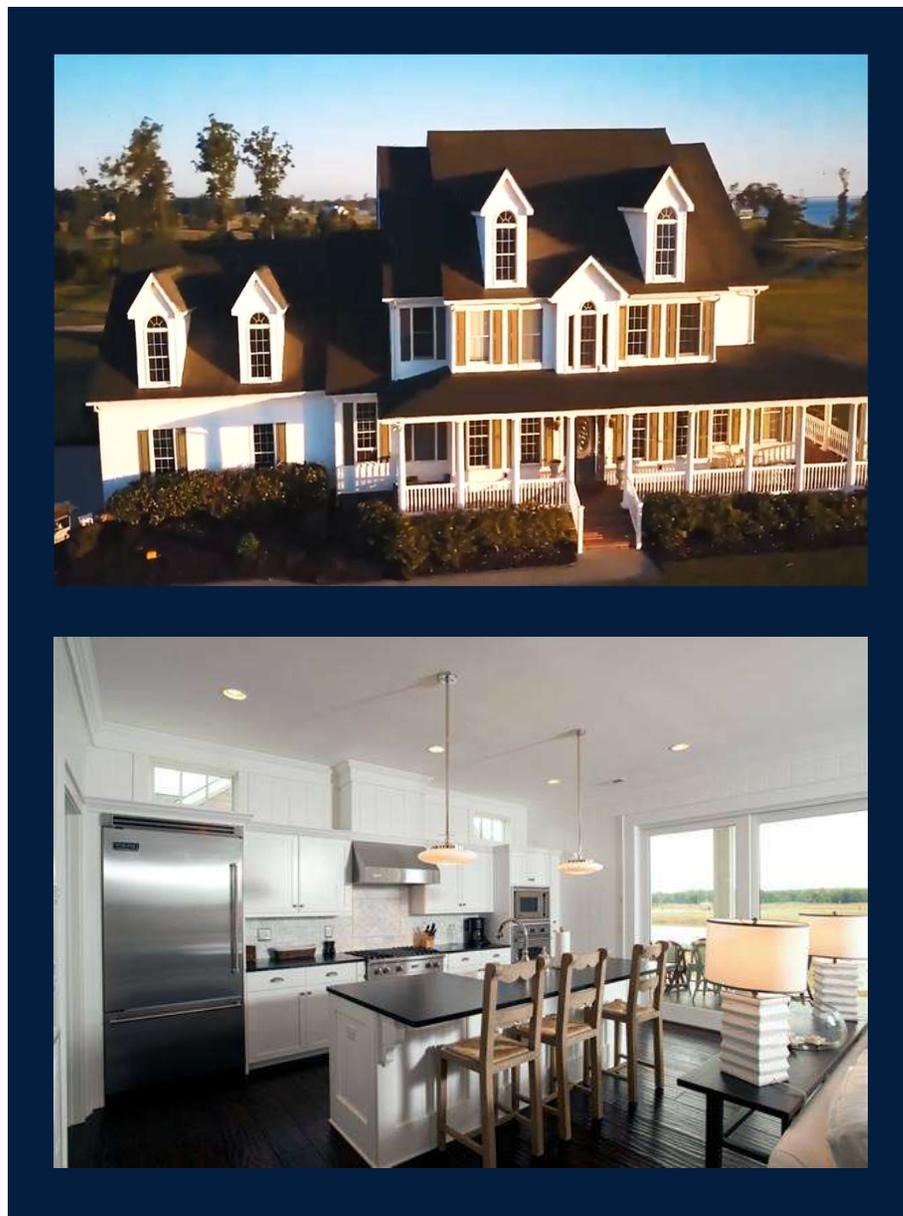
| | |
|--|----------------------|
| Community/Neighborhood Total Acreage: | 900+/- |
| Density - Lots/Units per Acre: | 2 - 3 Per Acre |
| Total # of Current and Future Lots: | Approximately 1,200 |
| Total # of Residential Lots Sold: | 94 |
| Total # of Vacant Lots (Developed & Unsold): | 207 |
| Total # of Existing Homes in Neighborhood: | 37 |
| Household Value Range (Low-High): | \$299,000 - \$1 Mil+ |
| # of Home Sales Prior Year Average Sale Price: | 1 \$330,000 |
| # of Lot Sales Prior Year Average Sale Price: | 6 \$113,000 |
| Total Raw Acreage Remaining for Development: | 363.65 |
| # of Undeveloped Future Lots: | Approximately 895 |
| Zoning: | PUD |

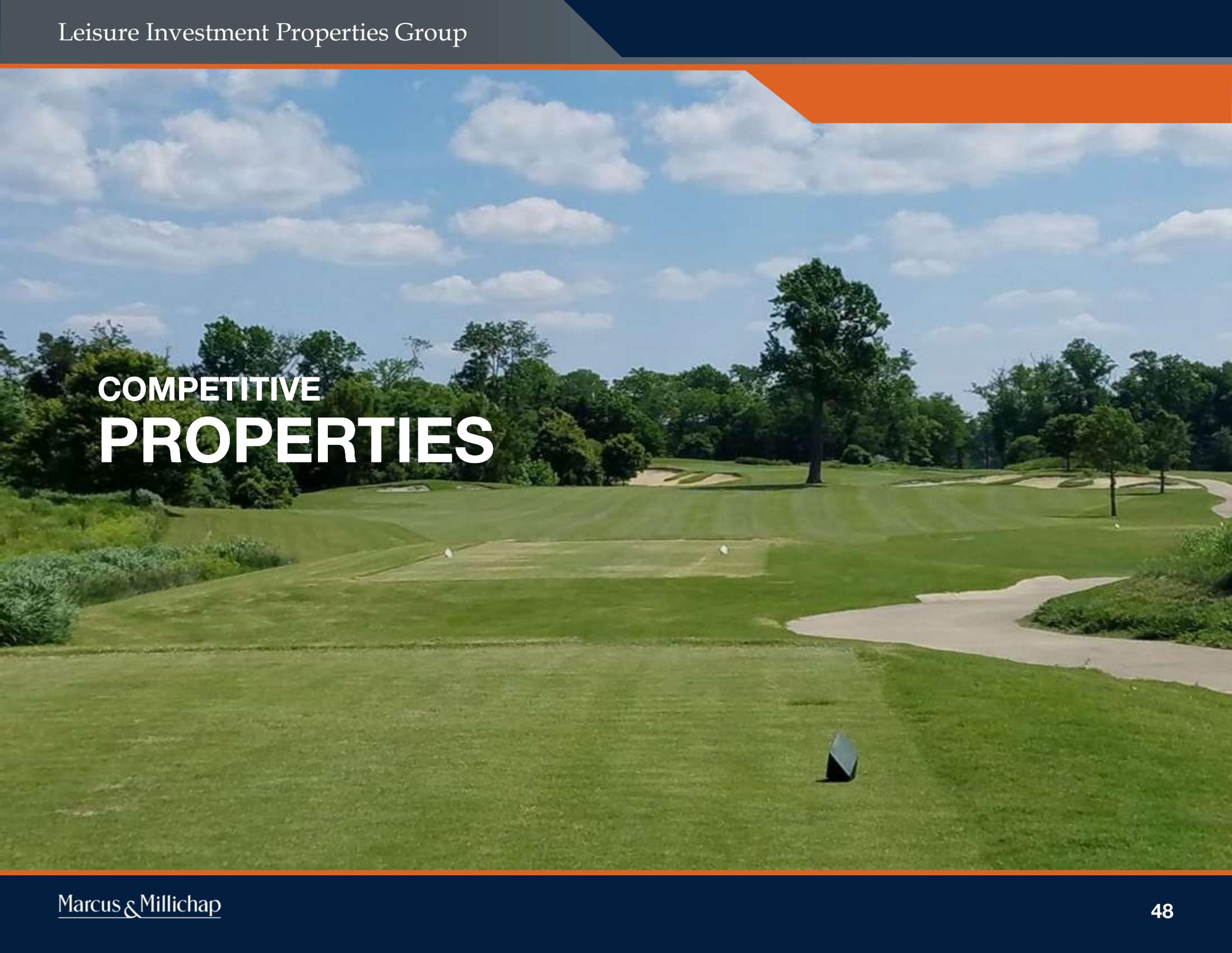
PROPERTY DETAILS

| | |
|-----------------------------------|-----------|
| Zoning: | PUD |
| Prior Year Property Taxes (2017): | \$164,561 |



Scotch Hall
PRESERVE





**COMPETITIVE
PROPERTIES**

Competitive Course Summary

Competitive Course Summary

There are approximately 4 total golf facilities located within a 15-mile radius of Scotch Hall Preserve, comprised of approximately:

- 2 Private Courses (50.0%)
- 2 Daily Fee Courses (50.0%)

Fair Share Analysis:

| Region South Atlantic | |
|---|---------------|
| Population: | 31,192 |
| # of Courses: | 4 |
| Participation Rate: | 7.9% |
| # of Active Golfers: | 2,464 |
| Avg. Annual Rounds: | 25.4 |
| Total Annual Rounds: | 62,590 |
| Avg. Annual Rounds Per Facility: | 15,647 |

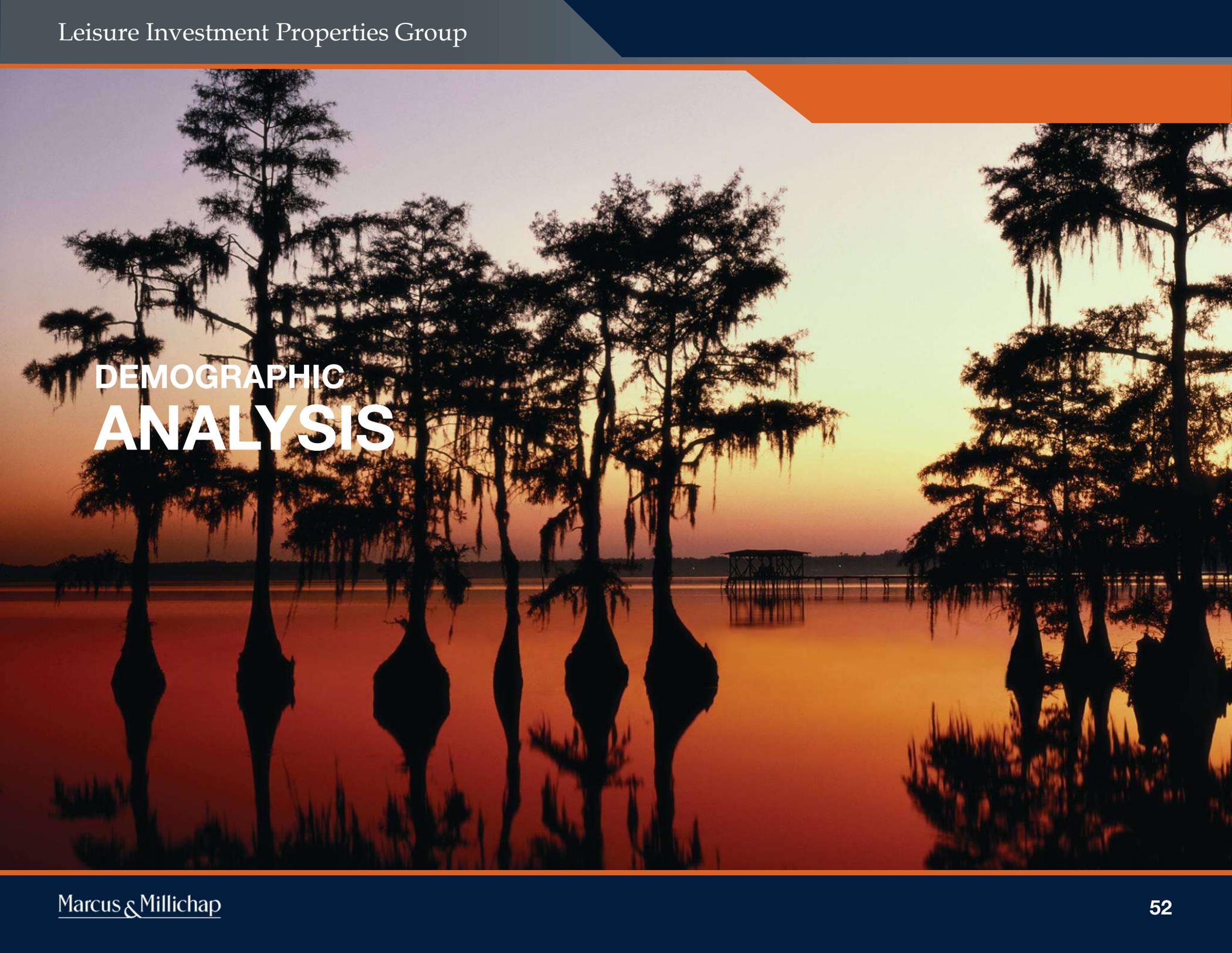


Competitive Survey

| | | <u>Scotch Hall Preserve</u> | <u>The Sounds Golf Links</u> | <u>Ironwood Golf & Country Club</u> | |
|----------------------------|---|---|--|---|--|
| | <u>AMENITIES KEY</u> S = Stay & Play Accommodations R = Restaurant Fine Dining & Bar G = Grill B = Banquet O = Outing T = Tennis P = Pool F = Fitness |  |  |  | |
| | Location | Merry Hill, NC | Hertford, NC | Greenville, NC | |
| | Distance From Subject | -- | 35.0 Miles | 62.1 Miles | |
| C O U R S E | Course Type | Semi-Private | Semi-Private | Semi-Private | |
| | Year Opened (Renovated) | 2008 | 1990 | 1996 | |
| | Designer | Arnold Palmer | Dan Maples | Lee Trevino | |
| | # of Holes Par | 18 72 | 18 72 | 18 72 | |
| | Annual Rounds | 14,038 | -- | -- | |
| S P E C S | Yardage - Back Tee | 7,254 | 6,431 | 7,120 | |
| | Course Rating Slope | 76.0 145 | 72.0 134 | 74.4 136 | |
| | Non - Golf Amenities | SRGBOTPF | RGBOTP | RGBOTP | |
| D U E S | Initiation Fees - Golf (Family) | \$15,000 | - | \$0 | |
| | Annual Dues - Golf (Family) | \$1,500 | - | \$3,780 | |
| | Annual Dues - Social | \$600 | - | \$2,061 | |
| F E E S | Greens Fee - Weekend | \$60.00 | \$54.00 | \$45.00 | |
| | Greens Fee - Weekday | \$50.00 | \$54.00 | \$38.00 | |
| | 60:40 Weighted Average | \$56.00 | \$54.00 | \$42.20 | |
| | Cart Fee (if separate) | Included | Included | Included | |

Competitive Survey

| | | Scotch Hall Preserve | Bay Creek | Cutter Creek |
|----------------------------|--|---|--|---|
| | <p>AMENITIES KEY S = Stay & Play Accommodations R = Restaurant Fine Dining & Bar G = Grill B = Banquet O = Outing T = Tennis P = Pool F = Fitness</p> |  |  |  |
| | Location | Merry Hill, NC | Cape Charles, NC | Snow Hill, NC |
| | Distance From Subject | -- | 125.2 Miles | 87.9 Miles |
| C O U R S E | Course Type | Semi-Private | Semi-Private | Semi-Private |
| | Year Opened (Renovated) | 2008 | 2001 / 2005 | 2008 |
| | Designer | Arnold Palmer | Arnold Palmer / Jack Nicklaus | JMP Golf Design |
| | # of Holes Par | 18 72 | 36 72 | 18 72 |
| | Annual Rounds | 14,038 | -- | -- |
| | S P E C S | Yardage - Back Tee | 7,254 | 7,417 / 7,250 |
| Course Rating Slope | | 76.0 145 | 75.9, 75.2 146, 142 | 75.3 144 |
| Non - Golf Amenities | | SRGBOTPF | SRGBOPTF | SRGBOP |
| D U E S | Initiation Fees - Golf (Family) | \$15,000 | \$15,000 (Resident) - \$25,000 (Non-Resident) | \$0 |
| | Annual Dues - Golf (Family) | \$1,500 | \$3,960 - \$5,400 | \$2,400 |
| | Annual Dues - Social | \$600 | \$1,188 - \$1,860 | -- |
| F E E S | Greens Fee - Weekend | \$60.00 | \$120.00 | \$59.00 |
| | Greens Fee - Weekday | \$50.00 | \$70.00 | \$49.00 |
| | 60:40 Weighted Average | \$56.00 | \$100.00 | \$55.00 |
| | Cart Fee (if separate) | Included | Included | Included |

A scenic photograph of a lake at sunset. The sky is a mix of orange, yellow, and blue. Silhouetted trees with Spanish moss hang from their branches line the shore. A wooden pier extends into the water in the distance. The text 'DEMOGRAPHIC ANALYSIS' is overlaid in white on the left side of the image.

DEMOGRAPHIC ANALYSIS

| Description | 5 Mile | 10 Mile | 15 Mile |
|---|--------|---------|---------|
| Population By Year | | | |
| Population (1990) : | 1,338 | 16,574 | 32,069 |
| Population (2000) : | 1,293 | 16,212 | 32,340 |
| Population (2010) : | 1,481 | 16,050 | 33,612 |
| Population (Current) : | 1,410 | 14,982 | 31,192 |
| Population (5 Yr. Forecast) : | 1,409 | 14,810 | 30,713 |
| Percent Growth (Current Yr./2010) : | -4.79% | -6.65% | -7.20% |
| Percent Forecast (5 Yr. Forecast/Current Yr.) : | -0.02% | -1.12% | -1.52% |
| Households By Year | | | |
| Households (2000) : | 518 | 6,243 | 12,537 |
| Households (2010) : | 627 | 6,745 | 13,496 |
| Households (Current) : | 603 | 6,346 | 12,580 |
| Households (5 Yr. Forecast) : | 611 | 6,361 | 12,544 |
| Percent Growth (Current Yr./2010) : | -3.83% | -5.92% | -6.79% |
| Percent Forecast (5 Yr. Forecast/Current Yr.) : | 0.44% | -0.04% | -0.43% |
| General Population Characteristics | | | |
| Male : | 649 | 7,040 | 15,195 |
| Female : | 761 | 7,942 | 15,997 |
| Density : | 256 | 64 | 47 |
| Urban : | 920 | 5,988 | 11,673 |
| Rural : | 490 | 8,994 | 19,519 |

| Description | 5 Miles | 10 Miles | 15 Miles |
|---|------------|------------|------------|
| General Household Characteristics | | | |
| Households (Current) : | 603 | 6,346 | 12,580 |
| Families : | 456 | 4,242 | 8,308 |
| Average Size of Household : | 0.78 | 1.8 | 2.08 |
| Median Age of Householder : | 56 | 57 | 56 |
| Median Value Owner Occupied (\$) : | \$ 456,000 | \$ 265,030 | \$ 250,900 |
| General Housing Characteristics | | | |
| Housing Units : | 694 | 7,707 | 15,052 |
| Owner Occupied Units : | 422 | 4,163 | 8,485 |
| Renter Occupied Units : | 181 | 2,183 | 4,095 |
| Vacant Units : | 91 | 1,361 | 2,472 |
| Population By Race | | | |
| White Alone : | 850 | 7,086 | 14,416 |
| Black Alone : | 496 | 7,304 | 15,429 |
| Asian Alone : | 24 | 64 | 198 |
| Native American and Alaska Native Alone : | 3 | 34 | 113 |
| Other Race Alone : | 5 | 312 | 586 |
| Two or More Races : | 32 | 182 | 450 |
| Population By Ethnicity | | | |
| Hispanic : | 25 | 449 | 915 |
| White Non-Hispanic : | 837 | 6,995 | 14,201 |
| General Income Characteristics | | | |
| Median Household Income (\$) : | \$ 67,618 | \$ 47,068 | \$ 50,760 |
| Average Household Income (\$) : | \$ 82,598 | \$ 58,722 | \$ 64,558 |
| Per Capita Income (\$) : | \$ 35,324 | \$ 24,873 | \$ 26,037 |

Scotch Hall Preserve
105 Scotch Hall Court | Merry Hill, NC 27957

GOLF
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