Assumptions and Clarifications for ProForma

1. We broke out the Sports/Recreation and Restaurant revenue and expenses through the first 5 years using pages 28,63,64,65 of the proposal. Years 6-10 we just used total revenue and expenses per phase per page 29,63,64,65. We added Run Events Income because the Fitness trail will be built in Phase 1. We used the same underwriting for this revenue and expense as the Fitness proforma on page 63. We do not believe these three runs will reduce the number of events the Fitness venue will be able to host and should be able to stand independently.

2. After several discussions with the Property Appraiser's office we believe the project will not receive any tax exemption. Therefore, the county property tax for Phase 1 is calculated with a 120 million market value. The assessed value would be 102 million creating $1,429,530 in a county tax liability. We increased the taxes by 3% annually.

3. We believe this proforma demonstrates the necessity of the rent abatement requested in the proposal. Therefore, we extracted the city tax and mirrored the rent abatement schedule. See below for convenience.
   - Rent years 1-5 = 100% Abatement
   - Rent years 6-10 = 75% Abatement
   - Phase 1 = 695,877.45 (was grossed up 3% annually) (Year 6 of Proforma)

     x.25 = $173,969.36

   - Phase 2 = 231,959.15 (was grossed up 3% annually) (Year 9 of Proforma)

     x.25 = 57,989.79

   - Yr 9 annual rent due = $248,090.80
4. We believe a 7-year construction loan is likely our best financing vehicle. The first year of the loan will be construction of Phase 1. We show construction of Phase 2 beginning in year 3, which is year 4 of the loan. We are aware this is more conservative than our Construction Schedule in the proposal, however we felt it better to be more conservative in the proforma.

Year 6 of the model is full stabilization of the project with two years of operation of Phase 2; this will help the refinance in Yr 7.

5. We capped Year 6's NOI at an 8-capitalization rate, which creates a value of 162 million.

   At a 70% Loan to Value, we could permanently finance the construction debt and closing costs. We ran the perm loan at 110 million at 5.5% interest rate on a 25-yr amortization. There is plenty of debt service coverage at this debt obligation and the asset creates a fair return for investors given the development and operational risk.
6. In the stress scenario of the Phase 1 and Phase2 proforma. We made the same assumptions but discounted the NOI 10%. Under this scenario, we can still refinance the construction loan by making about a $7 million pay down getting the perm loan amount to 100 million. We showed this 7 million as new equity, still giving our investors a 15%+ return.

We believe the financial scenario laid out in the proforma is conservative and has a strong likelihood of being executed. Due to the projects creative programming, which capitalizes on the strength of the youth sports tourism industry but also leans in heavily to community engagement, we are confident that if approved we can deliver this transformational project to the City of Clearwater.