

ASSET SUMMARY

██████████ LLC

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EXECUTIVE SUMMARY

Kinsey Associates, Inc. has put this document together for the purpose of summarizing the current status of ██████████ LLC, (or “MDL”). This venture was entered into in 2004 between ██████████ (“Equity Member” or “Johnson”) and ██████████ LLC (now Starboard Development Corporation, “Managing Member” or “Sailor/Starboard”).

A BRIEF HISTORY

The original purpose of this venture was to rezone and obtain development entitlements for the land owned by Johnson along S.R. 31, approximately 49 AC. This process was carried forward primarily at the direction of Jim Kinsey, Jr. who was managing member of Sailor/Starboard. In 2006 the real estate was rezoned to RPD with a Master Concept Plan showing 140 single family lots. A SFWMD permit was obtained and an ACOE application was also submitted (pending approval), which required various environmental mitigation steps to be taken in order to develop the property as desired.

This included a total of approximately \$380k in wetland and panther mitigation credits that were either purchased or reserved by contract. At this point in time, there were serious negotiations being undertaken by Jim Kinsey (as “Broker”) of Kinsey Associates, Inc., but a sale would unfortunately not materialize at this time.

Eventually the partnership found itself as one of many landowners/developers in the precarious position of dealing with the economic recession beginning in 2008. This effectively stopped all marketing of the property for several years while the market recovered.

Once the local economy showed signs of improvement, Broker resumed marketing it to various homebuilders and developers, with most activity beginning ~ 2012. However, most of these potential buyers were focusing their efforts on the Bonita Springs and Estero markets. Those projects that did move forward in the NE portion of Lee County were primarily focused in the River Hall community.

A primary factor in not finding a buyer for the property at this time was that there was an abundance of available land elsewhere in the county which had average, or below average development costs associated with it, and average or above average estimated finished home pricing. The Marina Del Lago project, however, would require significant development expenses for anyone wishing to build homes on the property. This fact, along with an anticipated ceiling to the value of finished homes which could be built here, limited the attractiveness of the site when compared to available alternatives. This challenge has persisted to present day.

The costs associated with developing the property were well understood by the partners from the beginning of the venture, but the real estate market looked very different at that time, and there was an insatiable demand for new development in that environment, with land values reflecting this. But post-recession attitudes toward land projects have been much different, and the characteristics of this property put it at a noticeable disadvantage compared to other available land in Lee County.

PARTNER CONTRIBUTIONS

The following two pages show all partnership contributions for which Broker has records. Additionally, accumulated interest has been added to the contributions to give the respective equity basis for each contribution. * Interest rate is calculated as the 10-year US Treasury note plus 150 basis points.

	[REDACTED] LLC		Accrued Principle & Interest			
	Sailor LLC / Starboard	Johnson	Time Basis		Sailor LLC / Starboard	Johnson
			Begin Date	term (yrs)		
Beginning balance *	\$ 750,000.00			-		\$750,000.00
12/10/2004	\$ 5,000.00		12/10/2004	15.40	\$6,879.76	\$0.00
12/21/2004	\$ 5,000.00		12/21/2004	15.37	\$6,875.47	\$0.00
02/01/2005	\$ 10,000.00		2/1/2005	15.25	\$13,718.18	\$0.00
03/10/2005	\$ 20,000.00		3/10/2005	15.15	\$27,378.78	\$0.00
04/01/2005	\$ 5,000.00		4/1/2005	15.09	\$6,836.15	\$0.00
04/07/2005	\$ 5,000.00		4/7/2005	15.08	\$6,833.82	\$0.00
05/19/2005	\$ 20,000.00		5/19/2005	14.96	\$27,270.18	\$0.00
07/01/2005	\$ 10,000.00		7/1/2005	14.84	\$13,601.84	\$0.00
11/04/2005	\$ 10,000.00		11/4/2005	14.50	\$13,504.88	\$0.00
02/06/2006	\$ 10,000.00		2/6/2006	14.24	\$13,433.00	\$0.00
04/24/2006	\$ 5,000.00		4/24/2006	14.03	\$6,687.20	\$0.00
04/28/2006	\$ 5,000.00		4/28/2006	14.02	\$6,685.68	\$0.00
06/06/2006	\$ 59,004.00		6/6/2006	13.91	\$78,721.88	\$0.00
06/06/2006	\$ 10,000.00		6/6/2006	13.91	\$13,341.79	\$0.00
08/21/2006	\$ 5,000.00		8/21/2006	13.70	\$6,642.17	\$0.00
08/28/2006	\$ 5,000.00		8/28/2006	13.68	\$6,639.53	\$0.00
09/01/2006	\$ 10,000.00		9/1/2006	13.67	\$13,276.05	\$0.00
11/27/2006	\$ 2,000.00		11/27/2006	13.44	\$2,642.13	\$0.00
12/28/2006	\$ 38,000.00		12/28/2006	13.35	\$50,112.11	\$0.00
12/31/2006		\$7,463.72	12/31/2006	13.34	\$0.00	\$9,841.03
02/20/2007	\$ 11,875.00		2/20/2007	13.20	\$15,612.09	\$0.00
02/27/2007	\$ 4,125.00		2/27/2007	13.18	\$5,420.99	\$0.00
03/20/2007	\$ 10,000.00		3/20/2007	13.13	\$13,126.14	\$0.00
03/30/2007	\$ 10,000.00		3/30/2007	13.10	\$13,118.69	\$0.00
04/23/2007	\$ 10,000.00		4/23/2007	13.03	\$13,100.83	\$0.00
04/30/2007	\$ 10,000.00		4/30/2007	13.01	\$13,095.62	\$0.00
05/07/2007	\$ 27,793.50		5/7/2007	12.99	\$36,382.86	\$0.00
05/11/2007	\$ 27,793.50		5/11/2007	12.98	\$36,374.59	\$0.00
05/17/2007	\$ -	\$ 181,411.42	5/17/2007	12.97	\$0.00	\$237,340.35
07/20/2007	\$ 5,000.00		7/20/2007	12.79	\$6,517.77	\$0.00

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	[REDACTED] LLC		Accrued Principle & Interest			
	Sailor LLC / Starboard	Johnson	Time Basis		Sailor LLC / Starboard	Johnson
			Begin Date	term (yrs)		
08/01/2007	\$ 5,000.00		8/1/2007	12.76	\$6,513.33	\$0.00
12/04/2007	\$ 2,500.00		12/4/2007	12.42	\$3,233.63	\$0.00
12/10/2007	\$ 2,500.00		12/10/2007	12.40	\$3,232.53	\$0.00
12/31/2007	\$ -	\$29,519.99	12/31/2007	12.34	\$0.00	\$38,124.23
02/08/2008	\$ 3,000.00		2/8/2008	12.24	\$3,865.85	\$0.00
02/11/2008	\$ 3,000.00		2/11/2008	12.23	\$3,865.19	\$0.00
04/14/2008	\$ 2,000.00		4/14/2008	12.05	\$2,567.59	\$0.00
04/23/2008	\$ 2,000.00		4/23/2008	12.03	\$2,566.28	\$0.00
12/31/2008	\$ -	\$24,412.52	12/31/2008	11.34	\$0.00	\$30,879.67
12/31/2009	\$ -	\$13,664.77	12/31/2009	10.34	\$0.00	\$16,930.20
03/10/2010	\$ 400.00		3/10/2010	10.15	\$493.65	\$0.00
12/31/2010	\$ -	\$8,922.81	12/31/2010	9.34	\$0.00	\$10,828.32
03/23/2011	\$ (133.63)		3/23/2011	9.12		\$0.00
12/31/2011	\$ -	\$6,372.89	12/31/2011	8.34	\$0.00	\$7,575.23
12/31/2012	\$ -	\$6,084.63	12/31/2012	7.34	\$0.00	\$7,083.84
12/31/2013	\$ -	\$5,734.97	12/31/2013	6.34	\$0.00	\$6,539.81
11/12/2014	\$ 100.00		11/12/2014	5.47	\$112.01	\$0.00
12/22/2014	\$ 620.00		12/22/2014	5.36	\$692.86	\$0.00
12/31/2014	\$ -	\$6,082.83	12/31/2014	5.34	\$0.00	\$6,794.22
12/09/2015	\$ 100.00		12/9/2015	4.40	\$109.54	\$0.00
12/31/2015	\$ -	\$6,027.24	12/31/2015	4.34	\$0.00	\$6,594.05
03/16/2016	\$ 138.75		3/16/2016	4.13	\$151.14	\$0.00
12/31/2016	\$ -	\$6,259.39	12/31/2016	3.33	\$0.00	\$6,707.20
12/31/2017	\$ -	\$7,047.31	12/31/2017	2.33	\$0.00	\$7,396.60
06/08/2018	\$ 535.00		6/8/2018	1.90	\$556.47	\$0.00
12/31/2018	\$ -	\$6,546.76	12/31/2018	1.33	\$0.00	\$6,730.31
02/26/2019	\$ 500.00		2/26/2019	1.18	\$512.36	\$0.00
03/13/2019	\$ 138.75		3/13/2019	1.14	\$142.06	\$0.00
12/31/2019	\$ -	\$6,428.18	12/31/2019	0.33	\$0.00	\$6,472.86
03/23/2020	\$ 330.00		1/1/2020	0.33	\$332.27	\$0.00
	\$ 376,477.37	\$ 938,875.14			\$473,830.20	\$ 997,181.38

* Interest on Equity Member's land contribution begins to accrue from date that plat is recorded (still yet to be platted)

* dates highlighted above in gray are property tax expenses

PROPERTY TAX EXPENSES

(EXPENSES OF ██████████)

The ██████████ development is comprised of 10 different tax parcels. The annual property tax expenses were paid by ██████████. According to the ██████████ Membership Agreement, these expenses became classified as partner contributions when the lots were rezoned to RPD. This rezone took place in late 2006, and so only the portion of the 2006 tax bills representing the time in which the properties were rezoned are shown in the 2006 column. The rest of them are full year tax bills and became partner contributions on the date they were paid.

** The broker has not verified the exact dates and amounts actually paid for each tax year, so these numbers should be viewed as reliable, but not perfectly accurate representations of actual expenses.*

	2006*	2007	2008	2009	2010	2011	2012
30-43-26-00-00001.3000 16600 SR 31	\$609.48	\$2,440.80	2,255.46	\$1,611.10	\$913.11	\$851.83	\$811.45
30-43-26-00-00002.0000	\$2,741.70	\$10,831.68	\$9,361.61	\$4,372.39	\$2,963.58	\$1,590.59	\$1,515.18
30-43-26-00-00002.0060	\$281.58	\$1,112.44	\$824.12	\$449.06	\$304.37	\$234.28	\$227.79
30-43-26-00-00002.0070						\$776.81	\$739.98
30-43-26-00-00002.0050	\$281.58	\$1,112.44	\$824.12	\$449.06	\$304.37	\$234.28	\$227.79
30-43-26-00-00002.0040	\$281.58	\$1,112.44	\$824.12	\$449.06	\$304.37	\$234.28	\$227.79
30-43-26-00-00002.0030	\$281.58	\$1,112.44	\$824.12	\$449.06	\$304.37	\$234.28	\$223.19
30-43-26-00-00002.0020	\$281.58	\$1,112.44	\$824.12	\$449.06	\$304.37	\$234.28	\$223.19
30-43-26-00-00002.0010	\$1,037.40	\$4,098.47	\$3,036.19	\$1,654.43	\$1,121.36	\$863.12	\$822.21
30-43-26-00-00001.3020	\$1,667.26	\$6,586.84	\$5,638.66	\$3,781.55	\$2,402.91	\$1,119.14	\$1,066.06
ANNUAL TOTALS	\$7,463.72	\$29,519.99	\$24,412.52	\$13,664.77	\$8,922.81	\$6,372.89	\$6,084.63

	2013	2014	2015	2016	2017	2018	2019
30-43-26-00-00001.3000 16600 SR 31	\$785.99	\$797.76	\$789.60	\$819.81	\$804.05	\$925.16	\$939.29
30-43-26-00-00002.0000	\$1,415.37	\$1,503.02	\$1,487.64	\$1,545.06	\$1,515.36	\$1,551.98	\$1,496.95
30-43-26-00-00002.0060	\$208.48	\$221.39	\$219.10	\$227.56	\$348.40	\$228.59	\$220.47
30-43-26-00-00002.0070	\$691.22	\$734.04	\$726.52	\$754.56	\$854.47	\$757.94	\$731.07
30-43-26-00-00002.0050	\$208.48	\$221.39	\$219.10	\$227.56	\$352.18	\$228.59	\$220.47
30-43-26-00-00002.0040	\$208.48	\$221.39	\$219.10	\$227.56	\$352.18	\$228.59	\$220.47
30-43-26-00-00002.0030	\$208.48	\$221.39	\$219.10	\$227.56	\$352.71	\$228.59	\$220.47
30-43-26-00-00002.0020	\$208.48	\$221.39	\$219.10	\$227.56	\$352.71	\$228.59	\$220.47
30-43-26-00-00002.0010	\$768.04	\$815.61	\$807.25	\$838.42	\$973.91	\$842.17	\$812.30
30-43-26-00-00001.3020	\$1,031.95	\$1,125.45	\$1,120.73	\$1,163.74	\$1,141.34	\$1,326.56	\$1,346.22
ANNUAL TOTALS	\$5,734.97	\$6,082.83	\$6,027.24	\$6,259.39	\$7,047.31	\$6,546.76	\$6,428.18

** Property taxes started to be counted as contributions on the date of rezone*

Date of Rezone: 10/3/2006

Portion of 2006 zoned RPD: 24.38%

DISPOSITION SCENARIOS

The broker has prepared three disposition scenarios for comparative review. When reviewing the figures shown in this section, it is important to understand some of the facts and assumptions made with regard to formulating these figures. The goal of this section is to show a few cases of how disposition price affects distribution of proceeds to partners, along with a few of the expenses involved in same.

NOTES, FACTS & ASSUMPTIONS ABOUT THIS SECTION:

- Selected Sale Price figures have been somewhat arbitrarily selected and should not be viewed as market-driven pricing scenarios. There are many other factors that go into determining a “likely market value” and this section does not contemplate these factors. The prices shown are for comparative purposes only.
- All figures shown were calculated using a combination of actual financial contributions by the members, some estimated contributions (property tax figures for example), and beginning capital values established by the ██████████ Membership Agreement. Some expenses shown were also derived from the Membership Agreement. These figures should be viewed as reliable at the time this report was created, but not guaranteed to be an exact representation of all contributions, expenses and distributions that would be recognized in an actual sale of ██████████ assets.
- Any reference to “interest rates” or “accumulated interest” is based on the 10 year US Treasury note plus 150 basis points, as outlined in the Membership Agreement. These rates are subject to change so the resulting numbers of these figures should also be expected to change as well by the time the real estate is sold.
- The Membership Agreement explicitly states that Equity member (Johnson) shall be returned its capital contributed, plus applicable interest, before Managing Member (Sailor/Starboard) is entitled to any distributable cash. All scenarios below represent a net loss to the venture, so in each case, 100% of net sale proceeds are shown to be returned to Johnson.
- These scenarios only cover the disposition of the real estate, and do not include any transferable development rights. For example, Panther Habitat Units owned by ██████████ LLC (292 PHU total) may potentially be able to be sold separately from the real estate. These units are estimated to be worth approximately \$230k, but there are certain approvals that must be obtained in order to sell them.

SCENARIO 1: SALE PRICE AT \$1,000,000

This scenario seems rather unlikely due to the existing site development costs but is provided for perspective.

SALES PROCEEDS ANALYSIS (LOSS SCENARIO)			
	Johnson	Sailor/Starboard	MDL TOTAL
<i>Contributions</i>			
Initial capital	\$ 750,000	\$ -	\$ 750,000
Property tax	\$ 140,568	\$ -	\$ 140,568
Entitlements/Development costs	\$ 181,411	\$ 376,477	\$ 557,889
TOTAL CAPITAL INVESTMENT	\$ 1,071,979	\$ 376,477	\$ 1,448,457
Interest Rate (10 Yr T-note plus 150 b.p.)	2.09%	2.09%	
Accumulated Interest	\$ 77,386	\$ 125,313	
EQUITY BASIS	\$ 1,149,365	\$ 501,790	\$ 1,651,155
<i>* these are time-value of money adjusted, and are not representative of actual invested capital</i>			
<i>Fees and commissions</i>			
Sailor/Starboard development fee			\$ 75,000
██████████ commission			\$ 70,000
Broker commission			\$ 100,000
TOTAL FEES AND COMMISSIONS			\$ 245,000
SALE PRICE			\$ 1,000,000.00
Price per blank (@140)			\$ 7,142.86
NET SALES PROCEEDS			\$ 755,000
Profit (Loss)	\$ (623,811.47)	\$ (272,343.87)	\$ (896,155.34)
<i>* this is time-value of money adjusted, and are not actual profits (losses) to be used for tax purposes</i>			
	Johnson	Sailor/Starboard	MDL TOTAL
CASH DISTRIBUTION TO PARTNERS	\$ 755,000	\$ -	\$ 755,000

SCENARIO 2: SALE PRICE AT \$750,000

This scenario would closely represent the land value that was estimated at the beginning of the joint venture, prior to rezoning and permitting. However, it would still be difficult to sell at this price given fill costs.

SALES PROCEEDS ANALYSIS (LOSS SCENARIO)			
	Johnson	Sailor/Starboard	MDL TOTAL
<i>Contributions</i>			
Initial capital	\$ 750,000	\$ -	\$ 750,000
Property tax	\$ 140,568	\$ -	\$ 140,568
Entitlements/Development costs	\$ 181,411	\$ 376,477	\$ 557,889
TOTAL CAPITAL INVESTMENT	\$ 1,071,979	\$ 376,477	\$ 1,448,457
Interest Rate (10 Yr T-note plus 150 b.p.)	2.09%	2.09%	
Accumulated Interest	\$ 77,386	\$ 125,313	
EQUITY BASIS	\$ 1,149,365	\$ 501,790	\$ 1,651,155
<i>* these are time-value of money adjusted, and are not representative of actual invested capital</i>			
<i>Fees and commissions</i>			
Sailor/Starboard development fee			\$ 75,000
██████████ commission			\$ 70,000
Broker commission			\$ 37,500
TOTAL FEES AND COMMISSIONS			\$ 182,500
SALE PRICE			\$ 750,000.00
Price per blank (@140)			\$ 5,357.14
NET SALES PROCEEDS			\$ 567,500
Profit (Loss)	\$ (754,329.75)	\$ (329,325.59)	\$ (1,083,655.34)
<i>* this is time-value of money adjusted, and are not actual profits (losses) to be used for tax purposes</i>			
	Johnson	Sailor/Starboard	MDL TOTAL
CASH DISTRIBUTION TO PARTNERS	\$ 567,500	\$ -	\$ 567,500

SCENARIO 3: SALE PRICE AT \$500,000

This scenario would represent a significant depreciation of land value, as compared to estimated value at the beginning of the joint venture. In the broker's opinion, this would be the likeliest scenario of the three presented.

SALES PROCEEDS ANALYSIS (LOSS SCENARIO)			
	Johnson	Sailor/Starboard	MDL TOTAL
<i>Contributions</i>			
Initial capital	\$ 750,000	\$ -	\$ 750,000
Property tax	\$ 140,568	\$ -	\$ 140,568
Entitlements/Development costs	\$ 181,411	\$ 376,477	\$ 557,889
TOTAL CAPITAL INVESTMENT	\$ 1,071,979	\$ 376,477	\$ 1,448,457
Interest Rate (10 Yr T-note plus 150 b.p.)	2.09%	2.09%	
Accumulated Interest	\$ 77,386	\$ 125,313	
EQUITY BASIS	\$ 1,149,365	\$ 501,790	\$ 1,651,155
<i>* these are time-value of money adjusted, and are not representative of actual invested capital</i>			
<i>Fees and commissions</i>			
Sailor/Starboard development fee			\$ 75,000
██████████ commission			\$ 70,000
Broker commission			\$ 25,000
TOTAL FEES AND COMMISSIONS			\$ 170,000
SALE PRICE			\$ 500,000.00
Price per blank (@140)			\$ 3,571.43
NET SALES PROCEEDS			\$ 330,000
Profit (Loss)	\$ (919,652.90)	\$ (401,502.44)	\$ (1,321,155.34)
<i>* this is time-value of money adjusted, and are not actual profits (losses) to be used for tax purposes</i>			
	Johnson	Sailor/Starboard	MDL TOTAL
CASH DISTRIBUTION TO PARTNERS	\$ 330,000	\$ -	\$ 330,000

EVALUATION & RECOMMENDATIONS

Broker recognizes the partners' desire to dispose of the property at the earliest opportunity, and for the greatest possible return. The following factors should be considered in evaluating the likely result of such efforts to dispose of the property.

BARRIERS TO DISPOSITION

The property is well located near several main roads with easy access to highways and proximity to retail & other neighborhood amenities. However, the land itself has a very low elevation relative to sea-level and is located near the Caloosahatchee River, and is therefore subject to some substantial related development challenges.

- Army Corps of Engineering permit is required to develop the lot. Although a permit was previously applied for in the past, it was eventually withdrawn due to economic reasons, and a new permit would need to be sought by developers. This permit is a major challenge and is currently estimated to take about 18 months to acquire.
 - Fill costs are extremely prohibitive to developing the lot. From 2004 to 2020, it was estimated that the site would require approximately 215,000 cubic yards of fill in order to bring the site up to required FEMA elevations. In 2014, this cost per unit was \$8 which would equate to a total fill cost of about \$1.7 million (or abt. \$12,000 per blank – based on 140 SF home lots)
 - Current unit costs for fill are approximately \$11.50 - \$12 / CY. This would equate to a total fill cost of about \$2.5 million (or abt. \$18,000 per blank)
 - In 2020, FEMA released a new set of flood maps which establishes minimum elevations for new improvements to land. As a result of this change, the subject property is now required to have an additional 3 feet of elevation above sea-level. **This is a devastating blow to the value of the land.**
 - With the new required elevations taken into consideration, a developer would be required to have an estimated additional 179,000 CY of fill to bring the site up to grade. This would equate to a total fill cost of about \$4.6 million (or nearly \$33,000 per blank)
 - After factoring in various other site work costs, the project now carries a site-work price tag in excess of \$8.5 million, or \$61k per blank.
- * THIS DOES NOT INCLUDE THE COST TO BUY THE PROPERTY !!!**

To paint some perspective on the above figures, consider that homebuilders are currently paying about \$45k - \$50k per blank lot. Our project would require they pay over \$60k per blank even if we gave the real estate away for free.

To summarize, this property is not going to be considered a realistic option for residential development under the current market and regulatory conditions. Although we were able to reasonably hope to locate a buyer in previous years as the economy has thrived, the latest regulatory developments have made our prospects extremely dim.

RECOMMENDED ACTION

Broker recognizes that the underlying real estate is continuing to be taxed by local governmental authorities, and these assessments are based on a land valuations assumed to be accurate based on other similarly zoned parcels throughout the county. However, Broker would argue that the value of the real estate is currently overestimated by taxing authorities.

It is the recommendation of Broker to consider a few options for addressing the costs of owning the real estate.

OPTION 1: APPEAL THE PROPERTY APPRAISER'S VALUATION

This is typically done toward the end of the year after property tax notices go out. We could argue to the Value Adjustment Board that the assessed taxable value of the parcels (currently about \$463k) does not reflect the actual valuation of the real estate based on the current factors associated with any proposed development of the site.

OPTION 2: "DOWN-ZONE" THE PARCELS

This would involve a rezoning process with Lee County with the goal being to rezone the parcels back to an agricultural type of zoning district – the goal is to have the real estate taxed at a lower valuation based on a less intense potential use of the land. This option would likely involve costs well in excess of a single year's property tax assessment for the real estate, so a more in-depth cost vs. benefit analysis would have to be evaluated before seriously considering this option.

OPTION 3: ATTEMPT A SALE OF EXISTING DEVELOPMENT RIGHTS

To the extent they are severable from the underlying real estate, partners may be able to recoup a portion of their initial investments through the sale of its intangible development assets. More specifically, the Panther Habitat Units (no longer a requirement for developing the real estate) may be able to be sold. These are estimated to be worth about \$230k, but this can change. We'd further need approval from the Florida Panther Conservation Bank to sell our PHUs.

CONCLUSION

Partners in the [REDACTED] venture must understand that the prospects of selling its real estate assets have been, and continue to be a tremendous challenge, given the factors at play. Although Broker will continue its endeavors to find a suitable buyer for the real estate, expectations on potential returns on the investment (and timing of same) must be managed according to the information provided in this document.

More immediately, partners should review any combination of available options to mitigate the cost of continued ownership of the assets.