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**MEMORANDUM OF UNDERSTANDING**

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TO: Bill Ware – Harbert Realty Services

FROM: Joe Collier - Mainsail Lodging and Development

SUBJECT: King’s Landing Mixed-Use Development in Ft. Pierce, Florida

DATE: July 19, 2024

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This Memorandum of Understanding (“MOU”) is an initial summary of a company structure that Harbert Realty Services, LLC. (“HRS”) with Mainsail Lodging & Development (“Mainsail”) proposes to develop a hotel in Ft. Pierce, Florida (“Project”). This MOU will serve as a guide to facilitate associated operative agreements for a Joint Venture structure and an exclusive due diligence period.

1. Joint Venture: To be formed, a single-asset limited liability company (“JV”) for the project hotel.
2. Purpose: JV will acquire land, develop, and own an upscale full-service hotel (the “Project”) as an investment property. The JV will develop, finance, construct and operate the Project.
3. Property: HRS controls an approximate 6.811-acres property located on North 2<sup>nd</sup> Street in Ft. Pierce, Florida (“Property”) and Audubon Development (A.D.) shall contribute the property for the hotel into the JV at a value of \$1,500,000 as a limited partnership contribution. This will be the imputed equity that is in the limited partnership.
4. The Project and Surrounding Development: King’s Landing, a Mixed-Use Development in Fort Pierce, FL
  - 106 Condominium Units
  - ±140-Room Tribute Portfolio by Marriott Hotel
  - ±50,000 SF of Retail and Restaurants
  - Excess land that could be sold or developed
  - 170-Space Structured Parking and 129 Surface Parking Spaces
5. Members: HRS, and Mainsail, or their respective affiliates shall be the Members of the JV. The Members ownership percentages shall be memorialized in the JV agreement and are more specifically outlined below. The JV will be a limited liability company with HRS and Mainsail as the company’s Co-Managing Members of the JV.
6. Due Diligence: Prior to the formation of the JV, HRS and Mainsail shall have 60-days to perform due diligence including studies and discovery on:



the hotel, markets in Ft. Pierce and the Treasure coast of Florida, financial feasibility, zoning, density, preliminary design cost and state, county, and local incentives. The results of these studies will be presented to HRS to determine the need for additional or modified terms of the JV structure not outlined in the MOU. HRS and Mainsail acknowledge receipt of the survey, land appraisal, approved initial site plan (to be modified), and initial Hotel incentive package memorialized in the letter dated August 22, 2022, from St. Lucie EDC to Mainsail.

7. Exclusive/  
No-Shop:

During the Due Diligence period, HRS and Mainsail will have the exclusive right to JV with each other for the development of the Property.

8. Fees:

The JV will compensate Members for their expertise and responsibilities per the JV Operating agreements. These fees will include but not be limited to the Development Fee, Financing/Guaranty Fee, Construction Management Fee, Brokerage and Management Fees. Proposed fees are outlined below and the payment of these fees and other fees will be memorialized in the JV agreement.

9. Capital Structure

All amounts are approximate. Total development cost estimated to be approximately as follows:

Hotel: \$55,000,000

Hotel

Mainsail (80%), HRS (20%) will be Co-GPs in the Hotel.

<b>Kings Landing Capital Stack - Hotel</b>				
<b>GP Equity</b>		<b>%</b>	<b>Equity \$</b>	<b>Contribution</b>
HRS		20%	\$385,000	Cash
Mainsail		80%	\$1,540,000	Cash
	Total GP	100%	\$1,925,000	
<b>LP Equity</b>		<b>%</b>	<b>Equity \$</b>	<b>Contribution</b>
A.D.			\$1,500,000	Land
Limited Partners			\$15,825,000	Raise
	Total LP		\$15,825,000	
<b>Total Equity</b>		<b>35%</b>	<b>\$19,250,000</b>	
<b>Debt</b>		<b>65%</b>	<b>\$35,750,000</b>	
<b>Total Project</b>	<b>100%</b>		<b>\$55,000,000</b>	



Assumptions:

\$55,000,000 Estimated Budget  
\$35,750,000 Leveraged Debt – 65%  
\$19,250,000 Cash, Land – 35%

Mainsail and Harbert will invest up to \$2,000,000 in the form of cash. Mainsail will raise (LP) equity in the amount of \$15,750,000. If the construction loan proceeds and/or incentives/development credits are received, the GP and LP cash contributions will be adjusted accordingly. All cost overruns will be funded pro rata.

Decision making within the GP will be 80% Mainsail, 20% HRS.

- a. **Development Fee** - 4% of design, engineering, and construction costs. This fee shall be paid to 20% to HRS and 80% to Mainsail.
- b. **Opening and Technical Fees** - Mainsail to receive \$150,000, plus reimbursable expenses that are pre-approved by the Parties. Fee to be paid \$10,000 at execution of the Hotel Management Agreement and \$7,000 for the following twenty (20) months.
- c. **FF& E/OS&E Sourcing** -to be a cost of the work and performed by a third-party entity.
- d. **Hotel Management Fees** - Mainsail to receive a base management fee equal to 4.0% of annual gross revenues. Incentive management fee to be negotiated during final terms of the agreement.

11. Promote: The Hotel component of the Project will be a promote structured pro rata to equity until the equity achieves an 8.0% IRR then GP distributions increase to 30% thereafter in agreed stack with limited partner.
12. Management Responsibilities: Members to prepare responsibilities matrix.
13. Transfer Provision: No Member will have the right to transfer all or any portion of its interest in JV without the prior unanimous written consent of the Members, provided however Members will be permitted to transfer their interest to affiliated entities.
14. Admission of Additional Members: No additional Members may be admitted to the Company without the prior unanimous written consent of the Members.
15. Buy/Sell Provisions: The Operating Agreement of the Company will include mutually agreeable buy/sell provisions.
16. Confidentiality:



Prior to the finalization of the JV, HRS and Mainsail agree to keep any information learned about the Property during its due diligence confidential (such information is referred to as the Confidential Information"). HRS and Mainsail agree: (i) to maintain the Confidential Information in strict confidence, using at least the same degree of care that it would use in safeguarding its own confidential and proprietary information of a comparable degree of sensitivity, but in no event less than a reasonable degree of care; (ii) to use the Confidential Information only for the purpose of evaluating the Property's suitability for HRS's and Mainsail's formation of the JV with AD; and (iii) to disclose the Confidential Information only to those of its officers, employees and professional advisors who have a need to know such Confidential Information in connection with the Purpose.

17. Operative  
Agreements:

- a. *Operating Agreement:* The Members will enter into an Operating Agreement based on the foregoing terms and additional terms agreeable to both Members.
- b. *Development Agreements:* JV will enter into Development Agreements with Members.
- c. *Management Agreements:* The Company will enter into property management and hotel agreements with Members and for the operation of the day-to-day activities of the Project.
- d. *Guaranty Agreement:* The company will enter into a guaranty agreement with HRS and Mainsail Lodging and Development to provide a guaranty on the construction loans.



This MOU contains the general understanding of the parties and is not a legally binding agreement. All legally binding obligations between the parties shall arise only upon the execution of Operating and Development Agreements except for Sections 5, 6 and 7 of the MOU, which shall be binding on both parties. Notwithstanding, both parties agree to work exclusively with the other in good faith to negotiate and execute Operating and Development Agreements.

Mainsail Lodging & Development:

By:

Name:

[Signature]  
J. C. Collins

Harbert Realty Services, LLC:

By:

Name:

[Signature]  
WILLIAM E WARE

Its:

Date:

Name:

Its:

Date:

[Signature]  
7-19-24  
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Its:

Date:

VICE PRESIDENT-DEV.  
7.19.24  
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