

TERM SHEET

Master Development Agreement for the Alpharetta Conference Center And Hotel Avalon Alpharetta, GA April 23, 2015

This Term Sheet summarizes the primary terms and conditions of a Master Development Agreement (“**MDA**”) which the City of Alpharetta, and/or its applicable designated agency or development authority (more specifically defined below as the “**City**”) is considering with Avalon Hotel Associates, LLC (“**AHA**”), a limited liability company to be formed by principals of North American Properties – Atlanta, Ltd. (“**NAP**”) and Stormont Hospitality Group, LLC (“**SHG**”). The parties to this potential MDA are sometimes hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

Background

The City has been evaluating the opportunity to develop a City-owned conference center in conjunction with a privately owned hotel, with the City funding to be obtained through the issuance of certain Conference Center Bonds (as defined in Paragraph 7.A below), the debt service for which will be paid by the City from a potential increase in the Alpharetta Hotel Occupancy Tax (as defined in Paragraph 7.A below). On March 28, 2013 the City issued a request for Indications of Interest (“**IOI**”) to develop such a facility. The team of NAP and SHG responded with a proposal pursuant to the requirements of such IOI on April 5, 2013. After receipt of qualifications and proposals, City staff identified the team of NAP and SHG as its preferred development team to continue discussions and negotiations regarding the Project (as defined below), and identified the Avalon mixed use development site (the “**Master Development**”) as the preferred location for such Project. On December 16, 2013 the Parties entered into a Memorandum of Understanding (“**MOU**”) agreeing upon certain terms and conditions under which the parties would pursue pre-development activities for the Project, including the creation of conceptual design drawings, identification of brand, detailed preliminary cost estimating, creation of preliminary operating projections and other activities, all of which were successfully completed (collectively, the “**Preliminary Development Documentation**”).

The Parties believe that the proposed new Project will add a significant and valuable resource to the community, providing a much needed large meeting facility and creating demand for additional office and commercial activity in the City. The proposed Project satisfies a public need for community assets and is anticipated to generate substantial economic benefits to the City and the surrounding area.

This Term Sheet summarizes the anticipated terms and conditions for the development, funding, ownership, and operation of: (a) an approximately 74,000 square foot conference center (inclusive of allocated shared areas), including extensive conference facilities with exhibition space, ballroom space, meeting rooms and pre-function space of approximately 41,800 square feet (the “**Conference Center**”), (b) an adjoining approximately 325 room, full service, upper upscale hotel (the “**Hotel**”), and (c) related common areas for the mutual benefit and use of the Conference Center and Hotel, including, without limitation, surface and structured parking facilities (the “**Common Areas**,” and, together with the Conference Center and the Hotel, the “**Project**”), all as generally summarized in the Facilities Program V.11 dated January 28, 2015, enclosed as **Exhibit A** herein. The Project shall be located on a portion of Phase II of the Master Development (such portion being the “**Land**”).

1. Entities and Parties to the MDA:

- A. **City** - City of Alpharetta, a political subdivision of the State of Georgia, and/or its development authority to issue the Conference Center Bonds (as defined in Paragraph 7 below) as hereinafter described.
 - Anticipated owner (initially sublessee) of the Conference Center Land (as defined in Paragraph 4.A below) and owner of the Conference Center, and the lessor (initially sub-lessor) of the Conference Center Land and the Conference Center to AHA pursuant to the Conference Center Lease (as defined in Paragraph 4.C below), as hereinafter described.

- B. **ACVB** - The Alpharetta Convention and Visitors Bureau.
 - Anticipated beneficiary and recipient of certain of the proceeds of the Hotel Occupancy Tax, for use for promoting tourism, conventions and trade shows for the City.

- C. **AHA** - Avalon Hotel Associates, LLC, a Delaware limited liability company to be formed.
 - Anticipated owner (initially sublessee) of the Hotel Land (as defined in Paragraph 4.A below) and the Hotel, and anticipated lessee (initially sub-sublessee) of the Conference Center Land and the Conference Center pursuant to the Conference Center Lease with the City.

- D. **SHG** - Stormont Hospitality Group, LLC, a Georgia limited liability company, with extensive hotel development, management, and ownership experience.
 - The Development Manager and affiliate of AHA (SHG may subcontract some of such Development Management services to NAP).

- E. **NAP** - North American Properties – Atlanta, Ltd. a Georgia limited partnership.
 - An affiliate of AHA.

- F. **Avalon North** - Avalon North, LLC, a Delaware limited liability company.
- Current lessee of the Land under a lease with the Development Authority of Fulton County (“**DAFC**”), and master developer of the Master Development.

2. **Conceptual Design**

The initial conceptual design drawings for the Project are enclosed as **Exhibit B** herein. As design development progresses, AHA shall continue to engage City staff and consultants to provide input and commentary to the design progress, particularly with respect to the exterior design of the Project and the interior design of the Conference Center, as of the following check points:

- A. Upon issuance of the updated and revised Conceptual Design Drawings.
- B. Upon issuance of the Schematic Design Drawings.
- C. Upon issuance of the Design Development Drawings.

The City will have the right to review and approve the Conceptual Design Drawings, the Schematic Design Drawings, and the Design Development Drawings, in accordance with the terms and conditions to be set forth in the MDA.

3. **Sources & Uses of Funds**

A summary of the initial development cost budget as completed pursuant to the MOU is enclosed as **Exhibit C** herein (the “**Project Budget**”). The anticipated minimum sources of funds are depicted on the Sources of Funds Chart dated 04/15/2015 as enclosed on **Exhibit D** herein. If and to the extent that overall actual “shared” Project costs (for the categories as indicated in the Project Budget, which exclude, for the avoidance of doubt but without limitation, the acquisition costs for the Land to be paid by AHA) come in less than the \$94,013,006 as contemplated therein, then the City and AHA will share in the savings on a pro-rata basis with the City receiving 31.91% of any actual savings and AHA receiving 68.09%. For the avoidance of doubt, however, unspent interest reserves on the Construction Loan (as defined in Paragraph 4.G below) obtained by AHA will not constitute “savings”. The MDA shall provide a more detailed and precise definition of “Project Costs” (and various exclusions therefrom) as well as restrictions and limitations on material shifting of costs from line items in the Conference Center portion of the Project budget without the prior written consent of the City. If and to the extent that total Project Costs exceed the \$94,013,006 contemplated herein, then AHA shall fund all cost overages. The Public Investment (as defined in Paragraph 4.H below) will be capped at \$24,900,000 in net available Conference Center Bond proceeds available for direct investment in the Project Costs allocable to the Conference Center. AHA will be required to contribute additional funds from sources other than those provided in the original Project Budget to fund any additional improvements made to the Hotel during the construction phase of the Project. No cost savings on the Conference Center portion of the Project shall be applied to any such additional Hotel improvements.

4. Ownership Structure

The Land is currently owned by DAFC under a “Bond for Title” program (the “**DAFC Program**”), and leased to Avalon North (the “**DAFC Land Lease**”). The Parties intend that the Land, and the Project to be developed pursuant to the MDA, will remain in and enjoy the benefits of the DAFC Program during its term. Therefore, upon the Closing (as defined in Paragraph 8.B below) under the MDA, the legal ownership, development and operating structure of the Project is anticipated to be structured as follows:

- A. AHA will “purchase” the rights to the Land (initially, leasehold rights, to become fee simple ownership as further described in Paragraph 4.E below) on behalf of both AHA and the City from Avalon North, and as a result thereof Avalon North will (i) sublease the portion of the Land intended to be used for the development and construction of the Hotel (the “**Hotel Land**”) to AHA (the “**Hotel DAFC Program Sublease**”), and (ii) sublease the portion of the Land intended to be used for the development and construction of the Conference Center (the “**Conference Center Land**”) to the City (the “**Conference Center DAFC Program Sublease**”). The precise descriptions of the Hotel Land and the Conference Center Land shall be mutually agreed upon by AHA and the City prior to Closing as the design of the Project progresses and is finalized pursuant to Paragraph 3 above.
- B. The structured parking deck and any surface parking to be developed on the Land as part of the Project, as well as numerous internal building areas in the Project, within each Party’s respective portion of the Land, will be deemed Common Areas (as defined in the Background paragraphs above), intended to be shared by the owners of the Hotel and the Conference Center. A comprehensive Declaration of Easements, Covenants, Conditions and Restrictions will be entered into among AHA and the City, with the joinder and consent of DAFC and Avalon North as then current owner and lessee/sublessor of the Land, to designate and define such Common Areas, to govern the parties’ ownership, operation, maintenance, repair, replacement and reciprocal use of, and access to, such Common Areas, and to delineate the ownership rights and obligations of the Parties and the allocation of the ongoing costs associated therewith, among AHA and the City (the “**Project Declaration**”). Certain additional parking facilities may be made available to the Project through third-party easements, leases, and/or shared parking arrangements as necessary and appropriate, and any such parking spaces will also be made available to both the Conference Center and the Hotel pursuant to the Project Declaration.
- C. The City will further sublease its entire interest in the Conference Center DAFC Program Sublease, and thereby further sublease the Conference Center Land and the Conference Center, to AHA pursuant to a 99-year operating lease as generally described below (the “**Conference Center Lease**”).
- D. Summarized terms of the Conference Center Lease include the following:

- i. Term: 99 years.
- ii. Base Rent: \$1.00 per year.
- iii. Contingent Rent (Operating Cash Flow): 10% of all net operating cash flow (after deposits into replacement reserve fund (see clause ix below) and payment of any extraordinary costs or expenses), if any, in excess of the amount necessary to provide a cumulative compounded annual 13% unleveraged return on the total private capital, including equity and any Construction Loan proceeds, invested in the Project (such return amount, the “**AHA Return Threshold**”), until the first sale by AHA of its interest in the Project to a third-party, unaffiliated purchaser (see clause iv below). The precise definition of “net operating cash flow” shall be negotiated and agreed upon in the MDA. For the avoidance of doubt, following the first sale by AHA of its interest in the Project to a third-party, unaffiliated purchaser and payment of Contingent Rent due upon such sale, if any, pursuant to clause iv below, the obligation to pay Contingent Rent under the Conference Center Lease, whether from net operating cash flow or net sales proceeds, shall be deemed terminated and of no further force or effect.
- iv. Contingent Rent (Sale Proceeds): 10% of all net sales proceeds (after debt retirement and other customary closing costs), if any, in excess of the AHA Return Threshold, upon the first sale by AHA of its interest in the Project to a third-party, unaffiliated purchaser. The precise definition of “net sales proceeds” shall be negotiated and agreed upon in the MDA. In the event any such sale by AHA to such a third-party, unaffiliated purchaser is consummated after the date the MDA is executed but prior to and including the Hotel opening date, the Contingent Rent percentage, should any Contingent Rent be due on the net sales proceeds generated by such sale, shall be 31.91% and continuing at 31.91% for a sale occurring in the first month after the Hotel opening date, and thereafter reducing monthly on a straight-line basis to 10% by the date that is 24 months after the Hotel opening date.
- v. AHA will submit a confidential annual financial report to the City detailing the components of the Project’s net operating cash flow, and net sales proceeds, if applicable, the then current calculation of the AHA Return Threshold, and the resulting calculation of any Contingent Rent which may be payable for the applicable year. Such annual financial report shall be certified to the City by a responsible principal of AHA, but the City will also have the right to audit such annual reports to confirm AHA’s calculations of Contingent Rent. Such annual financial reports and the results of any such audits which may be conducted by the City shall be kept confidential except as required to be disclosed by applicable law.

- vi. Net Lease: The Lease shall be absolutely “net” to the City, such that AHA shall be responsible for paying any and all taxes, insurance costs and Common Area expenses related to the Conference Center Land and the Conference Center. In addition, AHA shall bear all costs associated with the on-going maintenance and operations of the Conference Center, including operational losses, and the City shall have absolutely no obligation for any such costs.
 - vii. Booking Policy: The Lease will be subject to a Booking Policy so long as the Conference Center Bonds remain outstanding.
 - viii. Option to Purchase: AHA will have the option to purchase the City’s interest (whether leasehold pursuant to the Conference Center DAFC Program Sublease or fee simple following the expiration or earlier termination of the Conference Center DAFC Program sublease (see Paragraph 4.E below) in the Conference Center Land and the Conference Center any time after the Conference Center Bonds are fully retired. The purchase price will be equal to the net present value of the remaining anticipated Contingent Rent over the balance of the term of the Conference Center Lease assuming the Conference Center Land and Conference Center were not so purchased, but in no event less than the then current market value of the Conference Center Land and Conference Center (without the Conference Center Lease), all as determined by a third party appraisal process.
 - ix. Reserve Fund: A capital replacement and reserve fund for the Project shall be established and funded as required pursuant to the franchise agreement under which the Project is operated and reasonably acceptable to the City as more specifically set forth in the MDA, to be funded on an ongoing basis by depositing a specified percentage of Project revenues on a monthly basis into such an account.
 - x. Transfer: AHA’s interest in the Conference Center Lease may not be transferred to a third party, except in connection with a transfer of the Project as a whole. The MDA will provide that any transferee of the Conference Center Lease and the Project as a whole shall be subject to and bound by the same quality and performance standards and requirements to which AHA is subject pursuant to the MDA and the Conference Center Lease.
- E. Both the Hotel DAFC Program Sublease and the Conference Center DAFC Program Sublease will contemplate and require that, upon the expiration or earlier termination of the DAFC Land Lease (anticipated to be approximately 10 years following the completion and opening of the Project, at which time title to the Master Development (including the Land) is to be conveyed back to Avalon North by DAFC), Avalon North will convey, or cause to be directly conveyed by DAFC, fee simple title to the Hotel Land to AHA (or its successor or assignee

under the Hotel DAFC Program Sublease, if applicable), and fee simple title to the Conference Center Land to the City.

- F. The Parties will cooperate in good faith to ensure that the ownership structure of the Project, as initially contemplated above, complies and will comply with all applicable land use, zoning, permitting, fire code, building code and other legal requirements, and will revise the ownership structure if and as necessary to ensure compliance with all such requirements (such as, by way of example but not in limitation, creating a condominium ownership structure for the various Project components if necessary for building/fire code purposes), so long as the intended economics and basic ownership structure (*i.e.*, that the City will “own” the interest in the Conference Center Land and Conference Center, and AHA will “own” the interest in the Hotel Land and Hotel, whether as leasehold, fee simple, condominium or other legal ownership interests).
- G. AHA’s “purchase” of the Land and development and construction of the Project shall be funded by private capital (equity and debt) sufficient to acquire the Land and fund the total development costs of the Hotel as detailed in the MDA (collectively, the “**Private Investment**”), of which not more than eighty percent (80%) will be borrowed funds (whether in one or more loans, individually and collectively referred to herein as the “**Construction Loan**”) unless otherwise approved by the City in its reasonable discretion. AHA and the holder(s) of the Construction Loan (whether in one or more loans, individually and collectively referred to herein as the “**Construction Lender**”) will fund the costs and expenses of developing and constructing the Hotel as the development and construction thereof progresses, in accordance with the funding provisions of the Construction Loan. AHA, as developer of the Project, shall provide, or cause to be provided, to the City a completion guaranty for the Project (subject to the City’s contribution of the Public Investment), such guaranty to be no less favorable to the City than, and from the same entity providing, any completion guaranty provided to the Construction Lender or to AHA’s institutional investor.
- H. The City will issue its tax-exempt Conference Center Bonds sufficient to provide \$24,900,000 in net available bond proceeds, in order to pay the costs and expenses of developing and constructing the Conference Center, and will deposit such net Conference Center Bond proceeds into a separate “Project Fund” (as to be defined in the Conference Center Bond documents) to be held by the trustee or construction fund custodian for the Conference Center Bonds and used to fund the costs and expenses as incurred from time to time as the development and construction of the Conference Center progresses (the “**Public Investment**”).
- I. The City will coordinate with ACVB to facilitate the entry of ACVB into a promotional agreement with AHA (the “**ACVB Promotional Agreement**”) pursuant to which ACVB will pay to AHA an amount of up to \$500,000 per year (the “**ACVB Contribution**”) for each calendar year while the Conference Center Bonds are outstanding, to reimburse AHA on a dollar-for-dollar basis for all expenses incurred by AHA in promoting tourism, conventions and trade shows in

connection with its operation and marketing of the Project as allowable under Georgia law. The ACVB Promotional Agreement will provide that the City, through ACVB, will have the right to periodically audit the expenses for promoting tourism, conventions and trade shows to be reimbursed by ACVB for compliance with O.C.G.A. §48-13-15(b), the results of which audits shall be kept confidential except as required to be disclosed by applicable law. The ACVB Contribution shall be paid by ACVB on a reimbursement basis, not more frequently than monthly, upon presentation by AHA of a payment request with documentation indicating the costs and expenses incurred by AHA in promoting tourism, conventions and trade shows during the period covered by such payment request, up to the aggregate amount of \$500,000 for each calendar year.

5. Development

The anticipated development and construction of the Project would proceed generally as follows:

- A. Pursuant to the MDA, and consistent with its selection pursuant to the previous public bidding process and the request for Indications of Interest, to the extent permitted by law, AHA will be the sole source developer of, and shall select and coordinate the provision of, all design, development, construction, purchasing, installation, and management services for the Project, without the need for additional public bidding for such services. AHA will contract with SHG, with some services sub-contracted to NAP, for comprehensive development and project management and oversight services for the Project, and will contract as appropriate with designers, engineers, contractors, vendors, etc.
- B. The MDA will describe the rights and obligations of the Parties during development of the Project, including the City's and AHA's respective funding obligations. The MDA shall clearly state and require that AHA shall bear all development risk and assume any cost overrun obligations. Pursuant to the MDA, the Parties shall also negotiate and enter into mutually acceptable Project related documentation as herein described and other necessary legal documentation to consummate the Project at the financial closing of the Construction Loan and the Conference Center Bonds or as the Project is undertaken and completed, as and when applicable.
- C. The legal documentation relating to the Conference Center Bonds will provide the mechanics for the trustee or construction fund custodian holding the Conference Center Bond Project Fund to fund the Public Investment for use in the development of the Conference Center and appurtenant parking and other amenities as programmed and budgeted pursuant to the MDA.
- D. The development costs for the Project include Development and Project Management Fees (collectively, "**Development Fees**") equal to 4.0% of total budgeted costs (other than Land costs), and such Development Fees represent the only compensation paid or payable to AHA, NAP, members of their respective

development teams or their respective affiliates as related to development costs allocated to the Conference Center, other than any brokerage commission on the Land sale payable to an affiliate of NAP notwithstanding that the Conference Center is located on a portion of the Land. Development Manager's/Project Manager's out of pocket costs shall be budgeted and reimbursed as Project costs without markup of any kind. The Development Fees shall be paid generally as follows: an amount equal to \$50,000 per month, allocated between the Conference Center and Hotel, shall be payable upon execution of the MDA and through the design/pre-development phase; an amount equal to 25% of the total budgeted Development Fees shall be paid at Closing (less amounts previously paid through monthly pre-development payments); an amount equal to 65% of total budgeted Development Fees shall be paid in equal monthly payments during construction of the Project; and the final 10% (and any other accrued but unpaid amount) of the Development Fees shall be paid upon substantial completion and issuance of certificate of occupancy for the Project.

6. Summary of Private Investment

The final facilities program details, Project Budget, and sources of funds comprising the private investment will be determined during the pre-development period outlined herein and set forth in the Closing Documentation (as defined in Paragraph 10 below).

7. Summary of Public Investment

- A. The City anticipates sourcing the \$24.9 million Public Investment dollars through the issuance of Revenue Bonds through the City or the Development Authority of Alpharetta (the "**Conference Center Bonds**"). The City is currently evaluating an increase in the Alpharetta Hotel Occupancy Tax (the "**Hotel Occupancy Tax**") from 6 pennies (6.0%) to 8 pennies (8.0%) in connection with the approval of this transaction. Within the 8% tax structure, the revenues to be generated from the statutory maximum of 1.5 pennies (1.5%) allowable for Tourism Product Development together with the revenues to be generated from the City's unrestricted 3 pennies (3%) above the 2014 base of \$1,800,000.00 (together herein referred to as the "Dedicated Occupancy Tax") is anticipated to produce sufficient incremental tax revenues to support the City's Public Investment in the Project.
- B. In consideration of the City's agreement to provide the Public Investment in the Project, AHA will provide a limited guaranty to the City which the City may call upon in the event the Dedicated Occupancy Tax amounts received by the City during the first 5 years of the Project's operation do not meet certain thresholds (the "**Limited Guaranty**").
- C. Summarized terms of the Limited Guaranty include the following:
 - i. The Limited Guaranty will apply only to the first 5 full calendar years of Project operations. It is presently assumed that the Project will open in

2017, and therefore the Limited Guaranty would be applicable to calendar years 2018, 2019, 2020, 2021 and 2022.

- ii. If, for any calendar year for which the Limited Guaranty is in effect, the Dedicated Occupancy Tax collections by the City are less than the amount of the debt service due and payable upon the Conference Center Bonds for such current calendar year (using a minimum 25-year bond amortization schedule), AHA will pay an amount to the City equal to such shortfall, up to a maximum of \$200,000 for any calendar year.
- iii. During the 5 calendar years for which the Limited Guaranty is in effect, to the extent Dedicated Occupancy Tax collections by the City for that year exceed the amount of the debt service due and payable upon the Conference Center Bonds for such current calendar year, then either:
 - a. if AHA had previously contributed any amount on account of the Limited Guaranty to the City, such excess shall be paid to AHA, up to such amount contributed by AHA, to reimburse AHA for such amount or amounts previously contributed; or
 - b. if AHA had not previously contributed any amount on account of the Limited Guaranty to the City (or had previously contributed amounts to the City which have been subsequently reimbursed in full to AHA pursuant to clause iii.a above), such excess shall be held as a potential advance credit against any obligation which AHA may otherwise have to contribute to the City on account of the Limited Guaranty for the following calendar years.
- iv. Following the conclusion of each calendar year for which the Limited Guaranty is in effect, the City will deliver to AHA an accounting of all Hotel Occupancy Tax revenues received by or on behalf of the City with respect to that calendar year, the amount of debt service due on the Conference Center Bonds during that calendar year, and the resulting calculations of (a) the Dedicated Occupancy Taxes, (b) any amount payable by AHA on account of the Limited Guaranty pursuant to clause ii above, if any, (c) any excess Dedicated Occupancy Taxes for that year available for reimbursement to or accrued advance credit for AHA pursuant to clause iii above, if any, and (d) the aggregate amounts of any unreimbursed contributions by AHA on the Limited Guaranty or accrued advance credits available to AHA against future contributions on the Limited Guaranty. If any amount is indicated as due from AHA in such certification, AHA will contribute such amount within 30 business days of receipt of the certification (or, should AHA dispute the City's calculation of any such amounts, the dispute shall be submitted to binding arbitration by an independent arbitrator or (if the Parties cannot agree on a single arbitrator) a panel of no more than three arbitrators, who shall review all relevant records and make a final binding determination of the matter, and

if any amount on the Limited Guaranty is ultimately determined to be due from AHA, AHA shall pay such amount within 30 business days following such determination). If any amount is indicated as owing to AHA in reimbursement of any Limited Guaranty contributions previously made, the City shall reimburse such amount AHA along with the delivery of such certification.

8. Funding of Development Costs

The Parties recognize that in order to pursue the intended development and to complete the full Closing Documentation for the anticipated Project, including the further development and refinement of the Project program, plans and specifications, the structuring of the sublease and related documentation necessary for the Project to participate in the DAFC Program, and the sale of the Conference Center Bonds necessary for funding the Public Investment, substantial time, effort, and cost must be committed. Therefore, the Parties agree to the following:

- A. **Pre City-Approval Costs:** Prior to the Alpharetta City Council approval of a legally binding MDA to proceed with the Project, the Parties have previously agreed to spend only such preliminary pre-development costs as were reasonable and necessary to prepare and finalize the Preliminary Development Documentation, including a comprehensive third-party cost estimate for the entire Project, and individually for the Conference Center and the Hotel components of the Project, and to finalize the selection of the anticipated hotel management company and hotel brand, and other similar efforts (such preliminary pre-development costs, collectively, the “**Preliminary Development Costs**”). The Parties agreed to fund such Preliminary Development Costs pursuant to the following procedure:
- i. AHA would endeavor to spend not greater than \$180,000 for such Preliminary Development Costs in preparing, refining, evaluating and finalizing the Preliminary Development Documentation, with the City to pay one-third of such amount, up to \$60,000.
 - ii. The Preliminary Development Documentation has been completed and the Preliminary Development Costs therefor paid by AHA (in excess of \$180,000), and the City has fully paid its portion of the Preliminary Development Costs in the amount of \$60,000.
 - iii. The City shall be reimbursed for all Preliminary Development Costs incurred by the City from the proceeds of the Conference Center Bonds as a credit against the Public Investment funds available for the construction of the Convention Center at the Project.
- B. **Following City Approval and execution of the Master Development Agreement but before Closing of the Conference Center Bond Sale and Construction Loan:** AHA has projected continuing monthly costs for the further

pre-development portion of the Project as shown on **Exhibit E** herein (the “**Pre-Development Costs**”). In order to proceed with further design, development, and documentation of the Project, and to conclude the anticipated sale of the Conference Center Bonds and the Construction Loan closing (the consummation of both the Conference Center Bond sale and the Construction Loan closing, collectively, the “**Closing**”), the Parties acknowledge and agree to fund the continuing Pre-Development Costs on a prorata basis with 68.09% funded by AHA and 31.91% funded by the City. The Pre-Development Costs anticipated prior to Closing are approximately \$3,500,000 and therefore, the City will be specifically limited to expenditures of \$1,000,000 prior to Closing for such Pre-Development Costs, which the City shall be reimbursed for from the proceeds of the Convention Center Bonds as part of the Public Investment.

- C. **Following Closing of the Conference Center Bond Sale and Construction Loan:** All development and construction costs following the Closing of the Conference Center Bonds and the Construction Loan shall be documented monthly in a comprehensive Draw Request in the form as required by the Construction Lender and the City. All costs for the Project allocable to both the Conference Center and the Hotel shall be allocated 31.91% to the City and 68.09% to AHA, respectively.
- D. **For All Funding Obligations:** AHA has estimated the monthly development and construction cost obligations for the Parties following Closing and such monthly cost estimate for the construction phase of the Project is also included within **Exhibit E** herein. For the avoidance of doubt, all actual Preliminary Development Costs, Pre-Development Costs, and development and construction costs are and will be included in the Project Budget and such monthly forecast. AHA will endeavor to periodically update the monthly cost forecast as necessary to reflect material changes to the forecast. The City will endeavor to pay all approved Draw Requests within 15 days of receipt of all required draw documentation set forth in the MDA.

9. DEVELOPMENT SCHEDULE

AHA has projected the primary development accomplishments on the Milestone Schedule enclosed as **Exhibit F** herein. The Parties will provide good faith efforts to accomplish the schedule herein.

10. CLOSING

The MDA shall outline all primary documents and deliverables anticipated to be required for Closing the Conference Center Bond sale and the Construction Loan (collectively, the “**Closing Documentation**”), including, but not necessarily limited to:

- A. All Land acquisition/conveyance/sublease documents with Avalon North, including, without limitation, the Hotel DAFC Program Sublease and the Conference Center DAFC Program Sublease, and documentation to cause fee

simple title to the Hotel Land and the Conference Center Land to be conveyed to AHA and the City, respectively, upon the future expiration or termination of the DAFC Land Lease.

- B. The forms of the 99-year AHA Conference Center Lease and related documents (including the Booking Policy).
- C. The form of the Project Declaration.
- D. The form of the ACVB Promotional Agreement.
- E. The form of the Limited Guaranty.
- F. All Conference Center Bond sale related documents, and validation of such bond issuance as a pre-condition to Closing.
- G. All Construction Loan related documents.
- H. All private equity partnership and investment related documents.
- I. Architects Agreement, Complete Design Development Drawings, and at least 60% complete Construction Drawings.
- J. Interior Design Agreement and preliminary Interior Design Development Drawings.
- K. Guaranteed Maximum Price Construction Contract.
- L. Franchise Agreement.
- M. Hotel Management Agreement.
- N. Building Permits and related development approvals.

11. Development Cooperation

The Parties will agree to coordinate the administrative and logistical funding procedures under the MDA relating to the funding of draws under the Construction Loan and a corresponding pro-rata share disbursement of Conference Center Bond proceeds. The City shall have the reasonable approval rights regarding any change in the following primary development team members: general contractor (currently, Brasfield & Gorrie), architect (Cooper Carry), hotel franchisor (Autograph Collection by Marriott), and property manager/hotel operator (HEI Hospitality).

12. EXHIBITS

The following exhibits are enclosed with this Term Sheet:

- A. Facilities Program dated 01/28/2015

- B. Conceptual Design Drawings dated 02/10/2015
 - C. Development Cost Budget Draft dated 04/15/2015
 - D. Sources of Funds Draft dated 04/15/2015
 - E. Estimated Monthly Cost Expenditures Draft dated 04/15/2015
 - F. Milestone Development Schedule updated as of 04/15/2015
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Stormont Hospitality Group
Hotel Avalon
Alpharetta Conference Center
Alpharetta, Georgia

Term Sheet Exhibit A

Revision #11B
Revision Dated Jan 28, 2015

Facilities Program

A. GUESTROOMS					
GUESTROOMS					
Type		Bays	Keys	SF@ BAY	Total SF
Type A	Standard Queen Queen	185	185	378 SF	69,930 SF
Type B	Queen Accessible	7	7	400 SF	2,800 SF
Type C	Stand King	96	96	360 SF	34,560 SF
Type D	Corner King	14	14	400 SF	5,600 SF
Type E	King Accessible	7	7	400 SF	2,800 SF
Type F	King Executive Suite	7	7	460 SF	3,220 SF
Type G	Presidential Suite	3	1	460 SF	1,380 SF
Type H	Personal Luxury Suite	10	5	460 SF	4,600 SF
Type I	Standard Hospitality Ste	9	3	651 SF	5,859 SF
Type J	Concierge Lounge	0	0	378 SF	0 SF
TOTAL GUESTROOMS		338	325		130,749 SF
	Total Suites	29	16		
	Percentage of Suites			4.9%	
	Total Queen Queens	192	192		
	Percentage of Queens			59.1%	
	Total Kings	117	117		
	Percentage of Kings			36.0%	
<i>(Balconies Not Counted In Gross Square Footage)</i>					
GUESTROOM SUPPORT (FLOORS 2-8)					
Guestroom Circulation		1,525 x12 FLOORS	12		18,300 SF
Linen / Trash Rom		186 x12 FLOORS	12		2,232 SF
Ice Machine Rooms		68 x12 FLOORS	12		816 SF
Mechanical		150 x12 FLOORS	12		1,800 SF
Telecom		38 x12 FLOORS	12		456 SF
Stairs		323 x12 FLOORS	12		3,876 SF
Public Elevator Lobbies		320 x12 FLOORS	12		3,840 SF
Public Elevators		263 x12 FLOORS	12		3,156 SF
Service Elevator Lobbies		135 x12 FLOORS	12		1,620 SF
Service Elevators		101 x12 FLOORS	12		1,212 SF
TOTAL GUESTROOM SUPPORT		3,109	12 FLOORS	12	37,308 SF
TOTAL GUESTROOM AREA					168,057 SF
					62.2%

B. PUBLIC AREAS				
FOOD				
Breakfast Restaurant	75 Seats	28 SF / Pers	2,100 SF	
Total Food			2,100 SF	
BEVERAGE				
Lobby Bar	15 Seats	24.0 SF / Pers	360 SF	
Upper Bar			1,910 SF	
Grab and Go	Provided Within Restaurant Area			
Total Beverage			2,270 SF	
TOTAL FOOD AND BEVERAGE (5210 SF)			4,370 SF	
FUNCTION				
Exhibition Hall			22,000 SF	
Exhibit Hall		10,000		
Ballroom		10,000		
Ballroom Connector		2,000		
Board Room + Breakout			904 SF	
Meeting Room 1			1,202 SF	
Meeting Room 2			1,323 SF	
Meeting Room 3			861 SF	
Meeting Room 4			861 SF	
Meeting Room 5			1,240 SF	
Function Space Sub-Total		28,391		
Pre-function Area				13,500 SF
				Net Mtg
TOTAL FUNCTION			41,891 SF	
COMMERCIAL				
Sundries			284 SF	
TOTAL COMMERCIAL			284 SF	
RECREATION				
Exercise Room			1,283 SF	
Pool Deck Storage			100 SF	
Pool Equipment	(Exterior Pool & Deck / SF not Counted in GSF)		430 SF	
Full Service Spa			4,700 SF	
TOTAL RECREATION			6,513 SF	
MISCELLANEOUS				
Hotel Lobby			3,750 SF	
Miscellaneous Circulation			1,200 SF	
TOTAL PUBLIC CIRCULATION			4,950 SF	
TOTAL PUBLIC AREA			58,008 SF	21.5%

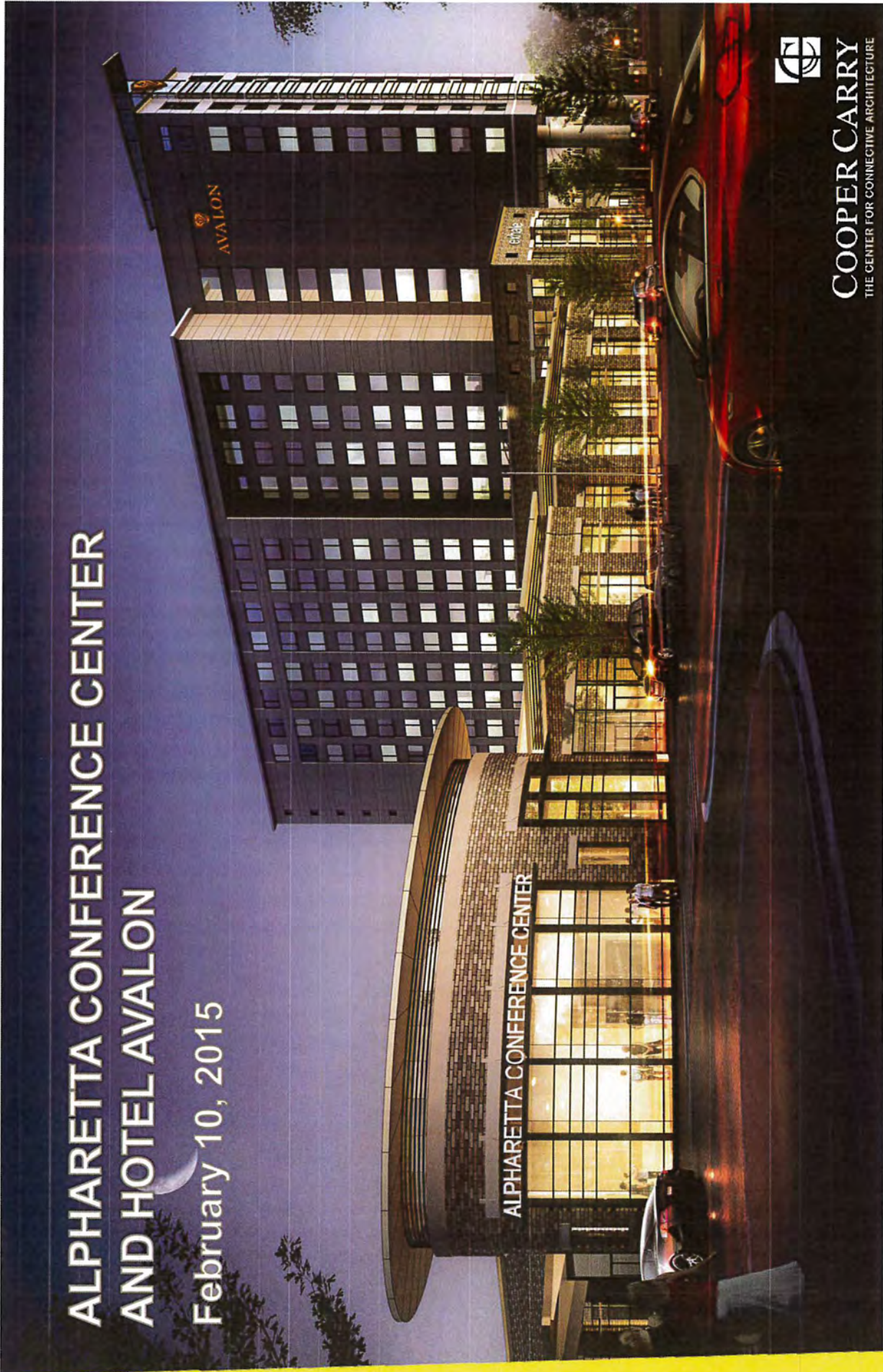
C. PUBLIC SUPPORT			
ADMINISTRATION OFFICES			
Administration Office		3,000	SF
Human Resources		1,000	SF
Business Center		600	
Luggage		200	SF
Guest Deposit		150	SF
TOTAL ADMINISTRATION OFFICES		4,950	SF
KITCHEN			
Main Kitchen		5,700	SF
TOTAL KITCHEN AREA		5,700	SF
MISCELLANEOUS (Back of House)			
LAUNDRY	Laundry / Housekeeping (2950 net)	3,000	SF
MAINTENANCE & ENGINEERING	Engineering Shop	1,400	SF
	Reception	200	SF
	Mechanical	4,500	SF
	Mechanical and Electrical Rooms	2,500	SF
GENERAL	Banquet Storage	15%	3,000 SF
	Banquet Manager		250 SF
	Personnel		500 SF
	Dir. Of Personnel		250 SF
	Security		308 SF
	First Floor Public Toilets		4,000 SF
	Public Elevators		500 SF
	Service Elevators		500 SF
	First Floor Exit Stairs		500 SF
	BOH Corridors (incl. Partitions)		5,700 SF
	Dimmer Room		125 SF
	AV Room		175 SF
	Fire Control Room		250 SF
	Telecom Closet - 2nd Floor		200 SF
	MATV		275 SF
	Elevator Machine Room		200 SF
	Miscellaneous BOH		1,500 SF
	Misc. Electrical Rooms		750 SF
TOTAL MISCELLANEOUS (Back of House)		30,583	SF
EMPLOYEE FACILITIES			
Employee Toilets / Lockers		2,100	SF
Cafeteria / Lounge		900	SF
TOTAL EMPLOYEE FACILITIES		3,000	SF
TOTAL PUBLIC SUPPORT		44,233	SF 16.4%
TOTAL PUBLIC AND PUBLIC SUPPORT		102,241	37.8%
TOTAL BUILDING AREA		270,298	SF 100.0%

BUILDING SUMMARY

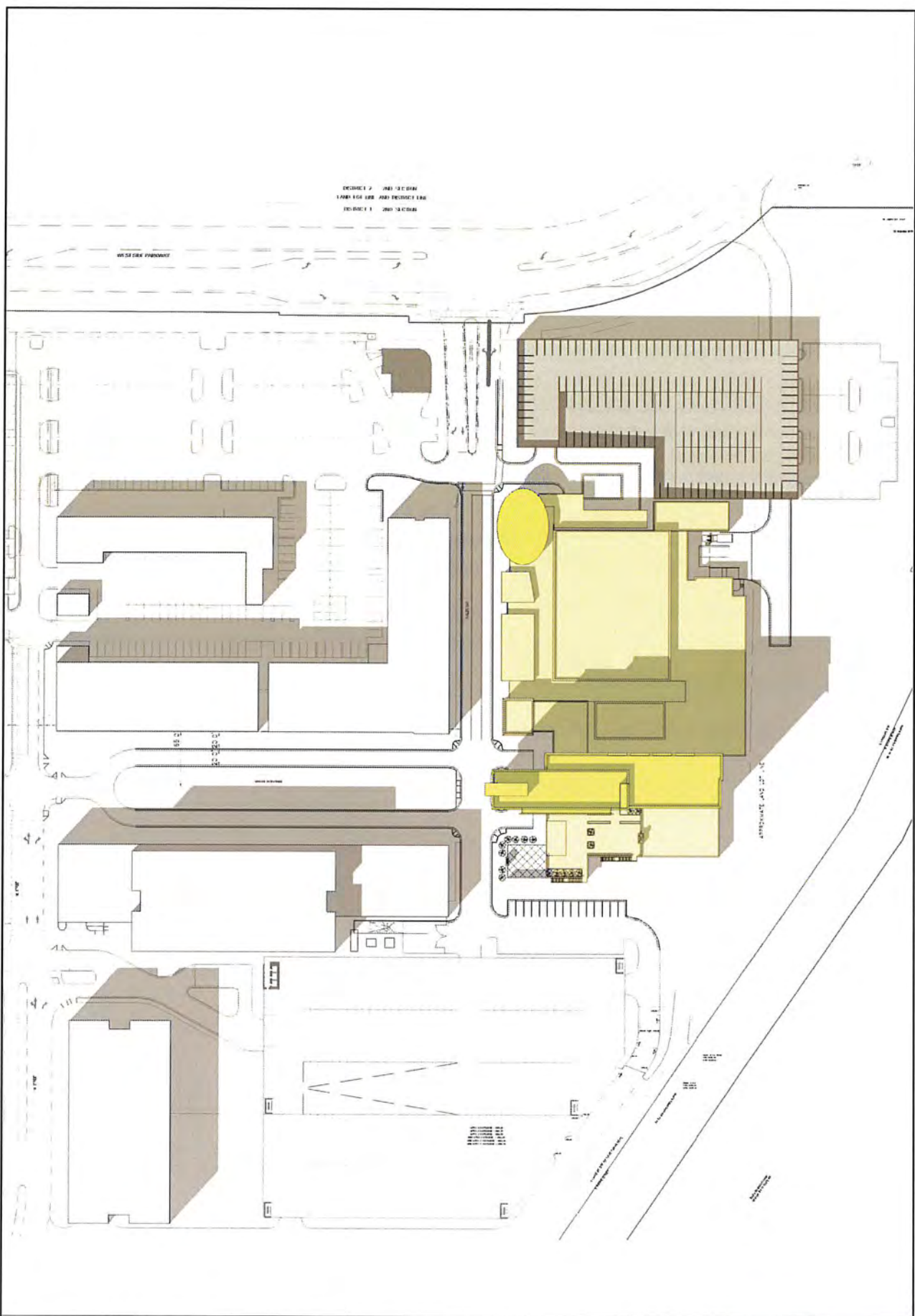
TARGET BUILDING CONSTRUCTION BUDGET	\$0	
TARGET CONSTRUCTION COST PER SQUARE FOOT	\$0 SF	
TARGET CONSTRUCTION COST PER KEY	\$0 Per Key	
TARGET CONSTRUCTION COST PER BAY	\$0 Per Bay	
A TOTAL GUESTROOM AREA	168,057	62.2%
B TOTAL PUBLIC AREA	58,008	21.5%
C TOTAL PUBLIC SUPPORT	44,233	16.4%
TOTAL BUILDING AREA	270,298	100.0%
D TOTAL AREA PER KEY	832 SF	
E TOTAL AREA PER BAY	800 SF	
F TOTAL GUESTROOM AREA PER KEY	517 SF	
G TOTAL GUESTROOM KEYS	325 KEYS	
H TOTAL GUESTROOM BAYS	338 BAYS	
I MEETING SPACE PER KEY	87 SF	

ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON

February 10, 2015



COOPER CARRY
THE CENTER FOR CONNECTIVE ARCHITECTURE



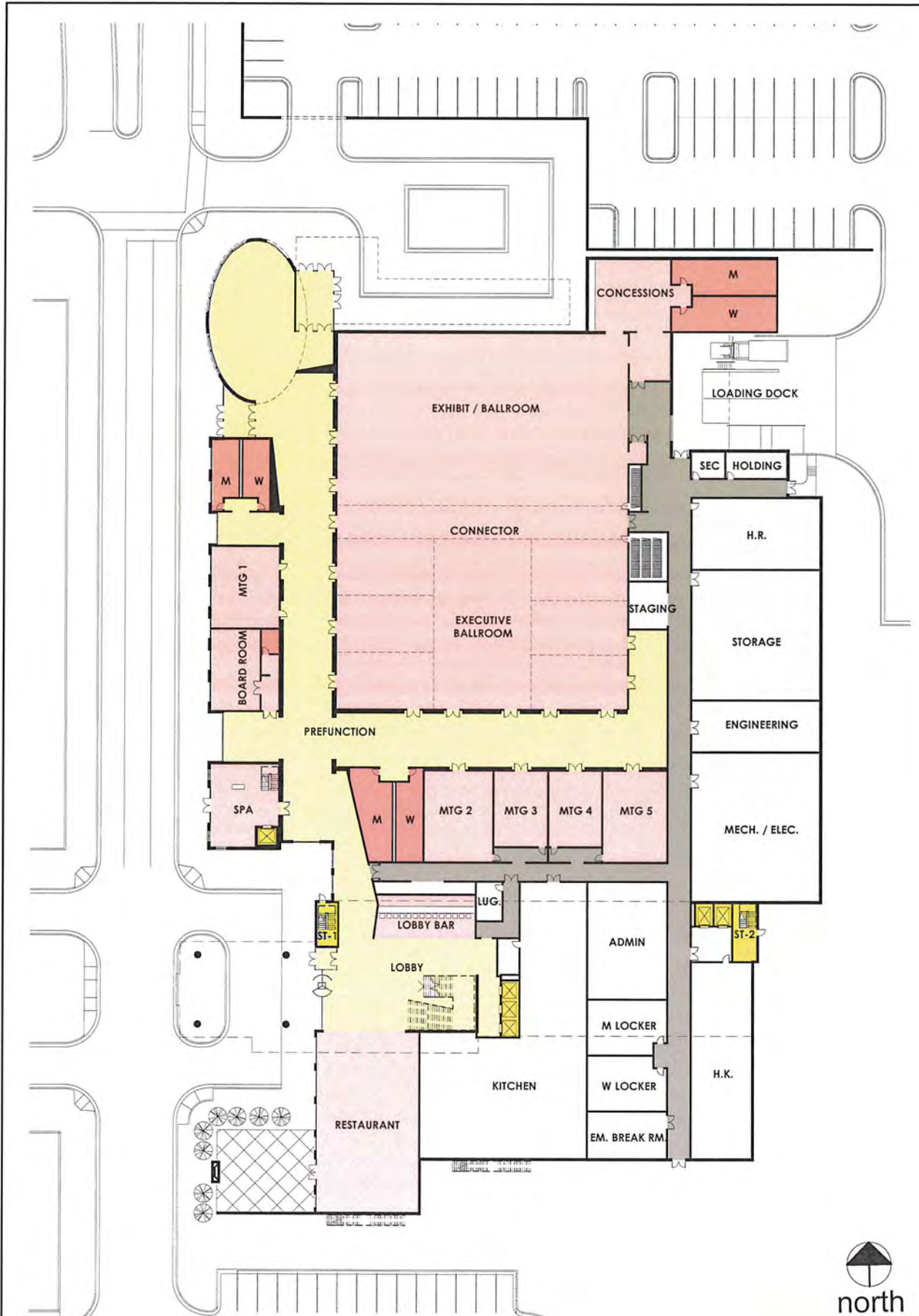
PROJECT N° 20130026 | SCALE: 1" = 100'-0"

2015.02.10

SITE PLAN

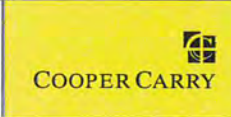
ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON

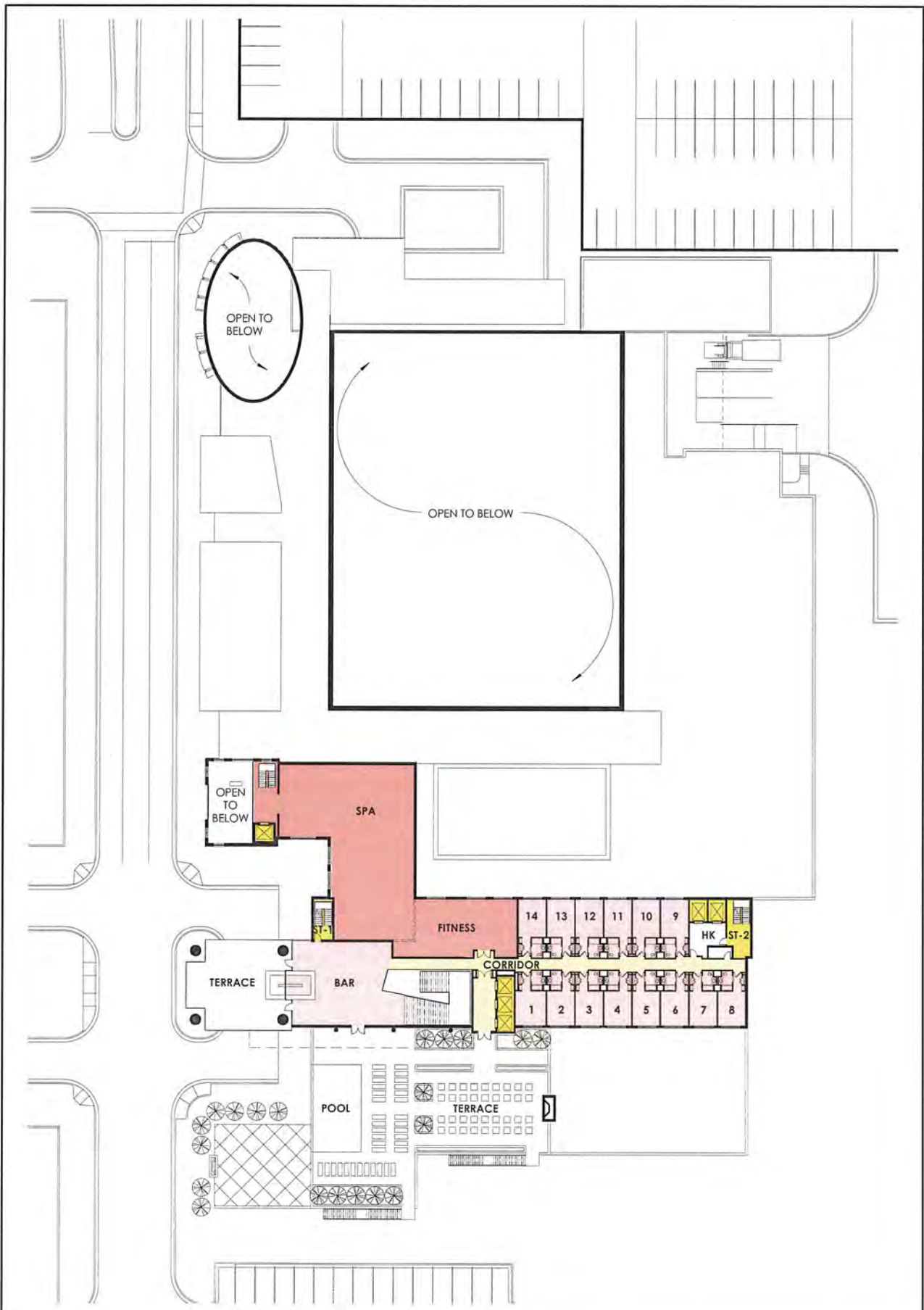




PROJECT N° 20130026 | SCALE: 1" = 40'-0" | 2015.02.10 | GROUND LEVEL

ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON





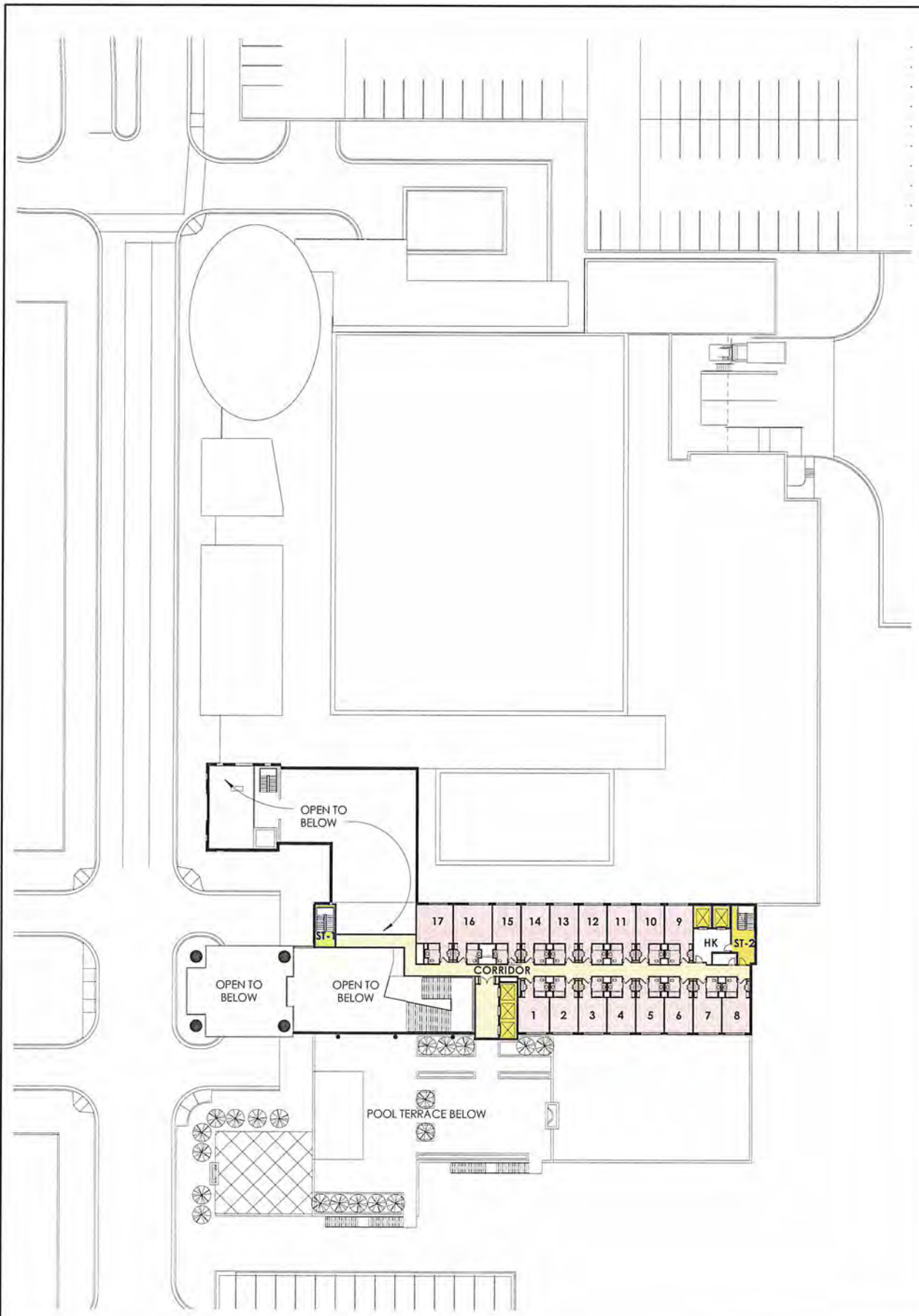
PROJECT N° 20130026

SCALE 1" = 40'-0"

2015.02.10

SECOND LEVEL

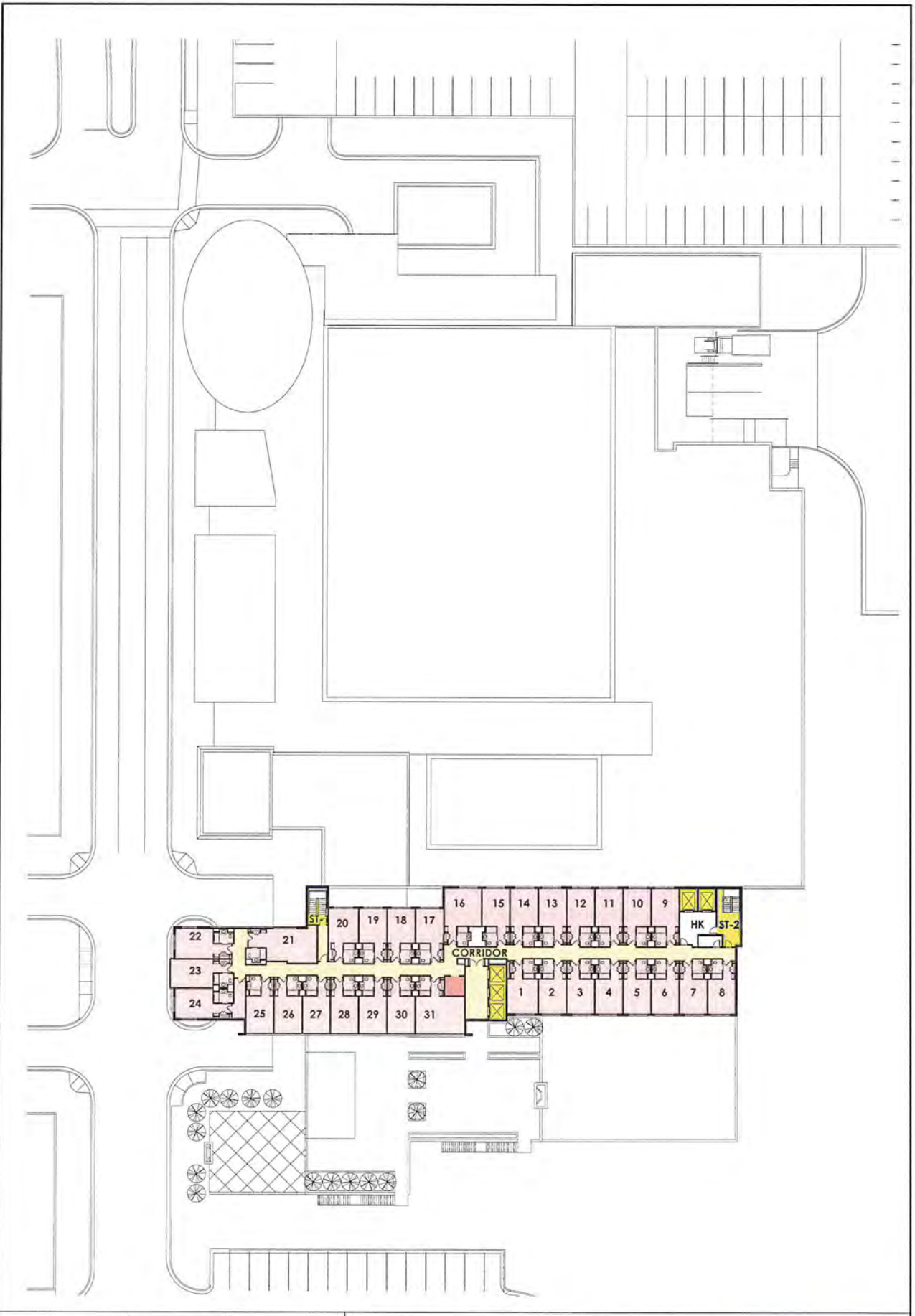
ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON



PROJECT N° 20130026 | SCALE: 1" = 40'-0" | 2015.02.10 | THIRD LEVEL

ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON





PROJECT N° 20130026 | SCALE: 1" = 40'-0"

2015.02.10

TYPICAL GUESTROOM LEVEL

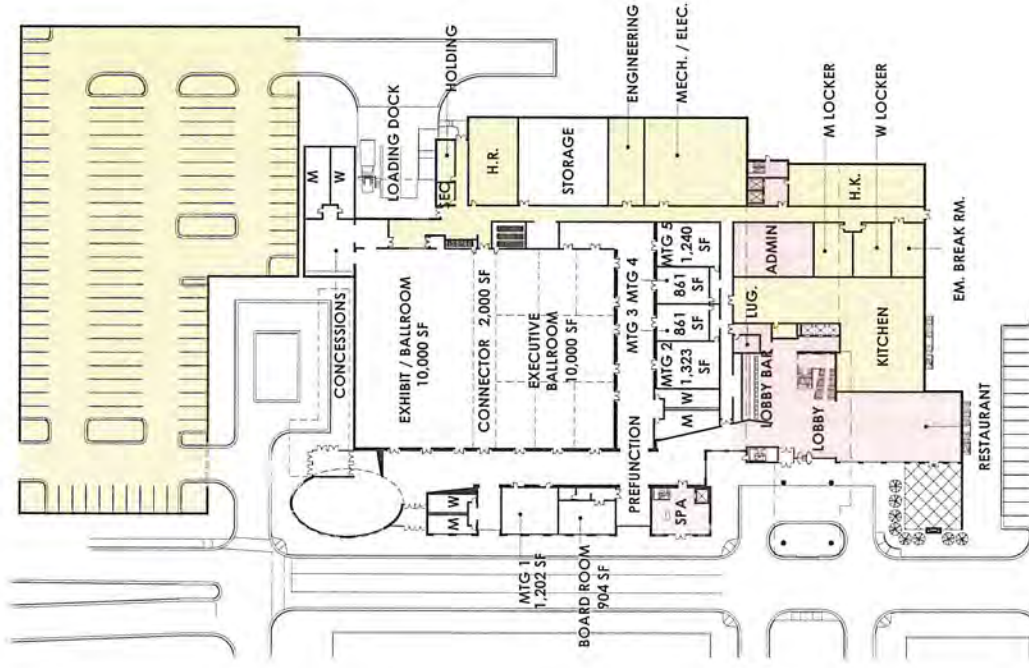
ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON



DEMARCATION CONCEPT FOR INITIAL CONTRACTOR PRICING

- CONFERENCE CENTER - 67,588 SF
- HOTEL (FLOORS 2-13 IN THE GUEST ROOM TOWER, IN THEIR ENTIRETY, ARE INCLUDED IN HOTEL) - 186,947 SF
- SHARED SPACES (EXCLUDING PARKING DECK AND SURFACE PARKING, LAND, SITE WORK, LANDSCAPING AND DRIVEWAYS) - 18,571 SF

NOTE: REFER TO FACILITIES PROGRAM FOR ADDITIONAL AREA INFORMATION



ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON



PROJECT # 20130026 | 2015.02.10



PROJECT N° 20130026

2015.02.10

AERIAL PERSPECTIVE VIEW

ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON



COOPER CARRY



PROJECT N° 20130026 | 2015.02.10

GROUND LEVEL PERSPECTIVE VIEW

ALPHARETTA CONFERENCE CENTER AND HOTEL AVALON



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Alpharetta Conference Center and Hotel Avalon, Alpharetta, GA
Conceptual Development Cost Estimate

COST CODE	DESCRIPTION	CONSULTANT/ CONTRACTOR/ COMMENT	BENCHMARK DRIVER	Conference Center Costs	Hotel Costs	CONCEPTUAL BUDGET 4/15/2015	% OF TOTAL	COST PER SQUARE FT TOTAL = 273,106 (GC Calc)	COST PER KEY TOTAL = 325	CONFERENCE CENTER PERCENTAGE	COST ALLOCATION METHODOLOGY
LAND, SOFT, CONSTRUCTION, & FF&E COSTS											
SUMMARY BUDGET											
PRELIMINARY - Subject to Change											
	TOTAL LAND AND IMPROVEMENTS			0	9,375,000	9,375,000	8.75%	34.33	28,846		
	TOTAL SOFT COSTS			2,871,097	6,037,942	8,909,039	8.31%	32.62	27,412		
	TOTAL GENERAL CONSTRUCTION			21,643,252	47,353,912	68,997,164	64.36%	252.64	212,299		
	TOTAL FURNITURE, FIXTURES, & EQUIPMENT			2,452,521	7,216,638	9,679,158	9.03%	35.44	29,782		
	SUB-TOTAL LAND, SOFT COSTS, CONSTRUCTION, & FF&E			26,976,870	69,983,492	96,960,362	90.45%	355.03	296,340		
OPERATIONS-RELATED COSTS											
	OPERATING SUPPLIES & EQUIPMENT			2,250,701	2,260,587	4,511,288	4.21%	16.52	13,881		
	WORKING CAPITAL			0	305,000	305,000	0.28%	1.12	938		
	PRE-OPENING COSTS & OTHER			768,984	1,147,373	1,916,357	1.79%	7.02	5,896		
	SUB-TOTAL OPERATIONS-RELATED COSTS			3,019,685	3,712,960	6,732,645	6.28%	24.65	20,716		
LEGAL, FINANCING, & CLOSING COSTS											
	TOTAL BROKERAGE & LOAN COSTS			0	728,500	728,500	0.68%	2.67	2,242		
	INTEREST RESERVES & RELATED COSTS			0	2,090,000	2,090,000	1.95%	7.65	6,431		
	LEGAL, CLOSING COSTS, DEVELOPMENT PROFIT, OTHER			0	688,494	688,494	0.64%	2.52	2,118		
	SUB-TOTAL LEGAL, FINANCING, & CLOSING COSTS			0	3,506,994	3,506,994	3.27%	12.84	10,791		
	SUB-TOTAL ALLOCATED DEVELOPMENT COSTS			29,996,555	77,203,446	107,200,000	100.00%	392.52	329,846		
	APPLY CONFERENCE CENTER COST CA	\$24,900,000		(5,096,555)	5,096,555	0	0.00%	0.00	0		
	TOTAL ALLOCATED COSTS AND FUNDING OBLIGATIONS			24,900,000	82,300,000	107,200,000	100.00%	392.52	329,846		

Alpharetta Conference Center and Hotel Avalon, Alpharetta, GA
 Conceptual Development Cost Estimate

COST CODE	DESCRIPTION	CONSULTANT/ CONTRACTOR/ COMMENT	BENCHMARK DRIVER	Conference Center Costs	Hotel Costs	CONCEPTUAL BUDGET 4/15/2015	% OF TOTAL	COST PER SQUARE FT TOTAL = 273.106 (GC Calc)	COST PER KEY TOTAL = 325	COST ALLOCATION METHODOLOGY	CONFERENCE CENTER PERCENTAGE
Calculation of Percentage Allocations for Shared Costs											
	Total Budget			\$24,900,000	\$82,300,000	\$107,200,000					
	- Less Land Costs - Funded 100% by Hotel			\$0	(\$9,375,000)	(\$9,375,000)					
	- Less Working Capital / Cash in Bank - Funded 100% by Hotel			\$0	(\$305,000)	(\$305,000)					
	- Less Legal, Financing, and Closing Costs (each pay their own)			\$0	(\$3,506,994)	(\$3,506,994)					
	- Reverse Funding Cap Adjustment (to calculate percentages before cap)			\$5,096,555	(\$5,096,555)	\$0					
	Allocated Costs For Percentage Sharing up to City Cap			\$29,996,555	\$64,016,451	\$94,013,006					
	PERCENTAGE FOR SHARED COSTS	Up to City Cap!		31.91%	68.09%	100.00%					

Term Sheet Exhibit D

Sources of Funds Summary

April 15, 2015

Targeted Capital Structure Summary

(In \$000)	<u>Hotel</u>	<u>Conference Center</u>	<u>Total</u>	<u>Percent of Total</u>
Senior Debt	\$56,300,000	\$0	\$56,300,000	52.5%
Private Equity	\$26,000,000	\$0	\$26,000,000	24.3%
City Development Authority	<u>\$0</u>	<u>\$24,900,000</u>	<u>\$24,900,000</u>	<u>23.2%</u>
Total Capital	<u>\$82,300,000</u>	<u>\$24,900,000</u>	<u>\$107,200,000</u>	<u>100.0%</u>

(*) Capital structure excludes City's legal and bond underwriting costs and reserves necessary to sell Authority bonds

**Hotel Avalon
Alpharetta Conference Center
Estimate of Monthly Costs**

April 15, 2015

Term Sheet Exhibit E

Assumes Master Development Agreement Fully Executed in June, 2015

Month Number	Estimated Month	Total Project Costs		Estimated Monthly Cost Allocations (Allocated on percentage basis)	
		Dollars	Percent	Hotel 68.09%	Conference Center 31.91%
Pre-Development Costs		\$200,000	0.2%	\$140,000	\$60,000
Pre-Closing Costs					
1	July, 2015	\$144,844	0.1%	\$98,624	\$46,220
2	August, 2015	\$553,251	0.5%	\$376,708	\$176,542
3	September, 2015	\$478,243	0.4%	\$325,636	\$152,607
4	October, 2015	\$340,560	0.3%	\$231,887	\$108,673
5	November, 2015	\$340,560	0.3%	\$231,887	\$108,673
6	December, 2015	\$355,567	0.3%	\$242,106	\$113,462
7	January, 2016	\$490,084	0.5%	\$333,698	\$156,386
8	February, 2016	\$490,084	0.5%	\$352,646	\$137,438
	Sub-total Before Closing	<u>\$3,393,193</u>	<u>3.2%</u>	<u>\$2,333,193</u>	<u>\$1,060,000</u>
CLOSING					
Post-Closing Costs					
9	March, 2016 (inc Closing Costs)	\$13,999,727	13.1%	\$12,537,188	\$1,462,539
10	April, 2016	\$2,753,716	2.6%	\$1,546,804	\$1,206,912
11	May, 2016	\$3,100,806	2.9%	\$1,791,991	\$1,308,815
12	June, 2016	\$2,853,981	2.7%	\$2,000,365	\$853,616
13	July, 2016	\$3,455,337	3.2%	\$2,417,167	\$1,038,170
14	August, 2016	\$4,061,994	3.8%	\$2,839,270	\$1,222,724
15	September, 2016	\$4,654,940	4.3%	\$3,247,662	\$1,407,278
16	October, 2016	\$5,285,997	4.9%	\$3,684,165	\$1,601,831
17	November, 2016	\$5,907,053	5.5%	\$4,115,668	\$1,791,385
18	December, 2016	\$6,528,310	6.1%	\$4,547,371	\$1,980,939
19	January, 2017	\$5,946,853	5.5%	\$4,145,468	\$1,801,385
20	February, 2017	\$9,397,440	8.8%	\$6,723,046	\$2,674,394
21	March, 2017	\$4,796,240	4.5%	\$3,353,962	\$1,442,278
22	April, 2017	\$4,214,983	3.9%	\$2,952,259	\$1,262,724
23	May, 2017	\$5,405,284	5.0%	\$3,949,214	\$1,456,070
24	June, 2017	\$4,828,627	4.5%	\$3,574,125	\$1,254,502
25	July, 2017	\$6,045,040	5.6%	\$5,970,602	\$74,438
26	August, 2017	\$5,462,783	5.1%	\$5,462,783	\$0
27	September, 2017	\$2,871,025	2.7%	\$2,871,025	\$0
28	October, 2017	\$620,734	0.6%	\$620,734	\$0
	Post Opening / Final Costs	<u>\$1,615,936</u>	<u>1.5%</u>	<u>\$1,615,936</u>	<u>\$0</u>
Total Project Costs		<u>\$107,200,000</u>	<u>100.0%</u>	<u>\$82,300,000</u>	<u>\$24,900,000</u>

Note: While not perfect, this schedule represents the best estimate of monthly costs based on available information.

Term Sheet Exhibit F

**Avalon Full Service Hotel and Alpharetta Conference Center
Alpharetta, Georgia
Development Milestone Summary**

Preliminary Projection Updated: 4/15/2015

	<u>Targeted Work Effort Start</u>	<u>Duration in Days</u>	<u>Approximate Cumulative Months From Design</u>	<u>Targeted Completion</u>
Preferred Developer and Site Selection by City			Complete	09/03/13
Execution of MOU RE: Predevelopment Activities			Complete	12/16/14
Final PPP Structure and City Council Vote		Target -->		05/04/15
City Council Action on primary LEGAL DOCUMENTS		Target -->		06/22/15
Full Project Release (Definitive City Agreement)	07/01/15		0	07/01/15
Loan and Bond Sale Closing, including all related docs			8	02/29/16
Construction Duration and Certificate of Occupancy	05/01/16	550	29	11/02/17
Operations Final Preparation & Training	11/02/17	21	29	11/23/17
Hotel and Conference Center Open For Business	Conting:	8	29	December 1, 2017

SUMMARY CONCLUSION: We intend for the hotel to open for business approximately 29 months after full project approval and commencement of all design activities, and approximately 20 months after breaking ground.