



HOUSING COMMISSION EXECUTIVE SUMMARY SHEET

MEETING DATE: June 10, 2022

HCR22-090

SUBJECT: Loan Recommendation for Messina Senior Apartments

COUNCIL DISTRICT(S): 6

ORIGINATING DEPARTMENT: Real Estate Division

CONTACT/PHONE NUMBER: Colin Miller (619) 578-7429

REQUESTED ACTION:

Approve a proposed residual receipts loan in an amount not to exceed \$3,950,000 to Messina CIC, LP., a California limited partnership, to facilitate the acquisition and new construction of Messina Senior Apartments, a development to be located at 5255 Mt. Etna Drive, San Diego, in the Clairemont Mesa Community Planning Area, which will consist of 78 units that will remain affordable for 55 years for seniors age 62 and older with low income and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Messina Senior Apartments will consist of 79 units and a senior community center in the Clairemont neighborhood.
- It will include five studios and 73 one-bedroom units affordable for seniors age 62 and older with income from 30 percent to 80 percent of San Diego's Area Median Income (AMI) and one unrestricted manager's unit.
- The development will be located within a half mile of the Route 27 bus stop.
- The development site is currently vacant.
- The Messina Senior Apartments building will include 6,000 square feet of community space, of which 1,800 square feet will be a private senior community common area. The remaining 4,200 square feet will be the public senior center, where Serving Seniors will provide services free of charge to all residents.
- On January 8, 2021 Housing Commission staff provided a preliminary recommendation of award of a residual receipts loan up to \$3,950,000 subject to Housing Commission Board approval and eight Project-Based Housing Vouchers (PBVs) for the development. These vouchers are for households with low income; they are not for permanent supportive housing for households experiencing homelessness.
- Additional financing would include a 9 percent tax credits allocation from the California Tax Credit Allocation Committee (CTCAC), and other necessary third-party financing as described in this report.
- The estimated total development cost is \$37,944,460 (\$480,310/unit).



REPORT

DATE ISSUED: June 2, 2022

REPORT NO: HCR22-090

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of June 10, 2022

SUBJECT: Loan Recommendation for Messina Senior Apartments

COUNCIL DISTRICT: 6

REQUESTED ACTIONS

Seven-day advance notice of San Diego Housing Commission Hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(a)(b) for Staff Recommendation No. 1.

Approve a proposed residual receipts loan in an amount not to exceed \$3,950,000 to Messina CIC, LP., a California limited partnership, to facilitate the acquisition and new construction of Messina Senior Apartments, a development to be located at 5255 Mt. Etna Drive, San Diego, in the Clairemont Mesa Community Planning Area, which will consist of 78 units that will remain affordable for 55 years for seniors age 62 and older with low income and one unrestricted manager's unit.

STAFF RECOMMENDATIONS

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board), take the following actions as described in this report:

- 1) Approve a proposed residual receipts loan in an amount not to exceed \$3,950,000 to Messina CIC, LP., a California limited partnership, to facilitate the acquisition and new construction of Messina Senior Apartments, a transit-oriented development at 5255 Mt. Etna Drive, San Diego, in the Clairemont Mesa Community Planning Area, which will consist of 78 units that will remain affordable for 55 years for seniors age 62 and older with income from 30 percent to 80 percent of San Diego's Area Median Income (AMI), and one unrestricted manager's unit.

The Housing Commission's proposed loan will be contingent upon the developer receiving all necessary third-party funding commitments as described in this report. Such third-party funding commitments will be subject to the Housing Commission General Counsel's approval.

- 2) Authorize the President and Chief Executive Officer (President & CEO), or designee:
 - a. To execute any and all documents necessary to effectuate the transaction and implement the project in a form approved by the General Counsel, and to take such actions as are necessary, convenient, and/or appropriate to implement the approvals upon advice of the General Counsel, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

- b. To adjust financing terms/conditions, as necessary, for consistency with requirements of other funding sources or to accommodate market changes that may occur, provided that the proposed \$3,950,000 maximum loan amount may not increase.
- c. To substitute approved funding sources with any other available funds as deemed appropriate, contingent upon budget availability, and further authorize the President & CEO, or designee, to take such actions as are necessary, convenient, and/or appropriate to implement this approval and delegation of authority by the Housing Commission upon advice of the General Counsel.

SUMMARY

A Development Summary is at Attachment 1.

Table 1 –Development Details

| | |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Address | 5255 Mt. Etna Drive, San Diego |
| Council District | 6 |
| Community Plan Area | Clairemont Mesa Community Planning Area |
| Developer | Chelsea Investment Corporation (Chelsea) |
| Development Type | New construction |
| Construction Type | Type III (five residential stories) |
| Parking Type | 40 parking spaces |
| Mass Transit | Bus stop approximately 0.2 miles from the site (Route 27) |
| Housing Type | Multifamily senior |
| Lot Size | One parcel totaling 1.08 acres, (47,044 square feet) |
| Units | 79 (78 units restricted/affordable) |
| Density | 73.14 dwelling units per acre (79 units ÷ 1.08 acres) |
| Unit Mix | 78 affordable rental units: 5 studios, 73 one-bedrooms, and 1 two-bedroom unrestricted manager’s unit. |
| Gross Building Area | 62,005 square feet. |
| Net Rentable Area | 144,289 square feet. |
| Project Based Housing Vouchers (PBV) | 8 PBVs (not for permanent supportive housing for people experiencing homelessness) |
| Affordable Units in Service by Council District | Council District 6 includes 1,252 affordable rental housing units currently in service, which represents 5 percent of the 24,554 affordable rental housing units in service citywide. |

The Development

Messina Senior Apartments will consist of 79 units and a senior community center in the Clairemont neighborhood. Once completed, it will consist of five studios and 73 one-bedroom units affordable for seniors age 62 and older with income from 30 percent to 80 percent of San Diego’s Area Median Income (AMI). The development will also include one unrestricted two-bedroom manager’s unit. The building will employ type III construction and will have a total of five stories. The building will be serviced by two elevators. Outdoor amenities will include shaded structures, courtyards, and barbecue areas, encouraging a cohesive community.

The development will be located at 5255 Mt. Etna Drive, San Diego, in the Clairemont Mesa Community Planning Area, and within a half mile of the Route 27 bus stop (see Attachment 2 – Site

Map). The site is served by a Metropolitan Transit System bus line and features easy connections to nearby health and wellness facilities, senior centers and neighborhood eateries.

The Project has convenient access to large employers, schools, freeways, mass transit, shopping, entertainment and medical offices. The development site is currently vacant.

Services

The Messina Senior Apartments building will include 6,000 square feet of community space, of which 1,800 square feet will be a private senior community common area. The remaining 4,200 square feet will be the public senior center, where Serving Seniors will provide services free of charge to all residents. Services for the senior population will include meals, workshops and classes, volunteer opportunities, health services, case management, and social activities. Residents will become involved in multiple activities to reduce isolation and foster a sense of community.

Developer's Request

In response to the Housing Commission's Fiscal Year (FY) 2021 Notice of Funding Availability (NOFA), Messina CIC, LP., and Chelsea submitted an application for a loan and federal Project-Based Housing Vouchers (PBV) for the development. On January 8, 2021 Housing Commission staff provided a preliminary recommendation of award of a residual receipts loan up to \$3,950,000 subject to Housing Commission Board approval and eight PBVs for the 79-unit Messina Senior Apartments development.

Chelsea, a for-profit developer, proposes to construct 79 new apartment units, with financing that would include the proposed Housing Commission loan, a 9 percent tax credits allocation from the California Tax Credit Allocation Committee (CTCAC), and other necessary third-party financing as described in this report.

Appraisal

An appraisal of the subject site with an effective date of March 1, 2022, valued the property at \$7,820,000. The appraisal was obtained by the developer and was conducted by the Kinetic Valuation Group.

Prevailing Wages

The proposed development is not subject to payment of California State nor federal prevailing wages as there are no federal HOME Investment Partnerships Program (HOME) funds currently budgeted for the project. If federal HOME funds are deemed necessary, the number of HOME units will remain below the 12-unit federal threshold that would require federal prevailing wages.

Project Sustainability

Messina Senior Apartments will be constructed in conformance with CTCAC's minimum energy efficiency standards. Green building features and certifications are planned. The project will be Green Point rated.

Accessibility

CTCAC requires wheelchair accessibility in 10 percent of the units, and 4 percent of the units accessible to residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. If HOME funds are used to fund the development, these accessible units will satisfy the HOME accessibility requirement in 5 percent of the units, plus an additional 2 percent of the units accessible for residents with visual and/or hearing impairment.

Relocation

The property is vacant. No relocation is necessary.

Development Team

Chelsea, an award-winning, for-profit corporation headquartered in Carlsbad, California, will lead the development team. Since 1995, Chelsea and its affiliates have developed approximately 9,768 rental units under ownership in four states in 77 Chelsea-owned developments. Chelsea has substantial development experience in a wide range of housing developments. Along with its affiliates, Chelsea provides financial, engineering, development, asset management, construction and property management services. Chelsea has developed multiple affordable rental housing developments in San Diego using Housing Commission loan funds. Chelsea is in full compliance on its previous Housing Commission-funded loans. Based upon the developer's past experience and performance, Housing Commission staff has determined that the developer has the capacity to successfully complete the proposed project.

Table 2 Development Team Summary

| ROLE | FIRM/CONTACT |
|-------------------------------------|------------------------------------|
| Developer | Chelsea Investment Corporation |
| Owner/Borrower | Messina CIC, LP. |
| Managing General Partner | Mt. Etna Senior Housing, LLC |
| Administrative General Partner | CIC Messina, LLC |
| Tax Credit Investor Limited Partner | To be determined |
| Architect | The McKinley Associates |
| General Contractor | Emmerson Construction Incorporated |
| Property Management | CICM / Hyder is anticipated |
| Construction and Permanent Lender | To be determined |
| Tenant Services Providers | Serving Seniors |

Property Management

Messina Senior Apartments will be managed by CICM and Hyder & Company (Hyder). For more than 45 years, Hyder has implemented a wide range of federal and state housing programs to manage affordable communities. Hyder now manages more than 90 properties with 6,000 residential units and 15,000 residents. It is experienced in property management, marketing, leasing, maintenance, renovations, and tax credit developments. Chelsea's Asset Management Department will oversee Hyder.

FINANCING STRUCTURE

Messina Senior Apartments has an estimated total development cost of \$37,944,460 (\$480,310/unit). Financing will include a combination of sources as described in Table 3. The developer's pro forma is included as Attachment 4 and summarized in Table 3 below.

Table 3 – Messina CIC, LP. Estimated Permanent Sources and Uses

| Financing Sources | Amounts | Financing Uses | Amounts | Per Unit |
|-------------------------------------|---------------------|-----------------------------------------------------------------------------------------------|---------------------|------------------|
| Permanent loan (third party lender) | \$9,249,962 | Acquisition | \$ 9,120,587 | \$ 115,450 |
| Federal LIHTC Equity | 15,073,152 | Construction costs \$19,882,720 Contingency + 1,246,648 Total construction \$21,129,368 | 21,129,368 | 267,460 |
| Housing Commission proposed loan | 3,950,000 | Financing costs | 56,250 | 712 |
| Solar LIHTC Equity + Rebates | 436,050 | Other soft costs | 2,424,362 | 30,688 |
| Deferred Developer Fee | 114,708 | Permits and fees | 2,766,205 | 35,015 |
| Land Contribution | 9,120,587 | Total reserves | 247,688 | 3,135 |
| | | Developer Fee | 2,200,000 | 27,848 |
| Total Development Cost | \$37,944,460 | Total Development Cost (TDC) | \$37,944,460 | \$480,310 |

The Housing Commission’s proposed \$3,950,000 residual receipts loan is currently expected to be entirely funded with the City of San Diego Affordable Housing Fund (Inclusionary Housing funds), which the Housing Commission administers. The total amount of Housing Commission funding sources shall not exceed \$3,950,000. A final determination of Housing Commission funding sources will be made by the Housing Commission’s President & CEO, or designee, contingent upon budget availability. The proposed loan terms are summarized in Attachment 5.

The Housing Commission requires affordable housing developers to pursue all viable sources of funding to reduce the financing gap and amount of Housing Commission subsidy required. If other funding is secured, proceeds will first be used to make an adjustment to reduce the Housing Commission’s loan.

Developers’ Fee

\$2,200,000 – Gross developer fee
- 114,708 – Minus deferred developer fee
\$2,086,000– Net cash developer fee

On April 25, 2017, the Housing Authority approved the “Request for Approval of Updated Developer Fees” (HAR17-011). That report approved certain developer fee guidelines for multifamily loans and bonds issuances. That report at its Attachment 1 states: “Developer fee for 4% tax credits: in project costs 15% of eligible basis....” For this development the developers are proposing a \$2,200,000 total developer fee, which complies with HAR17-011. The net cash developer fee shall be \$2,086,000 provided, however, that in the event financing terms or construction costs change and result in a financing gap, the developer may defer additional developer fee. The fee proposed is consistent with the Request for Approval of Updated Developer Fees (HAR17-011) approved by the Housing Authority on April 25, 2017.

Development Cost Key Performance Indicators

Housing Commission staff has identified development cost performance indicators that are used to evaluate proposed developments and make a funding recommendation. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Key Performance Indicators

| | | |
|--------------------------------------|------------------------------------|-----------|
| Development Cost Per Unit | \$37,944,460/ 79 units | \$480,310 |
| Housing Commission Subsidy Per Unit | \$3,950,000 / 79 units | \$50,000 |
| Acquisition Cost Per Unit | \$9,120,587/ 79 units | \$115,450 |
| Gross Building Square Foot Hard Cost | \$21,129,368 / 62,005 square feet | \$341 |
| Net Rentable Square Foot Hard Cost | \$21,129,368 / 144,289 square feet | \$146 |

Project Comparison Chart

Multiple factors and variables influence the cost of developing multifamily affordable housing, including but not limited to project location, site conditions, environmental factors, land use approval process, community involvement, construction type, design requirements/constraints, economies of scale, City fees, developer experience and capacity, and the mission and goals of the organization developing the project. Similar construction-type developments (completed or approved) over recent years are listed in Table 5.

These developments are similar in terms of new construction, target population, and construction type and are provided as a comparison to the subject development.

Table 5 – Comparable Development Projects

| New Construction Project Name | Year | Units | Total Development Cost | Cost Per Unit | HC Subsidy Per Unit | Gross Hard Cost Per Sq. Ft. |
|-----------------------------------------------------|-------------|-----------|-------------------------------------------|------------------|---------------------|-----------------------------|
| Proposed Subject – Messina Senior Apartments | 2022 | 79 | \$37,944,460 (w/o prevailing wage) | \$480,310 | \$50,000 | \$341 |
| Cortez Hill | 2021 | 88 | \$43,647,979 (with prev. wage) | \$496,000 | \$56,818 | \$526 |
| ShoreLINE | 2021 | 126 | \$62,703,426 (with prev. wage) | \$497,646 | \$0 | \$310 |
| Nestor Senior Village | 2021 | 74 | \$31,510,305 (with prev. wage) | \$425,815 | \$45,000 | \$363 |

AFFORDABLE HOUSING IMPACT**Project-Based Housing Vouchers (PBV)**

The Housing Commission has provided a preliminary award recommendation of eight PBVs for Messina Senior Apartments for seniors age 62 and older with income up to 30 percent of AMI, currently \$27,350 per year for a one-person household. The recommendation for these vouchers is contingent upon completion of a subsidy layering review, execution of an Agreement to Enter into Housing Assistance Payment and verification of services. Under the PBV program, the tenant's rent portion is determined by using the applicable minimum rent or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by the Housing Commission. The Housing Assistance Payment provides a rental subsidy for residents in Messina Senior Apartments' eight voucher-assisted units. The PBV units are all studio units. The tenants will be selected from the Housing Commission's low-income PBV Wait List. Serving Seniors will provide supportive services to the residents.

Affordability

The Messina Senior Apartments will be subject to a Housing Commission Declaration of Covenants and Restrictions, in addition to applicable tax credit agreements, which will restrict affordability of 78 units for 55 years.

The rent and occupancy restrictions required by the Housing Commission, CTCAC and other lenders and investors will apply. The same units may be counted as the tax credit restricted units and the Housing Commission loan's restricted units. The more stringent of the funding sources' affordability/rent restrictions will take precedence during the term of their applicability.

Table 6 Affordability and Monthly Estimated Rent Table

| Unit Type | AMI | Number of Units | Gross Rents |
|-----------------------------------|------------------------------------------------|-----------------|-------------|
| 0BR/1BA | 30% (\$27,350/year for a one-person household) | 1 | \$636 |
| 0BR/1BA | 40% (\$36,450/year for a one-person household) | 1 | \$849 |
| 0BR/1BA | 50% (\$45,550/year for a one-person household) | 1 | \$1,061 |
| 0BR/1BA | 60% (\$54,660/year for a one-person household) | 1 | \$1,273 |
| 0BR/1BA | 80% (\$72,900/year for a one-person household) | 1 | \$1,698 |
| Subtotal Studio Units | | 5 | |
| 1BR/1BA | 30% (\$31,250/year for a two-person household) | 8 | \$682 |
| 1BR/1BA | 40% (\$41,650/year for a two-person household) | 15 | \$909 |
| 1BR/1BA | 50% (\$52,050/year for a two-person household) | 23 | \$1,136 |
| 1BR/1BA | 60% (\$62,460/year for a two-person household) | 20 | \$1,364 |
| 1BR/1BA | 80% (\$83,300/year for a two-person household) | 7 | \$1,940 |
| Subtotal One Bedroom Units | -- | 73 | |
| 2 Bedroom Manager | - | 1 | - |
| Total Units | - | 79 | - |

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action are included in the Housing Authority-approved Fiscal Year (FY) 2022 Housing Commission Budget.

Estimated funding sources approved by this action will be as follows:

- Housing Commission loan funds (Inclusionary) – up to \$3,950,000
- Total Funding Sources – up to \$3,950,000

Estimated funding uses approved by this action will be as follows:

- Loans – up to \$3,950,000
- Total Funding Uses – up to \$3,950,000

Approving this action will further grant the President & CEO, or designee, the authority to substitute the above funding sources with other available funding sources so long as the total Housing Commission loan amount does not exceed the approved total loan amount, should the operational need arise or should such actions be to the benefit of the Housing Commission.

Development Schedule

The estimated development timeline is as follows:

| Milestones | Estimated Dates |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• CTCAC 9 percent tax credit application• CTCAC 9 percent tax credit allocation meeting• Estimated escrow/loan closing• Start of construction work• Completion of construction work | <ul style="list-style-type: none">• June 30, 2022• September 28, 2022• March 2023• March 2023• May 2024 |

HOUSING COMMISSION STRATEGIC PLAN

This item relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On December 3, 2019, Chelsea presented the proposed development as an action item to the Clairemont Mesa Community Planning .Group, which voted 10-0-1 to approve the motion supporting the project.

KEY STAKEHOLDERS & PROJECTED IMPACTS

Stakeholders include Chelsea as the developer, Serving Seniors as the service provider, the County of San Diego as land owner, the Housing Commission as a lender, and the Clairemont Mesa Community Planning Area. The project is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 78 new, affordable, transit-oriented rental homes for working San Diego families.

STATEMENT FOR PUBLIC DISCLOSURE

The developer's Disclosure Statement is at Attachment 6.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Chelsea is committed to equity and inclusion as both an employer and a service provider. Chelsea demonstrates a commitment to advancing racial equity and inclusion (REI) through project design and operational policies throughout the proposed project timeline.

ENVIRONMENTAL REVIEW

California Environmental Quality Act

On January 14, 2020, the County of San Diego, as the Lead Agency, certified EIR (SCH No. 2018091016) for the Mount Etna Community Plan Amendment and Rezone project, and adopted a Mitigation, Monitoring, and Reporting Program. Pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15096, the City, as a Responsible Agency, considered the EIR (SCH No. 2018091061). City staff determined that the plan amendments, code amendments, and rezone are covered by EIR SCH No. 2018091016 in accordance with CEQA Guidelines Section 15162 (a): 1) No substantial changes are proposed in the project which would require major revisions of the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; (2) No substantial changes have occurred with respect to the circumstances under which the project is undertaken which would require major revisions to the previous EIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and (3) There is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous EIR was certified, that shows any of the circumstances described in CEQA Guidelines 15162(3)(A) - (D). Therefore, no subsequent environmental document is required, in that no new additional impacts and/or mitigation measures are required beyond those that were analyzed in the original environmental document. All of the impacts were adequately addressed and disclosed in the previously certified EIR.

National Environmental Policy Act

Federal funds will constitute a portion of the funding for the project. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA).

Respectfully submitted,

Colin Miller

Colin Miller
Senior Vice President, Housing Finance &
Property Management
Real Estate Division

Approved by,

Jeff Davis

Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

- Attachments:
1. Development Summary
 2. Site Map
 3. Organization Chart
 4. Developers' Project Pro Forma
 5. Proposed Loan Terms
 6. Developer's Disclosure Statement

Docket materials are available in the "Governance & Legislative Affairs" section of San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1 - DEVELOPMENT SUMMARY

Table 1 –Development Details

| | |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Address | 5255 Mt. Etna Drive, San Diego |
| Council District | 6 |
| Community Plan Area | Clairemont Mesa Community Planning Area |
| Developer | Chelsea Investment Corporation (Chelsea) |
| Development Type | New construction |
| Construction Type | Type III (five residential stories) |
| Parking Type | 40 parking spaces |
| Mass Transit | Bus stop approximately 0.2 miles from the site (Route 27) |
| Housing Type | Multifamily senior |
| Lot Size | One parcel totaling 1.08 acres, (47,044 square feet) |
| Units | 79 (78 units restricted/affordable) |
| Density | 73.14 dwelling units per acre (79 units ÷ 1.08 acres) |
| Unit Mix | 78 affordable rental units: 5 studios, 73 one-bedrooms, and 1 two-bedroom restricted managers' unit. |
| Gross Building Area | 62,005 square feet. |
| Net Rentable Area | 144,289 square feet. |
| Project Based Housing Vouchers (PBV) | 8 Non-PSH PBVs |
| Affordable Units in Service by Council District | Council District 6 includes 1,252 affordable rental housing units currently in service, which represents 5 percent of the 24,554 affordable rental housing units in service citywide. |

Table 2 Development Team Summary

| ROLE | FIRM/CONTACT |
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| Developer | Chelsea Investment Corporation |
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| Managing General Partner | Mt. Etna Senior Housing, LLC |
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| Tax Credit Investor Limited Partner | To be determined |
| Architect | The McKinley Associates |
| General Contractor | Emmerson Construction Incorporated |
| Property Management | CICM / Hyder is anticipated |

Table 3 – Messina CIC, LP. Estimated Permanent Sources and Uses

| Financing Sources | Amounts | Financing Uses | Amounts | Per Unit |
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| Deferred Developer Fee | 114,708 | Permits and fees | 2,766,205 | 35,015 |
| Land Contribution | 9,120,587 | Total reserves | 247,688 | 3,135 |
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Table 4 – Key Performance Indicators

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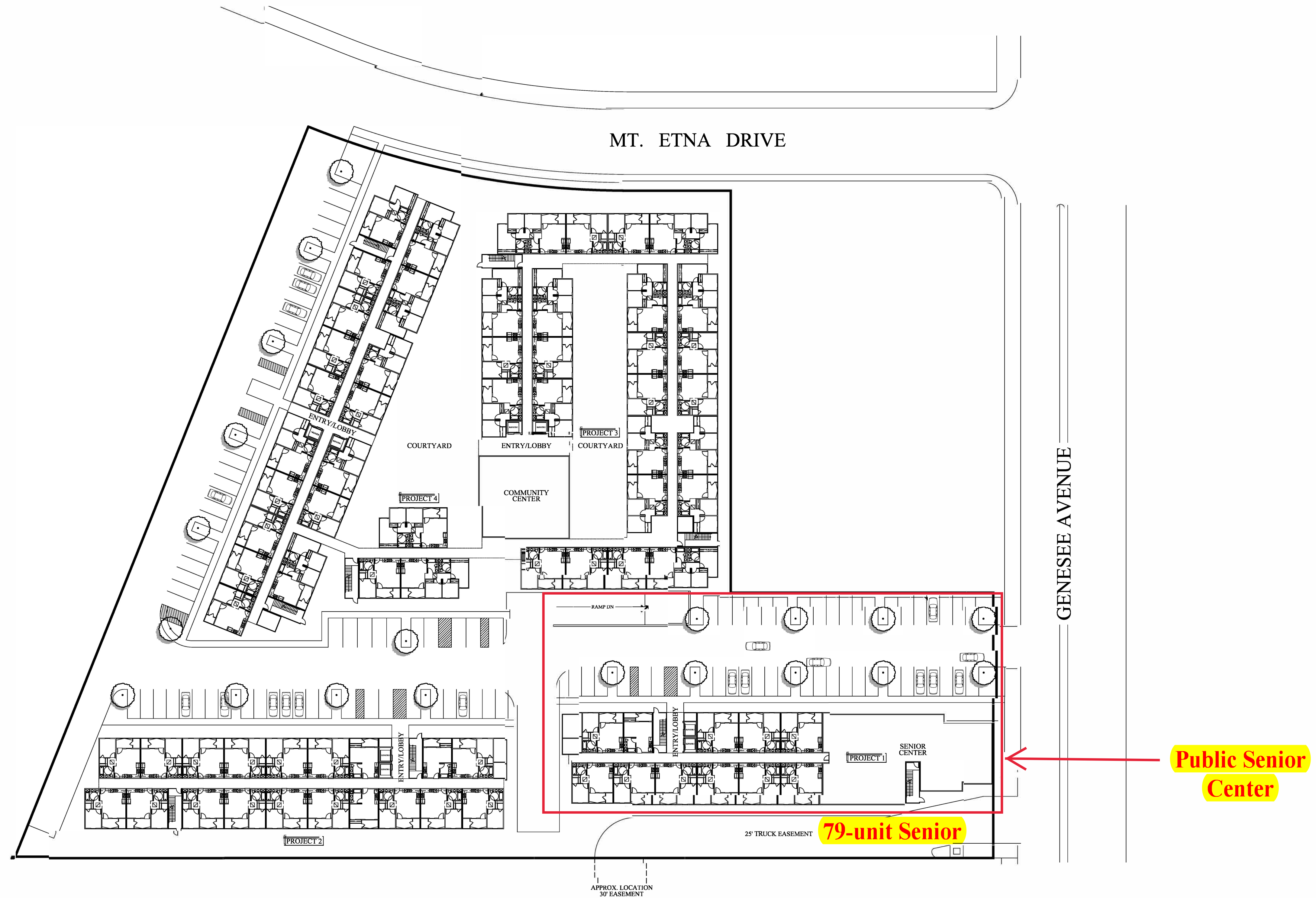
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| Nestor Senior Village | 2021 | 74 | \$31,510,305 (with prev. wage) | \$425,815 | \$45,000 | \$363 |

Table 6 Affordability and Monthly Estimated Rent Table

| Unit Type | AMI | Number of Units | Gross Rents |
|------------------------------|-----|-----------------|-------------|
| 0BR/1BA | 30% | 1 | \$636 |
| 0BR/1BA | 40% | 1 | \$849 |
| 0BR/1BA | 50% | 1 | \$1,061 |
| 0BR/1BA | 60% | 1 | \$1,273 |
| 0BR/1BA | 80% | 1 | \$1,698 |
| Subtotal Studio Units | | 5 | |

| | | | |
|-----------------------------------|-----------|-----------|----------|
| 1BR/1BA | 30% | 8 | \$682 |
| 1BR/1BA | 40% | 15 | \$909 |
| 1BR/1BA | 50% | 23 | \$1,136 |
| 1BR/1BA | 60% | 20 | \$1,364 |
| 1BR/1BA | 80% | 7 | \$1,940 |
| Subtotal One Bedroom Units | -- | 73 | |
| 2 Bedroom Manager | - | 1 | - |
| Total Units | - | 79 | - |



SITE PLAN / LEVEL 1

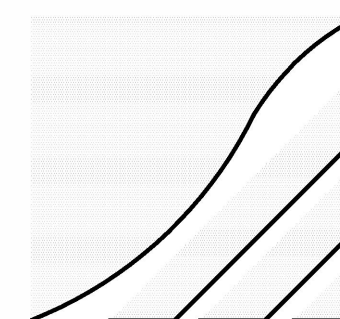
PROJECT 1: MESSINA - 79 SENIOR APARTMENTS + SENIOR CENTER

PROJECT 2: TERRASINI - 95 SENIOR APARTMENTS

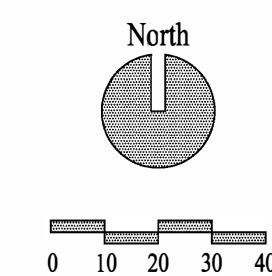
PROJECT 3:
TAORMINA - 136 FAMILY APARTMENTS,
INCLUDING UP TO 25 UNITS DESIGNATED FOR RESIDENTS
WITH A DEVELOPMENT DISABILITY

PROJECT 4:
MODICA - 94 FAMILY APARTMENTS,
INCLUDING UP TO 25 UNITS DESIGNATED FOR RESIDENTS
WITH A DEVELOPMENT DISABILITY

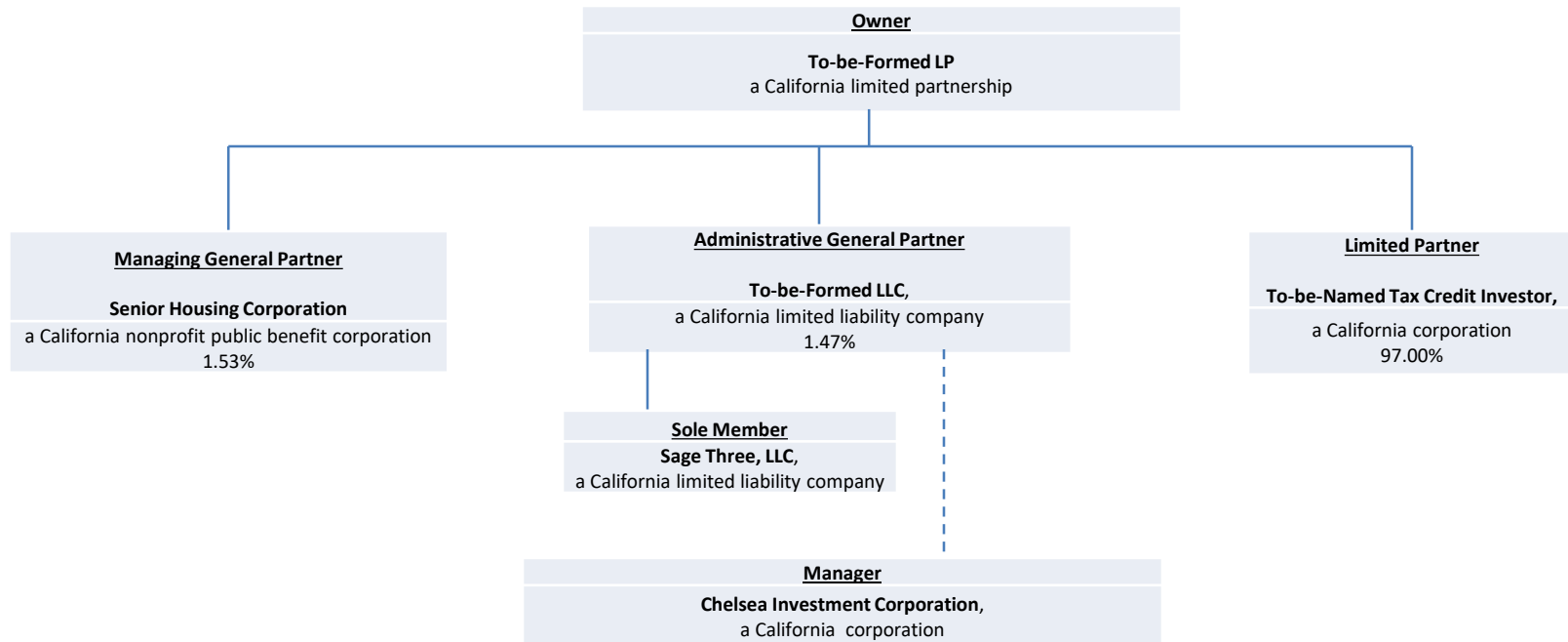
MT. ETNA AFFORDABLE APARTMENTS
5255 MT. ETNA DRIVE
CHELSEA INVESTMENT CORPORATION



THE MCKINLEY ASSOC., INC.
ARCHITECTURE & PLANNING
AUGUST 19, 2021



Owner Partnership



PROJECT SUMMARY
Mt. Etna Messina Sr

79 Units

Preliminary Analysis Subject to Further Revisions



| SOURCES AND USES SUMMARY | | | | FINANCING ASSUMPTIONS | | | | PRELIM DEVELOPMENT PROGRAMMING SUMMARY | | | | | |
|------------------------------------------------|-----------------------|-------------------|--|-----------------------------------------------------------------------------------------------------------------------|--|--|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|--|--|--|
| <u>Development Costs</u> | | | | <u>Equity</u> | | | | <div>City: San Diego MSA: San Diego Site (acres): 1.080 Construction Type: Type III (5 stories) No. of Stories: 5 Parking Type: At Grade No. of Stalls: TBD Impact Fees per Unit: 9,779 Financing Sources: 9%, Local</div> | | | | | |
| Acquisition | | | | <div>Closing Completion Conversion 8,609 Equity Pay In 10% 0% 89% 1% Federal Tax Credit Price \$ 0.8500</div> | | | | | | | | | |
| Ground lease payment | \$0/unit | 0 | | | | | | | | | | | |
| SDG&E easement purchase | \$0/unit | 0 | | | | | | | | | | | |
| Remainder of Land Value | \$115,450/unit | 9,120,587 | | | | | | | | | | | |
| Subtotal Acquisition | | 9,120,587 | | | | | | | | | | | |
| Hard Costs | | | | | | | | | | | | | |
| Total Sitework and Vertical | \$242,000/unit | 19,118,000 | | 9% Credit Rate 9.00% | | | | | | | | | |
| GC Contingencies | \$9,680/unit | 764,720 | | LP Interest 100.00% | | | | | | | | | |
| General Requirements/OH/Profit | \$0/unit | 0 | | | | | | | | | | | |
| Owner Contingency | \$12,584/unit | 994,136 | | | | | | | | | | | |
| Subtotal Hard Costs | \$264,264/unit | 20,876,856 | | | | | | | | | | | |
| Soft Costs | | | | | | | | | | | | | |
| A&E | \$9,356/unit | 739,089 | | | | | | | | | | | |
| Financing Fees and Interest | \$21,562/unit | 1,703,366 | | | | | | | | | | | |
| Legal Fees | \$4,557/unit | 360,000 | | | | | | | | | | | |
| Reserves | \$3,135/unit | 247,688 | | | | | | | | | | | |
| Development Impact and Permit Fees | \$19,753/unit | 1,560,450 | | | | | | | | | | | |
| Developer Fee | \$27,848/unit | 2,200,000 | | | | | | | | | | | |
| Misc (Acctg, Marketing, Reports, Studies, Etc) | \$11,189/unit | 883,912 | | | | | | | | | | | |
| Contingency | \$3,196/unit | 252,512 | | | | | | | | | | | |
| Subtotal Soft Costs | \$100,595/unit | 7,947,017 | | | | | | | | | | | |
| Total Development Costs | \$480,310/unit | 37,944,460 | | | | | | | | | | | |
| <u>Sources</u> | | | | <u>Debt</u> | | | | | | | | | |
| Federal LIHTC Equity | 40% | 15,073,152 | | Opr. Exp./Unit/Year 4,842 | | | | | | | | | |
| Solar LIHTC Equity + Rebates | 1% | 436,050 | | | | | | | | | | | |
| Permanent Loan (Tranche A) | 24% | 9,249,962 | | | | | | | | | | | |
| Land Contribution / Note | 24% | 9,120,587 | | | | | | | | | | | |
| Deferred Developer Fee | 0% | 114,708 | | | | | | | | | | | |
| AHP | 0% | 0 | | | | | | | | | | | |
| Local | 50,000 | 3,950,000 | | | | | | | | | | | |
| Other | 0% | 0 | | | | | | | | | | | |
| Other | 0% | 0 | | | | | | | | | | | |
| Soft Loan Interest | 0% | 0 | | | | | | | | | | | |
| Total Development Sources | 100% | 37,944,460 | | | | | | | | | | | |
| | | | | <u>Tax Credit Considerations</u> | | | | | | | | | |
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PROJECTED SOURCES AND USES OF FUNDS
Mt. Etna Messina Sr

| | | Total | Pre-Dev | Close | Construction Period | | | | | | Construction Subtotal | Stabilization 6 mos | Conversion | 8609 | Total |
|-----|-----------------------------------|---------------|-----------|------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------------------|---------------------|--------------|---------|------------|
| | | | | | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 5 | Quarter 6 | | | | | |
| | | | | | 10% | 15% | 15% | 20% | 25% | 15% | | | | | |
| 1 | SOURCES OF FUNDS | 0 | | | | | | | | | | | | | |
| 2 | Federal LIHTC Equity | 15,073,152 | | 1,507,315 | - | - | - | - | - | - | 1,507,315 | - | 13,415,105 | 150,732 | 15,073,152 |
| 3 | Solar Equity | 436,050 | | 43,605 | - | - | - | - | - | - | 43,605 | - | 388,085 | 4,361 | 436,050 |
| 5 | Construction Loan | - | 1,038,518 | - | 745,836 | 3,206,675 | 3,238,344 | 3,973,979 | 5,509,479 | 3,930,847 | 21,643,678 | 444,290 | (22,087,968) | - | - |
| 6 | Permanent Loan (Tranche A) | 9,249,962 | | - | - | - | - | - | - | - | - | - | 9,249,962 | - | 9,249,962 |
| 8 | Deferred Developer Fee | 114,708 | | - | - | - | - | - | - | - | - | - | 114,708 | - | 114,708 |
| 9 | Local | 3,950,000 | | 2,962,500 | - | - | - | 592,500 | - | - | 3,555,000 | - | 395,000 | - | 3,950,000 |
| 12 | AHP | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Remainder of Land Value | 9,120,587 | | 9,120,587 | - | - | - | - | - | - | 9,120,587 | - | - | - | 9,120,587 |
| 15 | GAP | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Total Sources of Funds | 37,944,460 | 1,038,518 | 13,634,007 | 745,836 | 3,206,675 | 3,238,344 | 4,566,479 | 5,509,479 | 3,930,847 | 35,870,185 | 444,290 | 1,474,893 | 155,092 | 37,944,460 |
| 17 | | - | | - | | | | | | | | | | | |
| 18 | | - | | - | | | | | | | | | | | |
| 19 | USES OF FUNDS | - | | - | | | | | | | | | | | |
| 20 | ACQUISITION | - | | - | | | | | | | | | | | |
| 21 | Prepaid Ground Lease | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 22 | Remainder of Land Value | 9,120,587 | | 9,120,587 | - | - | - | - | - | - | 9,120,587 | - | - | - | 9,120,587 |
| 23 | SDG&E easement purchase | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 28 | Total Land / Acqutlition | 9,120,587 | | 9,120,587 | - | - | - | - | - | - | 9,120,587 | - | - | - | 9,120,587 |
| 29 | | - | | - | | | | | | | | | | | |
| 44 | Permanent Relocation Expense | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 47 | NEW CONSTRUCTION | - | | - | | | | | | | | | | | |
| 49 | Onsite Infrastructure share | - | 0 | - | - | - | - | - | - | - | - | - | - | - | - |
| 51 | Site Work | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 53 | Vertical | 19,118,000 | | - | 1,911,800 | 2,867,700 | 2,867,700 | 3,823,600 | 4,779,500 | 2,867,700 | 19,118,000 | - | - | - | 19,118,000 |
| 54 | GC Contingency | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 55 | General Requirements/OH/Profit | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 56 | Design Contingency | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 57 | Escalation | 4.00% 764,720 | | - | 76,472 | 114,708 | 114,708 | 152,944 | 191,180 | 114,708 | 764,720 | - | - | - | 764,720 |
| 58 | Parking Garage | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 59 | Other | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 60 | Total New Construction | 19,882,720 | - | - | 1,988,272 | 2,982,408 | 2,982,408 | 3,976,544 | 4,970,680 | 2,982,408 | 19,882,720 | - | - | - | 19,882,720 |
| 61 | | - | | - | | | | | | | | | | | |
| 62 | ARCHITECTURAL | - | | - | | | | | | | | | | | |
| 63 | Building | 391,089 | 293,317 | 39,109 | 9,777 | 9,777 | 9,777 | 9,777 | 9,777 | 9,777 | 391,089 | - | - | - | 391,089 |
| 64 | Landscape | 20,000 | 15,000 | 2,000 | 500 | 500 | 500 | 500 | 500 | 500 | 20,000 | - | - | - | 20,000 |
| 65 | Energy Consultant | 50,000 | 37,500 | 5,000 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 | 50,000 | - | - | - | 50,000 |
| 69 | Total Architectural | 461,089 | 345,817 | 46,109 | 11,527 | 11,527 | 11,527 | 11,527 | 11,527 | 11,527 | 461,089 | - | - | - | 461,089 |
| 70 | | - | | - | | | | | | | | | | | |
| 71 | SURVEY & ENGINEERING | - | | - | | | | | | | | | | | |
| 72 | All Civil | 65,000 | 48,750 | 6,500 | 1,625 | 1,625 | 1,625 | 1,625 | 1,625 | 1,625 | 65,000 | - | - | - | 65,000 |
| 73 | Staking | 40,000 | | - | 6,667 | 6,667 | 6,667 | 6,667 | 6,667 | 6,667 | 40,000 | - | - | - | 40,000 |
| 74 | Soils | 35,000 | 0 | - | 5,833 | 5,833 | 5,833 | 5,833 | 5,833 | 5,833 | 35,000 | - | - | - | 35,000 |
| 75 | Dry Utilities | 18,000 | 18,000 | - | - | - | - | - | - | - | 18,000 | - | - | - | 18,000 |
| 76 | Misc. Studies | 80,000 | 80,000 | - | - | - | - | - | - | - | 80,000 | - | - | - | 80,000 |
| 77 | Structural | 40,000 | 0 | - | 6,667 | 6,667 | 6,667 | 6,667 | 6,667 | 6,667 | 40,000 | - | - | - | 40,000 |
| 80 | Total Survey & Engineering | 278,000 | 146,750 | 6,500 | 20,792 | 20,792 | 20,792 | 20,792 | 20,792 | 20,792 | 278,000 | - | - | - | 278,000 |
| 81 | | - | | - | | | | | | | | | | | |
| 82 | CONTINGENCY COSTS | - | | - | | | | | | | | | | | |
| 83 | Hard Cost Contingency | 994,136 | | - | 99,414 | 149,120 | 149,120 | 198,827 | 248,534 | 149,120 | 994,136 | - | - | - | 994,136 |
| 84 | Soft Cost Contingency | 252,512 | 62,787 | 131,266 | 3,094 | 3,578 | 5,086 | 6,719 | 13,822 | 26,158 | 252,512 | - | - | - | 252,512 |
| 85 | Total Contingency | 1,246,648 | 62,787 | 131,266 | 102,508 | 152,699 | 154,207 | 205,547 | 262,356 | 175,278 | 1,246,648 | - | - | - | 1,246,648 |
| 86 | | - | | - | | | | | | | | | | | |
| 87 | CONSTRUCTION PERIOD EXPENSES | - | | - | | | | | | | | | | | |
| 88 | Construction Loan Interest | 904,551 | | - | 12,067 | 26,749 | 56,911 | 89,569 | 131,624 | 178,342 | 495,261 | 409,290 | - | - | 904,551 |
| 90 | Soft Loan Interest | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 91 | Origination Fee | 220,880 | | 220,880 | - | - | - | - | - | - | 220,880 | - | - | - | 220,880 |
| 94 | Lender Inspection Fees | 45,000 | | - | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 45,000 | - | - | - | 45,000 |
| 95 | Taxes During Construction | 7,500 | | 7,500 | - | - | - | - | - | - | 7,500 | - | - | - | 7,500 |
| 97 | Insurance During Construction | 250,000 | | 250,000 | - | - | - | - | - | - | 250,000 | - | - | - | 250,000 |
| 98 | Title and Recording Fees | 50,000 | | 50,000 | - | - | - | - | - | - | 50,000 | - | - | - | 50,000 |
| 99 | Other: SDHC review fee | 12,500 | 0 | 12,500 | - | - | - | - | - | - | 12,500 | - | - | - | 12,500 |
| 101 | Other: Lender Due Diligence | 25,000 | 25,000 | - | - | - | - | - | - | - | 25,000 | - | - | - | 25,000 |
| 102 | Other:Predev interest | 131,685 | | 131,685 | - | - | - | - | - | - | 131,685 | - | - | - | 131,685 |
| 103 | Total Construction Period Expense | 1,647,116 | 25,000 | 672,565 | 19,567 | 34,249 | 64,411 | 97,069 | 139,124 | 185,842 | 1,237,826 | 409,290 | - | - | 1,647,116 |
| 104 | | - | | - | | | | | | | | | | | |
| 105 | PERMANENT FINANCING EXPENSES | - | | - | | | | | | | | | | | |
| 106 | Loan Origination Fees | 46,250 | | - | - | - | - | - | - | - | - | - | 46,250 | - | 46,250 |
| 108 | Title and Recording Fees | 10,000 | | - | - | - | - | - | - | - | - | - | 10,000 | - | 10,000 |
| 111 | Other: Issuer Fee | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 113 | Total Permanent Financing | 56,250 | | - | - | - | - | - | - | - | - | - | 56,250 | - | 56,250 |
| 114 | | - | | - | | | | | | | | | | | |
| 115 | LEGAL FEES | - | | - | | | | | | | | | | | |
| 116 | Construction Lender Legal | 60,000 | | 60,000 | - | - | - | - | - | - | 60,000 | - | - | - | 60,000 |
| 117 | Permanent Lender Legal | 60,000 | | 45,000 | - | - | - | - | - | - | 45,000 | - | 15,000 | - | 60,000 |
| 118 | Sponsor Legal | 90,000 | 30,000 | 60,000 | - | - | - | - | - | - | 90,000 | - | - | - | 90,000 |
| 119 | Organizational Legal | 100,000 | | 100,000 | - | - | - | - | - | - | 100,000 | - | - | - | 100,000 |

PROJECTED SOURCES AND USES OF FUNDS
Mt. Etna Messina Sr

| | | | Total | Pre-Dev | Close | Construction Period | | | | | | Construction Subtotal | Stabilization 6 mos | Conversion | 8609 | Total |
|-----|---------------------------------|--|------------|-----------|------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------------------|---------------------|------------|---------|------------|
| | | | | | | Quarter 1 | Quarter 2 | Quarter 3 | Quarter 4 | Quarter 5 | Quarter 6 | | | | | |
| | | | | | | 10% | 15% | 15% | 20% | 25% | 15% | | | | | |
| 120 | Other Legal (SDHC) | | 25,000 | | 25,000 | - | - | - | - | - | - | 25,000 | - | - | - | 25,000 |
| 122 | Other: GP Legal | | 25,000 | | 25,000 | - | - | - | - | - | - | 25,000 | - | - | - | 25,000 |
| 123 | Total Legal Fees | | 360,000 | 30,000 | 315,000 | - | - | - | - | - | - | 345,000 | - | 15,000 | - | 360,000 |
| 124 | | | - | | | | | | | | | | | | | |
| 125 | CAPITALIZED RESERVES | | - | | | | | | | | | | | | | |
| 126 | Operating Reserve | | 247,688 | | - | - | - | - | - | - | - | - | - | 247,688 | - | 247,688 |
| 132 | Total Reserves | | 247,688 | - | - | - | - | - | - | - | - | - | - | 247,688 | - | 247,688 |
| 133 | | | - | | | | | | | | | | | | | |
| 134 | REPORTS & STUDIES | | - | | | | | | | | | | | | | |
| 135 | Market Study | | 10,000 | 10,000 | - | - | - | - | - | - | - | 10,000 | - | - | - | 10,000 |
| 137 | Appraisal | | 10,000 | 10,000 | - | - | - | - | - | - | - | 10,000 | - | - | - | 10,000 |
| 138 | Environmental | | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 143 | Total Reports & Studies | | 20,000 | 20,000 | - | - | - | - | - | - | - | 20,000 | - | - | - | 20,000 |
| 144 | | | - | | | | | | | | | | | | | |
| 145 | OTHER | | - | | | | | | | | | | | | | |
| 146 | TCAC App./Alloc/Monitoring Fees | | 103,912 | 142,865 | - | - | - | - | - | - | - | 142,865 | - | (38,952) | - | 103,912 |
| 147 | CDLAC/CDIAC Fees | | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 148 | Local Permit Fees | | 246,000 | 135,300 | 110,700 | - | - | - | - | - | - | 246,000 | - | - | - | 246,000 |
| 149 | Local Development Impact Fees | | 1,314,450 | 0 | 1,314,450 | - | - | - | - | - | - | 1,314,450 | - | - | - | 1,314,450 |
| 152 | Furnishings | | 100,000 | | - | - | - | - | - | - | 100,000 | 100,000 | - | - | - | 100,000 |
| 153 | Final Cost Audit Expense | | 20,000 | | - | - | - | - | - | - | - | - | 20,000 | - | - | 20,000 |
| 154 | Marketing | | 220,000 | | - | 5,000 | - | - | - | 100,000 | 100,000 | 205,000 | 15,000 | - | - | 220,000 |
| 155 | MGP Services Fee | | 150,000 | | 50,000 | - | - | - | - | - | 100,000 | 150,000 | - | - | - | 150,000 |
| 156 | Entitlement consultant | | 100,000 | 100,000 | - | - | - | - | - | - | - | 100,000 | - | - | - | 100,000 |
| 157 | Accounting/Finance/Admin | | 95,000 | 30,000 | 35,000 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | 5,000.00 | 95,000 | - | - | - | 95,000 |
| 158 | SDHC underwriting/AM fee | | 75,000 | | 75,000 | - | - | - | - | - | - | 75,000 | - | - | - | 75,000 |
| 159 | Bond Performance Deposit | | - | | - | - | - | - | - | - | - | - | - | - | - | - |
| 160 | Total Other Costs | | 2,424,362 | 408,165 | 1,585,150 | 10,000 | 5,000 | 5,000 | 5,000 | 105,000 | 305,000 | 2,428,315 | 35,000 | (38,952) | - | 2,424,362 |
| 161 | | | - | | | | | | | | | | | | | |
| 162 | DEVELOPER COSTS | | - | | | | | | | | | | | | | |
| 163 | Developer Fee | | 2,200,000 | | 350,000 | - | - | - | 250,000 | - | 250,000 | 850,000 | - | 1,194,908 | 155,092 | 2,200,000 |
| 170 | Total Developer Costs | | 2,200,000 | - | 350,000 | - | - | - | 250,000 | - | 250,000 | 850,000 | - | 1,194,908 | 155,092 | 2,200,000 |
| 171 | | | - | | | | | | | | | | | | | |
| 173 | Total Uses of Funds | | 37,944,460 | 1,038,518 | 12,227,177 | 2,152,666 | 3,206,675 | 3,238,344 | 4,566,479 | 5,509,479 | 3,930,847 | 35,870,185 | 444,290 | 1,474,893 | 155,092 | 37,944,460 |

OPERATING BUDGET & INCOME ANALYSIS

Mt. Etna Senior 9%

SDHC 2022

All Electric

| Rent: | Restriction | %AMI | Units | Square Feet/Unit | Total Sq. Ft. | Gross Rents | Rent Adjustment | Utility Allowance | Monthly Net Rent | Annual Rent |
|---------------------------|-------------|------|-------|------------------|---------------|-------------|-----------------|-------------------|------------------|-------------|
| 0BR/1BA | LIHTC | 80% | 1 | 359 | 359 | \$ 1,731 | \$ - | \$ 72 | \$ 1,659 | \$ 19,908 |
| 0BR/1BA | LIHTC | 60% | 1 | 359 | 359 | \$ 1,366 | \$ - | \$ 72 | \$ 1,294 | \$ 15,528 |
| 0BR/1BA | LIHTC | 50% | 1 | 359 | 359 | \$ 1,138 | \$ - | \$ 72 | \$ 1,066 | \$ 12,792 |
| 0BR/1BA | LIHTC | 40% | 1 | 359 | 359 | \$ 911 | \$ - | \$ 72 | \$ 839 | \$ 10,068 |
| 0BR/1BA | LIHTC | 30% | 1 | 359 | 359 | \$ 683 | \$ - | \$ 72 | \$ 611 | \$ 7,332 |
| 0BR/1BA | LIHTC | 30% | 0 | 359 | 0 | \$ - | \$ - | \$ 72 | \$ - | \$ - |
| 1BR/1BA | LIHTC | 80% | 7 | 572 | 4,004 | \$ 1,834 | \$ - | \$ 85 | \$ 1,749 | \$ 146,916 |
| 1BR/1BA | LIHTC | 60% | 20 | 572 | 11,440 | \$ 1,464 | \$ - | \$ 85 | \$ 1,379 | \$ 330,960 |
| 1BR/1BA | LIHTC | 50% | 23 | 572 | 13,156 | \$ 1,220 | \$ - | \$ 85 | \$ 1,135 | \$ 313,260 |
| 1BR/1BA | LIHTC | 40% | 15 | 572 | 8,580 | \$ 976 | \$ - | \$ 85 | \$ 891 | \$ 160,380 |
| 1BR/1BA | LIHTC | 30% | 8 | 572 | 4,576 | \$ 732 | \$ - | \$ 85 | \$ 647 | \$ 62,112 |
| 1BR/1BA | LIHTC | 30% | 0 | 572 | 0 | \$ - | \$ - | \$ 85 | \$ - | \$ - |
| 2BR/1BA | LIHTC | MGR | 1 | 572 | 572 | \$ - | \$ - | \$ 115 | \$ - | \$ - |
| | | | | | 0 | \$ - | | | | |
| Total Rents / Residential | | | 79 | | | | | | | 1,079,256 |

RA Overhang

| | | | | |
|--------------------------------------|--|----|-------|-----------|
| Income from Operations | | | PUPM | |
| Laundry | | \$ | 10.00 | 9,480 |
| Other Income (App. Fees, Late, etc.) | | \$ | 6.00 | 5,688 |
| Garage | | \$ | - | 0 |
| Cable & Highspeed Data Income | | \$ | - | 0 |
| Telephone Income | | \$ | - | 0 |
| Sub-Total | | \$ | 16.00 | 1,210,296 |
| Less: Vacancies @ | | 5% | | 60,515 |

Total Income

Operating Expenses

| | | | |
|-----------------------------|-----------|--------------|----------------|
| Admin | \$ | 230.00 | 18,170 |
| Management Fee | \$ | 720.00 | 56,880 |
| Utilities | \$ | 1,050.00 | 82,950 |
| Payroll | \$ | 1,600.00 | 126,400 |
| Repair & Maintenance | \$ | 1,000.00 | 79,000 |
| Insurance | \$ | 400.00 | 31,600 |
| Taxes (HOA, CFD) | \$ | 50.00 | 3,950 |
| Other | \$ | - | 0 |
| Total Expenses | \$ | 5,050 | 398,950 |
| Net Operating Income | | | 750,831 |

| | | |
|----------------------------------------------|---------------|----------------|
| Reserves | \$250.00/unit | 19,750 |
| Services | \$633/unit | 75,000 |
| SDHC annual fees | 0.000% | 11,850 |
| Mandatory Debt Service (AHSC & NPLH) | 0.420% | 0 |
| Net Income Available for Debt Service | | 644,231 |

TAX CREDITS & BASIS CALCULATION

Mt. Etna Messina Sr

| TOTAL | | | |
|------------------------------------------|----------------------------|----------------------|-------------------------|
| DESCRIPTION OF COSTS | ACTUAL OR EST. OF COSTS | 9% ELIGIBLE BASIS | TOTAL ELIGIBLE BASIS |
| ACQUISITION | | | |
| Land Cost | \$ 9,120,587 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| TOTAL LAND/AQUISITION COSTS | \$ 9,120,587 | \$ - | \$ - |
| NEW CONSTRUCTION | | | |
| Commercial | \$ - | \$0 | \$ - |
| Onsite Infrastructure share | \$ - | - | \$ - |
| Solar | \$ - | \$0 | \$ - |
| Site Work | \$ - | - | \$ - |
| Other | \$ - | \$0 | \$ - |
| Vertical | \$ 19,118,000 | 19,118,000 | \$ 19,118,000 |
| GC Contingency | \$ - | - | \$ - |
| General Requirements/OH/Profit | \$ - | - | \$ - |
| Design Contingency | \$ - | - | \$ - |
| Escalation | \$ 764,720 | \$ 764,720 | \$ 764,720 |
| Parking Garage | \$ - | \$ - | \$ - |
| Other | \$ - | \$ - | \$ - |
| TOTAL CONSTRUCTION | \$ 19,882,720 | \$ 19,882,720 | \$ 19,882,720 |
| ARCHITECTURAL FEES | | | |
| Building | \$ 391,089 | \$391,089 | \$ 391,089 |
| Landscape | \$ 20,000 | \$20,000 | \$ 20,000 |
| Energy Consultant | \$ 50,000 | \$50,000 | \$ 50,000 |
| TOTAL ARCHITECTURAL COSTS | \$ 461,089 | \$ 461,089 | \$ 461,089 |
| SURVEY & ENGINEERING | | | |
| All Civil | \$ 65,000 | \$65,000 | \$ 65,000 |
| Staking | \$ 40,000 | \$40,000 | \$ 40,000 |
| Soils | \$ 35,000 | \$35,000 | \$ 35,000 |
| Dry Utilities | \$ 18,000 | \$18,000 | \$ 18,000 |
| Misc. Studies | \$ 80,000 | \$80,000 | \$ 80,000 |
| Structural | \$ 40,000 | \$40,000 | \$ 40,000 |
| TOTAL SURVEY & ENGINEERING | \$ 278,000 | \$ 278,000 | \$ 278,000 |
| CONTINGENCY COSTS | | | |
| Hard Cost Contingency | \$ 994,136 | 994,136 | \$ 994,136 |
| Soft Cost Contingency | \$ 252,512 | 252,512 | \$ 252,512 |
| TOTAL CONTINGENCY COSTS | \$ 1,246,648 | \$ 1,246,648 | \$ 1,246,648 |
| CONSTRUCTION PERIOD EXPENSES | | | |
| Construction Loan Interest | \$ 904,551 | \$ 495,261 | \$ 495,261 |
| Origination Fee | \$ 220,880 | \$ 165,660 | \$ 165,660 |
| Lender Inspection Fees | \$ 45,000 | \$45,000 | \$ 45,000 |
| Taxes During Construction | \$ 7,500 | \$7,500 | \$ 7,500 |
| Insurance During Construction | \$ 250,000 | \$ 187,500 | \$ 187,500 |
| Title and Recording Fees | \$ 50,000 | \$ 37,500 | \$ 37,500 |
| Construction Management & Testing | \$ 12,500 | \$12,500 | \$ 12,500 |
| Other: Lender Due Diligence | \$ 25,000 | \$25,000 | \$ 25,000 |
| TOTAL CONSTRUCTION PERIOD EXPENSE | \$ 1,647,116 | \$ 1,107,606 | \$ 1,107,606 |
| PERMANENT FINANCING EXPENSES | | | |
| Loan Origination Fee | \$ 46,250 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| Title and Recording Fees | \$ 10,000 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| Other: Issuer Fee | \$ - | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| TOTAL PERMANENT FINANCING COSTS | \$ 56,250 | \$ - | \$ - |
| LEGAL FEES | | | |
| Construction Lender Legal | \$ 60,000 | \$ 45,000 | \$ 45,000 |
| Permanent Lender Legal | \$ 60,000 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| Sponsor Legal | \$ 90,000 | \$90,000 | \$ 90,000 |
| Organizational Legal | \$ 100,000 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| Bond Legal | \$ 25,000 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |
| Other: GP Legal | \$ 25,000 | \$25,000 | \$ 25,000 |
| TOTAL LEGAL | \$ 360,000 | \$ 160,000 | \$ 160,000 |
| CAPITALIZED RESERVES | | | |
| Operating Reserve | \$ 247,688 | XXXXXXXXXXXXXX | XXXXXXXXXXXXXX |

| | | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| TOTAL RESERVE COSTS | \$ 247,688 | XXXXXXXXXXXXX | XXXXXXXXXXXXX |
| REPORTS & STUDIES | | | |
| Appraisal | \$ 10,000 | \$10,000 | \$ 10,000 |
| Market Study | \$ 10,000 | \$10,000 | \$ 10,000 |
| Environmental Studies | \$ - | \$0 | \$ - |
| TOTAL REPORTS & STUDIES | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| OTHER EXPENSES | | | |
| TCAC App./Alloc/Monitoring Fees | \$ 103,912 | XXXXXXXXXXXXX | XXXXXXXXXXXXX |
| CDLAC/CDIAC Fees | \$ - | XXXXXXXXXXXXX | XXXXXXXXXXXXX |
| Local Permit Fees | \$ 246,000 | \$246,000 | \$ 246,000 |
| Local Development Impact Fees | \$ 1,314,450 | \$1,314,450 | \$ 1,314,450 |
| Syndicator/Investor Fees & Expenses | \$ - | XXXXXXXXXXXXX | XXXXXXXXXXXXX |
| Furnishings | \$ 100,000 | \$100,000 | \$ 100,000 |
| Final Cost Audit Expense | \$ 20,000 | \$20,000 | \$ 20,000 |
| Marketing | \$ 220,000 | XXXXXXXXXXXXX | XXXXXXXXXXXXX |
| MGP Services Fee | \$ 150,000 | \$0 | \$ - |
| Entitlement consultant | \$ 100,000 | \$100,000 | \$ 100,000 |
| Accounting/Finance/Admin | \$ 95,000 | \$95,000 | \$ 95,000 |
| TOTAL OTHER COSTS | \$ 2,424,362 | \$ 1,950,450 | \$ 1,950,450 |
| DEVELOPER COSTS | | | |
| Developer Fee Limit - Per Application | \$ 2,200,000 | \$ 2,200,000 | \$ 2,200,000 |
| Developer Fee Calculation 4% | \$ - | \$0 | \$ - |
| Developer Fee Calculation 9% | \$ 2,200,000 | \$ 2,200,000 | \$ 2,200,000 |
| Developer Fee | \$ 2,200,000 | \$ 2,200,000 | \$ 2,200,000 |
| TOTAL DEVELOPER FEE | \$ 2,200,000 | \$ 2,200,000 | \$ 2,200,000 |
| TOTAL RESIDENTIAL COSTS | \$ 37,944,460 | \$ 27,306,513 | \$ 27,306,513 |

| | | | |
|----------------------------------|-------------------|-------------------|-------------|
| TOTAL SENIOR CENTER COSTS | \$ 600,000 | \$ 600,000 | \$ - |
|----------------------------------|-------------------|-------------------|-------------|

| | | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| TOTAL PROJECT AND BASIS COSTS | \$ 37,344,460 | \$ 26,706,513 | \$ 27,306,513 |
|--------------------------------------|----------------------|----------------------|----------------------|

| | | | |
|---------------------------------------------------|------|---------------|---------------|
| Adjustment for Excess Basis | \$ - | \$0 | \$ - |
| Additional Amount Voluntarily Excluded From Basis | | \$ 11,550,000 | \$ 11,550,000 |
| Requested Undadjusted Eligible Basis | | \$ 15,156,513 | \$ 15,756,513 |

| | | | |
|-------------------------------------------|----------------|---------------|---------------|
| 130% DIFFICULT DEVELOPMENT FACTOR? | Tract #: 85.04 | \$ 19,703,467 | \$ 20,483,467 |
|-------------------------------------------|----------------|---------------|---------------|

| | | | |
|--------------------------------|---|---------------|---------------|
| | y | | |
| Credit Reduction - SOLAR | | \$ - | \$ - |
| Total Adjusted Qualified Basis | | \$ 19,703,467 | \$ 20,483,467 |

| | | | |
|-------------------------------------------------|----------------|--------------|--------------|
| TX CREDITS @ % LI Eligible@ Tx Credit Rt | 100.00% | 9.00% | 9.00% |
|-------------------------------------------------|----------------|--------------|--------------|

| | | |
|-----------------------------------|---------------------|---------------------|
| TX CREDITS @ % LI Eligible | \$ 1,773,312 | \$ 1,773,312 |
|-----------------------------------|---------------------|---------------------|

| | | |
|----------------------------------|----------------------|----------------------|
| TX CREDITS OVER TEN YEARS | \$ 17,733,120 | \$ 17,733,120 |
|----------------------------------|----------------------|----------------------|

| | | |
|--------------------------|------------------|--|
| TX CREDIT PRICING | \$ 0.8500 | |
|--------------------------|------------------|--|

| | | |
|----------------------------------------------|----------------------|-------------|
| TX CREDIT EQ'Y@\$/Credit@% Investment | \$ 15,073,152 | \$ - |
|----------------------------------------------|----------------------|-------------|

Mt. Etna Messina Sr

| Mt. Etna Messina Sr | | | 312,846 | | | | | | | | | | | |
|----------------------------------------------------|------------------------------------------|-------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| Gross Revenue | Inflation @ | 2.00% | 1,210,296 | 1,234,502 | 1,259,192 | 1,284,376 | 1,310,063 | 1,336,265 | 1,362,990 | 1,390,250 | 1,418,055 | 1,446,416 | 1,475,344 | 1,504,851 |
| Vacancy | | 5.00% | (60,515) | (61,725) | (62,960) | (64,219) | (65,503) | (66,813) | (68,149) | (69,512) | (70,903) | (72,321) | (73,767) | (75,243) |
| Net Revenue | | | 1,149,781 | 1,172,777 | 1,196,232 | 1,220,157 | 1,244,560 | 1,269,451 | 1,294,840 | 1,320,737 | 1,347,152 | 1,374,095 | 1,401,577 | 1,429,608 |
| Operating Expenses (including non residential) | Inflation @ | 3.00% | 398,950 | 410,919 | 423,246 | 435,943 | 449,022 | 462,492 | 476,367 | 490,658 | 505,378 | 520,539 | 536,155 | 552,240 |
| Net Operating Income | | | 750,831 | 761,858 | 772,986 | 784,214 | 795,538 | 806,959 | 818,473 | 830,079 | 841,774 | 853,556 | 865,421 | 877,368 |
| Replacement Reserves | | 3.00% | 19,750 | 20,343 | 20,953 | 21,581 | 22,229 | 22,896 | 23,583 | 24,290 | 25,019 | 25,769 | 26,542 | 27,339 |
| Resident Services | Inflation @ | 2.00% | 75,000 | 76,500 | 78,030 | 79,591 | 81,182 | 82,806 | 84,462 | 86,151 | 87,874 | 89,632 | 91,425 | 93,253 |
| Cash Available to Debt Service | | | 656,081 | 665,016 | 674,004 | 683,042 | 692,127 | 701,257 | 710,428 | 719,638 | 728,881 | 738,154 | 747,454 | 756,777 |
| Principal and Interest | | 5.00% | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 |
| Issuer's and Admin Fee | | 0.00% | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 |
| Mandatory Soft Loan Payments | | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Managing/Admin GP Fee | | 3.00% | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 | 5,970 | 6,149 | 6,334 | 6,524 | 6,720 | 6,921 |
| MGP Senior Center fee | | 0.00% | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Net Project Cash Flow | | | 54,030 | 62,815 | 71,648 | 80,527 | 89,449 | 98,410 | 107,407 | 116,437 | 125,496 | 134,580 | 143,684 | 152,804 |
| TCAC Gross Revenue Test | no more than 2% in year 15 if DSCR > 12% | DSCR | 1.15 | 1.17 | 1.18 | 1.20 | 1.21 | 1.23 | 1.25 | 1.26 | 1.28 | 1.30 | 1.31 | 1.33 |
| TCAC Debt Service Test | | 8% | 4.88% | 5.51% | 6.11% | 6.70% | 9.17% | 9.67% | 10.15% | 10.62% | 11.06% | 11.48% | 11.89% | 12.28% |
| | | 125% | | | | | | | | | | | | |
| Distributions: | | | | | | | | | | | | | | |
| County Admin Fee | 5,000 | 3.00% | 5,000 | 5,150 | 5,305 | 5,464 | 5,628 | 5,796 | 5,970 | 6,149 | 6,334 | 6,524 | 6,720 | 6,921 |
| LP Fee | 10,000 | 3.00% | 10,000 | 10,300 | 10,609 | 10,927 | 11,255 | 11,593 | 11,941 | 12,299 | 12,668 | 13,048 | 13,439 | 13,842 |
| Deferred Developer fee | 100% of Avail Cashflow | 1.00% | 39,030 | 47,365 | 30,397 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash Available After Deferred Fee Payment | | | 0 | 0 | 25,338 | 64,136 | 72,566 | 81,021 | 89,496 | 97,989 | 106,494 | 115,008 | 123,525 | 132,041 |
| County lease payment | 34.89% | | 0 | 0 | 8,840 | 22,377 | 25,318 | 28,268 | 31,225 | 34,188 | 37,156 | 40,126 | 43,098 | 46,069 |
| SDHC payments | 15.11% | 3.00% | 0 | 0 | 3,829 | 9,691 | 10,965 | 12,242 | 13,523 | 14,806 | 16,092 | 17,378 | 18,665 | 19,952 |
| Cash Flow Available After Soft Loan Loans | | | 0 | 0 | 12,669 | 32,068 | 36,283 | 40,510 | 44,748 | 48,995 | 53,247 | 57,504 | 61,763 | 66,020 |
| AGP Partnership Admin fee | 90.00% | | 0 | 0 | 11,402 | 28,861 | 32,655 | 36,459 | 40,273 | 44,095 | 47,922 | 51,754 | 55,586 | 59,418 |
| Cash Flow Available after Partnership Admin Fee | | | 0 | 0 | 1,267 | 3,207 | 3,628 | 4,051 | 4,475 | 4,899 | 5,325 | 5,750 | 6,176 | 6,602 |
| LP Distribution | 100.00% | | 0 | 0 | 1,267 | 3,207 | 3,628 | 4,051 | 4,475 | 4,899 | 5,325 | 5,750 | 6,176 | 6,602 |
| GP Distribution | 0.00% | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Remaining Cash Flow After Partnership Distribution | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |

Mt. Etna Messina Sr

| | | | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|----------------------------------------------------|------------------------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Gross Revenue | Inflation @ | 2.00% | 1,534,948 | 1,565,647 | 1,596,960 | 1,628,899 | 1,661,477 | 1,694,707 | 1,728,601 | 1,763,173 | 1,798,436 | 1,834,405 | 1,871,093 | 1,908,515 | 1,946,685 |
| Vacancy | | 5.00% | (76,747) | (78,282) | (79,848) | (81,445) | (83,074) | (84,735) | (86,430) | (88,159) | (89,922) | (91,720) | (93,555) | (95,426) | (97,334) |
| Net Revenue | | | 1,458,201 | 1,487,365 | 1,517,112 | 1,547,454 | 1,578,403 | 1,609,971 | 1,642,171 | 1,675,014 | 1,708,514 | 1,742,685 | 1,777,538 | 1,813,089 | 1,849,351 |
| Operating Expenses (including non residential) | Inflation @ | 3.00% | 568,807 | 585,872 | 603,448 | 621,551 | 640,198 | 659,404 | 679,186 | 699,561 | 720,548 | 742,165 | 764,429 | 787,362 | 810,983 |
| Net Operating Income | | | 889,393 | 901,493 | 913,664 | 925,903 | 938,206 | 950,568 | 962,985 | 975,453 | 987,966 | 1,000,520 | 1,013,109 | 1,025,727 | 1,038,368 |
| Replacement Reserves | | 3.00% | 28,159 | 29,004 | 29,874 | 30,770 | 31,693 | 32,644 | 33,623 | 34,632 | 35,671 | 36,741 | 37,843 | 38,978 | 40,148 |
| Resident Services | Inflation @ | 2.00% | 95,118 | 97,020 | 98,961 | 100,940 | 102,959 | 105,018 | 107,118 | 109,261 | 111,446 | 113,675 | 115,948 | 118,267 | 120,633 |
| Cash Available to Debt Service | | | 766,116 | 775,469 | 784,830 | 794,193 | 803,554 | 812,906 | 822,243 | 831,560 | 840,850 | 850,104 | 859,317 | 868,481 | 877,587 |
| Principal and Interest | | 5.00% | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 |
| Issuer's and Admin Fee | | 0.00% | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 |
| Mandatory Soft Loan Payments | | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Managing/Admin GP Fee | | 3.00% | 7,129 | 7,343 | 7,563 | 7,790 | 8,024 | 8,264 | 8,512 | 8,768 | 9,031 | 9,301 | 9,581 | 9,868 | 10,164 |
| MGP Senior Center fee | | 0.00% | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Net Project Cash Flow | | | 161,937 | 171,075 | 180,216 | 189,352 | 198,479 | 207,591 | 216,680 | 225,742 | 234,768 | 243,752 | 252,686 | 261,562 | 270,372 |
| TCAC Gross Revenue Test | no more than 2% in year 15 if DSCR > 12% | DSCR | 1.35 | 1.36 | 1.38 | 1.40 | 1.41 | 1.43 | 1.45 | 1.46 | 1.48 | 1.50 | 1.51 | 1.53 | 1.55 |
| TCAC Debt Service Test | | 8% | 12.64% | 12.99% | 13.32% | 13.64% | 13.93% | 14.21% | 14.47% | 14.72% | 14.95% | 15.16% | 15.35% | 15.53% | 15.70% |
| Distributions: | | | | | | | | | | | | | | | |
| County Admin Fee | 5,000 | 3.00% | 7,129 | 7,343 | 7,563 | 7,790 | 8,024 | 8,264 | 8,512 | 8,768 | 9,031 | 9,301 | 9,581 | 9,868 | 10,164 |
| LP Fee | 10,000 | 3.00% | 14,258 | 14,685 | 15,126 | 0 | | | | | | | | | |
| Deferred Developer fee | 100%of Avail Cashflow | 1.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash Available After Deferred Fee Payment | | | 140,550 | 149,047 | 157,527 | 181,562 | 190,456 | 199,326 | 208,168 | 216,974 | 225,737 | 234,450 | 243,105 | 251,694 | 260,208 |
| County lease payment | 34.89% | | 49,038 | 52,002 | 54,961 | 63,347 | 66,449 | 69,544 | 72,629 | 75,702 | 78,759 | 81,799 | 84,819 | 87,815 | 90,786 |
| SDHC payments | 15.11% | 3.00% | 21,237 | 22,521 | 23,803 | 27,435 | 28,778 | 30,119 | 31,455 | 32,785 | 34,110 | 35,426 | 36,734 | 38,032 | 39,318 |
| Cash Flow Available After Soft Loan Loans | | | 70,275 | 74,524 | 78,763 | 90,781 | 95,228 | 99,663 | 104,084 | 108,487 | 112,869 | 117,225 | 121,553 | 125,847 | 130,104 |
| AGP Partnership Admin fee | | 90.00% | 63,248 | 67,071 | 70,887 | 81,703 | 85,705 | 89,697 | 93,676 | 97,638 | 101,582 | 105,503 | 109,397 | 113,262 | 117,094 |
| Cash Flow Available after Partnership Admin Fee | | | 7,028 | 7,452 | 7,876 | 9,078 | 9,523 | 9,966 | 10,408 | 10,849 | 11,287 | 11,723 | 12,155 | 12,585 | 13,010 |
| LP Distribution | | 100.00% | 7,028 | 7,452 | 7,876 | 9,078 | 9,523 | 9,966 | 10,408 | 10,849 | 11,287 | 11,723 | 12,155 | 12,585 | 13,010 |
| GP Distribution | | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Remaining Cash Flow After Partnership Distribution | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

OPERATIONAL CASH FLOW

Mt. Etna Messina Sr

| | | | 26 | 27 | 28 | 29 | 30 |
|------------------------------------------------------------------|------------------------------------------|---------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Gross Revenue | Inflation @ | 2.00% | 1,985,619 | 2,025,331 | 2,065,838 | 2,107,155 | 2,149,298 |
| Vacancy | | 5.00% | (99,281) | (101,267) | (103,292) | (105,358) | (107,465) |
| Net Revenue | | | 1,886,338 | 1,924,065 | 1,962,546 | 2,001,797 | 2,041,833 |
| Operating Expenses (including non residential) | Inflation @ | 3.00% | 835,313 | 860,372 | 886,183 | 912,769 | 940,152 |
| <u>Net Operating Income</u> | | | <u>1,051,025</u> | <u>1,063,693</u> | <u>1,076,363</u> | <u>1,089,028</u> | <u>1,101,681</u> |
| Replacement Reserves | | 3.00% | 41,352 | 42,593 | 43,870 | 45,187 | 46,542 |
| Resident Services | Inflation @ | 2.00% | 123,045 | 125,506 | 128,016 | 130,577 | 133,188 |
| <u>Cash Available to Debt Service</u> | | | <u>886,628</u> | <u>895,594</u> | <u>904,476</u> | <u>913,265</u> | <u>921,951</u> |
| Principal and Interest | | 5.00% | 560,201 | 560,201 | 560,201 | 560,201 | 560,201 |
| Issuer's and Admin Fee | | 0.00% | 11,850 | 11,850 | 11,850 | 11,850 | 11,850 |
| Mandatory Soft Loan Payments | | 0.00% | 0 | 0 | 0 | 0 | 0 |
| Managing/Admin GP Fee | | 3.00% | 10,469 | 10,783 | 11,106 | 11,440 | 11,783 |
| MGP Senior Center fee | | 0.00% | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| <u>Net Project Cash Flow</u> | | | <u>279,108</u> | <u>287,760</u> | <u>296,318</u> | <u>304,774</u> | <u>313,117</u> |
| TCAC Gross Revenue Test | no more than 2% in year 15 if DSCR > 12! | DSCR | 1.56 | 1.58 | 1.59 | 1.61 | 1.62 |
| TCAC Debt Service Test | | 8% | 15.84% | 15.97% | 16.09% | 16.19% | 16.28% |
| | | 125% | | | | | |
| Distributions: | | | | | | | |
| County Admin Fee | 5,000 | 3.00% | 10,469 | 10,783 | 11,106 | 11,440 | 11,783 |
| LP Fee | 10,000 | 3.00% | | | | | |
| Deferred Developer fee | 100%of Avail Cashflow | 1.00% | 0 | 0 | 0 | 0 | 0 |
| <u>Cash Available After Deferred Fee Payment</u> | | | <u>268,639</u> | <u>276,977</u> | <u>285,212</u> | <u>293,334</u> | <u>301,334</u> |
| County lease payment | 34.89% | | 93,727 | 96,636 | 99,510 | 102,344 | 105,135 |
| SDHC payments | 15.11% | 3.00% | 40,592 | 41,852 | 43,096 | 44,324 | 45,532 |
| <u>Cash Flow Available After Soft Loan Loans</u> | | | <u>134,319</u> | <u>138,488</u> | <u>142,606</u> | <u>146,667</u> | <u>150,667</u> |
| AGP Partnership Admin fee | | 90.00% | 120,887 | 124,639 | 128,345 | 132,001 | 135,600 |
| <u>Cash Flow Available after Partnership Admin Fee</u> | | | <u>13,432</u> | <u>13,849</u> | <u>14,261</u> | <u>14,667</u> | <u>15,067</u> |
| LP Distribution | | 100.00% | 13,432 | 13,849 | 14,261 | 14,667 | 15,067 |
| GP Distribution | | 0.00% | 0 | 0 | 0 | 0 | 0 |
| <u>Remaining Cash Flow After Partnership Distribution</u> | | | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

ATTACHMENT 5
PROPOSED LOAN NON-BINDING COMMITMENT TERMS
SUMMARY

Messina Senior Apartments (Project)
 5255 Mt. Etna Drive
 June 3, 2022

The San Diego Housing Commission ("Housing Commission") is pleased to submit this non-binding commitment term summary. The commitment terms summary is not a binding contract and is subject to the approval by the San Diego Housing Commission Board of Commissioners ("Board of Commissioners") and, if necessary, the Housing Authority of the City of San Diego. The purpose of this commitment terms summary is to set forth the general terms and conditions under which the Housing Commission is interested in making a loan ("Housing Commission Loan") to Messina CIC, L.P., a California limited partnership ("Borrower") with respect to the proposed new construction and permanent financing of an 79-unit development (with 78 affordable units and one unrestricted manager's unit) to be located at 5255 Mt. Etna Drive, San Diego. Closing must occur within twenty-four (24) months from the date of the San Diego Housing Commission's NOFA Award Letter, unless an extension is granted by the President & CEO of the Housing Commission (or by their designee) in their sole discretion.

In the event of a conflict between any term or provision (or absence of any term or provision) of this commitment terms summary and any term or provision of any approval of any applicable board or governing body, the term or provision of such board or governing body shall apply and shall prevail. Provided that the Housing Commission loan is approved by the Board of Commissioners, and if necessary by Housing Authority of the City of San Diego, the following terms shall apply to the Housing Commission loan. In addition, Exhibit A includes the Borrower's pro forma which models financial projections of the Project.

The terms of the Housing Commission's proposed financing shall be as follows:

1. **Maximum loan amount (not to exceed)** - Up to \$3,950,000 as a residual receipts loan. Loan funds to be used for the construction and permanent financing of the Project.
2. **Interest Rate**- 4 percent simple interest.
3. **Loan Term** - The loan will be due, and payable in full, in 55 years from completion of the Project.
4. **Loan Payments** Annual payments on the loan shall equal 50 percent of the project's residual cash. Provided, however, if the Housing Commission approves other lenders whose loans will be paid from residual receipts , then the Housing Commission and such other approved lenders shall share the 50% percent of the project's residual receipts, in proportion to the original principal balances of their respective loans. The following items, in addition to other operating expenses, shall be payable by the Borrower prior to the calculation of residual receipts:

- (i) The year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year. "Limited Partnership Fees" shall be defined to include any and all partnership-related fees including but not limited to: Investor Partnership fees, Asset Management fees, Other Limited Partnership oversight fees, and General Partner Fees. Partnership fee increases will be capped at three (3) percent annually. Unpaid partnership fees shall not accrue and the Housing Commission will require the Limited Partnership Agreement to explicitly state that requirement.
- (ii) Eligible deferred developer fee, and
- (iii) Repayment of eligible development deficit and operating deficit loans. The Housing Commission Loan will be due and payable in full in 55 years.

5. Affordability-

- a. Restricted units must remain affordable for at least 55 years. At escrow closing the Borrower and the Housing Commission shall cause a Declaration of Covenants, Conditions, and Restrictions (CC&R), restricting the rent and occupancy of the affordable units for 55 years, to be recorded against the Project. Such CC&R shall be in a form and format acceptable to the Housing Commission and its General Counsel in their sole discretions.
- b. The affordability shall be as follows:

| Unit Type | AMI | Units |
|-----------------------------------|-----|-----------|
| 0BR/1BA | 30% | 1 |
| 0BR/1BA | 40% | 1 |
| 0BR/1BA | 50% | 1 |
| 0BR/1BA | 60% | 1 |
| 0BR/1BA | 80% | 1 |
| Subtotal Studio Units | | 5 |
| 1BR/1BA | 30% | 8 |
| 1BR/1BA | 40% | 15 |
| 1BR/1BA | 50% | 23 |
| 1BR/1BA | 60% | 20 |
| 1BR/1BA | 80% | 7 |
| Subtotal One Bedroom Units | -- | 73 |
| 2 Bedroom Manager | - | 1 |
| Total Units | - | 79 |

- 6. **Purchase Option** – The developer has received additional points in the Notice of Funding Availability application for committing to provide the Housing Commission with the option to purchase the property at the end of the 15-year tax-credit compliance period.
- 7. **Alternate Funding-** Borrower shall also seek alternative funding, including but not limited to: Infill Infrastructure Grant Program funds, Housing and Community Development Program HCD - AHSC Funds and other necessary funding. Housing Commission legal counsel will determine if subsequent approvals for alternative financing structures are required by the San Diego Housing Commission Board of Commissioners and the Housing Authority of the City of San Diego.

9. **Site Value** – In the event that the developer, Messina CIC, L.P., or its affiliate, acquires the land prior to Housing Commission loan closing, 100% of any net sales proceeds resulting from a subsequent sale to the tax credit limited partnership shall be structured as a Seller Carryback Loan. Borrower will submit an updated appraisal report with an effective date that is no more than 90 days before the closing.
10. **Closing Costs** - The Borrower shall pay all escrow, title and closing costs, including, without limitation, paying for an American Land Title Association (ALTA) Lenders Policy for the Housing Commission loan with endorsements, as acceptable to the Housing Commission's legal counsel.
11. **Construction Costs Third-Party Review** -Prior to loan approval a costs review will be obtained by the Housing Commission with a third-party consultant. Borrower will reimburse the Housing Commission at escrow closing for all reasonable third-party review costs.
 - a. **Contractor** – Emmerson Construction, Inc., is the proposed General Contractor. The General Contractor shall competitively bid the construction work to at least three qualified subcontractors for each major trade involved in the Project's construction and shall be awarded to the lowest qualified and responsive bidder for each trade.
 - b. Borrower will submit copies of three qualified bids received from subcontractors for each trade.
 - c. Construction Agreement - Borrower shall submit the proposed Construction Agreement to the Housing Commission for its review and prior approval. The Housing Commission shall have a minimum of two weeks for its review of the proposed Construction agreement.
 - d. Subcontractors - the Borrower shall require the General Contractor to solicit and obtain competitive bids from at least three qualified subcontractors for each major trade involved in the construction of the project. Those bids will be reviewed and approved by the Borrower. The Borrower and General Contractor shall submit the subcontractors' competitive bids to the Housing Commission for prior review and reasonable approval.
 - e. Change orders at or in excess of \$50,000 shall have Housing Commission prior written approval. For proposed change orders over \$50,000, the Borrower and General Contractor shall submit to the Housing Commission a detailed explanation of why the change order work is necessary, why the issue was not included in the original scope of work, and why the change is not being charged against the General Contractor's contingency.
 - f. Agreement Changes - a Construction Agreement with a Guaranteed Maximum Price (GMP) may not be revised to a Lump Sum or other form of Construction Agreement without the prior written approval of the Housing Commission.

- g. Insurance - prior to close of escrow, evidence of the General Contractor's insurance acceptable to the Housing Commission's legal counsel shall be provided. The Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego, shall be named as additional insureds on the General Contractor's insurance policies.
12. **Tax Credit Equity-** Borrower will provide the Letter Of Intent with equity pricing from the low-income housing tax credit (LIHTC) investor within 90 days of closing.
 13. **First Mortgage-** Borrower will provide the term sheet from the first mortgage provider that was used at time of application as well as an update within 90 days of closing.
 14. **Cost Certification -** The Borrower shall submit the final tax credit cost certification to the Housing Commission for its review and approval before the cost Certifications completed/finalized.
 15. **Cost Savings and/or Additional Proceeds at Escrow Closing-** In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, then upon the construction loan closing, the excess funds shall be used as follows:
 - a. First, such excess funds shall be used to fund development cost overruns reasonably approved by the Housing Commission.
 - b. Second, upon Construction Loan Closing and subject to lender and investor approval, any excess funds shall be used to pay the Housing Commission Loan as set forth in Section 16 below.
 - c. Other Public Lenders - If the project financing includes other public lenders who may require cost savings sharing then the cost savings shall be split proportionately based upon the public lenders loan amounts and in conformance with the other public lenders' agreements.
 - d. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.
 16. **Cost Savings and/or Additional Proceeds at Conversion to Permanent Financing-** In the event that the Borrower obtains funds in excess of those shown as sources in Exhibit A Proforma, (including but not limited to cost savings, improved debt, improved tax credit equity pricing, deferred developer fee if any, and any other sources), then upon conversion to permanent loan, the excess funds shall be used as follows :
 - a. First, to pay for development cost overruns reasonably approved by the Housing Commission.
 - b. Second, used to make any necessary adjustment to the total tax credit allocation as may be required by CTCAC.
 - c. Third, payment towards the Borrower's deferred developer fee. A deferred developer fee is currently modeled in the attached pro forma (Attachment A).

- d. Fourth, cost savings shall be shared fifty percent (50%) to the Borrower and the other fifty percent (50%) will be paid to the Housing Commission and other soft lenders in proportion to the original principal balance of their loans.
- e. Excess funds will be applied first to pay down the accrued interest, and the remaining amount shall pay down the principal.

17. Developer Fee-

- a. Maximum Gross Developer Fee of \$2,200,000 to be paid from Development Sources.
 - There will be a \$114,708 Deferred Developer Fee to be paid from the gross developer fee amount of \$2,200,000.
 - There will be a Maximum Net Cash Developer Fee of \$2,085,292 to be paid from the gross developer fee amount of \$2,200,000.
- b. Additional developer fee provisions:
 - 1. If for any reason the Borrower does not collect the entire developer fee through the last equity installment, with the exception of negative tax credit adjusters, uncollected fee up to \$2,200,000 must comply with the following:
 - a. Borrower must receive Housing Commission prior written approval of any amount of Deferred Developer Fee;
 - b. Any Housing Commission-approved Deferred Developer Fee amount must be calculated as per TCAC and SDHC guidelines
 - c. Housing Commission-approved Deferred Developer Fee shall be given priority over Housing Commission residual receipt payments.
 - 2. If any amount of the developer fee is deferred, then such amount shall be repaid during the 15-year tax credit compliance period. Amounts outstanding after the expiration of the 15-year tax credit compliance period shall be contributed to the Project in the form of a capital contribution.
- c. Developer fee payments shall be paid out incrementally. Because this is a tax credit project, the developer fee payments shall be in accordance with lender and investor requirements.

18. **Due Diligence** - The Borrower, at Borrower's expense, shall provide the following: a current appraisal, an environmental review, a lead paint and asbestos review, and a relocation plan for the commercial tenants in the existing buildings that will be demolished upon commencement of construction of the Project. The Borrower shall provide the Housing Commission with an updated appraisal within 90 days of the estimated escrow closing date or a Letter of Intent from the third-party lender.

19. Environmental Requirements –

Federal funds will constitute a portion of the funding for the project. A final reservation of federal funds shall occur only upon satisfactory completion of the environmental review and receipt by the City of San Diego of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58 of the National Environmental Policy Act (NEPA). The project has not yet obtained full NEPA clearance. Currently 25 federal Project Based Housing Vouchers are planned for this Project. NEPA Clearance will be required before construction finance closing and before any Housing Commission funds are disbursed. You are also prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, clearance, rehabilitation, conversion, repair or construction prior to environmental clearance under NEPA.

Violation of this provision may result in denial of any federal funds for this Project.

20. **Fees/Payments to Housing Commission** - Borrower will pay to the Housing Commission:
- a) **Underwriting Fee** - a flat underwriting fee in the amount of **\$60,000** will be charged for each project as reimbursement of Housing Commission costs related to underwriting and issuing the loan. This must be included in the total development cost of a proposed project and is to be paid at close of escrow.
 - b) **Legal Fee**- the Housing Commission charges a legal costs fee for document preparation and review that must be included in the total development cost. Current Housing Commission legal fees are **\$25,000** and are to be paid at the close of escrow.
 - c) **Compliance Affordability Monitoring Fee** - compliance monitoring fees must be incorporated into the operating proforma. Borrower will pay the fee in accordance with the then-existing Housing Commission fee schedule. Current annual affordability monitoring are as follows: $\$150 \times 78$ (Project units to be affordability monitored) = **\$11,700** per year. Additional training and assistance is currently at \$100 per hour.
 - d) **Asset Management Fee**- the Housing Commission charges a 15-year capitalized asset management fee of **\$15,000** and is paid at close of escrow.
 - e) **Environmental Noticing Fee**- publishing/filing costs are to be paid at close of escrow.
21. **Fees for Asset Management** (amounts not to exceed)-
- a. As detailed in paragraph 4 (above), the year 1 "Limited Partnership Fees" shall be capped at \$25,000 per year and shall not increase more than 3.0% annually. "Limited Partnership Fees" include Asset management fees (21(d)) related to the investor and general partner's management of the Project.
 - b. Unpaid General Partner fees shall not accrue. The Housing Commission will require the Limited Partnership Agreement to explicitly state this requirement.
 - c. Any changes to the asset management partnership fees will require the prior written approval of the Housing Commission's President and CEO or his designee.
22. **Financing: Gap** - The Borrower will cover any financing gap that arises after Housing Commission underwriting, with its equity, its developer fee, and/or other non-Housing Commission sources, all of which shall be subject to the approval of the Housing Commission in its sole discretion and will not be unreasonably withheld. No additional Housing Commission funds, beyond this Letter of Intent's \$3,950,000, will be provided for this project in any Housing Commission future Notices of Funds Available.

23. **Funding Sources** - The Housing Commission may fund the Housing Commission Loan from various sources including local, State, and/or federal funds including HOME Investment Partnership Program funds. The Housing Commission reserves the right to allocate available program funds in the best interest of the Housing Commission. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission Loan using any HOME funds, then Borrower should be familiar with the HOME program's rules and regulations, Federal Davis Bacon law and Section 3.
24. **HOME Investment Partnerships (HOME) Funds** -
HOME funds may be utilized for this project. In the event that HOME funds are utilized:
- a. HOME program regulations will be applicable.
 - b. HOME funds may not be used to fund any of the following:
 - i) Any reserves are not eligible for HOME funds (including but not limited to operating reserves).
 - ii) Offsite improvements are not eligible for funding with HOME funds.
 - iii) Furnishings costs are not eligible for funding with HOME funds.
 - iv) Commercial space improvements are not eligible for funding with HOME funds.
 - c. The HOME IDIS funding system requires at least one HOME draw in a 12 month period and at least a small portion of the HOME funds must remain in the IDIS system until the project is ready for occupancy.
25. **Insurance** - Borrower shall at all times during the term of the loan maintain General Liability and Property Insurance (fire and extended coverage), workers compensation, builder's completed value risk insurance against "all risks of physical loss" (during construction) and, if required by the Housing Commission, flood and earthquake insurance, in forms acceptable to the Housing Commission and approved by the Housing Commission's General Counsel. The San Diego Housing Commission, the Housing Authority of the City of San Diego, and the City of San Diego shall be listed as additional insureds: for General Liability Insurance, for Property Insurance, and in the General Contractor's Insurance policy. The San Diego Housing Commission shall be endorsed as a loss payee of the private insurance policies. Evidence of borrower's insurance coverage shall be provided to the Housing Commission prior to close of escrow.
26. **Loan Disbursement Schedule** - Upon submittal and approval of eligible costs, the Housing Commission Loan (up to **\$3,950,000**) will be disbursed as follows:
- Up to 75 percent (**\$2,962,500**) at escrow closing.
 - Up to 10 percent (**\$395,000**) to be distributed at 50 percent construction completion,
 - Up to 10 percent (**\$395,000**) to be withheld until the issuance of a Certificate of Occupancy and all unconditional lien releases are forwarded to the Housing Commission.
 - Up to 5 percent (**\$197,500**) upon conversion to permanent financing.
- a. The Housing Commission's President and Chief Executive Officer, or his designee, is authorized to modify the Housing Commission loan disbursement schedule in their sole reasonable discretion.

- b. In the event that the Housing Commission ultimately determines to fund (all or any part) of the Housing Commission loan using any HOME funds, then a portion of the HOME program funds must be withheld until final inspection approval and all unconditional lien releases are forwarded to the Housing Commission.
 - c. Loan proceeds are disbursed for work completed upon Housing Commission approval of payment requests in a form approved by the Housing Commission. Verifiable documentation of expenses must be submitted with all payment requests.
27. **Loan Payments** - Annual hard payments will not be required. Annual residual receipts payments at 50 percent of cash flow is required.
- a. Starting at the end of the first year after project completion, the Housing Commission will split its share of residual cash flow with Housing Commission-approved public lenders loans, in proportion to their respective loan amounts. Residual payments will begin on May 1, in the year immediately following the calendar year in which construction is completed.
 - b. The Housing Commission defines residual receipts as the net cash flow of the development after specified expenses and other debt service are paid.
28. **Management of the Development** -
- a. **Management Plan** - Prior to occupancy the Borrower shall submit a Management Plan to the Housing Commission for its review and approval. The Management Plan shall be subject to initial and periodic approval by the Housing Commission, at its reasonable discretion.
 - b. **Approval of Management Fee** - The Borrower's proposed property manager's fee must be approved by the Housing Commission.
 - c. The Housing Commission reserves the right to declare Borrower in default of the loan agreement after an uncured ninety (90) day written notice of malfeasance and/or misfeasance in management of the Project.
 - d. **Manager's Units** -Experienced on-site management is required. There shall be one manager's unit.
 - e. **Marketing Plan** – In the event the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then to ensure compliance with HOME regulations and with federal fair housing requirements prior to occupancy the Borrower shall submit a proposed marketing plan for review and approval by the Housing Commission's Civil Rights Analyst in the Procurement and Compliance Division.
29. **Maximum Resident Service Expenses & Case Management-**
- For the calculation of Housing Commission's residual receipts the attached pro forma's operating expense budget models an annual \$75,000 Social Services expenditure with a 3 percent annual escalator). Increasing this amount will require prior Housing Commission written approval.

30. **Annual Budget Submittal** - three months prior to the end of each calendar year, the borrower shall submit an annual budget for Housing Commission review and prior approval.
31. **Permanent Supportive Housing** - This project will not have federal Project Based Vouchers (PBV) from the Housing Commission.
32. **Prevailing Wage** - Prevailing wages will not be triggered by the funds that the Housing Commission has identified for this loan.
33. **Recourse** - The Housing Commission's loan will be recourse until the timely completion of the construction, after which it will become non-recourse.
34. **Reserves:** Replacement reserves and operating reserves must be consistent with lender and equity investor requirements. The Housing Commission reserves the right to require higher operating or replacement reserves.
 - a. **Replacement Reserve** - The attached pro forma models a capitalized marketing/Lease-Up reserve amount of \$250/unit for a total of **\$19,750** annual reserve replacement contributions.
 - b. **Operating Reserve** - The attached proforma models a three month operating reserve at **\$237,820** at conversion to permanent financing. The operating reserve is to be maintained for the entire term of the Housing Commission's Loan.
 - c. Disbursements from Reserves: Housing Commission prior written approval shall be required for any and all disbursements from either the Project's operating reserve funds and/or from the project's replacement reserve funds.
35. **Section 3-** In the event that the Housing Commission ultimately determines to fund (all or part) of the Housing Commission Loan using any HOME funds, then Section 3 of the HUD Act of 1968 will be applicable and Borrower should be familiar with, and remain in compliance with, all Section 3 requirements.
36. **Security** -The Housing Commission Loan will be secured by a Declaration of Covenants, Conditions and Restrictions (CC&R), a Loan Agreement, and a Deed of Trust which will be senior to the deeds of trust and security instruments securing all other sources of funds secured by the Property, except that the Housing Commission's CC&R and Deed of Trust shall be subordinated to:
 - a) The deed of trust and security instruments securing the construction and permanent loan.
 - b) **Lien position** - The lien positions will be approved by the Housing Commission's President and CEO and the Housing Commission's General Counsel. It is intended that the lien positions will be conformance with the public lenders' program requirements, and the requirements of private lenders which may require Housing Commission subordination.

- c) **Cure Rights** - The Housing Commission shall have the right, but not the obligation, to cure all senior encumbrances in all subordinating agreements that it executes. All subordination agreements shall be subject to the sole approval of the Housing Commission's President and Chief Executive Officer and General Counsel.
37. **Tenant Service Delivery Plan** - Borrower shall submit a draft tenant service delivery plan 90-days prior to occupancy for Housing Commission staff review and comment. Borrower shall submit a revised draft incorporating Housing Commission comment prior to occupancy of the first tenant. A final tenant service deliver plan shall be subject to the approval of the Housing Commission in its reasonable discretion and will not be unreasonably withheld prior to project lease up.
38. **Title (ALTA Lender's Policy)** -The Borrower shall acquire, at its sole cost and expense, an ALTA Lender's Policy for the Housing Commission Loan with endorsements acceptable to the Housing Commission.
39. **Miscellaneous Additional Conditions** - The Housing Commission reserves the right to impose such additional conditions in the final documentation of the transaction as are reasonably necessary to protect the interests of the Housing Commission and fulfill the intent of this letter.
40. **Exhibit A - Proforma** - is attached hereto and is hereby incorporated.

If the Borrower is willing to proceed on the terms and conditions referenced herein, please execute this letter of intent and return it to the undersigned by **June 1, 2022**, so that this letter of intent may be attached to the Housing Commission Board report.

The Remainder of this page intentionally left blank

ACKNOWLEDGED AND AGREED TO BY:

Messina CIC, LP

Chelsea Investment Corp.

By: Cheri Hoffman

Print Name: Cheri Hoffman

Title: President

San Diego Housing Commission

By: Emily Jacobs
DocuSigned by:
73FCC317B0464E3...

Print Name: Emily Jacobs

Title: EVP

Loan Terms Attachment:

Exhibit A - Developer's Proforma Dated April 13, 2022

**DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/
ENTITY SEEKING GRANT/BORROWERS
(Collectively referred to as "CONTRACTOR" herein)
Statement for Public Disclosure**

1. Name of CONTRACTOR: **Chelsea Investment Corporation**
2. Address and ZIP Code: **6339 Paseo Del Lago, Carlsbad, California 92011**
3. Telephone Number: **(760) 456-6000**
4. Name of Principal Contact for CONTRACTOR: **Cameron Shariati, Project Manager**
5. Federal Identification Number or Social Security Number of CONTRACTOR: **90-0151442**
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

☒ A corporation (Attach Articles of Incorporation)

☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)

☐ A partnership known as: _____

(Name)

Check one:

☐ General Partnership (Attach Statement of General Partnership)

☐ Limited Partnership (Attach Certificate of Limited Partnership)

☐ A business association or a joint venture known as: _____

(Attach joint venture or business association agreement)

☐ A Federal, State or local government or instrumentality thereof.

☐ Other (explain)

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
Chelsea Investment Corporation: July 28, 1986, restructured February 23, 2004

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:

- a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10 percent of any class of stock.

| Name & Address | Phone Number | Title & Percentage of Interest |
|---------------------------------------------------------------------|----------------|--------------------------------|
| The Schmid Family Trust Dated as of July 22, 1996 | N/A | 100% Interest |
| James J. Schmid 6339 Paseo Del Lago Carlsbad, CA 92011 | (760) 456-6000 | Co-Trustee |
| Lynn Harrington Schmid 6339 Paseo Del Lago Carlsbad, CA 92011 | (760) 456-6000 | Co-Trustee |

- b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.
- c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.
- d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.
- e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10 percent. (Attach extra sheet if necessary)

| Name and Address | Position Title (if any) and percent of interest or description of character and extent of interest |
|------------------|----------------------------------------------------------------------------------------------------|
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.
No.
10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.
No.

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8, which gives such person or entity more than a computed 10 percent interest in the CONTRACTOR (for example, more than 20 percent of the stock in a corporation that holds 50 percent of the stock of the CONTRACTOR, or more than 50 percent of the stock in the corporation that holds 20 percent of the stock of the CONTRACTOR):

Not Applicable.

| Name and Address | Position Title (if any) and percent of interest or description of character and extent of interest |
|------------------------------|-----------------------------------------------------------------------------------------------------------|
| Name: James J. Schmid | Sole Director/Chief Executive Officer (and Co-Trustee of Schmid Family Trust, which has 100% interest) |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |
| | |
| Name: Cheri Hoffman | President |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |
| | |
| Name: Charles A. Schmid | Vice President (son of James J. Schmid) |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |
| | |
| Name: Lynn Harrington Schmid | Secretary (wife of James J. Schmid and Co-Trustee of Schmid Family Trust, which has 100% interest) |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

| Name and Address | Position Title (if any) and percent of interest or description of character and extent of interest |
|-------------------------|-----------------------------------------------------------------------------------------------------------|
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of any nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity.

| Name and Address | Relationship to CONTRACTOR |
|--------------------------------------|-----------------------------------|
| Name: Chelsea Investment Corporation | Manager |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement, as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

Please see attached financial statements.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:

| | |
|----------------------------------|---------------------|
| Federal LIHTC Equity | \$13,906,322 |
| Solar LIHTC Equity + Rebates | \$457,754 |
| Permanent Loan (Tranche A) | \$7,819,329 |
| Land Contribution/Note | \$8,733,890 |
| Deferred Developer Fee | \$144,121 |
| Local | \$3,950,000 |
| Total Development Sources | \$35,011,416 |

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking:

a. In banks/savings and loans: **Equity will be funded by a tax credit investor.**

Name: **The Richman Group**

Address: **707 SW Washington Street, Suite 1510, Portland, OR 97205**

Amount: **\$ 13,906,322**

Construction loan will be funded by Citi Bank 300 South Grand Ave, Suite 3110, Los Angeles, CA 90071.

Permanent loan will be funded by Citi Bank 300 South Grand Ave, Suite 3110, Los Angeles, CA 90071.

b. By loans from affiliated or associated corporations or firms: **Not applicable.**

Name:

Address:

Amount: \$

c. By sale of readily salable assets/including marketable securities: **Not applicable.**

| Description | Market Value (\$) | Mortgages or Liens (\$) |
|-------------|-------------------|-------------------------|
| | | |
| | | |
| | | |

17. Names and addresses of bank references, and name of contact at each reference:

| Name and Address | Contact Name |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------|
| Name: Wells Fargo | Mr. Paul Shipstead, Vice President |
| Address: 401 B Street, Suite 304 | Phone: (619) 699-3135 |
| San Diego, CA 92101 | Email: paul.shipstead@wellsfargo.com |
| | |
| Name: American West Bank (f/k/a Security Business Bank) | Ms. Maria Kraus, Treasury Management Sales Analyst |
| Address: 5901 Priestly Drive, Suite 160 | Phone: (760) 929-9863 |
| Carlsbad, CA 92008 | Email: maria.kraus@awbank.net |
| | |
| Name: City Community Capital | Mr. Richard Gerwitz, Managing Director |
| Address: One Sansome Street, 26 th Floor | Phone: (213) 486-7138 |
| San Francisco, CA 94104 | Email: richard.gerwitz@citi.com |

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes

☒ No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes

☒ No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

Not applicable.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR, including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond: **None.**

| Type of Bond | Project Description | Date of Completion | Amount of Bond | Action on Bond |
|--------------|---------------------|--------------------|----------------|----------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

- a. Name and addresses of such contractor or builder:

| Name and Address | Affiliation |
|-----------------------------------|---------------------------------------------|
| Name: Emmerson Construction, Inc. | Affiliate of Chelsea Investment Corporation |
| Address: 6339 Paseo Del Lago | |
| Carlsbad, CA 92011 | |
| Name: | |
| Address: | |
| | |
| Name: | |
| Address: | |
| | |

- b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes

☒ No

If yes, please explain, in detail, each such instance:

Not applicable.

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: **\$263,120,920**

General description of such work:

Construction of affordable multifamily rental housing communities.

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary)

Please see attached resume.

| | | |
|----------------------------------------------|---------------|--------------------|
| Project Name | | |
| Project Owner Contact Information | | |
| | Name | Address |
| Project Location | | |
| Project Details | | |
| Bonding Company Involved | | |
| | Name | Amount of Contract |
| Change Order Details | | |
| Change Order Cost | | |
| Litigation Details | | |
| | Location/Date | Outcome Details |

- d. Construction contracts or developments now being performed by such contractor or builder:

| Identification of Contract or Development | Location | Amount | Date to be Completed |
|-------------------------------------------|----------|--------|----------------------|
| | | | |
| | | | |
| | | | |

- e. Outstanding construction-contract bids of such contractor or builder:

| Awarding Agency | Amount | Date Opened |
|-----------------|--------|-------------|
| | | |
| | | |
| | | |

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

Please see attached resume.

23. Does any member of the governing body of SDHC, Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain:

Not applicable.

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

Please see attached resume.

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes ☒ No

If yes, explain:

Not applicable.

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's. List the amount of coverage (limits) currently existing in each category:

N/A. Coverage to be bound at closing.

- a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Premises - Operations
- ☐ Explosion and Collapse Hazard
- ☐ Underground Hazard
- ☐ Products/Completed Operations Hazard
- ☐ Contractual Insurance
- ☐ Broad Form Property Damage
- ☐ Independent Contractors
- ☐ Personal Injury

- b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

- ☐ Comprehensive Form
- ☐ Owned
- ☐ Hired
- ☐ Non-Owned

- c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

- d. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

- e. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

- f. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)]

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by SDHC setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not, without prior written consent of SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, Commissioner, Councilperson, officer, or employee of SDHC, the AUTHORITY and/or the CITY, and no member of the governing body of the locality in which the PROJECT is situated, no member of the governing body in which SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has, during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.
30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement.

If none, please state: **None.**

| Government Complaint | Entity | Making | Date | Resolution |
|----------------------|--------|--------|------|------------|
| | | | | |
| | | | | |
| | | | | |

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

☐ Yes ☒ No

If yes, please explain, in detail,
Not applicable.

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America, which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the license has ever been revoked:

| Government Agency | License Description | License Number | Date Issued (Original) | Status (Current) | Revocation (Yes/No) |
|--------------------------------|----------------------|----------------|------------------------|------------------|---------------------|
| California State License Board | Contractor's License | 775773 | 3/2/2000 | Current | No |
| | | | | | |
| | | | | | |
| | | | | | |

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with SDHC.

None.

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with SDHC.

None.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, and SALES of Real Property to SDHC, AUTHORITY and/or the CITY within the last five (5) years:

| Date | Entity Involved (i.e. City SDHC, etc) | Status (Current, delinquent, repaid, etc.) | Dollar Amount |
|-------------|--------------------------------------------------|-----------------------------------------------------------|----------------------|
| 2016 | SDHC – Normal Heights | Current | \$5,200,000 |
| 2016 | SDHC – Mesa Verde | Current | \$9,600,000 |
| 2015 | SDHC – Trolley Park Terrace | Current | \$3,210,000 |
| 2015 | SDHC – Independence Point | Current | \$2,500,000 |

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes ☒ No

If yes, explain:

Not applicable.

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes ☒ No

If yes, explain:

Not applicable.

38. List three local references that would be familiar with your previous construction projects:

1. Name: Bob McElroy
Address: 3737 Fifth Ave Suite 203, San Diego, CA 92103
Phone: (619) 542-1877
Project Name and Description: The Alpha Project
2. Name: Kevin McCook
Address: 130 Vantis Dr Suite 200, Aliso Viejo, CA 92656
Phone: (858) 526-6655
Project Name and Description: The Mercado (Shea Properties)

3. Name: Bill Ostrem
Address: 16465 Via Esprillo Suite 150, San Diego, CA 92127
Phone: (619) 421-0127
Project Name and Description: Black Mountain Ranch

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the CONTRACTOR for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the CONTRACTOR.

Please see attached resume.

40. Give the name and experience of the proposed Construction Superintendent.

| Name | Experience |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert Campbell | Formerly with JPI, Ledcor, Swinerton, and Roel, Robert has over 33 years of experience in high-rise, mid-rise, multi-family residential, hotel, and commercial construction. Having gained his experience on large projects in the San Diego and Los Angeles areas, he is responsible for the day-to-day operations to ensure projects are complete on time and within budget, and that site safety, environmental standards, quality of materials, and workmanship meet or exceed standards. |

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information," if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information," if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 5th day of November, 20 20, at San Diego, California.

CONTRACTOR

By: Cheri Hoffman

Signature

Cheri Hoffman, Authorized Signatory

Title

CERTIFICATION

The CONTRACTOR, Chelsea Investment Corporation, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: *Cheri Hoffman*

By: _____

Title: Authorized Signatory

Title: _____

Dated: November 5, 2020

Dated: _____

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned for not more than five years, or both.

JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of San Diego

Subscribed and sworn to (or affirmed) before me on this 5th day of November, 2020

by Cheri Hoffman personally known to me or proved to me on the basis of satisfactory evidence to be the person~~s~~ who appeared before me.



SEAL

Cheryl Ann Moulton
Signature of Notary

FILED
in the office of the Secretary of State
of the State of California

FEB 23 2004

Kevin Shelley
KEVIN SHELLEY, Secretary of State

**ARTICLES OF INCORPORATION
OF
CHELSEA SERVICE CORPORATION**

I

The name of this corporation is Chelsea Service Corporation.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The name and address in the State of California of this corporation's initial agent for service of process is James J. Schmid, 215 South Highway 101, Suite 200, Solana Beach, California 92075.

IV

This corporation is authorized to issue only one class of shares of stock; and the total number of shares this corporation is authorized to issue is 1,000.

Dated: February 18, 2004


James J. Schmid, Incorporator

2578911

10638595

FILED
in the office of the Secretary of State
of the State of California

CERTIFICATE OF RESTATED AND AMENDED

ARTICLES OF INCORPORATION

JAN 1 2006

OF CHELSEA SERVICE CORPORATION

James J. Schmid and Lynn Harrington- Schmid certify that:

1. They are the President and the Secretary, respectively, of Chelsea Service Corporation, a California corporation.
2. The articles of incorporation of the corporation are amended and restated to read in their entirety as follows:

I

The name of this corporation is Chelsea Investment Corporation.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue, is 1,000.

IV

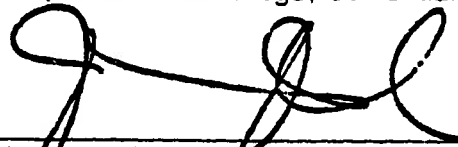
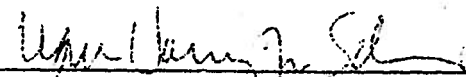
The Corporation is authorized to provide indemnification of agents (as the word "agents" is defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with the agents, vote of shareholders or disinterested directors, or otherwise, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject only to the limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the Corporation or its shareholders.

3. This Certificate, restating and amending the articles of incorporation, has been approved by the Board of Directors.
4. The amendment was approved by the required vote of the shareholders in accordance with Section 902 of the Corporations Code. The corporation has only one class of shares and the number of outstanding shares is 100. The number of shares

voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

We declare under penalty of perjury under the laws of the State of California that the statements set forth in this certificate are true and correct of our own knowledge and that this declaration was executed on December 27, 2005 at San Diego, California.

Dated: December 27, 2005


James J. Schmid, President
Lynn Harrington-Schmid, Secretary

**BYLAWS
OF
CHELSEA SERVICE CORPORATION
a California corporation**

**ARTICLE I
OFFICES**

Section 1. Principal Executive or Business Offices.

The board of directors will fix the location of the principal executive office of the corporation at any place within or outside the State of California. If the principal executive office is located outside California and the corporation has one or more business offices in California, the board will fix and designate a principal business office in California.

Section 2. Other Offices.

Branch or subordinate offices may be established at any time and at any place by the board of directors.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meetings.

Meetings of shareholders will be held at any place within or outside the State of California designated by the board of directors. In the absence of a designation by the board, shareholders' meetings will be held at the corporation's principal executive office.

Section 2. Annual Meeting.

The annual meeting of shareholders will be held each year on a date and at a time designated by the board of directors. At each annual meeting, directors will be elected and any other proper business within the power of the shareholders may be transacted.

Section 3. Special Meeting.

A special meeting of the shareholders may be called at any time by the board of directors, by the chair of the board, by the president or vice president, or by one or more shareholders holding shares that in the aggregate are entitled to cast ten percent (10%) or more of the votes at that meeting.

If a special meeting is called by anyone other than the board of directors, the person or persons calling the meeting will make a request in writing, delivered personally or sent by registered mail, telegram, facsimile transmission, or electronic mail message, to the chair of the board or the president, vice president, or secretary, specifying the time and date of the meeting (which is not less than thirty-five (35) nor more than sixty (60) days after receipt of the request) and the general nature of the business proposed to be transacted. Within twenty (20) days after receipt, the officer receiving the request will cause notice to be given to the shareholders entitled to vote, in accordance with Sections 4 and 5 of this Article II, stating that a meeting will be held at the time requested by the person(s) calling the meeting, and stating the general nature of the business proposed to be transacted. If notice is not given within twenty (20) days after receipt of the request, the person or persons requesting the meeting may give the notice. Nothing in this paragraph will be construed as limiting, fixing, or affecting the time when a meeting of shareholders called by action of the board may be held.

Section 4. Notice of Shareholders' Meetings.

All notices of meetings of shareholders will be sent or otherwise given in accordance with Section 5 of this Article II not fewer than ten (10) nor more than sixty (60) days before the date of the meeting. Shareholders entitled to notice will be determined in accordance with Section 11 of this Article II. The notice will specify the place, date, and hour of the meeting, and (i) in the case of a special meeting, the general nature of the business to be transacted, or (ii) in the case of the annual meeting, those matters that the board of directors, at the time of giving the notice, intends to present for action by the shareholders. If directors are to be elected, the notice will include the names of all nominees whom the board intends, at the time of the notice, to present for election.

The notice will also state the general nature of any proposed action to be taken at the meeting to approve any of the following matters:

- (i) A transaction in which a director has a financial interest, within the meaning of California Corporations Code §310;
- (ii) An amendment of the articles of incorporation under Corporations Code §902;
- (iii) A conversion under Corporations Code §1152;
- (iv) A reorganization under Corporations Code §1201;
- (v) A voluntary dissolution under Corporations Code §1900; or
- (vi) A distribution in dissolution that requires approval of the outstanding shares under Corporations Code §2007.

Section 5. Manner of Giving Notice; Affidavit of Notice.

Notice of any shareholders' meeting will be given either personally or by first-class mail or other written communication (including facsimile, telegram, or electronic mail message), charges prepaid, addressed to the shareholder at the physical or electronic address appearing on the corporation's books or given by the shareholder to the corporation for purposes of notice. If no address appears on the corporation's books or has been given as specified above, notice will be either (1) sent by first-class mail addressed to the shareholder at the corporation's principal executive office, or (2) published at least once in a newspaper of general circulation in the county where the corporation's principal executive office is located. Notice is deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

If any notice or report mailed to a shareholder at the address appearing on the corporation's books is returned marked to indicate that the United States Postal Service is unable to deliver the document to the shareholder at that address, all future notices or reports will be deemed to have been duly given without further mailing if the corporation holds the document available for the shareholder on written demand at the corporation's principal executive office for a period of one year after the date the notice or report was given to all other shareholders.

An affidavit of the mailing, or other authorized means of transmitting, of any notice of shareholders' meeting, report, or other document sent to shareholders, may be executed by the corporation's secretary, assistant secretary, or transfer agent and, if executed, will be filed and maintained in the minute book of the corporation.

Section 6. Quorum.

The presence in person or by proxy of the holders of a majority of the shares entitled to vote at any meeting of the shareholders will constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave fewer than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum, unless the General Corporation Law requires the vote of a greater number of shareholders or a vote by classes.

Section 7. Adjourned Meeting; Notice.

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the shares represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 6 of this Article II.

When any meeting of shareholders, either annual or special, is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place are announced at the meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is fixed, or unless the adjournment is for more than forty-five (45) days after the date set for the original meeting, in which case the board of directors will set a new record date. Notice of any such adjourned meeting, if required, will be given to each shareholder of record entitled to vote at the adjourned meeting, in accordance with Sections 4 and 5 of this Article II. At any adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting.

Section 8. Voting.

The shareholders entitled to vote at any meeting of shareholders will be determined in accordance with Section 11 of this Article II, subject to the provisions of the California Corporations Code §§702-704 relating to voting shares held by a fiduciary, in the name of a corporation, or in joint ownership. The shareholders' vote may be by voice vote or by ballot, provided, however, that any election for directors must be by ballot if demanded by any shareholder before the voting has begun. On any matter other than the election of directors, any shareholder may vote part of the shares the shareholder is to vote in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, but, if the shareholder fails to specify the number of shares that the shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares that the shareholder is entitled to vote. If a quorum is present (or if a quorum has been present earlier at the meeting but some shareholders have withdrawn), the affirmative vote of a majority of the shares represented and voting, provided such shares voting affirmatively also comprise a majority of the number of shares required for a quorum, will constitute an act of the shareholders unless the vote of a greater number or a vote by classes is required by law or by the articles of incorporation.

At a shareholders' meeting at which directors are to be elected, no shareholder will be entitled to cumulate votes (i.e., cast for any candidate a number of votes greater than the number of votes which that shareholder normally would be entitled to cast), unless the candidates' names have been placed in nomination before commencement of the voting and a shareholder has given notice at the meeting, before the voting has begun, of the shareholder's intention to cumulate votes. If any shareholder has given such a notice, then all shareholders entitled to vote may cumulate their votes for candidates in nomination. Thus each such shareholder may give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which that shareholder's shares are normally entitled, or may distribute the shareholder's votes on the same principle among any or all of the candidates. The candidates receiving the highest number of votes, up to the number of positions to be filled, will be elected.

Section 9. Waiver of Notice or Consent by Absent Shareholders.

The transactions of any meeting of shareholders, either annual or special, however called and noticed and wherever held, will be as valid as though they were had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if each person entitled to vote who was not present in person or by proxy, either before or after the meeting, signs a written waiver of notice or a consent to holding the meeting or an approval of the minutes of the meeting. The waiver of notice or consent need not specify either the business to be transacted or the purpose of any annual or special meeting of the shareholders, except that, if action is taken or proposed to be taken for approval of any of those matters specified in the California Corporations Code §601(f), i.e.:

- (i) A transaction in which a director has a financial interest, within the meaning of Corporations Code §310;
- (ii) An amendment of the articles of incorporation under Corporations Code §902;
- (iii) A conversion under Corporations Code §1152;
- (iv) A reorganization under Corporations Code §1201;
- (v) A voluntary dissolution under Corporations Code §1900; or
- (vi) A distribution in dissolution that requires approval of the outstanding shares under Corporations Code §2007.

The waiver of notice or consent is required to state the general nature of the action or proposed action. All waivers, consents, and approvals will be filed with the corporate records or made a part of the minutes of the meeting.

A shareholder's attendance at a meeting also constitutes a waiver of notice of that meeting, unless the shareholder at the beginning of the meeting objects to the transaction of any business on the ground that the meeting was not lawfully called or convened. In addition, attendance at a meeting does not constitute a waiver of any right to object to consideration of matters required by law to be included in the notice of the meeting which were not so included, if that objection is expressly made at the meeting.

Section 10. Shareholder Action by Written Consent Without a Meeting.

Any action that could be taken at an annual or special meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize

or take that action at a meeting at which all shares entitled to vote on that action were present and voted.

Directors may be elected by written consent of the shareholders without a meeting only if the written consents of all outstanding shares entitled to vote are obtained, except that vacancies on the board (other than vacancies created by removal) not filled by the board may be filled by the written consent of the holders of a majority of the outstanding shares entitled to vote.

All consents will be filed with the secretary of the corporation and will be maintained in the corporate records. Any shareholder or other authorized person who has given a written consent may revoke it by a writing received by the secretary of the corporation before written consents of the number of shares required to authorize the proposed action have been filed with the secretary.

Unless the consents of all shareholders entitled to vote have been solicited in writing, prompt notice will be given of any corporate action approved by shareholders without a meeting by less than unanimous consent, to those shareholders entitled to vote who have not consented in writing. As to approvals required by California Corporations Code §310 (transactions in which a director has a financial interest), §317 (indemnification of corporate agents), §1152 (corporate conversion), §1201 (corporate reorganization), or §2007 (certain distributions on dissolution), notice of the approval will be given at least ten days before the consummation of any action authorized by the approval. Notice will be given in the manner specified in Section 5 of this Article II.

Section 11. Record Date for Shareholder Notice of Meeting, Voting, and Giving Consent.

(a) For purposes of determining the shareholders entitled to receive notice of and vote at a shareholders' meeting or give written consent to corporate action without a meeting, the board may fix in advance a record date that is not more than sixty (60) nor less than ten (10) days before the date of a shareholders' meeting, or not more than sixty (60) days before any other action.

(b) If no record date is fixed:

- (i) The record date for determining shareholders entitled to receive notice of and vote at a shareholders' meeting will be the business day next preceding the day on which notice is given, or, if notice is waived as provided in Section 9 of this Article II, the business day next preceding the day on which the meeting is held.
- (ii) The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, if no

prior action has been taken by the board, will be the day on which the first written consent is given.

- (iii) The record date for determining shareholders for any other purpose will be as set forth in Section 1 of Article VIII of these bylaws.

(c) A determination of shareholders of record entitled to receive notice of and vote at a shareholders' meeting will apply to any adjournment of the meeting unless the board fixes a new record date for the adjourned meeting. However, the board will fix a new record date if the adjournment is to a date more than forty-five (45) days after the date set for the original meeting.

(d) Only shareholders of record on the corporation's books at the close of business on the record date will be entitled to any of the notice and voting rights listed in subsection (a) of this section, notwithstanding any transfer of shares on the corporation's books after the record date, except as otherwise required by law.

Section 12. Proxies.

Every person entitled to vote for directors or on any other matter will have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the secretary of the corporation. A proxy will be deemed signed if the shareholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy that does not state that it is irrevocable will continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the corporation stating that the proxy is revoked, or by attendance at the meeting and voting in person by the person executing the proxy or by a subsequent proxy executed by the same person and presented at the meeting; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the corporation before the vote pursuant to that proxy is counted; provided, however, that no proxy will be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable will be governed by the provisions of the California Corporations Code §§705(e) and 705(f).

Section 13. Inspectors of Election.

Before any meeting of shareholders, the board of directors may appoint any persons other than nominees for office to act as inspectors of election at the meeting or its adjournment. If no inspectors of election are so appointed, the chair of the meeting may, and on the request of any shareholder or a shareholder's proxy will, appoint inspectors of election at the meeting. The number of inspectors will be either one or three. If inspectors are appointed at a meeting on the request of one or more shareholders or proxies, the holders of a majority of shares or their proxies present at

the meeting will determine whether one or three inspectors are to be appointed. If any person appointed as inspector fails to appear or fails or refuses to act, the chair of the meeting may, and upon the request of any shareholder or a shareholder's proxy will, appoint a person to fill that vacancy.

These inspectors will: (a) determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies; (b) receive votes, ballots, or consents; (c) hear and determine all challenges and questions in any way arising in connection with the right to vote; (d) count and tabulate all votes or consents; (e) determine when the polls will close; (f) determine the result; and (g) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

ARTICLE III

DIRECTORS

Section 1. Powers.

Subject to the provisions of the California General Corporation Law and any limitations in the articles of incorporation and these bylaws relating to action required to be approved by the shareholders or by the outstanding shares, the business and affairs of the corporation will be managed and all corporate powers will be exercised by or under the direction of the board of directors.

Without prejudice to these general powers, and subject to the same limitations, the board of directors will have the power to:

(a) Select and remove all officers, agents, and employees of the corporation; prescribe any powers and duties for them that are consistent with law, with the articles of incorporation, and with these bylaws; fix their compensation; and require from them security for faithful service.

(b) Change the principal executive office or the principal business office in the State of California from one location to another; cause the corporation to be qualified to do business in any other state, territory, dependency, or country and conduct business within or outside the State of California; and designate any place within or outside the State of California for holding any shareholders' meeting or meetings, including annual meetings.

(c) Adopt, make, and use a corporate seal; prescribe the forms of certificates of stock; and alter the form of the seal and certificates.

(d) Authorize the issuance of shares of stock of the corporation on any lawful terms, in consideration of money paid, labor done, services actually rendered, debts or securities canceled, or tangible or intangible property actually received.

(e) Borrow money and incur indebtedness on behalf of the corporation, and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities.

Section 2. Number of Directors.

The authorized number of directors will be one (1) until changed by a duly adopted amendment to the articles of incorporation or by amendment to this bylaw adopted by the vote or written consent of a majority of the outstanding shares entitled to vote.

Section 3. Election and Term of Office of Directors.

Directors will be elected at each annual meeting of the shareholders to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, will hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

No reduction of the authorized number of directors will have the effect of removing any director before that director's term of office expires.

Section 4. Vacancies.

A vacancy in the board of directors will be deemed to exist (1) if a director dies, resigns, or is removed by the shareholders or an appropriate court, as provided in the California Corporations Code §303 or §304; (2) if the board of directors declares vacant the office of a director who has been convicted of a felony or declared of unsound mind by an order of court; (3) if the authorized number of directors is increased; or (4) if at any shareholders' meeting at which one or more directors are elected the shareholders fail to elect the full authorized number of directors to be voted for at that meeting.

Any director may resign effective on giving written notice to the chair of the board, the president, the secretary, or the board of directors, unless the notice specifies a later effective date. If the resignation is effective at a future time, the board may elect a successor to take office when the resignation becomes effective.

Except for a vacancy caused by the removal of a director, vacancies on the board may be filled by approval of the board or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with Corporations Code §307, or (3) a sole remaining director.

A vacancy on the board caused by the removal of a director may be filled only by the shareholders, except that a vacancy created when the board declares the office of a director vacant as provided in clause (2) of the first paragraph of this section of the bylaws may be filled by the board of directors.

The shareholders may elect a director at any time to fill a vacancy not filled by the board of directors.

The term of office of a director elected to fill a vacancy will run until the next annual meeting of the shareholders, and such a director will hold office until a successor is elected and qualified.

Section 5. Place of Meetings; Telephone Meetings.

Regular meetings of the board of directors may be held at any place within or outside the State of California as designated from time to time by the board. In the absence of a designation, regular meetings will be held at the principal executive office of the corporation. Special meetings of the board will be held at any place within or outside the State of California designated in the notice of the meeting, or if the notice does not state a place, or if there is no notice, at the principal executive office of the corporation. Any meeting, regular or special, may be held by conference telephone, electronic video screen communication, or similar communication equipment, provided that all directors participating can hear one another.

Section 6. Annual Directors' Meeting.

Immediately after each annual shareholders' meeting, the board of directors will hold a regular meeting at the same place, or at any other place that has been designated by the board of directors, to consider matters of organization, election of officers, and other business as desired. Notice of this meeting will not be required unless some place other than the place of the annual shareholders' meeting has been designated.

Section 7. Other Regular Meetings.

Other regular meetings of the board of directors will be held without call at times to be fixed by the board of directors from time to time. Such regular meetings may be held without notice.

Section 8. Special Meetings.

Special meetings of the board of directors may be called for any purpose or purposes at any time by the chair of the board, the president, any vice president, the secretary, or any two directors.

Special meetings will be held on four (4) days' notice by mail or forty-eight hours' notice delivered personally or by telephone (including a voice messaging system or other system or technology designed to record and communicate messages), telegraph, facsimile, electronic mail, or other electronic means. Oral notice given personally or by telephone, or written notice given by electronic mail or facsimile, may be transmitted either to the director or to a person at the director's office who can reasonably be expected to communicate it promptly to the director. Written notice, if used, will be addressed to each director at the address shown on the corporation's records. The notice need not specify the purpose of the meeting, nor need it specify the place if the meeting is to be held at the principal executive office of the corporation.

Section 9. Quorum.

A majority of the authorized number of directors will constitute a quorum for the transaction of business, except to adjourn as provided in Section 11 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present will be regarded as the act of the board of directors, subject to the provisions of Corporations Code §310 (concerning approval of contracts or transactions in which a director has a direct or indirect material financial interest), §311 (concerning appointment of committees), and §317(e) (concerning indemnification of directors). A meeting at which a quorum is initially present may continue to transact business, despite a withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

Even though a quorum is initially present, if the number of directors present at a meeting is reduced to less than a quorum by withdrawal of directors, no further business except adjournment from time to time may be transacted at the meeting until a quorum is present.

Section 10. Waiver of Notice.

Notice of a meeting, although otherwise required, need not be given to any director who (1) either before or after the meeting signs a waiver of notice or a consent to holding the meeting without being given notice, (2) signs an approval of the minutes of the meeting, or (3) attends the meeting without protesting the lack of notice before or at the beginning of the meeting. Waivers of notice or consents need not specify the purpose of the meeting. All waivers, consents, and approvals of the minutes will be filed with the corporate records or made a part of the minutes of the meeting.

Section 11. Adjournment to Another Time or Place.

Whether or not a quorum is present, a majority of the directors present may adjourn any meeting to another time or place.

Section 12. Notice of Adjourned Meeting.

Notice of the time and place of resuming a meeting that has been adjourned need not be given unless the adjournment is for more than twenty-four (24) hours, in which case notice will be given, before the time set for resuming the adjourned meeting, to the directors who were not present at the time of the adjournment. Notice need not be given in any case to directors who were present at the time of adjournment.

Section 13. Action Without a Meeting.

Any action required or permitted to be taken by the board of directors may be taken without a meeting, if all members of the board of directors individually or collectively consent in writing to that action. Any action by written consent will have the same force and effect as a unanimous vote of the board of directors. All written consents will be filed with the minutes of the proceedings of the board of directors.

Section 14. Fees and Compensation of Directors.

Directors and members of committees of the board may be compensated for their services, and will be reimbursed for expenses, as fixed or determined by resolution of the board of directors. This section will not be construed to preclude any director from serving the corporation in any other capacity, as an officer, agent, employee, or otherwise, or from receiving compensation for those services.

ARTICLE IV

COMMITTEES

Section 1. Committees of the Board.

The board of directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors. The board may designate one or more directors as alternate members of any committee, to replace any absent member at a committee meeting. The appointment of committee members or alternate members requires the vote of a majority of the authorized number of directors. A committee may be granted any or all of the powers and authority of the board, to the extent provided in the resolution of the board of directors establishing the committee, except with respect to:

- (a) Approving any action for which the California Corporations Code also requires the approval of the shareholders or of the outstanding shares;
- (b) Filling vacancies on the board of directors or any committee of the board;

(c) Fixing directors' compensation for serving on the board or a committee of the board;

(d) Adopting, amending, or repealing bylaws;

(e) Amending or repealing any resolution of the board of directors that by its express terms is not so amendable or repealable;

(f) Making distributions to shareholders, except at a rate or in a periodic amount or within a price range determined by the board of directors; or

(g) Appointing other committees of the board or their members.

Section 2. Meetings and Action of Committees.

Meetings and action of committees will be governed by, and held and taken in accordance with, bylaw provisions applicable to meetings and actions of the board of directors, as provided in Section 5 and Sections 7 through 13 of Article III of these bylaws, in regard to the following matters: place of meetings, Section 5; regular meetings, Section 7; special meetings and notice, Section 8; quorum, Section 9; waiver of notice, Section 10; adjournment, Section 11; notice of adjournment, Section 12; and action without meeting, Section 13, with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that (1) the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee; (2) special meetings of committees may also be called by resolution of the board of directors; and (3) notice of special meetings of committees will also be given to all alternative members who will have the right to attend all meetings of the committee. The board of directors may adopt rules for the governance of any committee not inconsistent with these bylaws.

ARTICLE V

OFFICERS

Section 1. Officers.

The officers of the corporation will be a president, a secretary, and a chief financial officer (who may also be called a treasurer). The corporation may also have, at the discretion of the board of directors, a chair of the board, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and such other officers as may be appointed in accordance with Section 3 of this Article V. Any number of offices may be held by the same person.

Section 2. Appointment of Officers.

The officers of the corporation, except for subordinate officers appointed in accordance with Section 3 of this Article V, will be appointed annually by the board of directors, and will serve at the pleasure of the board of directors.

Section 3. Subordinate Officers.

The board of directors may appoint, and may empower the president to appoint, other officers as required by the business of the corporation, whose duties will be as provided in the bylaws, or as determined from time to time by the board of directors or the president.

Section 4. Removal and Resignation of Officers.

Any officer chosen by the board of directors may be removed at any time, with or without cause or notice, by the board of directors. Subordinate officers appointed by persons other than the board under Section 3 of this Article V may be removed at any time, with or without cause or notice, by the board of directors or by the officer by whom appointed. Officers may be employed for a specified term under a contract of employment if authorized by the board of directors; such officers may be removed from office at any time under this section, and will have no claim against the corporation or individual officers or board members because of the removal except any right to monetary compensation to which the officer may be entitled under the contract of employment.

Any officer may resign at any time by giving written notice to the corporation. Resignations will take effect on the date of receipt of the notice, unless a later time is specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation is not necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation to monetary damages under any contract of employment to which the officer is a party.

Section 5. Vacancies in Offices.

A vacancy in any office resulting from an officer's death, resignation, removal, or disqualification, or from any other cause, will be filled in the manner prescribed in these bylaws for regular election or appointment to that office.

Section 6. Chair of the Board.

The board of directors may elect a chair, who will preside, if present, at board meetings and will exercise and perform such other powers and duties as may be assigned from time to time by the board of directors. If there is no president, the chair of the board will in addition be the chief executive officer of the corporation, and will have the powers and duties as set forth in Section 7 of this Article V.

Section 7. President.

Except to the extent that the bylaws or the board of directors assign specific powers and duties to the chair of the board (if any), the president will be the corporation's general manager and chief executive officer and, subject to the control of the board of directors, will have general supervision, direction, and control over the corporation's business and its officers. The managerial powers and duties of the president will include, but are not limited to, all the general powers and duties of management usually vested in the office of president of a corporation, and the president will have other powers and duties as prescribed by the board of directors or the bylaws. The president will preside at all meetings of the shareholders and, in the absence of the chair of the board or if there is no chair of the board, will also preside at meetings of the board of directors.

Section 8. Vice Presidents.

If desired, one or more vice presidents may be chosen by the board of directors in accordance with the provisions for electing officers set forth in Section 2 of this Article V. In the absence or disability of the president, the president's duties and responsibilities will be carried out by the highest ranking available vice president if vice presidents are ranked or, if not, by a vice president designated by the board of directors. When so acting, a vice president will have all the powers of and be subject to all the restrictions on the president. Vice presidents of the corporation will have such other powers and perform such other duties as prescribed from time to time by the board of directors, the bylaws, or the president (or chair of the board if there is no president).

Section 9. Secretary.

(a) **Minutes.** The secretary will keep, or cause to be kept, minutes of all of the shareholders' meetings and of all other board meetings. If the secretary is unable to be present, the secretary or the presiding officer of the meeting will designate another person to take the minutes of the meeting.

The secretary will keep, or cause to be kept, at the principal executive office or such other place as designated by the board of directors, a book of minutes of all meetings and actions of the shareholders, of the board of directors, and of committees of the board. The minutes of each meeting will state the time and place the meeting was held; whether it was regular or special; if special, how it was called or authorized; the names of directors present at board or committee meetings; the number of shares present or represented at shareholders' meetings; an accurate account of the proceedings; and when it was adjourned.

(b) **Record of Shareholders.** The secretary will keep, or cause to be kept, at the principal executive office or at the office of the transfer agent or registrar, a record or duplicate record of shareholders. This record will show the names of all

shareholders and their addresses, the number and classes of shares held by each, the number and date of share certificates issued to each shareholder, and the number and date of cancellation of any certificates surrendered for cancellation.

(c) Notice of Meetings. The secretary will give notice, or cause notice to be given, of all shareholders' meetings, board meetings, and meetings of committees of the board for which notice is required by statute or by the bylaws. If the secretary or other person authorized by the secretary to give notice fails to act, notice of any meeting may be given by any other officer of the corporation.

(d) Other Duties. The secretary will keep the seal of the corporation, if any, in safe custody. The secretary will have such other powers and perform other duties as prescribed by the board of directors or by the bylaws.

Section 10. Chief Financial Officer.

The chief financial officer will keep, or cause to be kept, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account will at all reasonable times be open to inspection by any director.

The chief financial officer will (1) deposit corporate funds and other valuables in the corporation's name and to its credit with depositaries designated by the board of directors; (2) make disbursements of corporate funds as authorized by the board; (3) render a statement of the corporation's financial condition and an account of all transactions conducted as chief financial officer whenever requested by the president or the board of directors; and (4) have other powers and perform other duties as prescribed by the board of directors or the bylaws.

Unless the board of directors has elected a separate treasurer, the chief financial officer will be deemed to be the treasurer for purposes of giving any reports or executing any certificates or other documents.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND OTHER AGENTS

The corporation will, to the maximum extent permitted by the California General Corporation Law, have power to indemnify each of its agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was an agent of the corporation, and will have power to advance to each such agent expenses incurred in defending any such proceeding to the maximum extent permitted by that law. For purposes of this Article, an "agent" of the corporation includes any

person who is or was a director, officer, employee, or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, or was a director, officer, employee, or agent of a corporation that was a predecessor corporation of the corporation or of another enterprise serving at the request of such predecessor corporation.

ARTICLE VII

RECORDS AND REPORTS

Section 1. Maintenance of Shareholder Record and Inspection by Shareholders.

The corporation will keep at its principal executive office or at the office of its transfer agent or registrar, as determined by resolution of the board of directors, a record of the names and addresses of all shareholders and the number and class of shares held by each shareholder.

A shareholder or shareholders holding at least 5 percent in the aggregate of the outstanding voting shares of the corporation have the right to do either or both of the following:

(a) Inspect and copy the record of shareholders' names and addresses and shareholdings during usual business hours, on five days' prior written demand on the corporation, or

(b) Obtain from the corporation's transfer agent, on written demand and tender of the transfer agent's usual charges for this service, a list of the names and addresses of shareholders who are entitled to vote for the election of directors, and their shareholdings, as of the most recent record date for which a list has been compiled or as of a specified date later than the date of demand. This list will be made available within 5 days after (i) the date of demand or (ii) the specified later date as of which the list is to be compiled.

The record of shareholders will also be open to inspection on the written demand of any shareholder or holder of a voting trust certificate, at any time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or holder of a voting trust certificate. Any inspection and copying under this section may be made in person or by an agent or attorney of the shareholder or holder of a voting trust certificate making the demand

Section 2. Maintenance and Inspection of Bylaws.

The corporation will keep at its principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state, the original or a copy of the bylaws as amended to date, which will be open to

inspection by the shareholders at all reasonable times during office hours. If the principal executive office of the corporation is outside the State of California and the corporation has no principal business office in this state, the secretary will, on the written request of any shareholder, furnish to that shareholder a copy of the bylaws as amended to date.

Section 3. Maintenance and Inspection of Minutes and Accounting Records.

The minutes of proceedings of the shareholders, board of directors, and committees of the board, and the accounting books and records, will be kept at the principal executive office of the corporation, or at such other place or places as designated by the board of directors. The minutes will be kept in written form, and the accounting books and records will be kept either in written form or in a form capable of being converted into written form. The minutes and accounting books and records will be open to inspection on the written demand of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours, for a purpose reasonably related to the holder's interests as a shareholder or holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and will include the right to copy and make extracts. These rights of inspection will extend to the records of each subsidiary of the corporation.

Section 4. Inspection By Directors.

Every director will have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

Section 5. Annual Report to Shareholders.

Inasmuch as, and for as long as, there are fewer than one hundred (100) shareholders, the requirement of an annual report to shareholders referred to in California Corporations Code §1501 is expressly waived. However, nothing in this provision will be interpreted as prohibiting the board of directors from issuing annual or other periodic reports to the shareholders, as the board considers appropriate.

If at any time the number of shareholders will exceed 100, the first paragraph of Section 5 will be repealed, and the following provisions will be substituted:

The board of directors will cause an annual report to be sent to the shareholders not later than one hundred twenty (120) days after the close of the fiscal year adopted by the corporation. This report will be sent at least fifteen (15) days (if third-class mail is used, thirty-five (35) days) before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified for giving notice to shareholders in Section 5 of Article II of these bylaws. The annual report will contain a

balance sheet as of the end of the fiscal year and an income statement and a statement of changes in financial position for the fiscal year that are (1) prepared in accordance with generally accepted accounting principles applied on a consistent basis and (2) accompanied by any report of independent accountants, or, if there is no such report, the certificate of an authorized officer of the corporation that the statements were prepared from the corporation's books and records without audit.

Section 6. Financial Statements.

The corporation will keep a copy of each annual financial statement, quarterly or other periodic income statement, and accompanying balance sheets prepared by the corporation on file in the corporation's principal executive office for twelve (12) months; these documents will be exhibited at all reasonable times, or copies provided, to any shareholder on demand.

If no annual report for the last fiscal year has been sent to shareholders, on written request of any shareholder made more than one hundred twenty (120) days after the close of the fiscal year, the corporation will deliver or mail to the shareholder, within thirty (30) days after receipt of the request, a balance sheet as of the end of that fiscal year and an income statement and statement of changes in financial position for that fiscal year.

A shareholder or shareholders holding five percent (5%) or more of the outstanding shares of any class of stock of the corporation may request in writing an income statement for the most recent three-month, six-month, or nine-month period (ending more than thirty (30) days before the date of the request) of the current fiscal year, and a balance sheet of the corporation as of the end of that period. If such documents are not already prepared, the chief financial officer will cause them to be prepared and will deliver the documents personally or mail them to the requesting shareholders within thirty (30) days after receipt of the request. A balance sheet, income statement, and statement of changes in financial position for the last fiscal year will also be included, unless the corporation has sent the shareholders an annual report for the last fiscal year.

Quarterly income statements and balance sheets referred to in this section will be accompanied by the report, if any, of independent accountants engaged by the corporation or the certificate of an authorized corporate officer stating that the financial statements were prepared from the corporation's books and records without audit.

Section 7. Annual Statement of General Information.

(a) Annually, during the calendar month in which the original articles of incorporation were filed with the California Secretary of State, or during the preceding five calendar months, the corporation will file a statement with the Secretary of State on the prescribed form, setting forth the authorized number of directors; the names and complete business or residence addresses of all incumbent directors; the names and

complete business or residence addresses of the chief executive officer, the secretary, and the chief financial officer; the street address of the corporation's principal executive office or principal business office in this state; a statement of the general type of business constituting the principal business activity of the corporation; and a designation of the agent of the corporation for the purpose of service of process, all in compliance with California Corporations Code §1502.

(b) Despite the provisions of paragraph (a) of this section, if there has been no change in the information in the corporation's last statement on file in the Secretary of State's office, the corporation may, in lieu of filing the statement described in paragraph (a) of this section, advise the Secretary of State, on the appropriate form, that no changes in the required information have occurred during the applicable period.

ARTICLE VIII

GENERAL CORPORATE MATTERS

Section 1. Record Date for Purposes other than Notice and Voting.

For purposes of determining the shareholders entitled to receive payment of dividends or other distributions or allotment of rights, or entitled to exercise any rights in respect of any other lawful action (other than voting at and receiving notice of shareholders' meetings and giving written consent of the shareholders without a meeting), the board of directors may fix in advance a record date, which will be not more than sixty (60) nor less than ten (10) days before the date of the dividend payment, distribution, allotment, or other action. If a record date is so fixed, only shareholders of record at the close of business on that date will be entitled to receive the dividend, distribution, or allotment of rights, or to exercise the other rights, as the case may be, despite any transfer of shares on the corporation's books after the record date, except as otherwise provided by statute.

If the board of directors does not so fix a record date in advance, the record date will be at the close of business on the later of (1) the day on which the board of directors adopts the applicable resolution or (2) the sixtieth (60th) day before the date of the dividend payment, distribution, allotment of rights, or other action.

Section 2. Authorized Signatories for Checks.

All checks, drafts, other orders for payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the corporation will be signed or endorsed by the person or persons in the manner authorized from time to time by resolution of the board of directors.

Section 3. Executing Corporate Contracts and Instruments.

Except as otherwise provided in the articles or in these bylaws, the board of directors by resolution may authorize any officer, officers, agent, or agents to enter into any contract or to execute any instrument in the name of and on behalf of the corporation. This authority may be general or it may be confined to one or more specific matters. No officer, agent, employee, or other person purporting to act on behalf of the corporation will have any power or authority to bind the corporation in any way, to pledge the corporation's credit, or to render the corporation liable for any purpose or in any amount, unless that person was acting with authority granted by the board of directors as provided in these bylaws, or unless an unauthorized act was later ratified by the corporation.

Section 4. Certificates for Shares.

A certificate or certificates for shares of the capital stock of the corporation will be issued to each shareholder when any of the shares are fully paid.

In addition to certificates for fully paid shares, the board of directors may authorize the issuance of certificates for shares that are partly paid and subject to call for the remainder of the purchase price, provided that the certificates representing partly paid shares will state the total amount of the consideration to be paid for the shares and the amount actually paid.

All certificates will certify the number of shares and the class or series of shares represented by the certificate. All certificates will be signed in the name of the corporation by (1) either the president or any vice president, and (2) either the chief financial officer, any assistant treasurer, the secretary, or any assistant secretary.

None of the signatures on the certificate may be facsimile. If any officer, transfer agent, or registrar who has signed a certificate will have ceased to be that officer, transfer agent, or registrar before that certificate is issued, the certificate may be issued by the corporation with the same effect as if that person were an officer, transfer agent, or registrar at the date of issue.

Section 5. Lost Certificates.

Except as provided in this Section 5, no new certificates for shares will be issued to replace old certificates unless the old certificate is surrendered to the corporation for cancellation at the same time. If share certificates or certificates for any other security have been lost, stolen, or destroyed, the board of directors may authorize the issuance of replacement certificates on terms and conditions as required by the board, which may include a requirement that the owner give the corporation a bond (or other adequate security) sufficient to indemnify the corporation against any claim that may be made against it (including any expense or liability) on account of the alleged

loss, theft, or destruction of the old certificate or the issuance of the replacement certificate.

Section 6. Shares of Other Corporations: How Voted.

Shares of other corporations standing in the name of this corporation will be voted by one of the following persons, listed in order of preference: (1) president, or person designated by the president; (2) first vice president, or person designated by the first vice president; (3) other person designated by the board of directors. The authority to vote shares granted by this section includes the authority to execute a proxy in the name of the corporation for purposes of voting the shares.

Section 7. Reimbursement of Corporation if Payment not Tax Deductible.

If all or part of the compensation, including expenses, paid by the corporation to a director, officer, employee, or agent is finally determined not to be allowable to the corporation as a federal or state income tax deduction, the director, officer, employee, or agent to whom the payment was made will repay to the corporation the amount disallowed. The board of directors will enforce repayment of each such amount disallowed by the taxing authorities.

Section 8. Construction and Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Corporations Code §§100-195 govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

ARTICLE IX

AMENDMENTS

Section 1. Amendment by Board of Directors or Shareholders.

Except as otherwise required by law or by the articles of incorporation, these bylaws may be amended or repealed, and new bylaws may be adopted, by the board of directors or by the holders of a majority of the outstanding shares entitled to vote.


CERTIFICATE

I, Lynn Harrington-Schmid, certify that:

I am the Secretary of Chelsea Service Corporation; and

The foregoing Bylaws, consisting of twenty-two (22) pages, are a true and correct copy of the Bylaws of the corporation as duly adopted by the written consent of the sole director of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the corporation this 23rd day of February, 2004.



Lynn Harrington-Schmid, Secretary

AMENDED AND RESTATED BYLAWS

OF

CHELSEA INVESTMENT CORPORATION, a California corporation (the "Corporation")

These Amended and Restated Bylaws amend and restate in their entirety those certain Bylaws of the Corporation (formerly known as Chelsea Service Corporation), adopted February 23, 2004.

ARTICLE I - OFFICES

Section 1. The principal executive office of the Corporation shall be at such place inside or outside the State of California as the Board of Directors may determine from time to time.

Section 2. The Corporation may also have offices at such other places as the Board of Directors may from time to time designate, or as the business of the Corporation may require.

ARTICLE II - SHAREHOLDERS' MEETINGS

Section 1. Annual Meetings. The annual meeting of the shareholders of the Corporation for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting shall be held at such place and at such time as may be fixed from time to time by the Board of Directors and stated in the notice of the meeting. If the annual meeting of the shareholders be not held as herein prescribed, the election of directors may be held at any meeting thereafter called pursuant to these Bylaws.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose whatsoever, unless otherwise prescribed by statute, may be called at any time by the Chairman of the Board, the President, or by the Board of Directors, or by one or more shareholders holding not less than ten percent (10%) of the voting power of the Corporation.

Section 3. Place. All meetings of the shareholders shall be at any place within or without the State of California designated by the Board of Directors or by written consent of all the persons entitled to vote thereat, given either before or after the meeting. In the absence of any such designation, shareholders' meetings shall be held at the principal executive office of the Corporation. Subject to the provisions of Section 600(e) of the California Corporations Code, meetings of the shareholders may be conducted, in whole or in part, by electronic transmission by and to the Corporation or by electronic video screen communication.

Section 4. Notice. Notice of meetings of the shareholders of the Corporation shall be given in writing to each shareholder entitled to vote, either personally, by first-class mail (unless the Corporation has 500 or more shareholders determined as provided by the California Corporations Code on the record date for the meeting, in which case notice may be sent by third-class mail), by electronic transmission by the corporation, or other means of written communication, charges prepaid, addressed to the shareholder at his address appearing on the books of the Corporation or given by the shareholder to the Corporation for the purpose of notice. Notice of any such meeting of shareholders shall be sent to each shareholder entitled thereto not less than ten (10) (or, if sent by third-class mail, thirty (30)) nor more than sixty (60) days before the meeting. Said notice shall state the place, date and hour of the meeting, the means of electronic transmission by and to the corporation or electronic video screen communication, if any, by which shareholders may participate in that meeting, and, (1) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (2) in the case of annual meetings, those matters which the Board of Directors, at the time of the mailing of the notice, intends to present for action by the shareholders, but subject to Section 601(f) of the California Corporations Code any proper matter may be presented at the meeting for shareholder action, and (3) in the case of any meeting at which directors are to be elected, the names of the nominees intended at the time of the mailing of the notice to be presented by management for election.

Section 5. Adjourned Meetings. Any shareholders' meeting may be adjourned from time to time by the vote of the holders of a majority of the voting shares present at the meeting either in person or by proxy. Notice of any adjourned meeting need not be given unless a meeting is adjourned for forty-five (45) days or more from the date set for the original meeting.

Section 6. Quorum. The presence in person or by proxy of the persons entitled to vote a majority of the shares entitled to vote at any meeting constitutes a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares, the holders of which are either present in person or represented by proxy thereat, but no other business may be transacted, except as provided above.

Section 7. Shareholder Action by Written Consent. Any action which may be taken at any meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that (1) unless the consents of all

shareholders entitled to vote have been solicited in writing, notice of any shareholder approval without a meeting by less than unanimous written consent shall be given as required by the California Corporations Code, and (2) directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of directors.

Any written consent may be revoked by a writing received by the Secretary of the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary.

Section 8. Waiver of Notice. The transactions of any meeting of shareholders, however called and noticed, and whenever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 9. Voting. The voting at all meetings of shareholders need not be by ballot, but any qualified shareholder before the voting begins may demand a stock vote whereupon such stock vote shall be taken by ballot, each of which shall state the name of the shareholder voting and the number of shares voted by such shareholder, and if such ballot be cast by a proxy, it shall also state the name of such proxy.

At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person, or by proxy appointed in a writing subscribed by such shareholder and bearing a date not more than eleven months prior to said meeting, unless the writing states that it is irrevocable and satisfies Section 705(e) of the California Corporations Code, in which event it is irrevocable for the period specified in said writing and said Section 705(e).

Section 10. Record Dates. In the event the Board of Directors fixes a day for the determination of shareholders of record entitled to vote as provided in Section 1 of Article V of these Bylaws, then, subject to the provisions of the General Corporation Law of the State of California, only persons in whose name shares entitled to vote stand on the stock records of the Corporation at the close of business on such day shall be entitled to vote.

If no record date is fixed:

The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day next preceding the day notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held;

The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is given; and

The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto, or the 60th day prior to the date of such other action, whichever is later.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than forty-five (45) days.

Section 11. Cumulative Voting for Election of Directors. Provided the candidate's name has been placed in nomination prior to the voting and one or more shareholders has given notice at the meeting prior to the voting of the shareholder's intent to cumulate the shareholder's votes, every shareholder entitled to vote at any election for directors shall have the right to cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder shall think fit. The candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares are elected.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Powers. Subject to any limitations in the Articles of Incorporation or these Bylaws and to any provision of the California Corporations Code requiring shareholder authorization or approval for a particular action, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by, or under the direction of, the Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person provided that the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised, under the ultimate direction of the Board of Directors.

Section 2. Number, Tenure and Qualifications. Except as set forth herein, the authorized number of directors of the Corporation shall be one (1). The number of directors of the Corporation may be changed from time to time by a resolution duly adopted by the Board of Directors. No reduction of the authorized number of directors shall have the effect of removing any director before his or her term of office expires.

Directors shall hold office until the next annual meeting of shareholders and until their respective successors are elected. If any such annual meeting is not held, or the

directors are not elected thereat, the directors may be elected at any special meeting of shareholders held for that purpose.

Section 3. Regular Meetings. A regular annual meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide for other regular meetings from time to time by resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, or the President or any Vice President, or the Secretary or any two directors. Written notice of the time and place of all special meetings of the Board of Directors shall be delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail or other electronic means to each director at least forty-eight (48) hours before the meeting, or sent to each director by first-class mail, postage prepaid, at least four (4) days before the meeting. Such notice need not specify the purpose of the meeting. Notice of any meeting of the Board of Directors need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to such director.

Section 5. Place of Meetings. Meetings of the Board of Directors may be held at any place within or without the State of California, which has been designated in the notice, or if not stated in the notice or there is no notice, the principal executive office of the Corporation or as designated by the resolution duly adopted by the Board of Directors.

Section 6. Participation by Telephone. Members of the Board of Directors may participate in a meeting through use of conference telephone, electronic video screen communication, or other communications equipment. Participation in a meeting through use of conference telephone constitutes presence in person at the meeting as long as all members participating in such meeting can hear one another. Participation in a meeting through the use of electronic video screen communication or other communications equipment (other than conference telephone) constitutes presence in person at that meeting if all of the following apply: (a) each member participating in the meeting can communicate with all of the other members concurrently, (b) each member is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Corporation, and (c) the Corporation adopts and implements some means of verifying that (i) a person participating in the meeting is a director or other person entitled to participate in the Board of Directors meeting, and (ii) all actions of, or votes by, the Board of Directors are taken or cast only by the directors and not by persons who are not directors.

Section 7. Quorum. A majority of the Board of Directors shall constitute a quorum at all meetings. In the absence of a quorum a majority of the directors present may adjourn any meeting to another time and place. If a meeting is adjourned for more than 24

hours, notice of any adjournment to another time or place shall be given prior to the time of the reconvened meeting to the directors who were not present at the time of adjournment.

Section 8. Action at Meeting. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 9. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 10. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 11. Removal. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by an order of court or who has been convicted of a felony.

The entire Board of Directors or any individual director may be removed from office without cause by a vote of shareholders holding a majority of the outstanding shares entitled to vote at an election of directors; provided, however, that unless the entire Board of Directors is removed, no individual director may be removed when the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes cast were cast (or, if such action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

In the event an office of a director is so declared vacant or in case the Board of Directors or any one or more directors be so removed, new directors may be elected at the same meeting.

Section 12. Resignations. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of

such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Vacancies. Except for a vacancy created by the removal of a director, all vacancies in the Board of Directors, whether caused by resignation, death or otherwise, may be filled by a majority of the remaining directors or, if the number of directors then in office is less than a quorum, by (a) the unanimous written consent of the directors then in office, (b) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice complying with California Corporations Code Section 307, or (c) a sole remaining director, and each director so elected shall hold office until his successor is elected at an annual, regular or special meeting of the shareholders. Vacancies created by the removal of a director may be filled only by approval of the shareholders. The shareholders may elect a director at any time to fill any vacancy not filled by the directors. Any such election by written consent requires the consent of a majority of the outstanding shares entitled to vote.

Section 14. Compensation. No stated salary shall be paid directors, as such, for their services, but, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of such Board; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 15. Committees. The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The appointment of members or alternate members of a committee requires the vote of a majority of the authorized number of directors. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have all the authority of the Board of Directors in the management of the business and affairs of the Corporation, except with respect to (a) the approval of any action requiring shareholders' approval or approval of the outstanding shares, (b) the filling of vacancies on the Board of Directors or any committee, (c) the fixing of compensation of directors for serving on the Board of Directors or any committee, (d) the adoption, amendment or repeal of Bylaws, (e) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable, (f) a distribution to shareholders, except at a rate or in a periodic amount or within a price range determined by the Board of Directors, and (g) the appointment of other committees of the Board of Directors or the members thereof.

ARTICLE IV - OFFICERS

Section 1. Number and Term. The officers of the Corporation shall be a Chairman of the Board (alternatively titled Chief Executive Officer), a President, a Secretary and a Chief Financial Officer (alternatively titled Treasurer), all of which shall be chosen by the Board of Directors. In addition, the Board of Directors may appoint such other officers as may be deemed expedient for the proper conduct of the business of the Corporation, each of whom shall have such authority and perform such duties as the Board of Directors may from time to time determine. The officers to be appointed by the Board of Directors shall be chosen annually at the regular meeting of the Board of Directors held after the annual meeting of shareholders and shall serve at the pleasure of the Board of Directors. If officers are not chosen at such meeting of the Board of Directors, they shall be chosen as soon thereafter as shall be convenient. Each officer shall hold office until his successor shall have been duly chosen or until his removal or resignation.

Section 2. Inability to Act. In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer, or any director or other person whom it may select.

Section 3. Removal and Resignation. Any officer chosen by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of all the members of the Board of Directors.

Any officer chosen by the Board of Directors may resign at any time by giving written notice of said resignation to the Corporation. Unless a different time is specified therein, such resignation shall be effective upon its receipt by the Chairman of the Board, the President, the Secretary or the Board of Directors.

Section 4. Vacancies. A vacancy in any office because of any cause may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board/Chief Executive Officer. The Chairman of the Board may also be designated by the alternate title of Chief Executive Officer. The Board of Directors may appoint one of its members to be the Chairman to serve at the pleasure of the Board of Directors. If appointed, the Chairman shall preside at all meetings of the Board of Directors.

Section 6. President. The President shall be the general manager and chief executive officer of the Corporation, subject to the control of the Board of Directors, and as such shall preside at all meetings of shareholders, shall have general supervision of the affairs of the Corporation, shall sign or countersign or authorize another officer to sign all certificates, contracts and other instruments of the Corporation as authorized by the Board of Directors, shall make reports to the Board of Directors and shareholders, and shall perform all such other duties as are incident to such office or are properly required by the Board of Directors.

Section 7. Vice President. In the absence of the President, or in the event of such officer's death, disability or refusal to act, the Vice President, or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their selection, or in the absence of such designation, then in the order of their selection, shall perform the duties of President, and when so acting, shall have all the powers and be subject to all restrictions upon the President. Each Vice President shall have such powers and discharge such duties as may be assigned from time to time by the President or by the Board of Directors.

Section 8. Secretary. The Secretary shall see that notices for all meetings are given in accordance with the provisions of these Bylaws and as required by law, shall keep minutes of all meetings, shall have charge of the seal and the corporate books, and shall make such reports and perform such other duties as are incident to such office, or as are properly required by the President or by the Board of Directors.

The Assistant Secretary or the Assistant Secretaries, in the order of their seniority, shall, in the absence or disability of the Secretary, or in the event of such officer's refusal to act, perform the duties and exercise the powers and discharge such duties as may be assigned from time to time by the President or by the Board of Directors.

Section 9. Chief Financial Officer/Treasurer. The Chief Financial Officer may also be designated by the alternate title of Treasurer. The Chief Financial Officer shall have the custody of all moneys and securities of the Corporation and shall keep regular books of account. Such officer shall disburse funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time as may be required of such officer, an account of all transactions as Chief Financial Officer and of the financial condition of the Corporation. Such officer shall perform all duties incident to such office or that are properly required by the President or by the Board of Directors. If required by the Board of Directors, the Chief Financial Officer shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

The Assistant Treasurer or the Assistant Treasurers, in the order of their seniority, shall, in the absence or disability of the Chief Financial Officer, or in the event of such officer's refusal to act, perform the duties and exercise the powers of the Chief Financial Officer, and shall have such powers and discharge such duties as may be assigned from time to time by the President or by the Board of Directors.

Section 10. Officers Holding More Than One Office. Any two or more offices may be held by the same person.

ARTICLE V - MISCELLANEOUS

Section 1. Record Date and Closing of Stock Books. The Board of Directors may fix a time in the future as a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders or entitled to receive payment of any dividend or distribution, or any allotment of rights, or to exercise rights in respect to any other lawful action. The record date so fixed shall not be more than sixty nor less than ten days prior to the date of the meeting or event for the purposes of which it is fixed. When a record date is so fixed, only shareholders of record at the close of business on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date.

The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of a period of not more than sixty days prior to the date of a shareholders' meeting, the date when the right to any dividend, distribution, or allotment of rights vests, or the effective date of any change, conversion or exchange of shares.

Section 2. Stock Certificates. Certificates of stock shall be issued in numerical order and each shareholder shall be entitled to a certificate signed in the name of the Corporation by the Chairman of the Board or the President or a Vice President, and the Chief Financial Officer or the Secretary or an Assistant Secretary, certifying to the number of shares owned by such shareholder. Any or all of the signatures on the certificate may be facsimile. Prior to the due presentment for registration of transfer in the stock transfer book of the Corporation, the registered owner shall be treated as the person exclusively entitled to vote, to receive notifications and otherwise to exercise all the rights and powers of an owner, except as expressly provided otherwise by the laws of the State of California.

Section 3. Representation of Shares in Other Corporations. Shares of other corporations standing in the name of this Corporation may be voted or represented and all incidents thereto may be exercised on behalf of the Corporation by the Chairman of the Board, President or the Vice President and the Chief Financial Officer or the Secretary or an Assistant Secretary.

Section 4. Fiscal Year. The fiscal year of the Corporation shall end on December 31 of each year.

Section 5. Annual Reports. The Annual Report to shareholders, described in the California Corporations Code, is expressly waived and dispensed with.

Section 6. Amendments. Bylaws may be adopted, amended, or repealed by the vote or the written consent of shareholders entitled to exercise a majority of the voting power of the Corporation. Subject to the right of shareholders to adopt, amend, or repeal Bylaws, Bylaws may be adopted, amended, or repealed by the Board of Directors, except

that a Bylaw amendment thereof changing the authorized number of directors may be adopted by the Board of Directors only if these Bylaws permit an indefinite number of directors and the Bylaw or amendment thereof adopted by the Board of Directors changes the authorized number of directors within the limits specified in these Bylaws.

Section 7. Indemnification of Directors and Officers. The Corporation shall, to the maximum extent and in the manner permitted by the California Corporations Code, indemnify each of its directors and officers against expenses (as defined in Section 317(a) of the California Corporations Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the California Corporations Code), arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Article V, a "director" or "officer" of the Corporation includes any person (i) who is or was a director or officer of the Corporation, (ii) who is or was serving at the request of the Corporation as a director or officer of another Corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a Corporation which was a predecessor Corporation of the Corporation or of another enterprise at the request of such predecessor Corporation.

Section 8. Indemnification of Others. The Corporation shall have the power, to the extent and in the manner permitted by the California Corporations Code, to indemnify each of its employees and agents (other than directors and officers) against expenses (as defined in Section 317(a) of the California Corporations Code), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding (as defined in Section 317(a) of the California Corporations Code), arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Article V, an "employee" or "agent" of the Corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the Corporation, (ii) who is or was serving at the request of the Corporation as an employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a Corporation which was a predecessor Corporation of the Corporation or of another enterprise at the request of such predecessor Corporation.

CERTIFICATE OF SECRETARY OF
CHELSEA INVESTMENT CORPORATION

I, the undersigned, certify that:

1. I am the duly elected and acting Secretary of Chelsea Investment Corporation, a California corporation (the "Corporation"), and

2. The foregoing document is a true and complete copy of the Amended and Restated Bylaws of the Corporation as duly adopted by the written consent of the sole director of the Corporation as in effect on the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of this 29th day of June, 2017.



Lynn Harrington Schmid, Secretary

Chelsea Investment Corporation

Financial Statements

**For the nine months ended
September 30, 2020**

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Chelsea Investment Corporation and Subsidiaries
Consolidated Balance Sheet
September 30, 2020

ASSETS

Current assets:

| | |
|----------------------------------------------------------------|-------------------|
| Cash and cash equivalents | \$ 1,253,746 |
| Marketable securities, net | 3,850,843 |
| Accounts receivable - Related parties | 1,581,368 |
| Prepaid expenses | 69,171 |
| Current portion of developer fees receivable - related parties | 14,379,049 |
| Current portion of project cost advances - related parties | 5,420,431 |
| Notes receivable - related party | 62,339 |
| Total current assets | <u>26,616,947</u> |

Fixed assets:

| | |
|--------------------------|----------------|
| Property and equipment | 659,039 |
| Leasehold improvements | 224,468 |
| Accumulated depreciation | (684,344) |
| Fixed assets, net | <u>199,163</u> |

Other assets:

| | |
|-------------------------------------------------------------------|------------------|
| Developer fees receivable - related parties, less current portion | 5,176,522 |
| Project cost advances - related parties, less current portion | 1,845,863 |
| Total other assets | <u>7,022,385</u> |

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 33,838,495</u></u> |
|--------------|-----------------------------|

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

| | |
|------------------------------|------------------|
| Accounts payable | \$ 203,776 |
| Accrued expenses | 1,148,447 |
| Note payable - related party | 2,069,324 |
| Note payable - PPP | 915,809 |
| Total current liabilities | <u>4,337,357</u> |

Long-term liabilities:

| | |
|-------------------------------|------------------|
| Lease liability | - |
| Line of credit | 2,000,000 |
| Unearned developer fee income | 7,423,495 |
| Total long-term liabilities | <u>9,423,495</u> |

| | |
|-------------------|--------------------------|
| Total liabilities | <u><u>13,760,852</u></u> |
|-------------------|--------------------------|

Stockholder's equity

Controlled interest

| | |
|-----------------------------------|------------|
| Common stock, no par value | |
| 1,000 shares authorized | |
| 100 shares issued and outstanding | 100 |
| Additional paid in capital | 2,967,000 |
| Retained earnings | 17,110,445 |

| | |
|---------------------------|------------|
| Total controlled interest | 20,077,545 |
|---------------------------|------------|

| | |
|--------------------------|-----------|
| Non controlling interest | <u>99</u> |
|--------------------------|-----------|

| | |
|----------------------------|-------------------|
| Total stockholder's equity | <u>20,077,644</u> |
|----------------------------|-------------------|

| | |
|--------------------------------------------|-----------------------------|
| Total liabilities and stockholder's equity | <u><u>\$ 33,838,495</u></u> |
|--------------------------------------------|-----------------------------|

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Operations and Comprehensive Income
For the nine months ended September 30, 2020

REVENUES

| | |
|----------------|------------------|
| Developer fees | \$ 7,309,738 |
| Other revenue | 90,823 |
| Total revenue | <u>7,400,561</u> |

OPERATING EXPENSES

| | |
|----------------------------------|------------------|
| Compensation and benefits | 3,628,880 |
| Insurance | 592,293 |
| Consulting and professional fees | 301,097 |
| Payroll taxes | 331,623 |
| Rent | 267,581 |
| Office Expense | 168,227 |
| Deferred compensation | 104,909 |
| Bad debt expense | 108,543 |
| Utilities | 88,246 |
| Depreciation expense | 74,719 |
| Advertising | 40,713 |
| Real estate taxes | 22,417 |
| Contributions | 29,674 |
| General and administrative | 17,258 |
| Repairs and maintenance | 13,410 |
| Meals and entertainment | 10,192 |
| Travel | 8,536 |
| Other expenses | (246,886) |
| Total operating expenses | <u>5,561,431</u> |

Operating income 1,839,130

OTHER INCOME (EXPENSES)

| | |
|--------------------|----------------|
| Interest expense | 137,150 |
| Total other income | <u>137,150</u> |

INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES 1,976,281

| | |
|----------------------------|-----------------|
| Provision for income taxes | <u>(17,643)</u> |
|----------------------------|-----------------|

NET INCOME (LOSS) \$ 1,958,637

OTHER COMPREHENSIVE INCOME

| | |
|--------------------------------------------------|-----------------|
| Unrealized gain on available-for-sale securities | <u>(74,975)</u> |
|--------------------------------------------------|-----------------|

TOTAL COMPREHENSIVE INCOME \$ 1,883,663

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Cash Flow
For the nine months ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-----------------------------------------------------------------------|----------------|
| Total comprehensive income (loss) | \$ 1,883,663 |
| Adjustments to reconcile net income to net cash provided by (used in) | |
| Operating activities: | |
| Depreciation expense | 74,719 |
| Bad debt expense | 108,543 |
| Unrealized gain on investment | 74,975 |
| (Increase) decrease in operating assets | |
| Marketable securities | (1,644,192) |
| Accounts receivable | (515,560) |
| Developer fees receivable - related parties | (307,837) |
| Prepaid expenses and deposits | 126,456 |
| Increase (decrease) in operating liabilities | |
| Accounts payable | (80,728) |
| Accrued expenses | 299,817 |
| Note payable - PPP | 915,809 |
| Net cash provided by (used in) operating activities | <u>935,663</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--------------------------------------------------------------------|--------------------|
| Reimbursement (funding) of notes receivable - related parties | (33,339) |
| Purchase of property and equipment | (19,750) |
| Reimbursement (funding) of project cost advances - related parties | (1,910,101) |
| Net cash provided by (used in) investing activities | <u>(1,963,190)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---------------------------------------------------------|------------------|
| (Payment of) proceeds from line of credit | - |
| (Payment of) proceeds from note payable - related party | 119,104 |
| Stockholder contribution | 1,660,038 |
| Payment of lease liability | (34,144) |
| Net cash provided by (used in) financing activities | <u>1,744,998</u> |

| | |
|------------------------------------------------------|---------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 717,472 |
|------------------------------------------------------|---------|

| | |
|----------------------------------------------|----------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>536,275</u> |
|----------------------------------------------|----------------|

| | |
|----------------------------------------|----------------------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,253,746</u></u> |
|----------------------------------------|----------------------------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|----------------------------------------|--------------------|
| Cash paid for interest during the year | <u><u>\$ -</u></u> |
|----------------------------------------|--------------------|

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Stockholder's Equity
For the nine months ended September 30, 2020

| Controlling Interest | | | | | | | |
|-------------------------------|--------------|--------|----------------------------------|----------------------|----------------------------------|--------------------------------------|----------------------------------|
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Total Controlling Interest | Total Non-controlling Interest | Total Stockholder's Equity |
| | Shares | Amount | | | | | |
| BALANCE, DECEMBER 31, 2019 | 100 | \$ 100 | \$ 2,967,000 | \$ 13,539,739 | \$ 16,506,839 | \$ 99 | \$ 16,506,938 |
| Stockholder contributions | - | - | 150,000 | - | 150,000 | - | 150,000 |
| Net income (loss) | - | - | - | 1,958,637 | 1,958,637 | - | 1,958,637 |
| Other comprehensive income: | | | | | | | |
| Unrealized gain on investment | - | - | - | (74,975) | (74,975) | - | (74,975) |
| BALANCE, March 31, 2020 | 100 | \$ 100 | \$ 3,117,000 | \$ 15,423,402 | \$ 18,540,502 | \$ 99 | \$ 18,540,601 |

##

Chelsea Investment Corporation

Financial Statements

**For the twelve Months Ended
December 31, 2019**

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Chelsea Investment Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2019

ASSETS

Current assets:

| | |
|----------------------------------------------------------------|-------------------|
| Cash and cash equivalents | \$ 550,965 |
| Marketable securities, net | 2,262,195 |
| Accounts receivable - Related parties | 1,182,466 |
| Prepaid expenses | 192,588 |
| Current portion of developer fees receivable - related parties | 11,012,194 |
| Current portion of project cost advances - related parties | 1,821,512 |
| Notes receivable - related party | 29,000 |
| Total current assets | <u>17,050,921</u> |

Fixed assets:

| | |
|--------------------------|----------------|
| Property and equipment | 646,039 |
| Leasehold improvements | 217,718 |
| Accumulated depreciation | (609,626) |
| Fixed assets, net | <u>254,132</u> |

Other assets:

| | |
|-------------------------------------------------------------------|-------------------|
| Developer fees receivable - related parties, less current portion | 8,477,129 |
| Project cost advances - related parties, less current portion | 3,212,201 |
| Total other assets | <u>11,689,330</u> |

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 28,994,382</u></u> |
|--------------|-----------------------------|

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

| | |
|------------------------------|------------------|
| Accounts payable | \$ 522,504 |
| Accrued expenses | 848,630 |
| Note payable - related party | 1,950,210 |
| Total current liabilities | <u>3,321,345</u> |

Long-term liabilities:

| | |
|-------------------------------|------------------|
| Lease liability | 34,144 |
| Line of credit | 2,000,000 |
| Unearned developer fee income | 6,692,272 |
| Total long-term liabilities | <u>8,726,416</u> |

| | |
|-------------------|--------------------------|
| Total liabilities | <u><u>12,047,760</u></u> |
|-------------------|--------------------------|

Stockholder's equity

Controlled interest

| | |
|-----------------------------------|------------|
| Common stock, no par value | |
| 1,000 shares authorized | |
| 100 shares issued and outstanding | 100 |
| Additional paid in capital | 2,967,000 |
| Retained earnings | 13,979,423 |

| | |
|---------------------------|------------|
| Total controlled interest | 16,946,523 |
|---------------------------|------------|

| | |
|--------------------------|-----------|
| Non controlling interest | <u>99</u> |
|--------------------------|-----------|

| | |
|----------------------------|-------------------|
| Total stockholder's equity | <u>16,946,622</u> |
|----------------------------|-------------------|

| | |
|--------------------------------------------|-----------------------------|
| Total liabilities and stockholder's equity | <u><u>\$ 28,994,382</u></u> |
|--------------------------------------------|-----------------------------|

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Operations and Comprehensive Income
For the twelve months ended December 31, 2019

REVENUES

| | |
|----------------|-------------------|
| Developer fees | \$ 10,897,621 |
| Total revenue | <u>10,897,621</u> |

OPERATING EXPENSES

| | |
|----------------------------------|------------------|
| Compensation and benefits | 6,119,842 |
| Bad debt expense | 391,338 |
| Consulting and professional fees | 766,756 |
| Insurance | 767,726 |
| Rent | 318,695 |
| General and administrative | 43,517 |
| Payroll taxes | 429,570 |
| Deferred compensation | 259,286 |
| Advertising | 104,469 |
| Utilities | 123,653 |
| Depreciation expense | 106,792 |
| Office Expenses | 194,163 |
| Real estate taxes | 41,806 |
| Repairs and maintenance | 13,677 |
| Other expenses | (370,527) |
| Contributions | 49,859 |
| Travel | 164,076 |
| Meals and entertainment | 14,539 |
| Total operating expenses | <u>9,539,236</u> |

Operating income 1,358,385

OTHER INCOME (EXPENSES)

| | |
|--------------------------------|---------------|
| Investment and interest income | 252,533 |
| Interest expense | (222,768) |
| Total other income | <u>29,765</u> |

INCOME BEFORE PROVISION FOR INCOME TAXES 1,388,150

Provision for income taxes (800)

NET INCOME (LOSS) \$ 1,387,350

OTHER COMPREHENSIVE INCOME

Unrealized gain on available-for-sale securities 35,120

TOTAL COMPREHENSIVE INCOME \$ 1,422,470

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Cash Flow
For the twelve months ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-----------------------------------------------------------------------|--------------------|
| Net income | \$ 1,387,350 |
| Adjustments to reconcile net income to net cash provided by (used in) | |
| Operating activities: | |
| Depreciation expense | 106,792 |
| Bad debt expense | 391,338 |
| Unrealized gain on investment | (35,120) |
| (Increase) decrease in operating assets | |
| Marketable securities | (9,484) |
| Accounts receivable | 1,217 |
| Developer fees receivable - related parties | (4,104,380) |
| Prepaid expenses and deposits | (50,532) |
| Increase (decrease) in operating liabilities | |
| Accounts payable | 411,321 |
| Accrued expenses | (3,036) |
| Net cash provided by (used in) operating activities | <u>(1,904,532)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--------------------------------------------------------------------|--------------------|
| Reimbursement (funding) of notes receivable - related parties | 206,726 |
| Purchase of property and equipment | (65,248) |
| Reimbursement (funding) of project cost advances - related parties | <u>(1,346,171)</u> |
| Net cash provided by (used in) investing activities | <u>(1,204,692)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---------------------------------------------------------|------------------|
| Payment of line of credit | 2,000,000 |
| (Payment of) proceeds from note payable - related party | 1,450,000 |
| Payment of lease liability | <u>(58,366)</u> |
| Net cash provided by (used in) financing activities | <u>3,391,634</u> |

| | |
|------------------------------------------------------|---------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 282,409 |
|------------------------------------------------------|---------|

| | |
|----------------------------------------------|----------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>268,556</u> |
|----------------------------------------------|----------------|

| | |
|----------------------------------------|--------------------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 550,965</u></u> |
|----------------------------------------|--------------------------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|----------------------------------------|----------------------------|
| Cash paid for interest during the year | <u><u>\$ (252,533)</u></u> |
|----------------------------------------|----------------------------|

Chelsea Investment Corporation and Subsidiaries
Consolidated Statement of Stockholder's Equity
For the twelve months ended December 31, 2019

| | Controlling Interest | | | | | | |
|-------------------------------|----------------------|--------|--------------|---------------|---------------|-----------------|---------------|
| | Common Stock | | Additional | Retained | Total | Total | Total |
| | Shares | Amount | Paid-in | Earnings | Controlling | Non-controlling | Stockholder's |
| | | | Capital | | Interest | Interest | Equity |
| BALANCE, DECEMBER 31, 2018 | 100 | \$ 100 | \$ 2,967,000 | \$ 12,556,953 | \$ 15,524,053 | \$ 99 | \$ 15,524,152 |
| Stockholder distributions | - | - | - | - | - | - | - |
| Net income (loss) | - | - | - | 1,387,350 | 1,387,350 | - | 1,387,350 |
| Other comprehensive income: | | | | | | | |
| Unrealized gain on investment | - | - | - | 35,120 | 35,120 | - | 35,120 |
| BALANCE, December 31, 2019 | 100 | \$ 100 | \$ 2,967,000 | \$ 13,979,423 | \$ 16,946,523 | \$ 99 | \$ 16,946,622 |

**CHELSEA INVESTMENT CORPORATION
AND SUBSIDIARES
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018
with
Independent Auditors' Report**

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Independent Auditors' Report

To the Stockholder of
Chelsea Investment Corporation and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Chelsea Investment Corporation and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations and comprehensive income, stockholder's equity, and cash flows for the year then ended, and related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Chelsea Investment Corporation and Subsidiaries as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Novogrudac & Company LLP

Long Beach, California
April 29, 2019

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2018

ASSETS

Current assets:

| | |
|----------------------------------------------------------------|------------------|
| Cash and cash equivalents | \$ 268,555 |
| Marketable securities, net | 2,135,460 |
| Due from related party | 1,574,801 |
| Prepaid expenses and deposits | 179,556 |
| Current portion of developer fees receivable - related parties | 2,355,177 |
| Current portion of project cost advances - related parties | 1,703,894 |
| Notes receivable - related party | 193,579 |
| Interest receivable - related party | 4,646 |
| Total current assets | <u>8,415,668</u> |

Fixed assets:

| | |
|--------------------------|----------------|
| Property and equipment | 618,877 |
| Leasehold improvements | 179,634 |
| Accumulated depreciation | (502,834) |
| Fixed assets, net | <u>295,677</u> |

Other assets:

| | |
|-------------------------------------------------------------------|------------------|
| Developer fees receivable - related parties, less current portion | 1,316,432 |
| Project cost advances - related parties, less current portion | 1,983,648 |
| Total other assets | <u>3,300,080</u> |

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 12,011,425</u></u> |
|--------------|-----------------------------|

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:

| | |
|------------------------------|------------------|
| Accounts payable | \$ 111,184 |
| Accrued expenses | 480,512 |
| Rent payable | 116,154 |
| Note payable - related party | 500,000 |
| Total current liabilities | <u>1,207,850</u> |

Long-term liabilities:

| | |
|---------------------------------------------------|----------------|
| Lease liability | 92,510 |
| Nonqualified deferred compensation plan liability | 255,000 |
| Total long-term liabilities | <u>347,510</u> |

| | |
|-------------------|-----------|
| Total liabilities | 1,555,360 |
|-------------------|-----------|

Stockholder's equity:

Controlling interest

| | |
|-----------------------------------|-----------|
| Common stock, no par value | |
| 1,000 shares authorized | |
| 100 shares issued and outstanding | 100 |
| Additional paid in capital | 2,967,000 |
| Retained earnings | 7,488,866 |

| | |
|----------------------------|------------|
| Total controlling interest | 10,455,966 |
|----------------------------|------------|

| | |
|--------------------------|-----------|
| Non-controlling interest | <u>99</u> |
|--------------------------|-----------|

| | |
|----------------------------|-------------------|
| Total stockholder's equity | <u>10,456,065</u> |
|----------------------------|-------------------|

| | |
|--------------------------------------------|-----------------------------|
| Total liabilities and stockholder's equity | <u><u>\$ 12,011,425</u></u> |
|--------------------------------------------|-----------------------------|

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
For the year ended December 31, 2018

| | |
|--------------------------------------------------|--------------------------|
| REVENUES | |
| Developer fees | \$ 8,045,696 |
| Management fees | 435,711 |
| Sublease income | <u>397,692</u> |
| Total revenue | 8,879,099 |
| OPERATING EXPENSES | |
| Compensation and benefits | 4,943,506 |
| Insurance | 690,577 |
| General and administrative | 614,392 |
| Consulting and professional fees | 509,427 |
| Bad debt expense | 407,082 |
| Rent | 358,824 |
| Payroll taxes | 349,865 |
| Advertising | 111,206 |
| Office expenses | 104,997 |
| Utilities | 104,945 |
| Depreciation expense | 100,720 |
| Deferred compensation | 100,000 |
| Repairs and maintenance | 63,338 |
| Real estate taxes | 40,738 |
| Other expenses | 25,311 |
| Travel | 22,866 |
| Meals and entertainment | <u>22,467</u> |
| Total operating expenses | <u>8,570,261</u> |
| Operating income | 308,838 |
| OTHER INCOME (EXPENSES) | |
| Grant income | 429,000 |
| Investment and interest income | 290,879 |
| Charitable contribution expense | (429,000) |
| Interest expense | <u>(68,592)</u> |
| Total other income | <u>222,287</u> |
| INCOME BEFORE PROVISION FOR INCOME TAXES | 531,125 |
| Provision for income taxes | <u>(95,253)</u> |
| NET INCOME | 435,872 |
| OTHER COMPREHENSIVE INCOME | |
| Unrealized loss on available-for-sale securities | <u>(37,303)</u> |
| TOTAL COMPREHENSIVE INCOME | <u><u>\$ 398,569</u></u> |

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
For the year ended December 31, 2018

| | Controlling Interest | | | | | | |
|--------------------------------|----------------------|--------|--------------|--------------|---------------|-----------------|---------------|
| | Common Stock | | Additional | Retained | Total | Non-controlling | Total |
| | Shares | Amount | Paid-in | Earnings | Controlling | Interest | Stockholder's |
| | | | Capital | | Interest | | Equity |
| BALANCE, JANUARY 1, 2018 | 100 | \$ 100 | \$ 2,967,000 | \$ 7,090,297 | \$ 10,057,397 | \$ 99 | \$ 10,057,496 |
| Net income | - | - | - | 435,872 | 435,872 | - | 435,872 |
| Other comprehensive income: | | | | | | | |
| Unrealized loss on investments | - | - | - | (37,303) | (37,303) | - | (37,303) |
| BALANCE, DECEMBER 31, 2018 | 100 | \$ 100 | \$ 2,967,000 | \$ 7,488,866 | \$ 10,455,966 | \$ 99 | \$ 10,456,065 |

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-------------------------------------------------------------------------------|------------------|
| Net income | \$ 435,872 |
| Adjustments to reconcile net income to net cash used in operating activities: | |
| Depreciation expense | 100,720 |
| Bad debt expense | 407,082 |
| (Increase) decrease in operating assets | |
| Marketable securities | (55,851) |
| Accounts receivable | (1,215,025) |
| Developer fees receivable - related parties | 1,406,385 |
| Management fees receivable | (113,627) |
| Interest receivable | (1,623) |
| Prepaid expenses and deposits | (21,039) |
| Increase (decrease) in operating liabilities | |
| Accounts payable | (626) |
| Accrued expenses | (64,139) |
| Nonqualified deferred compensation plan liability | 100,000 |
| Rent payable | 27,440 |
| Net cash provided by operating activities | <u>1,005,569</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|----------------------------------------------------------|------------------|
| Funding of notes receivable - related parties | (9,579) |
| Purchase of property and equipment | (30,574) |
| Reimbursement of project cost advances - related parties | 1,105,604 |
| Net cash provided by investing activities | <u>1,065,451</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--------------------------------------------|--------------------|
| Payment of line of credit | (1,500,000) |
| Payment of note payable - related party | (1,800,000) |
| Proceeds from note payable - related party | 500,000 |
| Net cash used in financing activities | <u>(2,800,000)</u> |

| | |
|-------------------------------------------|-----------|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (728,980) |
|-------------------------------------------|-----------|

| | |
|----------------------------------------------|----------------|
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>997,535</u> |
|----------------------------------------------|----------------|

| | |
|----------------------------------------|--------------------------|
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 268,555</u></u> |
|----------------------------------------|--------------------------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|----------------------------------------|-------------------------|
| Cash paid for interest during the year | <u><u>\$ 68,592</u></u> |
|----------------------------------------|-------------------------|

see accompanying notes

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and purpose

Chelsea Investment Corporation (the “Company”) was established in February 2004, as a real estate company focusing on the financing and development of affordable housing in Arizona, California and New Mexico. The Company provides financial engineering, development, asset management, and property management services, as well as legal and labor services to its development and investment partners and clients.

Basis of accounting

The Company prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Principles of consolidation

The accompanying consolidated financial statements include the assets, liabilities, and financial activities of the Company and its wholly-owned subsidiaries CIC Calipatria, LLC, CIC Heber, LLC, CIC Beachwind, LLC, and Ajax-Natomas, LLC. In addition, the Company is required to consolidate the financial statements of 15th Investment CIC, LLC, as the Company is deemed to have control. All inter-company accounts and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

The Company develops property for the affordable rental housing market. Future operations could be affected by changes in economic or other conditions in the Company’s geographical area or by changes in the demand for housing.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Concentration of credit risk

The Company maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments in securities

The Company classifies all equity securities as available-for-sale. Available-for-sale securities are recorded at fair value at the measurement date, with unrealized gains and losses reported as a separate component of stockholder’s equity. The fair value of the investments is based on quoted prices in active markets. Realized gains and losses and declines in value judged to be other-than-temporary, if any on available-for-sale securities are included in other income. The cost of securities sold is based on the specific identification method. Interest on securities classified as available-for-sale is included in investment and interest income on the accompanying consolidated statement of operations and comprehensive income.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive income

The Company's accumulated other comprehensive income consists of the accumulated net unrealized gains or losses on available-for-sale investments. As of December 31, 2018, the Company had an accumulated unrealized loss of \$47,012.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2018, the balance of the partnership management fees receivable and the allowance for doubtful accounts for partnership management fees receivable was \$1,038,206. Bad debt expense for the year ended December 31, 2018 was \$407,082.

Fixed assets

The Company records all depreciable assets at cost. Property and equipment are depreciated on a straight-line method over their estimated useful lives of five to seven years. Leasehold improvements are depreciated on a straight-line method over their estimated useful lives of fifteen years.

Loans receivable and allowance for loan losses

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The Company considers a loan impaired when based on current information or factors, it is probable that the Company will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Company has received specific information concerning the loan impairment. The Company reviews delinquent loans to determine impaired accounts. The Company measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows. Substantially all of the Company loans that are identified as impaired have been measured using the fair value of the collateral.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans receivable and allowance for loan losses (continued)

The Company's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Company believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectible.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt.

Partnership investments

The consolidated wholly-owned subsidiaries of the Company hold co-general partner interests in affiliated affordable housing limited partnerships. These co-general partner interests are recorded using the cost method, under which the original contributions are only adjusted for any distributions in excess of prior gains. The investments cannot be reduced below zero. Any distributions in excess of gains are recorded as investment income. As of December 31, 2018, the investment of the subsidiaries in the affiliated affordable housing limited partnerships was \$0.

Non-controlling interest in subsidiary

The non-controlling interest represents the aggregate positive balance of the other members' interest in 15th Investment CIC, LLC, and is reported in the aggregate on the consolidated balance sheet within equity and on the consolidated statement of stockholder's equity, separately from the Company's equity.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. There were no impairment losses recognized during 2018.

Income taxes

By consent of the stockholder, the Company elected to be taxed as an S corporation beginning with the year ended December 31, 2004. Federal and state income taxes on the earnings of an S corporation are payable by the sole stockholder. However, California assesses an additional tax of 1.50% on the taxable income, net of certain credits.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions. Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Company are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Lease expenses

Expenses resulting from leases are recognized when incurred. Lease expense from an operating lease is incurred on a straight-line basis over the lease term. Interest expense is incurred on a capital lease obligation to produce a constant periodic rate of interest on the remaining balance of the obligation.

Lease classifications

The Company considers multiple factors in determining the classification of leases as either capital or operating leases, such as ownership at the end of the lease term, bargain purchase options, lease term, present value of minimum lease payments, fair value and useful life of the underlying asset(s), and whether there is significant uncertainty regarding future costs or collectability of lease payments. See Notes 4 and 6 for further discussion of the Company's lease transactions.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenue consists of the income from various partnerships, including developer fees, incentive management fees, partnership administration fees, and consulting fees. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the services have been provided and collectability is reasonably assured.

Deferred compensation expenses

The costs of deferred compensation arrangements are accrued over the period of employees' service to which they relate.

Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2018, the Company incurred \$111,206 in advertising costs.

Subsequent events

Subsequent events have been evaluated through April 29, 2019, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 – MARKETABLE SECURITIES

Marketable securities held by the Company consist of investments purchased at an aggregate cost of \$2,182,472. As of December 31, 2018, the Company had classified its marketable securities as available-for-sale. As of December 31, 2018, the fair market value of the marketable securities was \$2,135,460. Unrealized losses are reported on the accompanying consolidated statements of operations and comprehensive income. During 2018, the unrealized loss on marketable securities was \$37,303. As of December 31, 2018, cumulative unrealized losses were \$47,012.

NOTE 3 – FIXED ASSETS

Fixed assets consist of the following as of December 31, 2018:

| | |
|---------------------------------|-------------------|
| Property and equipment, at cost | \$ 618,877 |
| Leasehold improvements, at cost | 179,634 |
| Accumulated depreciation | <u>(502,834)</u> |
| Total fixed assets, net | <u>\$ 295,677</u> |

Depreciation expense for the year ended December 31, 2018 was \$100,720.

NOTE 4 – RELATED PARTY TRANSACTIONS

Notes receivable

Notes receivable with related parties consist of the following as of December 31, 2018:

| | <u>Amount</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| The Company has a promissory note with a related party for \$175,000. This note bears interest at 1.00% per annum. The entire unpaid principal and interest accrued are due on December 31, 2019. As of December 31, 2018, the balance on this promissory note was \$164,579 and accrued interest receivable was \$4,646, which is included in due from related party on the accompanying consolidated balance sheet | \$ 164,579 |
| The Company has a promissory note with a related entity for \$72,774. This note bears no interest and is payable in whole or in part any time with no penalty. As of December 31, 2018, the balance on this promissory note was \$29,000. | <u>29,000</u> |
| Total notes receivable – related parties | <u>\$ 193,579</u> |

Project cost advances

The Company and its affiliates have expended certain amounts for projects that it expects will be funded and completed in the future. These amounts are capitalized as the Company expects they will be reimbursed in the future. Any costs associated with projects that cease being feasible for future development are expensed, when the determination is made that feasibility is no longer assured.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Project cost advances (continued)

Project costs advances consist of the following as of December 31, 2018:

| | |
|-------------------------------------------------------------------|----------------------------|
| Total project cost advances – related parties | \$ 3,687,542 |
| Less: current portion of project costs advances – related parties | <u>(1,703,894)</u> |
| Project cost advances – related parties, less current portion | <u><u>\$ 1,983,648</u></u> |

Developer fees

Developer fees are fees the Company receives for providing development and construction services to associated projects, which are based on fee sharing agreements with various project developer entities associated with the Company. Balances are recorded at amounts expected to be realized as services are provided. For the year ended December 31, 2018, developer fees earned were \$8,045,696.

The developer fees receivable balance is recorded at amounts expected to be realized. As of December 31, 2018, management estimated no allowance for uncollectible developer fees receivable.

Developer fees receivable consist of the following as of December 31, 2018:

| | |
|----------------------------------------------------------------------|----------------------------|
| Total developer fees receivable – related parties | \$ 3,671,609 |
| Less: current portion of developer fees receivable – related parties | <u>(2,355,177)</u> |
| Developer fees receivable- related parties, less current portion | <u><u>\$ 1,316,432</u></u> |

Partnership management fees

The Company receives partnership management fees from associated properties after they have been completed. The management fees are accrued on the Company's books as services are rendered and are paid out of available cash flow, if any, of the partnerships. For the year ended December 31, 2018, partnership management fees of \$113,627 were earned and are included in management fees revenue on the consolidated statement of operations and comprehensive income. During 2018, an allowance of \$113,627 was reserved for the partnership management fees receivable which is included in bad debt expense on the accompanying consolidated statement of operations and comprehensive income.

Partnership management fees receivable consist of the following as of December 31, 2018:

| | |
|----------------------------------------------------------------|--------------------|
| Total partnership management fees receivable – related parties | \$ 1,038,206 |
| Less: reserve for allowance for doubtful accounts | <u>(1,038,206)</u> |
| Partnership management fees receivable – related parties, net | <u><u>\$ -</u></u> |

Incentive management fee

Pursuant to an incentive management fee agreement between the Company and CIC PHR, LP ("PHR") dated September 1, 2002, an incentive management fee equal to 5.4% of gross revenues or 76.5% of remaining cash flow from PHR, shall be earned by the Company for consultative services. For the year ended December 31, 2018, a management fee of \$45,359 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations and comprehensive income.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Incentive leasing fee

Pursuant to the limited partnership agreement for Fairbanks Terrace CIC, LP dated April 12, 2016, the Company shall be paid an incentive leasing fee of up to \$150,000 for the efficient lease-up of the project. For the year ended December 31, 2018, an incentive leasing fee of \$150,000 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations and comprehensive income.

Pursuant to the limited partnership agreement for Mill Creek Village CIC, LP dated November 1, 2015, the Company shall be paid an incentive leasing fee to the extent of any permitted Net Interim Income, as defined therein, after the developer fee has been paid in full. For the year ended December 31, 2018, an incentive leasing fee of \$126,725 was earned and paid, and is included in management fees revenue on the accompanying consolidated statement of operations and comprehensive income.

Operating lease

The Company leases certain building space from a related party under a non-cancelable operating lease that will expire December 31, 2026. This agreement requires aggregate monthly payments of \$23,430 plus the proportionate share of common area maintenance expenses, with monthly payments increasing 3% annually every January. Rent expense, which includes common area expenses, for the year ended December 31, 2018 was \$358,824. As of December 31, 2018, accrued rent payable was \$116,154.

Future minimum lease payments, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31:

| | |
|------------|---------------------|
| 2019 | \$ 298,283 |
| 2020 | 307,231 |
| 2021 | 316,448 |
| 2022 | 325,941 |
| 2023 | 335,720 |
| Thereafter | <u>1,068,806</u> |
| Total | <u>\$ 2,652,429</u> |

Operating lease – sublease

The Company subleases certain building space under non-cancelable operating leases with CIC Management Inc. (“CICM”) and Emmerson Construction, Inc. (“Emmerson”) that will expire December 31, 2026. Under the sub-lease with CICM, CICM subleases 6% of the office space for a monthly payment of \$1,406. Under the sublease with Emmerson, Emmerson subleases 35% of the office space for a monthly payment of \$8,201. Sublease income, which includes reimbursements for common area expenses, for the year ended December 31, 2018 was \$397,692. As of December 31, 2018, sublease rent receivable was \$47,623, which is included in due from related party on the accompanying consolidated balance sheet.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

Operating lease – sublease (continued)

Future minimum lease payments receivable, by year end and in the aggregate, under the non-cancelable lease, consist of the following as of December 31:

| | |
|------------|---------------------|
| 2019 | \$ 122,296 |
| 2020 | 125,965 |
| 2021 | 129,744 |
| 2022 | 133,636 |
| 2023 | 137,645 |
| Thereafter | <u>438,211</u> |
| Total | <u>\$ 1,087,497</u> |

Note payable

On December 1, 2017, the Company entered into a promissory note with a related party for \$1,800,000. The note bore interest at 5.00% per annum and interest payments were due in monthly installments commencing the month following the execution of the note through the maturity date of December 31, 2018. During 2018, the entire unpaid principal balance and any interest accrued were paid in full.

On December 28, 2018, the Company entered into a promissory note with a related party for \$500,000. The note bears interest at 5.00% per annum and interest payments are due in monthly installments commencing the month following the execution of the note through December 31, 2019 (the "Maturity Date"). The entire unpaid principal balance and any interest accrued are due on the Maturity Date. As of December 31, 2018, the outstanding principal balance was \$500,000 and there was no accrued interest.

NOTE 5 – LINE OF CREDIT

The Company has a line of credit agreement with Banner Bank, with an available credit line of \$3,000,000, which is scheduled to mature on June 25, 2019. The line of credit bears interest at a variable interest rate with a floor of 4.25%. As of December 31, 2018, the interest rate was 4.50%. As of December 31, 2018 the outstanding balance on the line of credit was \$0.

The line of credit agreement contains certain financial covenants, which if not met, could make the debt callable. The Company is in compliance with all covenants at December 31, 2018.

NOTE 6 – CAPITAL LEASE

The Company leases two copy machines under a non-cancelable capital lease that will expire July 12, 2020. This agreement requires monthly payments of \$4,424, plus applicable charges and taxes. As of December 31, 2018, the outstanding lease liability was \$92,510.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 – CAPITAL LEASE (CONTINUED)

Future minimum lease payments under the non-cancelable capital lease consist of the following as of December 31:

| | |
|-----------------------------------------|------------------|
| 2019 | \$ 57,202 |
| 2020 | <u>39,078</u> |
| Total minimum lease payments | 96,280 |
| Less: Amount representing interest | <u>(3,770)</u> |
| Present value of minimum lease payments | <u>\$ 92,510</u> |

NOTE 7 – COMMITMENT AND CONTINGENCIES

The Company is a party to certain payment and completion guarantees in connection with bank construction loans made for eleven projects as of December 31, 2018 in the aggregate amount of \$80,466,869. All eleven projects are currently on schedule and are expected to be completed in 2019 and 2020. As of December 31, 2018, the Company expects that it will not be liable for any amount under the guarantees for these eleven projects.

The Company is liable for guarantees of funding at various operating projects in the event that operating deficits occur. These guarantees, if required, are satisfied by making loans to such projects. The obligations to fund the operating deficits expire between 3 and 5 years after the projects convert to permanent financing. As of December 31, 2018, the Company has made an operating deficit loan in the amount of \$29,000, as shown in Note 4.

The Company has committed to third party Investor Limited Partners, in connection with their investment made in various projects, to maintain a net worth and liquid assets of not less than \$3,750,000 during the project construction period and a net worth of not less than \$3,750,000 and liquid assets of not less than \$1,850,000 thereafter until the end of the 15 year compliance period. As of December 31, 2018, the Company was in compliance with these covenants.

NOTE 8 – PROVISION FOR INCOME TAXES

The Company is a California S Corporation and pays California a tax of 1.5%, a minimum of \$800 each year, on its apportioned taxable income, net of credits. The consolidated subsidiaries are primarily California limited liability companies that pay a California annual minimum tax of \$800.

The provision for income taxes consisted of the following at December 31, 2018:

| | |
|--------------------------------------|------------------|
| Current income tax provision – state | <u>\$ 95,253</u> |
|--------------------------------------|------------------|

NOTE 9 – EMPLOYEE RETIREMENT PLAN

On August 16, 2006, the Company adopted a 401(k) plan and profit sharing plan covering substantially all employees of the Company. Annual discretionary employer matching contributions, if any, are equal to a safe harbor matching contribution provided by the Company to employees who elects the salary deferral. For the year ended December 31, 2018, the matching contributions paid by the Company were \$99,654, which is included in general and administrative expense on the accompanying consolidated statement of operations and comprehensive income.

CHELSEA INVESTMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

NOTE 10 – NONQUALIFIED DEFERRED COMPENSATION PLAN

On December 1, 2014, the Company adopted an unfunded nonqualified deferred compensation plan (the “Plan”) for certain eligible employees of the Company. Pursuant to the Plan, a discretionary contribution is made each year for each active participant. The participant is fully vested in a contribution for a given year upon remaining continuously employed by the Company for a duration of five years following the end of the year for which the contribution is made while active in the Plan. A rate of return of 3% is earned on the beginning balance of active participant accounts at the end of each year. During 2018, the expense for deferred compensation was \$100,000. As of December 31, 2018, the outstanding Plan liability was \$255,000.

The Plan activity consisted of the following during 2018:

| | |
|------------------------------------|-------------------|
| Beginning balance, January 1, 2018 | \$ 387,158 |
| Company contributions during 2018 | 125,000 |
| Earnings accrued during 2018 | <u>11,615</u> |
| Ending balance, December 31, 2018 | <u>\$ 523,773</u> |

As of December 31, 2018, the balance fully vested to employees under the plan was \$0.

NOTE 11 – GRANT INCOME AND CHARITABLE CONTRIBUTIONS

During 2018, the Company received and recognized grant income of \$429,000 from the Department of Housing and Community Development. Subsequently, during 2018, the Company contributed \$429,000 to Southern California Housing Collaborative, a California nonprofit public benefit corporation.



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HISTORY

Emmerson Construction, Inc. (ECI) was formed in 2000 to construct residential and mixed-use projects with a specialization in affordable multifamily housing. ECI has delivered over 6,500 quality apartments in nearly 80 affordable communities—all on schedule and within budget.

AREAS OF EXPERTISE

General Contractor

ECI's team of experienced professionals work together to achieve the common goal of providing enhanced value, consistent quality, efficient scheduling, and risk mitigation. Building structures commonly consist of reinforced or post-tensioned concrete slabs with wood frame construction, stucco exteriors, and several completed projects feature podium decks. Since 2010, dozens of ECI's developments have been LEED or GreenPoint certified.

Construction Management

ECI also offers construction management services. Under this arrangement, ECI provides owners with project oversight, budget and schedule review, quality assurance, and related services.

TEAM MEMBERS

PRESIDENT- Charles Schmid

Charles began his career in multifamily housing development in 1986, and applies experience with real estate finance, and management in his role as President of Emmerson. As a licensed general contractor, he has supervised the construction of more than 6,000 units. Charles has a degree from UC San Diego, and a thorough understanding of the life cycle of apartment development, from feasibility analysis through lease-up. Recent projects range from rural development of 80 units to urban and suburban San Diego projects of more than 300 units.

DIRECTOR OF CONSTRUCTION, GARDEN APT. DIVISION - Janice Patterson

Janice has worked in the construction industry for over 30 years and she has drawn on her extensive experience to deliver nearly 20 quality affordable communities for Emmerson, with a contract value of more than \$150 million. Prior to joining Emmerson, Janice's project experience included single-family and multifamily market rate homes, in subdivisions from 8 to 175 homes built in multiple phases.

DIRECTOR OF CONSTRUCTION, MID- & HIGH-RISE DIVISION - Rob Campbell

Formerly with JPI, Ledcor, Swinerton, and Roel, Rob has over 33 years of experience in high rise, mid-rise, multi-family residential, hotel and commercial construction. Having gained his experience on large projects in the San Diego and Los Angeles areas, he is responsible for the day-to-day operations to ensure projects are completed on time and within budget, and that site safety, environmental standards, quality of materials and workmanship meet or exceed standards.

SENIOR CONSTRUCTION MANAGER – John Allegretto

John Allegretto is a seasoned professional with over 40 years of experience providing general contracting, construction management, real estate development, claims consulting and management advisory consulting services. He has supervised the successful completion of more than \$500,000,000 in commercial projects in the private and public sectors. He has an appreciation for the unique challenges presented by each new project and strives to encourage teamwork and effective communication among the various project representatives.

PROJECT MANAGER – Theresa DeMarco

Theresa has been in the construction industry for over 20 years. In addition to multifamily construction, she has extensive renovation and tenant improvement experience. She was previously with Crown Acquisitions as a Project Manager, where she managed multifamily construction projects and was responsible for implementing project management software and establishing in-house protocols for construction operations. As a general contractor, Theresa has designed and completed extensive multifamily remodeling projects on complexes with 280-320 units.

PROJECT MANAGER – Martin Apicella

Martin joined the Emmerson team after working ten years as Project Manager at KBS, a top construction firm in Virginia. A veteran of the US Army, Martin holds a BS degree in Construction Management and Real Estate from Virginia Tech and studied Architecture at Technical University of Darmstadt in Germany. His wide-ranging experience includes construction of a 400-unit luxury residential building, transformation of a historic naval industrial facility into 45,000 sf mixed-use complex, and the adaptive reuse of a Lucky Strike tobacco factory into 131 luxury apartments. Martin is a LEED AP BD+C.

PROJECT MANAGER – Khalid Malik

Khalid has over 25 years of experience in construction management, including projects in Saudi Arabia and United Arab Emirates such as a theme park, shopping mall, 400-bed hospital, and 1400-unit master planned community, at costs from \$15 to \$226 million. He has a BS degree in Civil Engineering from University of Engineering and Technology, Lahore – Pakistan and a master's degree in Project Management from Colorado Technical University, Colorado Springs. Khalid's accreditations include PMP, PSP, and LEED AP BD+C.

PROJECT MANAGER/ESTIMATOR – Donald Dickson

Donald has been in the multifamily construction industry for more than 20 years, including both affordable and market rate developments. His experience encompasses project management, preconstruction, and estimating for garden apartments, mid-rise, and high-rise developments throughout the western United States. Prior to joining Emmerson, Donald worked on the lender side as a Construction Manager, and prior to that, as Director of Preconstruction with Trammell Crow Residential.

PROJECT MANAGER – Tim Hines

Tim has worked in the construction industry for over 20 years, including affordable multifamily new construction and renovation, master-planned community construction, and public works projects. Since joining Emmerson, Tim has delivered over 1,100 apartments. He studied construction management at San Diego State University and architecture at Mesa College.

Emmerson Construction, Inc.
Project List
as of June 2020

| | Project # | Project Name | City | State | Work | Resident Profile | Mixed Use? | Renovation/ New Const. | Status | Start | Complete | # Units | Contract Value | Architect | GC or CM |
|----|-----------|----------------------------|----------------|-------|---------------|------------------|------------|---------------------------|-----------|--------|----------|---------|----------------|-----------|----------|
| 1 | 2-0989 | Calexico Family Apartments | Calexico | CA | Slab on grade | Family | No | New | Completed | Feb-02 | Jan-03 | 80 | 5,561,540 | Hedenkamp | GC |
| 2 | 2-0992 | Brawley Family Apartments | Brawley | CA | Slab on grade | Family | No | New | Completed | Feb-02 | Jan-03 | 81 | 6,452,208 | Hedenkamp | GC |
| 3 | 2-0991 | Villa Lara | Imperial | CA | Slab on grade | Family | No | New | Completed | Mar-02 | Dec-02 | 80 | 6,525,658 | Hedenkamp | GC |
| 4 | 3-1000 | Holtville Gardens | Holtville | CA | Slab on grade | Senior | No | New | Completed | Oct-03 | Sep-04 | 80 | 6,215,752 | Hedenkamp | GC |
| 5 | 3-1002 | Countryside Family | El Centro | CA | Slab on grade | Family | No | New | Completed | Oct-03 | Oct-04 | 80 | 7,155,000 | Hedenkamp | GC |
| 6 | 3-1001 | Imperial Garden Senior | Imperial | CA | Slab on grade | Senior | No | New | Completed | Oct-03 | Nov-04 | 80 | 6,443,020 | Hedenkamp | GC |
| 7 | 3-1004 | Rancho Buena Vista | Chula Vista | CA | Slab on grade | Family | No | New | Completed | Nov-03 | Aug-05 | 150 | 16,200,000 | Hedenkamp | GC |
| 8 | 3-1005 | Rancho Del Norte | San Diego | CA | Slab on grade | Family | No | New | Completed | Dec-03 | Apr-05 | 120 | 13,706,694 | Hedenkamp | GC |
| 9 | 3-1003 | Westmorland Family | Westmorland | CA | Slab on grade | Family | No | New | Completed | Jan-04 | Nov-04 | 64 | 6,900,000 | Hedenkamp | GC |
| 10 | 4-1006 | Brawley Elks Senior | Brawley | CA | Slab on grade | Senior | No | New | Completed | Aug-04 | May-05 | 80 | 6,994,322 | Hedenkamp | GC |
| 11 | 4-1006 | Brawley Gardens | Brawley | CA | Slab on grade | Family | No | New | Completed | Aug-04 | Jul-05 | 81 | 9,191,326 | Hedenkamp | GC |
| 12 | 4-1007 | Heber Woods | Heber | CA | Slab on grade | Family | No | New | Completed | Oct-04 | Jul-05 | 81 | 9,417,954 | Hedenkamp | GC |
| 13 | 5-1012 | Meadow Village Road | Calexico | CA | Off-site work | Commercial | No | New | Completed | Feb-05 | Feb-06 | N/A | 724,153 | N/A | GC |
| 14 | 4-1009 | Fairbanks Ridge | San Diego | CA | Slab on grade | Family | No | New | Completed | Aug-05 | Jul-06 | 204 | 29,254,314 | Hedenkamp | GC |
| 15 | 5-1018 | City Heights Square | San Diego | CA | Slab on grade | Senior | No | New | Completed | Feb-06 | Sep-07 | 150 | 21,468,768 | Dominy | CM |
| 16 | 4-1010 | Hunter's Pointe | Carlsbad | CA | Slab on grade | Family | No | New | Completed | May-06 | Jan-08 | 166 | 30,389,918 | Hedenkamp | GC |
| 17 | 5-1011 | Villa Dorado | Calexico | CA | Slab on grade | Family | No | New | Completed | Oct-06 | Jul-07 | 80 | 10,080,426 | Hedenkamp | GC |
| 18 | 5-1019 | Villa Paloma | Heber | CA | Slab on grade | Family | No | New | Completed | Dec-06 | Sep-07 | 72 | 9,864,435 | Hedenkamp | GC |
| 19 | 6-1024 | DDE HQ - Office Building | El Centro | CA | Slab on grade | Commercial | No | New | Completed | Jan-07 | Jul-07 | N/A | 1,130,219 | Sanders | GC |
| 20 | 5-1020 | Villa Esperanza | Calipatria | CA | Slab on grade | Family | No | New | Completed | Jun-07 | Jul-08 | 74 | 10,318,586 | Hedenkamp | GC |
| 21 | 5-1013 | Tierra del Cielo | Somerton | AZ | Slab on grade | Family | No | New | Completed | Jul-08 | May-09 | 34 | 3,913,810 | Hedenkamp | GC |
| 22 | 8-1038 | Beachwind Court | Imperial Beach | CA | Slab on grade | Family | No | Renovation | Completed | Sep-08 | Dec-08 | 16 | 891,747 | Hedenkamp | GC |
| 23 | 6-1021 | Courtyard Terrace | San Diego | CA | Podium | Senior | No | New | Completed | Nov-08 | Mar-10 | 88 | 17,700,000 | Hedenkamp | GC |
| 24 | 9-1040 | Silver Sage | Lakeside | CA | Slab on grade | Family | No | New | Completed | Aug-09 | Oct-10 | 80 | 12,794,227 | Hedenkamp | GC |
| 25 | 9-1041 | St. Regis Park | Chula Vista | CA | Slab on grade | Family | No | Renovation | Completed | Sep-09 | Aug-10 | 119 | 400,000 | N/A | GC |
| 26 | 9-1043 | Cedar Creek | Santee | CA | Slab on grade | Family | No | New | Completed | Oct-09 | Oct-10 | 48 | 7,332,286 | Hedenkamp | GC |

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| | Project # | Project Name | City | State | Work | Resident Profile | Mixed Use? | Renovation/ New Const. | Status | Start | Complete | # Units | Contract Value | Architect | GC or CM |
|----|-----------|-----------------------|-------------|-------|-----------------|---------------------|------------|---------------------------|-----------|--------|----------|---------|----------------|----------------|----------|
| 27 | 9-1044 | Verbenia | San Ysidro | CA | Slab on grade | Family | No | New | Completed | Mar-10 | Jun-11 | 80 | 13,296,599 | Hedenkamp | GC |
| 28 | 10-1051 | De Anza Hotel | Calexico | CA | Post & Beam | Senior | No | Renovation | Completed | Apr-10 | Feb-11 | 94 | 598,402 | Hedenkamp | GC |
| 29 | 9-1045 | Oakridge Apartments | Oakdale | CA | Slab on grade | Family | No | New | Completed | Jul-10 | Dec-10 | 41 | 1,200,000 | Basis | GC |
| 30 | 10-1048 | The Landings Phase II | Chula Vista | CA | Slab on grade | Family | No | New | Completed | Jul-10 | Oct-11 | 143 | 23,610,280 | McKinley | CM |
| 31 | 6-1035 | CityPlace | Bakersfield | CA | Slab on grade | Family | No | New | Completed | Sep-10 | Dec-11 | 72 | 10,546,289 | Hedenkamp | GC |
| 32 | 6-1049 | Villa Del Sol | San Diego | CA | Slab on grade | Farmworker | No | New | Completed | Dec-10 | Sep-11 | 52 | 5,600,000 | Hedenkamp | GC |
| 33 | 6-1030 | Villa Fortuna | Brawley | CA | Slab on grade | Farmworker | No | New | Completed | Jan-11 | Sep-11 | 76 | 8,900,000 | Hedenkamp | GC |
| 34 | 10-1047 | Estrella Del Mercado | San Diego | CA | Podium | Family | Yes | New | Completed | Feb-11 | Oct-12 | 95 | 14,485,997 | Safdie Rabines | GC |
| 35 | 8-1039 | Las Brisas | El Centro | CA | Slab on grade | Family | No | New | Completed | Jan-12 | Aug-12 | 71 | 10,151,577 | Hedenkamp | GC |
| 36 | 6-1026 | El Quintero | Calexico | CA | Slab on grade | Senior | No | New | Completed | Jan-12 | Nov-12 | 54 | 4,669,035 | Hedenkamp | GC |
| 37 | 12-1056 | Park Terramar | San Diego | CA | Landscape | Family | No | Renovation | Completed | Feb-12 | Aug-12 | 21 | 342,631 | N/A | GC |
| 38 | 10-1052 | Emperor Estates | Dinuba | CA | Slab on grade | Senior | No | New | Completed | Feb-12 | Feb-13 | 62 | 8,862,257 | Hedenkamp | GC |
| 39 | 12-1065 | Iris Apartments | Encinitas | CA | Landscape | Family | No | New | Completed | Apr-12 | Feb-13 | 20 | 3,185,728 | McKinley | GC |
| 40 | 11-1055 | Vista Terrace | Vista | CA | Landscape | Homeless Family | No | Renovation | Completed | Jul-12 | Jul-13 | 48 | 3,218,327 | Hedenkamp | GC |
| 41 | 12-1058 | St. Regis | Chula Vista | CA | Energy Upgrades | Family | No | Renovation | Completed | Aug-12 | Jan-13 | 119 | 263,844 | N/A | GC |
| 42 | 12-1060 | Park Place | Hobbs | NM | Slab on grade | Family | No | Renovation | Completed | Dec-12 | Jan-14 | 88 | 7,055,677 | Jeebs & Zuzu | CM |
| 43 | 13-1067 | CL Dellums Apartments | Oakland | CA | Slab on grade | Homeless | No | Renovation | Completed | Mar-13 | May-13 | 76 | 4,354,469 | John Stewart | CM |
| 44 | 12-1061 | Cesar Chavez Villas | Coachella | CA | Slab on grade | Farmworker | No | New | Completed | Mar-13 | Mar-14 | 56 | 8,204,753 | Hedenkamp | GC |
| 45 | 12-1057 | Fairbanks Commons | San Diego | CA | Slab on grade | Family | No | New | Completed | Nov-13 | Nov-14 | 165 | 20,432,196 | McKinley | GC |
| 46 | 13-1068 | Fairbanks Square | San Diego | CA | Slab on grade | Senior | No | New | Completed | Nov-13 | Nov-14 | 100 | 9,200,000 | McKinley | GC |
| 47 | 13-1069 | Versa at Civita | San Diego | CA | Slab on grade | Senior | No | New | Completed | Nov-13 | May-15 | 150 | 17,109,905 | McKinley | GC |
| 48 | 13-1070 | Alpha Square | San Diego | CA | Podium | Homeless | Yes | New | Completed | Apr-14 | Sep-15 | 203 | 27,147,147 | JWDA | GC |
| 49 | 13-1071 | Mill Creek Courtyard | Bakersfield | CA | Slab on grade | Family | No | New | Completed | Jul-14 | Jul-15 | 62 | 6,600,950 | Hedenkamp | GC |
| 50 | 14-1075 | Independence Point | San Diego | CA | Tuck Under | Family/ Disabled | No | New | Completed | Aug-14 | Jul-15 | 32 | 7,380,985 | OBR | GC |
| 51 | 13-1066 | Westminster Manor | San Diego | CA | Slab on grade | Senior | No | Renovation | Completed | Aug-14 | Nov-15 | 156 | 12,570,976 | Basis | GC |
| 52 | 14-1077 | Villa Primavera | Calexico | CA | Slab on grade | Family/ Disabled | No | New | Completed | Oct-14 | Jul-15 | 48 | 8,097,520 | Hedenkamp | GC |

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Project List
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| | Project # | Project Name | City | State | Work | Resident Profile | Mixed Use? | Renovation/ New Const. | Status | Start | Complete | # Units | Contract Value | Architect | GC or CM |
|----|-----------|---------------------------------|-------------|-------|----------------------|---------------------|------------|---------------------------|-------------|--------|----------|---------|----------------|------------------------------|----------|
| 53 | 14-1078 | Las Palmeras | Imperial | CA | Slab on grade | Farmworker | No | New | Completed | Nov-14 | Dec-15 | 56 | 8,719,000 | Hedenkamp | GC |
| 54 | 14-1081 | Rancho Del Sol | San Diego | CA | On grade w/garage | Family | No | New | Completed | Jan-15 | Feb-16 | 94 | 11,967,088 | Humphreys | GC |
| 55 | 14-1079 | Trolley Park Terrace | San Diego | CA | Podium | Family | No | New | Completed | Apr-15 | Sep-16 | 52 | 13,568,298 | McKinley | GC |
| 56 | 15-1082 | Mill Creek Village | Bakersfield | CA | Wrap | Family | No | New | Completed | Nov-15 | Oct-16 | 63 | 12,444,783 | Hedenkamp | GC |
| 57 | 15-1085 | Ouchi Courtyards | San Diego | CA | Podium | Family/ Disabled | Yes | New | Completed | Nov-15 | May-17 | 45 | 11,616,272 | Hedenkamp | GC |
| 58 | 16-1096 | Nelms Community Garden | Oceanside | CA | Community Garden | Commercial | No | New | Completed | Dec-15 | Mar-16 | N/A | 117,364 | N/A | GC |
| 59 | 15-1087 | Torrey Vale | San Diego | CA | On grade w/garage | Family | No | New | Completed | Jan-16 | Oct-16 | 28 | 4,985,553 | Bassenian Lagoni | GC |
| 60 | 15-1083 | Duetta at Millenia | Chula Vista | CA | Wrap | Family | No | New | Completed | Mar-16 | Oct-17 | 87 | 14,452,135 | JWDA | GC |
| 61 | 15-1092 | Volta at Millenia | Chula Vista | CA | Wrap | Senior | No | New | Completed | Mar-16 | Oct-17 | 123 | 18,772,332 | JWDA | GC |
| 62 | 15-1091 | Fairbanks Terrace | San Diego | CA | Slab on grade | Senior | No | New | Completed | Apr-16 | Mar-17 | 83 | 10,228,891 | McKinley | GC |
| 63 | 15-1084 | Mesa Verde | San Diego | CA | Podium | Family | No | New | Completed | Apr-16 | Apr-18 | 90 | 17,174,144 | McKinley | GC |
| 64 | 15-1088 | Roselawn Manor | Artesia | NM | Slab on grade | Family | No | New | Completed | Jun-16 | Nov-17 | 63 | 10,250,000 | Autotroph | CM |
| 65 | 15-1089 | Parkside Terrace | Hobbs | NM | Slab on grade | Family | No | New | Completed | Jun-16 | Nov-17 | 65 | 9,860,000 | Jeebs & Zuzu/ JV De Sousa | CM |
| 66 | 15-1090 | Juniper at The Preserve | Carlsbad | CA | Slab on grade | Family | No | New | Completed | Nov-16 | Nov-17 | 64 | 10,312,118 | McKinley | GC |
| 67 | 16-1094 | Villa Stora | Oceanside | CA | Slab on grade | Family | No | New | Completed | Mar-17 | Dec-17 | 38 | 5,630,056 | SummA | GC |
| 68 | 16-1093 | North Coast Terrace | Oceanside | CA | Podium | Homeless Family | No | New | Completed | Apr-17 | Aug-18 | 32 | 10,386,340 | Hedenkamp | GC |
| 69 | 17-1101 | Pedestrian Corridors Millenia | Chula Vista | CA | Off-site work | Commercial | No | New | Completed | Jun-17 | Oct-17 | N/A | 537,028 | JWDA | GC |
| 70 | 16-1097 | Cesar Chavez Villas Phase II | Coachella | CA | Slab on grade | Farmworker | No | New | Completed | Jun-17 | Jun-18 | 80 | 13,244,171 | Hedenkamp | GC |
| 71 | 17-1100 | Town & Country Village | San Diego | CA | Slab on grade | Family | No | Renovation | Completed | Dec-17 | Oct-18 | 145 | 12,230,429 | Basis | GC |
| 72 | 17-1102 | Lofts at Normal Heights | El Cajon | CA | Slab on grade | Homeless Veteran | Yes | New | Completed | Jan-18 | Mar-19 | 53 | 10,999,708 | McKinley | GC |
| 73 | 17-1104 | Schmale Family Senior Residence | Ramona | CA | Slab on grade | Senior | No | New | Completed | Mar-18 | May-19 | 62 | 12,337,933 | Hedenkamp | GC |
| 74 | 16-1095 | Siena at Civita | San Diego | CA | Podium | Senior/ Family | Yes | New | In Progress | Apr-18 | Aug-20 | 306 | 94,536,773 | KTGY | GC |
| 75 | 17-1103 | Paseo La Paz | San Ysidro | CA | Slab on grade | Family | No | New | In Progress | May-18 | Nov-19 | 139 | 22,412,161 | JWDA | GC |
| 76 | 17-1105 | Pacifica at Playa Del Sol | San Diego | CA | Podium | Family/ Disabled | No | New | Completed | Aug-18 | Jul-19 | 42 | 9,317,486 | Bassenian Lagoni | GC |
| 77 | 17-1108 | Salerno | Irvine | CA | Tuck Under | Family | No | New | In Progress | Jun-19 | Dec-20 | 80 | 26,149,419 | Architects Orange | GC |
| 78 | 18-1110 | St. Regis Park | San Diego | CA | Slab on grade | Family | No | Renovation | Pending | Sep-18 | Nov-19 | 129 | 7,276,751 | Basis | GC |

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| | Project # | Project Name | City | State | Work | Resident Profile | Mixed Use? | Renovation/ New Const. | Status | Start | Complete | # Units | Contract Value | Architect | GC or CM |
|----|-----------|------------------------------------------|-----------|-------|---------------|---------------------|------------|---------------------------|-------------|--------|----------|---------|----------------|------------------|----------|
| 79 | 18-1111 | Regency Centre | San Diego | CA | Slab on grade | Family | No | Renovation | In Progress | Sep-18 | Dec-19 | 100 | 7,239,940 | Basis | GC |
| 80 | 18-1112 | Mission La Posada | Carlsbad | NM | Slab on grade | Family | No | Renovation | In Progress | Jul-19 | 19-Oct | 80 | 238,500 | Basis | CM |
| 81 | 18-1114 | Serenita | Brawley | CA | Slab on grade | Family/ Disabled | No | New | In Progress | Apr-19 | Dec-20 | 60 | 10,931,851 | Hedenkamp | GC |
| 82 | 18-1115 | Las Praderas | Calexico | CA | Slab on grade | Family | No | New | In Progress | Jun-19 | May-20 | 60 | 11,201,116 | Hedenkamp | GC |
| 83 | 18-1117 | Benson Place | San Diego | CA | Slab on grade | Family | No | Renovation | In Progress | Dec-19 | Aug-20 | 83 | 8,820,704 | Marcussen | GC |
| 84 | 19-1120 | East Block Family | San Diego | CA | Podium | Family | Yes | New | In Progress | Jun-20 | Jun-22 | 78 | 29,519,146 | Quigley | GC |
| 85 | 19-1135 | East Block Senior | San Diego | CA | Podium | Senior | Yes | New | In Progress | Jun-20 | Jun-22 | 117 | 22,144,854 | Quigley | GC |
| 86 | 19-1121 | Girasol | El Centro | CA | Slab on grade | Family | No | New | Starts | Aug-20 | Jul-21 | 56 | 12,000,000 | Hedenkamp | GC |
| 87 | 19-1123 | Pueblo Viejo Villas | Coachella | CA | Slab on grade | Family | No | New | Starts | Aug-20 | Dec-21 | 105 | 24,843,606 | McKinley | GC |
| 88 | 19-1124 | BMR II | San Diego | CA | Slab on grade | Family | No | New | Starts | Aug-20 | Jul-21 | 31 | 5,600,000 | McKinley | GC |
| 89 | 19-1125 | Sun Ray @ Lobo Canyon | Grants | NM | Slab on grade | Family | No | Renovation | In Progress | Feb-20 | Jan-21 | 128 | 240,000 | Jeebs & Zuzu | CM |
| 90 | 19-1129 | Juniper/Lennar | San Diego | CA | Slab on grade | Family | No | New | Pipeline | Jun-21 | Oct-22 | 81 | 15,151,311 | McKinley | GC |
| 91 | 19-1130 | Millenia II | San Diego | CA | Slab on grade | Family/Sr | No | New | Pipeline | Jul-21 | Nov-23 | 204 | 44,072,975 | JWDA | GC |
| 92 | 19-1131 | 3 Roots | San Diego | CA | Slab on grade | Family | No | New | Pipeline | Jun-21 | Oct-23 | 80 | 32,421,297 | Bassenian Lagoni | GC |
| 93 | 19-1132 | Poway Commons | Poway | CA | Slab on grade | Family | No | New | Pipeline | Oct-20 | Sep-21 | 44 | 9,300,000 | McKinley | GC |
| | | Total # of Units & Total Contract Values | | | | | | | | | | 7,698 | 1,107,363,440 | | |