July 23, 2021

Sarah Bontrager
City of Elk Grove
8401 Laguna Palms Way Elk Grove, CA 95758

Re: Cornerstone Village – Elk Grove
Request for Proposals: Affordable Housing Project

Dear Ms. Bontrager,

The development team of the John Stewart Company ("JSCo") and Bethesda Cornerstone Village ("BCV") (collectively, the "Development Team") is pleased to submit a loan application to the City of Elk Grove for the Development, Construction and Operation of an Affordable Housing Development.

The Development Team is requesting $2,936,000 to develop Cornerstone Village – Elk Grove, an inclusive, affordable housing community at 9270 Bruceville Road. Cornerstone Village will unite a rich tapestry of people – working families, adults who have experienced homelessness and people with intellectual and developmental disabilities ("I/DD") – through carefully designed common spaces and intentional resident life programming.

The Development Team is working collaboratively with Light of the Valley Church, the current owner, to transform the 4.09-acre site into a mixed-use campus. The church's main building will remain on 0.87 acres; the balance of the site will be redeveloped into 84 apartments across one three-story elevator building and seven three-story walk-up style buildings. The elevator building will feature over 4,000 square feet of amenity space on the first floor. A shared courtyard will connect the community building with the existing church building, which will create a special gathering space that will benefit both the Cornerstone Village residents and the broader neighborhood.

If you have any questions, please contact our primary project liaison, Margaret Miller, Senior Vice President of Development, at (415) 345-4400 or mmiller@jsco.net.

Thank you for this opportunity to create a new model for inclusive residential living in the vibrant City of Elk Grove!

Sincerely,

Margaret Miller
Senior Vice President
The John Stewart Company
1388 Sutter Street, 11th Floor
San Francisco, CA 94109
(415) 345-4400
mmiller@jsco.net

Thomas G. Campbell
Second Vice President
Bethesda Cornerstone Village, LLC
600 Hoffmann Drive
Watertown, WI 53094
(414) 828-6697
Tom.Campbell@bethesdalc.org

TO: Sarah Bontrager, City of Elk Grove

FROM: Margaret Miller, John Stewart Company
Kristine Giornalista, Bethesda

DATE: August 3, 2021

RE: Cornerstone Villages Elk Grove
Loan Application Supplemental Information

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1. **John Stewart Company – Proof of Insurance**

   Attached

2. **Bethesda Cornerstone Village, LLC – Proof of Insurance**

   Attached

3. **Title Report**

   a. **There are two leases related to wireless services (AT&T and Verizon) and two other leases for unknown purposes (Valentine Capital). Do these leases affect a specific portion of the property? Will these leases remain with Light of the Valley after the property is subdivided? How will they impact this project?**

      The AT&T, Verizon and Valentine Capital leases are associated with the cell tower on Bruceville Road, which is disguised as a free-standing bell tower. Light of the Valley Church has a long-term ground lease with Valentine Capital. As part of the land subdivision process, Light of the Valley Church will retain ownership of the land immediately around the cell tower (see parcel 2 on the site plan below in item 6). JSCo and Bethesda will work with the civil/surveying team and legal counsel to ensure the leases do no encumber the Cornerstone Village parcel.

   b. **There are two deeds of trust securing debt of about $2.6 million on the property. Will these be paid as a part of the transfer? If not, will the DOTs be amended to exclude the land purchased for this project?**

      Both deeds of trust are with Lutheran Church Extension Fund (LCEF). One note is for a school (no longer operating) and another is for Light of the Valley's worship building. Light of the Valley will use the proceeds from the Cornerstone Village land sale to retire the school note. The deed of trust associated with the church building will be amended so it does not encumber the Cornerstone Village parcel (refer to the site plan below). LCEF introduced Bethesda Cornerstone Village to Light of the Valley and is working cooperatively with both entities to ensure a smooth transaction.

THE JOHN STEWART COMPANY

Bethesda Cornerstone Village

4. Appraisal (as-built). If not available, please provide a description of the plan and timeframe to complete this. (The appraisal submitted is a land appraisal and not does not included an estimated valuation of the project to be constructed.)

The current appraisal will need to be updated in advance of applying for HCD and other project financing, which is anticipated in spring 2022. Note that the financing applications we submit will only require that we provide an appraisal that supports the land value. The full valuation of the property (including improvements) will ultimately be undertaken by the lender that is selected for the project.

5. The provided market survey documentation doesn't address the level of demand for units for people with intellectual and developmental disabilities. Will your final market study consider this?

Yes, the final market study for the project, which will be commissioned in early 2022 (so that it does not "time-out" before it is needed for financing applications), will include the demand analysis for all unit types including the intellectual and developmental disability units. In California, the Department of Developmental Services (DDS) provides data on people with disabilities who receive services through California Regional Center System. Alta California Regional Center is the non-profit entity that serves the Sacramento/Elk Grove area and the data provided by them will inform our demand analysis.

6. The purchase and sale agreement shows a price of $2.44M but your development budget shows only $1.91M. Please explain the discrepancy.

Bethesda Cornerstone Village and Light of the Valley Church entered into a Purchase and Sale Agreement (the "PSA") on May 27, 2020. The PSA contemplates Bethesda Cornerstone Village purchasing the entire 4.09 acres for $2,440,000 and removing all buildings except for the tower near Bruceville Road.

As the design process progressed, Bethesda and Light of the Valley Church agreed it would be advantageous for Light of the Valley to retain the worship hall. To enable that, it was agreed that the parcel would be subdivided into two distinct legal parcels to allow Light of the Valley to own the worship hall, parking on the south end of the site (parcel 1 shaded in blue) and the tower (parcel 2 shaded in red). The land to be purchased for Cornerstone Village is approximately 3.22 acres. The $1,910,000 land acquisition price reflected in the development budget is a proration of the Improved "As Is" values from the April 2020 appraisal. See below for the proration calculations.

THE JOHN STEWART COMPANY

Bethesda Cornerstone Village

Appraisal Improved "As is"	Acres	SF	Value	Value per SF
Church & School Portion	2.34	101,930	1,640,000	16.09
Excess Land Portion	1.75	76,230	1,040,000	13.64
Total	**4.09**	**178,160**	**2,680,000**	

Prorated Improved "As Is"	Acres	SF	Value	Value per SF
Church Portion	0.79	34,249	551,046	16.09
Cell Tower	0.09	3,843	52,419	13.64
Excess Land Portion (Cornerstone Village)	3.22	140,068	**1,910,937**	13.64
Total	**4.09**	**178,160**	**2,514,402**	

Note that costs associated with the church (parcels 1 and 2) are carried by the church in a separate budget from Cornerstone Village.

7. **Related to the pro forma:**

   a. **Can you provide backup for your utility allowance calculation?**

   The 2020 SHRA utility allowance schedule is attached. The applicable allowances are highlighted.

   b. **You have a cost associated with maintenance personnel but no FTE noted. Is this being done through a contract vs an employee? If so, how many hours a week do you anticipate maintenance personnel to be on-site?**

   These positions will be filled by John Stewart Company employees and the assumption included in the budget is 1 FTE maintenance and ½ FTE janitor.

   c. **The pro forma includes 30 units with PBV subsidy, but I see that the timeline also includes a HUD Section 811 voucher application. How does this play into the project? Would the 811 vouchers replace some Section 8 or be in addition to? How many 811 vouchers are you planning to apply for?**

   Yes, we are now planning to pursue an award of HUD Section 811 vouchers in lieu of Project Based Voucher (PBV) Section 8 for the 21 developmental/intellectual disability units. There are several reasons we are thinking this approach makes sense. (1) We can apply for the HUD Section 811 vouchers now so that we know they are secured. (2) HUD Section 811 vouchers are typically less competitive to get than the PBVs we will pursue through the Sacramento Housing and Redevelopment Agency (SHRA). (3) The subsidy paid from HUD Section 811 vouchers is almost the same as the PBVs and so there is no material financial impact.

   We still plan to apply for 9 PBVs from SHRA in 2022 (unless they release a NOFA for PBVs earlier then that) for the formerly homeless units.

8. **On the loan application, 735 Davis and the Shasta Hotel have occupancy rates lower than I would expect (86-87%). Can you provide some context for this? Did the projects open late in 2020 and are still leasing up?**

   735 Davis was completed in early 2020 and will be at full occupancy in the next month.

   Shasta Hotel houses a formerly homeless population, and as such, we receive applicants via a referral process from third party agencies, which can be slow and result in applicants that are not always ready to move in. We are working with the referral agencies to speed up the referral time and to provide applicants who are move-in ready, and we are confident that the project will have a higher occupancy rate in the next few months as these efforts bear fruit.

9. **As I mentioned yesterday, please submit a revised sources and uses spreadsheet and pro forma once you've got firm estimates on City fees.**

   We are working on this with City of Elk Grove staff and will submit the fee estimates and updated pro-forma as soon as we have all of the necessary information.

Cornerstone Village
Elk Grove

City of Elk Grove
Loan Application
Development, Construction and Operation
of an Affordable Housing Project

Proposal for
Cornerstone Village

Submitted by

THE JOHN STEWART COMPANY

Bethesda
Cornerstone Village

July 23, 2021



Table of Contents

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

PROJECT INFORMATION	
Name:	Cornerstone Village - Elk Grove
Location:	9270 Bruceville Road, Elk Grove, CA 95758
APN(s):	116-0061-011-0000
Amount Requested:	$2,936,000
Purpose of Funds:	Affordable Housing

APPLICANT INFORMATION			
Organization:	The John Stewart Company (for-profit) & Bethesda Cornerstone Village, LLC (non-profit)		
Address:	1388 Sutter Street, 11th Floor, San Francisco, CA 94109		
Primary Contact:	Margaret Miller		
Phone (office):	(415) 345-4400	Phone (mobile):	(415) 420-5795
Email Address:	mmiller@jsco.net		

Organizational Background:

Nonprofit entity	*For-profit entity*
☒ Tax exempt	☒ Incorporated
☐ Local development corporation	☐ Limited partnership
	☐ Sole proprietorship

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

PROJECT DESCRIPTION					
APN(s):	116-0061-011-0000				
Project Type:	☒ New construction ☐ Acquisition ☐ Acquisition and rehabilitation		Tenure:	☒ Rental ☐ Homeownership	
Do you own the project site?	☐ Yes ☒ No	If not, do you have an option or contract?	☒ Yes ☐ No	Method of site control:	Purchase & Sale Agreement
Present Zoning:	RD-15				
Are any zoning changes required?	☐ Yes ☒ No	If yes, please explain:	We are asuming that the application of the State Density Bonus will allow for an 80% increase in density.		
What is the existing use of the property?	Church and Vacant Land				
Total Number of Units:	84	Total Number of Affordable Units:	83 (plus one manager's unit)		
Number of Buildings:	7	Number of Stories:	Up to 3 stories		
Target Population:	☐ Senior ☒ Family ☒ Other	Type of Units:	☒ Attached ☐ Detached		
Estimated Timeframe for Construction Completion (upon receipt of entitlements):	February 2024 (assuming entitlements approved in February 2022)				

UNIT COUNT

Income Level	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	TOTAL
20%		9				9
25%		12				12
30%		16	10	9		35
50%			4	8		12
70%		5	6	4		15
Manager			1			1

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

PROJECT OWNER INFORMATION

List ALL project owners (general partners, limited partners) and their respective percent of interest. Ownership interests must total 100%. Report any joint interests in entities within the owner list.

Name	Address	Phone	Contact (including title)	Nature of Interest	Percentage of Interest	Tax ID Number
The John Stewart Company	1388 Sutter Street, 11th Floor San Francisco, CA 94109	415-345-4400	Margaret Miller Senior Vice President	GP	49%	94-2477073
Bethesda Cornerstone Village, LLC	600 Hoffmann Drive Watertown, WI 53094	414-828-6697	Tom Campbell Second Vice President	MGP	51%	84-1730106

**Please attach Articles of Incorporation, bylaws, IRS tax-exempt status determination, list of board members, and the current and prior year's financial statements for all project owners. Financial statements must be submitted for all development partners, and the City will require authorization for a credit inquiry for all partners. Please complete and submit the attached disclosure and authorization forms along with this application.

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

HOUSING EXPERIENCE

Please describe your prior experience with building affordable housing below. Please list your most recently completed projects.

Name	Address	Total Units	Affordable Units	Construction Company	Year Completed	Current Occupancy Rate	Federal/State/Local Assistance Received
Broadway Cover	88 Broadway, San Francisco, CA 94111	125	125	Cahill Contractors	2021	11%	City of San Francisco, TCAC, CDLAC
735 Davis	735 Davis, San Francisco, CA 94111	55	55	Cahill Contractors	2020	87%	City of San Francisco, Local Operating Subsidy Program funds, CDLAC, TCAC
Cannery Apartments	426 North 7th Street, Sacramento, CA 95811	180	180	Brown Construction	2015	99%	SHRA, CDLAC, TCAC, HCD IIG, Seller Note
Hunters View Phase IIA	Middle POint & West Point, San Francisco, CA 94124	107	107	Cahill Contractors & Nibbi Brothers	2016	100%	City of San Francisco, Section 8, RAD, HCD IIG, HCD MHP, CDLAC, TCAC
Hunters View Block 10	701 Fairfax Avenue, San Francsico, CA 94124	72	72	Cahill Contractors & Nibbi Brothers	2017	96%	City of San Francisco, Section 8, RAD, HCD IIG, CDLAC, TCAC (9%)
John Burton Advocates for Youth Housing Complex	800 Presidio Avenue, San Francsico, CA 94109	50	50	Fisher Construction	2017	96%	City of San Francisco, Local Operating Subsidy Program, CDLAC, TCAC, HCD MHP, HCD IIG, Philanthropic
The Shasta Hotel	1017 10th Street, Sacramento, CA 95814	80	80	Mid-State	2020	86%	SHRA, TCAC (9%), CDLAC, Section 8
Cornerstone Village - Victoria	1519 82nd St. Victoria, MN 55386	52	11	Kraus Anderson	2020	75%	City of Victoria Tax Increment Financing

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

DEVELOPMENT TEAM INFORMATION Please list your development team members, their contact information below and attach copies of their resumes.						
Type	**Organization**	**Address**	**Contact Person**	**Title**	**Phone**	**Email**
Project Manager	The John Stewart Company	1388 Sutter Street, 11th Floor, San Francisco, CA 94109	Julie Mendel	Project Manager	415-345-4400	jmendel@jsco.net
Architect	Mogavero	1331 T Street, Sacramento, CA 95811	Nate Sebok	Principal	916-443-1033 x111	nsebok@mogaveroarchitects.com
Attorney	Lubin & Olson	600 Montgomery Street, 15th Floor, San Francisco, CA 94111	Beth Anderson	Partner	415-955-5029	banderson@lubinolson.com
Civil Engineer	Cunningham Engineering Corporation	2940 Spafford St # 200, Davis, CA 95618	Dan Fenocchio	Project Manager	916-455-2026	dan@cecwest.com
General Contractor	Brown Construction	1465 Enerprise Boulevard, West Sacramento, CA 95691	Liz McCapes	Executive Vice President	916-373-9300	lmccapes@brown-construction.com
Property Manager	The John Stewart Company	1455 Response Road, Suite 140, Sacramento, CA 95815	Tracy Esposito	Vice President	916-561-0323	tesposito@jsco.net
Other	Devine & Gong, Inc.	5858 Birch Court, Oakland, CA 94618	Candy Rupp	Senior Associate	510-925-3996	candyr@devinegong.com
Other	Cohn Reznick	400 Capitol Mall, Sacramento, CA 95814	Sean Holloway	Partner	916-930-5768	sean.holloway@cohnreznick.com
Other	PSI-Intertek	4703 Tidewater Avenue, Suite B, Oakland, CA 94601	Bob White	Regional Vice President	510-434-9200 x302	robert.w.white@intertek.com
Other						

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

REFERENCES

Please provide a list of references in the real estate and financial services industry that can attest to your experience in real estate development. **A minimum of 6 references is required, including two lenders.**

Type	Organization	Address	Contact Person	Title	Phone	Email
Lender	Citibank	One Sansome, San Francsico, CA	Bryan Barker	Director	415-627-6484	bryan.barker@citi.com
Lender	Lutheran Church Extension Fund	10733 Sunset Office Drive, Suite 300 St. Louis, MO 63127	Dan Brown	Vice President National Lending	314-885-6504	dan.brown@lcef.org
Investor	Enterprise	11000 Broken Land Parkway, Suite 700 Columbia, MD, 21044	Phillip Porter	VP, Acquisitions	401-772-2594	pporter@enterprisecommunity.org
City	SHRA	801 12th Street, Sacramento, CA 95814	Christine Weichert	Director	916-440-1353	cweichert@shra.org
City	City of San Francisco (MOHCD)	One South Van Ness, 5th Floor San Francisco, CA 94109	Lydia Ely	Deputy Director	415-701-5519	lydia.ely@sfgov.org
City	City of Victoria, MN	1670 Stieger Lake Lane Victoria, MN 55386	Dana Hardy	City Manager	952-443-4211	dhardie@ci.victoria.mn.us
City	City of Oakdale, MN	1584 Hadley Avenue N Oakdale, MN 55128	Bob Streetar	Community Development Director	651-730-2806	bob.streetar@ci.oakdale.mn.us

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

ANTICIPATED SOURCES OF PROJECT FINANCING A sources and uses spreadsheet is required as part of the application. Provide a narrative of your sources here and the expected timing of their funding. Please provide any verification of funding sources.			
Source	**Amount**	**Date Expected**	**Comments**
Tax Exempt Construction Loan	$24,000,000	October 2022-June 2024	CDLAC Award anticipated Aug 2022 with closing in October 2022 and draw down of funds throughout construction
Taxable Constuction Debt	$11,524,223	August 2022	Taxable debt will be secured by August 2022 with closing in October 2022 and draw down of funds throughout construction
City of Elk Grove	$2,936,000	October 2022	Funds committed in Fall 2021 in anticipation of pursuing HCD MHP funds thereafter
DDS Multifamily Loan	$2,100,000	October 2022	Funds commiitted in February 2022 in anticipation of pursuing HCD MHP funds thereafter and draw down of funds once construction begins
Affordable Housing Program	$840,000	June 2023	Committment prior to and funding at permanent loan conversion
Permanent Mortgage	$5,420,000	October 2024	Comiittment by October 2022 (construction loan closing) with loan funded at permanent loan conversion
HCD MHP	$15,000,000	October 2024	Award by May 2022, commitment by October 2022, and loan funded at permanent loan conversion
HCD HHC	$1,924,146	October 2024	Award by May 2022, commitment by October 2022, and loan funded at permanent loan conversion
Tax Credit Equity	$16,810,196	October 2022-April 2025	Equity contributed from construction close through 8609s

CITY OF ELK GROVE
AFFORDABLE HOUSING LOAN PROGRAM APPLICATION

PLEASE INCLUDE COPIES OF THE FOLLOWING DOCUMENTS WITH THIS APPLICATION.

For all project owners:

- ☒ Articles of Incorporation
- ☒ Bylaws
- ☒ IRS tax-exempt status determination (if applicable)
- ☒ List of board members
- ☒ Current and prior-year financial statements
- ☒ Disclosure form

For all development partners:

- ☒ Current and prior-year financial statements
- ☒ Authorization for Release of Information form

General:

- ☒ Development team member resumes
- ☒ Project map
- ☒ Grant deed or evidence of site control
- ☒ Preliminary title report
- ☒ Appraisal (as-built) or, if not available, a description of the plan and timeframe to complete this
- ☒ Market study
- ☒ Sources and uses spreadsheet
- ☒ Verification of funding sources
- ☒ Pro forma (30-year or greater)
- ☒ Site plan, including architectural renderings
- ☒ Project timeline
- ☒ Evidence of insurance

CERTIFICATION	
Applicant hereby certifies that it understands the regulations governing the Affordable Housing Fund, and agrees to abide by such regulations. Violations of these regulations shall constitute grounds for cancellation of any commitment or loan. Applicant hereby certifies that the information and supporting materials submitted for any financial assistance for the project is true, accurate, and complete to the best of its knowledge. **Applicant acknowledges and understands that if facts and/or information herein are found to be misrepresented, it shall constitute grounds for the default of the loan (or other financial assistance) for which application is being made.**	
Signature **X** Thomas G. Campbell Thomas G. Campbell, Bethesda Cornerstone Village, LLC	**Date:** 7 / 23 / 2021
Signature **X** M Miller	**Date:** 7 / 22 / 2021
Signature **X**	**Date:** / /

RETURN YOUR APPLICATION IN PERSON OR BY MAIL TO:
City of Elk Grove
8401 Laguna Palms Way
Elk Grove, CA 95758
Attn: Housing and Public Services Manager

841891

A495613

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

AUG 5 1997

BILL JONES, Secretary of State

RESTATED

ARTICLES OF INCORPORATION

OF

JOHN STEWART COMPANY

John K. Stewart and Eleanor M. Knox certify that:

1. They are the President and Secretary, respectively of the John Stewart Company, a California corporation.

2. The articles of incorporation of this corporation are amended and restated to read as follows:

I.

The name of the corporation is:

John Stewart Company

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.

This corporation is authorized to issue only one class of shares, which shall be designated "common" shares. The total authorized number of such shares authorized to be issued is ten thousand (10,000) shares.

IV.

The liability of directors of the corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

V.

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) through bylaw provisions, agreements with 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 applicable limits set forth in Section 204 of the California Corporations Code with respect to actions for breach of duty to the corporation and its shareholders.

3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the California Corporations Code. The total number of outstanding shares of the Corporation is 850. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50%.

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our own knowledge

Dated: May 30, 1997

John K. Stewart, President

Eleanor M. Knox, Secretary

A0565414

841891

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
JOHN STEWART COMPANY

FILED
in the Office of the Secretary of State
of the State of California
MAY 18 2001

BILL JONES, Secretary of State

John K. Stewart and Mari Tustin certify that:

1. They are the President and Secretary, respectively, of John Stewart Company (the "Corporation.")

2. Article III of the Articles of Incorporation is amended to read as follows:

"III
The Corporation is authorized to issue 30,000 shares of common stock."

3. The foregoing amendment of articles of incorporation has been duly approved by the Board of Directors.

4. The foregoing amendment of articles of incorporation has been duly approved by the required vote of shareholders in accordance with Section 902 of the Corporations Code. The total number of outstanding shares of the Corporation is eight hundred fifty (850). The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than fifty percent (50%).

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: May 11, 2001

John K. Stewart, President

Mari Tustin, Secretary

703203/200311

RESTATED BYLAWS

OF

JOHN STEWART COMPANY,
a California corporation

Effective May 30, 1997

INDEX TO
RESTATED BYLAWS OF
JOHN STEWART COMPANY,
a California corporation
Effective, May 30, 1997

ARTICLE V - OTHER PROVISIONS

ARTICLE VI - INDEMNIFICATION

ARTICLE VII -- AMENDMENTS

RESTATED BYLAWS

OF

JOHN STEWART COMPANY,
a California corporation

Effective May 30, 1997

INTRODUCTION.

These Bylaws have been prepared in accordance with mandatory and optional provisions, rules of construction and definitions of the California Corporations Code ("Code"). Where a conflict exists, the provisions of these Bylaws will control over optional provisions of the Code.

ARTICLE I -- PRINCIPAL OFFICE

Section 1. Principal Office.

The Board of Directors shall fix and may from time to time change 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 this state, and the Corporation has one or more business office in this state, the Board of Directors shall fix and designate a principal business office in the State of California.

Section 2. Branch Offices.

The Board of Directors may at any time establish additional offices wherever the Corporation is qualified to do business.

ARTICLE II -- SHAREHOLDERS

Section 3. Meeting Locations.

All meetings of shareholders shall be held at the principal office, or at such other place or places within or without the State of California as may be designated by the Board.

Section 2. Annual Meetings.

The annual meeting of shareholders shall be held between the 31st day of march and the 30th day of June of each year at the hour of one o'clock p.m. on said day, or at such other time on such other day within such month as shall be fixed by the Board, to elect directors to hold office for the year next ensuing and until their successors shall be elected, and to consider and act upon such other matters as may lawfully be presented to such meeting; provided, however, that should said day fall upon a legal holiday, then any such annual meeting of shareholders shall be held at the same time and place on the next day thereafter ensuing which is not a legal holiday.

Section 3. Special Meetings.

Special meetings of the shareholders may be called at any time by the Board, the Chairman of the Board, if any, the Chief Executive Officer, the President, or the holders of shares entitled to cast not less than ten percent of the votes at such meeting. Upon request in writing to the Chairman of the Board, if any, the Chief Executive Officer, the President, any Vice President or the Secretary by any person (other than the Board) entitled to call a special meeting of shareholders, Board) entitled to call a special meeting of shareholders, the officer forthwith shall cause notice to be given to the shareholders entitled to vote that a meeting will be held at a time requested by the person or persons calling the meeting, not less than thirty-five nor more than sixty days after the receipt of the request. If the notice is not given within twenty days after receipt of the request, the persons entitled to call the meeting may give the notice.

Section 4. Notice of Annual or Special Meeting.

Written notice of each annual or special meeting of shareholders shall be given not less than ten nor more than sixty days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall state 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, and no other business may be transacted, or (ii) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the shareholders, but, subject to the provisions of applicable law, any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by the Board for election.

Notice of a shareholders' meeting shall be given either personally or by first-class mail or by other means of written communication, addressed to the shareholder at the address of such shareholder appearing on the books of the corporation or given by the shareholder to the corporation for the purpose of notice; or, if no such address appears or is given, at the place where the principal office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal office is located. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, first-class postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient.

Section 5. Quorum.

A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of the shareholders.

Section 6. Adjourned Meeting and Notice Thereof.

Any shareholders' meeting, whether or not a quorum is present, 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 in the absence of a quorum (except as permitted by applicable law in the case of withdrawals by shareholders to reduce the number remaining to less than a quorum) no other business may be transacted at such meeting.

With exceptions under applicable law, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

Section 7. Voting.

The shareholders entitled to notice of any meeting or to vote at any such meeting shall be only persons in whose name shares stand on the stock records of the corporation on the record date determined in accordance with Section 8 of this Article.

Voting shall in all cases be subject to the provisions of Chapter 7 of the California General Corporation Law, and to the following provisions:

(a) Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy holder as the bylaws of such other corporation may prescribe or, in the absence of such provision, as the Board of Directors of such other corporation may determine or, in the absence of such determination, by the chairman of the board, chief executive officer, president or any vice president of such other corporation or by any other person authorized to do so by the chairman of the board, chief executive officer, president or any vice president of such other corporation. Shares which are purported to be voted or any proxy purported to be executed in the name of a corporation (whether or not any title of the person signing is indicated) shall be presumed to be voted or the proxy executed in accordance with the provisions of this subdivision, unless the contrary is shown.

(b) Shares of the corporation owned by any of its subsidiaries shall not be entitled to vote on any matter.

(c) Shares of the corporation held by the corporation in a fiduciary capacity, and shares of the corporation held in a fiduciary capacity by any of its subsidiaries, shall not be entitled to vote on any matter, except to the extent that the settlor or beneficial owner possesses and exercises a right to vote or to give the corporation binding instructions as to how to vote such shares.

Section 8. Record Date.

The Board may fix, in advance, a record date for the determination of the shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution, or any allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall be not more than sixty days nor less than ten days prior to the date of the meeting nor more than sixty days prior to any other action. 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 shares on the books of the corporation after the record date, except as otherwise provided by law or these Bylaws.

Section 9. Consent of Absentees.

The transactions of any meeting of shareholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is 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 10. Action Without Meeting.

Subject to Section 603 of the California General Corporation Law, any action which, under any provision of the California General Corporation Law, may be taken at any 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, 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.

Section 11. Proxies.

Every person entitled to vote shares has the right to do so either in person or by one or more persons, not to exceed three, authorized by a written proxy executed by such shareholder and filed with the Secretary.

ARTICLE III -- DIRECTORS

Section 1. Powers.

Subject to limitations of the Articles, of these Bylaws and of the California General Corporation Law relating to action required to be approved by the shareholders or by the outstanding shares, 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. The Board may delegate the management of the day-to-day operation of the business of the corporation 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. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(a) To select and remove all the other officers, agents and employees of the corporation, prescribe the powers and duties for them as may not be inconsistent with law, with the Articles or these Bylaws, fix their compensation and require from them security for faithful service.

(b) To conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefor not inconsistent with law, or with the Articles or these Bylaws, as they may deem best.

(c) To adopt, make and use a corporate seal, and to prescribe the forms of certificates of stock, and to alter the form of such seal and of such certificates from time to time as in their judgment they deem best.

(d) To authorize the issuance of shares of stock of the corporation from time to time, upon such terms and for such consideration as may be lawful.

(e) To borrow money and incur indebtedness for the purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 2. Number of Directors.

The authorized number of directors shall not be less than three (3) nor more than six (6) until changed by amendment of the Articles or by a Bylaw duly adopted by the shareholders. The exact number of directors shall be fixed, within the limits specified, by the Board or the shareholders in the same manner provided in these Bylaws for the amendment thereof. The exact number of authorized directors shall be six (6) until changed as provided in these Bylaws.

Section 3. Election and Term of Office.

The directors shall be elected at each annual meeting of the shareholders, but 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. Each director shall hold office until the next annual meeting and until a successor has been elected and qualified.

Section 4. Vacancies.

Any director may resign effective upon giving written notice to the Chairman of the Board, if any, the Chief Executive Officer, the President, the Secretary, or the Board, 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.

Vacancies in the Board, except those existing as a result of a removal of a director, may be filled by a majority of the remaining directors, whether or not less than a quorum, or by a sole remaining director, and each director so elected shall hold office until the next annual meeting and until such director's successor has been elected and qualified. Vacancies existing as a result of a removal of a director may be filled by the shareholders as provided by law.

A vacancy or vacancies in the Board shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail, at any annual or special meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

The shareholders may elect a director or directors at any time to fill any vacancy or vacancies not filled by the directors. Any such election by written consent other than to fill a vacancy created by removal requires the consent of a majority of the outstanding shares entitled to vote. If the Board accepts the resignation of a director tendered to take effect at a future time, the Board or the shareholders shall have power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 5. Place of Meeting.

Regular or special meetings of the Board shall be held at any place within or without the State of California which has been designated from time to time by the Board or as provided in these Bylaws. In the absence of such designation, regular meetings shall be held at the principal office.

Section 6. Organization Meeting.

Promptly following each annual meeting of shareholders the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business.

Section 7. Special Meetings and Other Regular Meetings.

Special meetings and regular meetings other than organization meetings of the Board for any purpose or purposes may be called at any time by the Chairman of the Board, if any, the Chief Executive Officer, the President, any Vice President, the Secretary or by any two directors.

Such meetings of the Board shall be held upon four days' written notice or forty-eight hours' notice given personally or by telephone, telegraph, telex or other similar means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the corporation or as may have been given to the corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held. The notice need not specify the purpose of such meeting.

Notice by first-class mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Section 8. Quorum.

A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as provided in Section 11 of this Article. 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 shall be regarded as the act of the Board, unless a greater number is required by law or by the Articles; provided, however, that 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. Participation in Meetings By Conference Telephone.

Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation constitutes presence in person at such meeting.

Section 10. Waiver of Notice.

The transactions of any meeting of the Board, 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 such 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 11. Adjournment.

A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned. If the meeting is adjourned for more than twenty-four hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 12. Fees and Compensation.

Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board.

Section 13. Action Without Meeting.

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

ARTICLE IV - OFFICERS

Section 1. Officers.

The officers of the corporation shall be a President, a Chief Financial Officer and a Secretary. The corporation may also have, at the discretion of the Board, a Chairman of the Board, a Chief Executive Officer, one or more additional Vice Presidents, a Controller, one or more Assistant Controllers, one or more Assistant Secretaries, a Treasurer, one or more Assistant Treasurers, a General Counsel, one or more Assistant General Counsels, and such other officers as may be appointed in accordance with the provisions of Section 5 of this Article.

Section 2. Election.

The officers of the corporation, except such officers as may be elected or appointed in accordance with the provisions of Section 5 or Section 6 of this Article, shall be chosen annually by, and shall serve at the pleasure of the Board, and shall hold their respective offices until their resignation, removal, or other disqualification from service, or until their respective successors shall be elected.

Section 3. Eligibility of Chairman of the Board or Chief Executive Officer.

No person shall be eligible for the office of Chairman of the Board, if there shall be such an officer or Chief Executive Officer unless such person is a member of the Board of the corporation; any other officer may or may not be a director.

Section 4. Removal and Resignation.

Any officer may be removed, either with or without cause, by the Board at any time or by any officer upon whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment of the officer.

Any officer may resign at any time by giving written notice to the corporation, but without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Appointment of Other Officers.

The Board may appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in the Bylaws or as the Board may from time to time determine.

Section 6. Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office.

Section 7. Salaries.

The salaries of the Chairman of the Board, if any, Chief Executive Officer, President, Vice Presidents, Controller, Treasurer and Secretary of the corporation shall be fixed by the Board.

Salaries of all other officers shall be approved from time to time by the chief executive officer.

Section 8. Chairman of the Board.

The Chairman of the Board, if such an officer is elected, shall, if present, preside at all meetings of the Board, and shall exercise such powers and perform such duties as from time to time may be conferred upon or assigned to him by the Board or the Bylaws.

Section 9. Chief Executive Officer.

Subject to such power, if any, as may be given by the Board to the Chairman of the Board, if there is such an officer, the Chief Executive Officer shall be the chief executive officer of the corporation with the powers of general manager, and he or she shall have supervising authority over and may exercise general executive powers concerning all of the operations and business of the corporation, with the authority from time to time to delegate to other officers such executive and other powers and duties as he or she may deem advisable. If there be no Chairman of the Board, or in his or her absence, the Chief Executive Officer shall preside at all meetings of the shareholders and of the Board, unless the Board appoints another person who need not be a shareholder, officer or director of the corporation, to preside at a meeting of shareholders.

Section 10. President and Chief Operating Officer.

Subject to such supervisory powers, if any, as may be given by the Board to the Chairman of the Board and Chief Executive Officer, if there be such an officer, the President shall be the chief operating officer of the corporation and shall have the powers of the general manager, subject to the authority of the Chairman of the Board and Chief Executive Officer, and he or she shall have supervising authority over all of the operations and business affairs of the corporation. The President shall preside at all meetings of the shareholders and, in the absence of the Chairman of the Board and Chief Executive Officer, or if there be none, at all meetings of the Board. The President has the general powers and duties of management usually vested in the office of president of a corporation and has such other powers and duties as may be prescribed by the Board or the Bylaws.

Section 11. Vice Presidents.

In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board, or if not ranked, the Vice President designated by the Board, shall perform all the duties of the President and/or the Chief Operating Officer and when so acting shall have all the powers of, and be subject to all the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them by the Board, by the President or the Bylaws.

Section 12. Controller.

The Controller, if any, shall be the chief accounting officer of the corporation and shall have control over all accounting matters concerning the corporation and shall perform such other duties as the President shall designate.

Section 13. Secretary.

The Secretary shall keep or cause to be kept, at the principal office and such other place as the Board may order, a book of minutes of all meetings of the shareholders, the Board, and its committees, and a share register or a duplicate share register.

The Secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board and any committees thereof required by the Bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 14. Assistant Secretary.

The Assistant Secretary shall perform the duties of the Secretary as the Secretary shall designate, and in the absence or disability of the Secretary, the Assistant Secretary shall perform the duties of the Secretary.

Section 15. Treasurer.

The Treasurer, if any, is the chief financial officer of the corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation. The books of account shall at all times be open to inspection by any director.

The Treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board. The Treasurer shall disburse, or cause to be disbursed, the funds of the corporation as may be ordered by the President or the Chief Executive Officer, shall render to the President, the Chief Executive Officer or the directors, whenever they request it, an account of all transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board. If the corporation does not have a Treasurer, the President shall be the Chief Financial Officer of the corporation.

Section 16. General Counsel.

The General Counsel shall be the chief consulting officer of the corporation in all legal matters and, subject to the Chairman, Chief Executive Officer and President, shall have control over all matters of legal import concerning the corporation.

Section 17. Performance of Duties.

Officers shall perform the duties of their respective offices as stated in these Bylaws, and such additional duties as the Board shall designate.

ARTICLE V -- OTHER PROVISIONS

Section 1. Inspection of Bylaws.

The corporation shall keep in its principal office the original or a copy of these Bylaws as amended to date, which shall be open to inspection by shareholders at all reasonable times during office hours.

Section 2. Contracts and Other Instruments, Loans, Notes and Deposits of Funds.

The Chairman of the Board, if any, the Chief Executive Officer, the President, the General Manager or a Vice President, either alone or with the Secretary or an Assistant Secretary, or the Secretary alone, shall execute in the name of the corporation such written instruments as may be authorized by the Board and, without special direction of the Board, such instruments as transactions of the ordinary business of the corporation may require and, such officers without the special direction of the Board may authenticate, attest or countersign any such instruments when deemed appropriate. The Board may authorize any person, persons, entity, entities, attorney, attorneys, attorney-in-fact, attorneys-in-fact, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by resolution of the Board as it may direct. Such authority may be general or confined to specific instances.

All checks, drafts, or other similar orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as the Board or chief executive officer may direct.

Unless authorized by the Board or these Bylaws, no officer, agent, employee or any other person or persons shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board may direct.

Section 3. Representation of Shares of Other Corporations.

The chief executive officer or any other officer or officers authorized by the Board or the chief executive officer are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 4. Annual Report to Shareholders.

The annual report to shareholders referred to in Section 1501 of the California General Corporation Law is expressly waived, but nothing herein shall be interpreted as prohibiting the Board from issuing annual or other periodic reports to shareholders.

Section 5. Fiscal Year and Subdivisions.

The calendar year shall be the corporate fiscal year of the corporation. For the purpose of paying dividends, for making reports and for the convenient transaction of the business of the corporation, the Board may divide the fiscal year into appropriate subdivisions.

Section 6. Construction and Definitions.

Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions of the California Corporations Code and in the California General Corporation Law shall govern the construction of these Bylaws.

ARTICLE VI -- INDEMNIFICATION

Section 1. Indemnification of Directors and Officers.

Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, formal or informal, whether brought in the name of the corporation or otherwise and whether of a civil, criminal, administrative or investigative nature (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity or in any other capacity while serving as a director or officer, shall, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permissible under California law and the corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that (A) the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of the corporation; (B) the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) other than a proceeding by or in the name of the corporation to procure a judgment in its favor only if any settlement of such a proceeding is approved in writing by the corporation; (C) that no such person shall be indemnified (i) except to the extent that the aggregate of losses to be indemnified exceeds the amount of such losses for which the director or officer is paid pursuant to any directors' and officers' liability insurance policy maintained by the corporation; (ii) on account of any suit in which judgment is rendered against such person for an accounting of profits made from the purchase or sale by such person of securities of the corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; (iii) if a court of competent jurisdiction finally determines that any indemnification hereunder is unlawful; and (iv) as to circumstances in which indemnity is expressly prohibited by Section 317 of the General Corporation Law of California (the "Law"); and (D) that no such person shall be indemnified with regard to any action brought by or in the right of the corporation for breach of duty to the corporation and its shareholders (a) for acts or omissions involving intentional misconduct or knowing and culpable violation of law; (b) for acts or omissions that the director or officer believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director or officer; (c) for any transaction from which the director or officer derived an improper personal benefit; (d) for acts or omissions that show a reckless disregard for the director's or officer's duty to the corporation or its shareholders in circumstances in which the director or officer was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the corporation or its shareholders; (e) for acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's or officer's duties to the corporation or its shareholders; and (f) for costs, charges, expenses, liabilities and losses arising under Section 310 or 316 of the Law. The right to indemnification conferred in this Article shall include the right to be paid by the corporation expenses incurred in defending any proceeding in advance of its final disposition; provided, however, that if the Law permits the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advances shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts to the corporation if it shall be ultimately determined that such person is not entitled to be indemnified.

Section 2. Indemnification of Employees and Agents.

A person who was or is a party or is threatened to be made a party to or is involved in any proceeding by reason of the fact that he or she is or was an employee or agent of the corporation or is or was serving at the request of the corporation as an employee or agent of another enterprise, including service with respect to employee benefit plans, whether the basis of such action is an alleged action or inaction in an official capacity or in any other capacity while serving as an employee or agent, may, subject to the terms of any agreement between the corporation and such person, be indemnified and held harmless by the corporation to the fullest extent permitted by California law and the corporation's Articles of Incorporation, against all costs, charges, expenses, liabilities and losses, (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith.

Section 3. Right of Directors and Officers to Bring Suit.

If a claim under Section 1 of this Article is not paid in full by the corporation within 30 days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. Neither the failure of the corporation (including its Board, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met the applicable standard of conduct, if any, nor an actual determination by the corporation (including its Board, independent legal counsel, or its shareholders) that the claimant has not met the applicable standard of conduct, shall be a defense to the action or create a presumption for the purpose of an action that the claimant has not met the applicable standard of conduct.

Section 4. Successful Defense.

Notwithstanding any other provision of this Article, to the extent that a director or officer has been successful on the merits or otherwise (including the dismissal of an action without prejudice or the settlement of a proceeding or action without admission of liability) in defense of any proceeding referred to in Section 1 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

Section 5. Nonexclusivity of Rights.

The right to indemnification provided by this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

Section 6. Insurance.

The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Law.

Section 7. Expenses as a Witness.

To the extent that any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her on his or her behalf in connection therewith.

Section 8. Indemnity Agreements.

The corporation may enter into agreements with any director, officer, employee or agent of the corporation providing for indemnification to the fullest extent permissible under the Law and the corporation's Articles of Incorporation.

Section 9. Separability.

Each and every paragraph, sentence, term and provision of this Article is separate and distinct so that if any paragraph, sentence, term or provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not affect the validity or unenforceability of any other paragraph, sentence, term or provision hereof. To the extent required, any paragraph, sentence, term or provision of this Article may be modified by a court of competent jurisdiction to preserve its validity and to provide the claimant with, subject to the limitations set forth in this Article and any agreement between the corporation and claimant, the broadest possible indemnification permitted under applicable law.

Section 10. Effect of Repeal or Modification.

Any repeal or modification of this Article shall not adversely affect any right of indemnification of a director or officer existing at the time of such repeal or modification with respect to any action or omission occurring prior to such repeal or modification.

ARTICLE VII -- AMENDMENTS

Section 1. Amendments.

These Bylaws may be amended or repealed either by approval of the outstanding shares or by the approval of the Board; provided, however, that a Bylaw specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable Board or vice versa may only be adopted by approval of the outstanding shares. The exact number of directors within the maximum and minimum number specified in these Bylaws may be amended by the Board alone.

UNANIMOUS WRITTEN CONSENT IN LIEU OF A MEETING OF THE SHAREHOLDERS OF JOHN STEWART COMPANY

The undersigned shareholders of John Stewart Company, a California corporation (the "**Corporation**"), do hereby consent to and approve the adoption of the following resolutions, without a meeting, pursuant to Section 603(a) of the California Corporations Code and the Restated Bylaws of the Corporation dated as of May 30, 1997 (the "**Restated Bylaws**"), effective as of June 30, 2017:

Amendment of Bylaws

WHEREAS, the Board of Directors has determined it is in the best interests of the Corporation that the Restated Bylaws of the Corporation be amended to fix the number of authorized directors;

NOW, THEREFORE, BE IT RESOLVED, that Article III, Section 2 of the Restated Bylaws be amended and restated in its entirety to read in full as follows:

> "Section 2. Number of Directors. The minimum number of directors shall not be less than three (3); provided, however, that so long as the corporation has only one shareholder, the number of Directors may be one (1) or two (2) and so long as the corporation has only two shareholders, the number of Directors may be two (2). The exact number of directors number may be changed by a resolution of the Board of Directors or of the shareholders, in the same manner provided in these Bylaws for the amendment thereof."

RESOLVED FURTHER, that the exact number of directors of the Corporation shall be six (6) until changed as provided in the Restated Bylaws, as amended from time to time.

RESOLVED FURTHER, that Article III, Section 4 of the Restated Bylaws be amended and restated in its entirety to read in full as follows:

> "Section 4. Vacancies: Removal. Vacancies in the Board of Directors may be filled by a majority of the remaining Directors, though less than a quorum, or by a sole remaining director, except that a vacancy created by the removal of a director by the vote or written consent of the shareholders or by court order may be filled only by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of holders of a majority of the outstanding shares entitled to vote. Each director so elected shall hold office until the next annual meeting of the shareholders and until a successor has been elected and qualified.
>
> A vacancy or vacancies in the Board of Directors shall be deemed to exist in the event of the death, resignation, or removal of any director, or if the Board of Directors by resolution declares vacant the office of a director who has been

declared of unsound mind by an order of court or convicted of a felony, or if the authorized number of directors is increased, or if the shareholders fail, at any meeting of shareholders at which any director or directors are elected, to elect the number of directors to be voted for at that meeting.

Any or all of the directors may be removed without cause if the removal is approved by the outstanding shares, unless and except as otherwise provided for in any voting agreement among the shareholders with respect to the vote of their shares of stock in the corporation in connection with the removal of directors; provided, however, that subject to any voting agreement among the shareholders with respect to the vote of their shares of stock in the corporation, no director may be removed (unless the entire board is removed) when the votes cast against removal, or not consenting in writing to the removal, would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast (or, if the 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 elected.

Any director may resign effective on giving written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for that resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

No reduction of the authorized number of directors shall have the effect of removing any Director before that Director's term of office expires."

RESOLVED FURTHER, that a new Section 14 be inserted in Article III of the Restated Bylaws to read in its entirety as follows:

"Section 4. Dispute Resolution if Directors are Deadlocked or Failure to Achieve Quorum. If (a) the Directors are evenly divided on any aspect of the management of the property, business or affairs of the corporation, or corporation transaction, including, without limitation, the amount of a permissible salary, bonus or distribution to an employee, Director, officer or shareholder, or (b) if they are equally divided on any question, dispute or controversy, or (c) no quorum is achieved for two successive meetings of the Board of Directors, and any such deadlock or quorum prevents action or non-action by the Board of Directors, then the senior most executive officer who also directly or indirectly holds shares of stock of the corporation (commencing with the President and then descending in order to the Vice President and then Secretary) and serves as a Director shall have a second or casting vote."

Omnibus Resolutions

NOW, THEREFORE, BE IT RESOLVED, that the officers of the Corporation be and each of them hereby is, authorized, empowered and directed, to execute and deliver any and all such agreements, certificates, instruments or documents, and to take or cause to be taken any and all such other actions as they shall deem necessary, appropriate or advisable in order to carry out the intent and purposes of the foregoing resolutions; and

RESOLVED FURTHER, that for purposes of these resolutions, signatures transmitted by facsimile, PDF or similar electronic method shall be deemed original signatures and these resolutions may be signed in counterparts, all of which shall be deemed one instrument.

The Secretary of the Corporation is directed to file this Unanimous Written Consent with the minutes of the proceedings of the shareholders.

This consent may be executed in any number of counterparts, each of which when so executed and delivered to the Corporation shall be deemed an original, and such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, the undersigned shareholders of John Stewart Company have executed this Unanimous Written Consent, dated and effective as of the date first written above.

SHAREHOLDER: DANIEL AND MARGARET LEVINE REVOCABLE TRUST DATED JUNE 30, 2017

By: ______________________________
Daniel M. Levine, Trustee

By: ______________________________
Margaret O. Levine, Trustee

SHAREHOLDER: THE MARI TUSTIN 2004 REVOCABLE TRUST UTA APRIL 5, 2004, AS AMENDED AND RESTATED

By: ______________________________
Mari Tustin, Trustee

SHAREHOLDER: THE GARDNER RUPP REVOCABLE TRUST DATED MARCH 18, 2014

By: ______________________________
Jack D. Gardner, Trustee

By: ______________________________
Candida R. Rupp, Trustee

IN WITNESS WHEREOF, the undersigned shareholders of John Stewart Company have executed this Unanimous Written Consent, dated and effective as of the date first written above.

SHAREHOLDER: DANIEL AND MARGARET LEVINE REVOCABLE TRUST DATED JUNE 30, 2017

By: ______________________
Daniel M. Levine, Trustee

By: ______________________
Margaret O. Levine, Trustee

SHAREHOLDER: THE MARI TUSTIN 2004 REVOCABLE TRUST UTA APRIL 5, 2004, AS AMENDED AND RESTATED

By: Mari Tustin
Mari Tustin, Trustee

SHAREHOLDER: THE GARDNER RUPP REVOCABLE TRUST DATED MARCH 18, 2014

By: Jack D. Gardner
Jack D. Gardner, Trustee

By: Candida R. Rupp
Candida R. Rupp, Trustee

The John Stewart Company
Board Roster

Name	Home Address	Home Phone	Cell Phone	Office Email	Home Email
Jack D. Gardner, President & CEO	140 Poplar Street Berkeley, CA 94708	(510) 526-1490	(510) 520-5915	jgardner@jsco.net	jakgardner@aol.com
Daniel Levine, Secretary	1445 Nye Street San Rafael, CA 94901		(415) 798-1631	dlevine@jsco.net	danlev@pacbell.net
Mari Tustin, Vice President	603 National Street Santa Cruz, CA 95060	(831) 429-8945	(831) 238-3511	mtustin@jsco.net	mtustin@pacbell.net
Noah Schwartz, CFO	30 Clemson Court Walnut Creek, CA 94597		(434) 987-8106	nschwartz@jsco.net	nkschwartz@yahoo.com
Margaret Miller, Vice President	729B Liggett Avenue San Francisco, CA 94129		(415) 420-5795	mmiller@jsco.net	margaretpcampbell@hotmail.com

Last Updated On: November 10, 2020

JOHN STEWART COMPANY

CONSOLIDATED
FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES,
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

PEROTTI & CARRADE

Certified Public Accountants

JOHN STEWART COMPANY

CONSOLIDATED
FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES,
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FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

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P&C
PEROTTI & CARRADE
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
John Stewart Company:

We have audited the accompanying consolidated financial statements of the John Stewart Company and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of New Providence Place, LP, a limited partnership, the investment in which, as discussed in Note 4 to the financial statements, is accounted for by the equity method of accounting. The investment in New Providence Place, LP was $4,344,493 and $4,128,284 as of December 31, 2019 and 2018, respectively. The financial statements of New Providence Place, LP were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for New Providence Place, LP, is based solely on the report of the other auditors. We conducted our audits 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 of 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and

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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, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of John Stewart Company and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplemental schedules on pages 23 through 25 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidated information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

June 4, 2020

Perotti & Carrade

JOHN STEWART COMPANY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current Assets:		
Cash and cash equivalents	$ 10,743,906	$ 11,658,425
Temporarily invested cash	754,373	1,270,079
Accounts receivable:		
Development fees	3,468,409	3,264,476
Management fees	2,523,042	2,125,342
Construction services fees	1,582,510	691,175
Project payroll and other advances	1,569,587	803,304
Tenant and other receivables	248,165	346,802
Income taxes	444,823	600,008
Prepaid expenses	648,523	577,221
Total current assets	21,983,338	21,336,832
Restricted Tenants' Security Deposits and Funded Reserves	730,979	2,303,753
Property and Equipment - at cost:		
Office furnishings, equipment and leasehold improvements	810,858	793,447
Less accumulated depreciation and amortization	(768,774)	(747,748)
Property and equipment - net	42,084	45,699
Other Assets:		
Certificate of deposit collateralizing line of credit	257,667	254,874
Investments in and advances to partnerships and limited liability companies	7,759,169	7,836,424
Shareholders notes receivable, including accrued interest	726,595	699,506
Deferred income taxes	769,000	609,000
Total other assets	9,512,431	9,399,804
Total Assets	$ 32,268,832	$ 33,086,088

LIABILITIES AND SHAREHOLDERS' EQUITY

	2019	2018
Current Liabilities:		
Accounts payable and accrued expenses	$ 4,952,360	$ 5,984,371
Long-term debt due within one year	374,585	184,585
Total current liabilities	5,326,945	6,168,956
Long-term Debt: Notes related to redemption of Company stock	2,517,512	992,097
Other Noncurrent Liabilities: Tenant security deposits	656,005	665,286
Shareholders' Equity	23,768,370	25,259,749
Total Liabilities and Shareholders' Equity	$ 32,268,832	$ 33,086,088

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenues:		
Management and accounting fees	$ 23,786,680	$ 21,703,509
Treasure Island rental revenue	11,315,834	11,111,442
Development and partnership administrative fees	2,147,000	3,637,124
Construction services and consulting fees	1,103,487	1,392,377
Processing fees and other income	1,114,516	1,018,111
Interest income	273,920	200,413
Total revenues	39,741,437	39,062,976
Management Expenses:		
Treasure Island:		
Base and percentage rent	2,075,957	1,564,384
Other operating expenses	8,825,558	9,175,750
Personnel, net of reimbursements	22,882,325	21,847,640
General and administrative	3,714,903	3,743,235
Occupancy	1,845,828	2,030,071
Interest	68,344	44,778
Total expenses	39,412,915	38,405,858
Operating Income	328,522	657,118
Other Income: Income from partnership and limited liability company investments	631,240	223,170
Income Before Income Taxes	959,762	880,288
Income Taxes	329,615	374,737
Net Income	$ 630,147	$ 505,551

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Number of Shares Issued and Outstanding (10,000 shares Authorized)	No Par Capital Stock	Additional Paid in Capital	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 2017	4,000	$ 400,000	$ 768,685	$ 22,673,809	$ 23,842,494
Capital contributions			911,704		911,704
Net income for 2018				505,551	505,551
Balance, December 31, 2018	4,000	400,000	1,680,389	23,179,360	25,259,749
Stock redemption	(1,000)	(100,000)		(2,021,526)	(2,121,526)
Net income for 2019				630,147	630,147
Balance, December 31, 2019	3,000	$ 300,000	$ 1,680,389	$ 21,787,981	$ 23,768,370

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating Activities:		
Net income	$ 630,147	$ 505,551
Adjustments to reconcile net income to cash provided by (used for) operations:		
Depreciation	21,026	18,787
Stock-based compensation		911,794
Partnership and LLC investments income (net)	(631,240)	(223,170)
Decrease (increase) in deferred taxes	(160,000)	150,000
Changes in assets and liabilities:		
Decrease (increase) in management and development fees receivable	(601,633)	1,678,419
Decrease (increase) in construction services fees receivable	(891,335)	665,403
Decrease (increase) in tenant and other receivables	98,637	(198,897)
Decrease (increase) in income taxes receivable	155,185	(146,868)
Increase in accrued interest on shareholders notes receivable	(27,089)	
Decrease (increase) in prepaid expenses	(71,302)	41,786
Decrease in accounts payable & accrued expenses	(1,032,011)	(149,276)
Cash provided by (used for) operating activities	(2,509,615)	3,253,529
Investing Activities:		
Change in Treasure Island security deposit restricted reserves	23	(5,682)
Withdrawals from temporarily invested cash	515,706	1,729,921
Property additions	(17,411)	(20,527)
Advances made to shareholders		(699,506)
Net change to certificates of deposit collateralizing line of credit	(2,793)	(1,773)
Investments in and advances to partnerships and limited liability companies - net of distributions	708,495	(3,867,341)
Cash provided by (used for) investing activities	1,204,020	(2,864,908)
Financing Activities:		
Activity related to project payroll advances - net	(766,283)	85,063
Stock redemption loan payments	(406,111)	(184,585)
Cash used for financing activities	(1,172,394)	(99,522)
Net Increase (Decrease) in Cash	(2,477,989)	289,099
Cash and Equivalents and Restricted Cash, Beginning of Year	13,293,736	13,004,637
Cash and Equivalents and Restricted Cash, End of Year	$ 10,815,747	$ 13,293,736
Supplementary Information:		
Interest Paid	$ 41,890	$ 42,199
Income Taxes Paid	$ 334,430	$ 371,605

See accompanying notes to financial statements.

JOHN STEWART COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

The John Stewart Company (the Company) provides property management, marketing, accounting, construction management and consulting services to a variety of real estate clients throughout California. The Company also develops affordable, mixed-income and mixed-use real estate projects for its own account and in partnership with other private and non-profit organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the John Stewart Company have been prepared using the accrual basis of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking and money market accounts and certificates of deposit with an original maturity date of ninety days or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals presented in the statements of cash flows as of December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 10,743,906	$ 11,658,425
Cash included in restricted tenants' security deposits and funded reserves	71,841	1,635,311
Cash, Cash Equivalents, and Restricted Cash	$ 10,815,747	$ 13,293,736

Temporarily Invested Cash – Cash that is temporarily invested in certificates of deposit having an original maturity date of greater than 90 days.

Revenue Recognition – Revenue recognition policies consist of the following:

Management and Accounting Fees – The Company provides property management services to its customers. Property management contracts are generally for a period of one year and are renewed annually. The performance obligations under the terms of the contracts are satisfied over time. The Company recognizes revenue monthly as the Company performs, or makes available, the applicable services to the customers. The billing terms for these services call for either a flat or variable monthly fee and generally billed at the end of each month. Contract modifications that extend or revise contract terms are uncommon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasure Island Rental Revenue – Rental revenue attributable to residential leases is recorded when due from residents, generally on the first day of each month. Tenant leases are for periods of up to one year, with rental payments due monthly.

Processing Fees – A fee is charged on a biweekly basis to properties managed by the Company to process the payroll for the employees at the properties who are considered Company personnel. The fee is calculated as a percentage of the property's total payroll cost for the related period. Revenue is recognized at the point in time the payroll has been processed.

Construction Services – The Company provides construction management services for which it generally earns a fixed fee plus reimbursement for certain expenses. The performance obligations under the terms of such contracts are satisfied over time, generally within a year or two. Revenue is measured based on the level of output performed during the period. The billing terms for such contracts call for invoicing as services are rendered, generally monthly. Contract modifications that extend or revise contract terms are uncommon.

Development Fees and Partnership Administrative Fees - In addition to developing projects for its own account, the Company also provides development services for which it generally earns fixed fees. These services are associated with the financing and acquisition, construction or rehabilitation of affordable housing, commonly properties that involve low-income housing tax credits. Fees are earned over the course of the financing, construction and lease-up phases of the projects, culminating with their stabilization and the final award of credits. The performance obligations under the terms of such contracts are satisfied over time, generally over five-year periods. Revenue is measured based on the level of output performed during the period. Contract modifications that extend or revised contract terms are uncommon.

The Company is also entitled to annual administrative fees from some partnerships and limited liability companies of which the Company is a partner or member. Generally, such fees are earned for providing on-going administrative oversight and support services to the partnerships or limited liability companies. The Company evaluates such agreements annually to determine if the performance obligations have been achieved and will recognize revenue by the end of the year. The fees are generally paid in the following year if sufficient property cash flow is available to do so.

Accounts Receivable - The Company carries its accounts receivable less an allowance for doubtful accounts, if warranted. Receivables are considered past due when payment is not received based on the terms of the contracts. On a periodic basis, management evaluates its accounts receivable and considers the necessity of an allowance for doubtful accounts based on a review of the aging of accounts receivable balances and collection history. The Company's policy is to generally not accrue interest on accounts receivable. Accounts are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

written off as uncollectible at the time management determines that collection is unlikely. An allowance for uncollectible developer and partnership administration fees of approximately $274,000 and $257,000, respectively, has been reflected as of December 31, 2019 and 2018 in the accompanying consolidated balance sheets.

Investments in and Advances to Partnerships and Limited Liability Companies - Investments in and advances to partnerships and limited liability companies are carried at cost and adjusted annually for equity in income and losses sustained by the partnerships and limited liability companies, and do not usually affect Company operating funds. In most cases, the Company or one of its wholly owned limited liability companies is a general partner, has an ownership interest of one percent or less, administers the affairs of the partnership and has an equity interest in the gain realized upon the eventual disposition of the underlying property of the respective partnership. Deferred taxes have been provided for timing differences relating to the recognition of income and losses (principally resulting from accelerated depreciation of property) for income tax purposes, but not reflected in the financial statements.

Personnel Expense - The Company reports its personnel costs net of reimbursements received from properties under management contracts. Gross wages before reimbursements were $70.4 million and $64.9 million for the years ended December 31, 2019 and 2018, respectively.

Depreciation and Amortization - Leasehold improvements and office furnishings and equipment acquired with a value of $5,000 or greater are capitalized at cost. Depreciation related to office furnishings and equipment is computed primarily on a straight-line basis over the estimated economic lives of the assets, which are generally 7 and 5 years, respectively. Leasehold improvements are amortized over their estimated useful lives or the life of the lease, whichever is shorter.

Income Taxes - Income taxes are provided for the tax effects of transactions reflected in the financial statements and consist of taxes currently due, plus deferred taxes which arise primarily because the income tax and financial statement basis of partnership investments and property differ due to dissimilar depreciation or amortization methods, and the timing of when state income taxes and accrued vacation is deductibility on the income tax returns. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when these differences reverse at a future date.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses, principally relating to the collectability of accounts receivable, the estimation of developer fees earned at interim points during the development process and the realization of partnership investments and deferred income taxes. Accordingly, actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Variable Interest Entities - The Company has elected to not apply variable interest entity guidance as permitted under generally accepted accounting principles.

Subsequent Events - For disclosure purposes, subsequent events have been evaluated through June 4, 2020, the date the financial statements were available to be issued. In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of the Company, has been impacted. Although the Company is considered an "essential business" and has continued operating throughout the pandemic, the extent to which it will impact operations depends on highly uncertain future developments. So while the Company's management is pleased with the pandemic's limited impact as of the issuance of this report, it is currently unable to determine whether the pandemic will have a material financial impact on the Company.

Change in Accounting Principles – In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Effective January 2019, the Company adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Company's contracts with customers. No practical expedients were applied. The revenue recognition of Treasure Island's rental income follows separate guidance than that of ASU 2014-09 and was not impacted by the new standard.

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18"). ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Consequently, the beginning cash and restricted cash as of January 1, 2018 was increased from $1,359,125 to $13,005,827 and the ending cash and restricted cash as of December 31, 2018 was increased from $1,636,501 to $13,294,926.

3. SUBLEASE WITH TREASURE ISLAND DEVELOPMENT AUTHORITY

In March 1999, the Company signed a sublease with the Treasure Island Development Authority (the Authority) for the rehabilitation, marketing, rental and management of 766 housing units on Yerba Buena Island and Treasure Island (Islands) resulting from the closure of the Treasure Island Naval Station and its conversion to public use. Effective September 26, 2014, the original sublease with the Authority terminated, and the Company entered into a new sublease and property management agreement in order to operate, maintain, repair and manage up to 556 housing units on the Islands.

3. SUBLEASE WITH TREASURE ISLAND DEVELOPMENT AUTHORITY (continued)

The term of the agreement is seven years after the commencement date of the sublease and property management agreement, with an additional three-year extension option commencing on the expiration date. The Company pays the Authority a base rent and 95% of net rental revenues as outlined in the sublease and property management agreement. Subsequent to the commencement date of the new sublease, 48 units were returned to the Navy for soil remediation. During the year ended December 31, 2015, 79 units on Yerba Buena Island were transferred for development and are no longer under the subtenancy agreement. During the years ended December 31, 2019 and 2018, units were held temporarily vacant on Treasure Island in anticipation of future transfers for development and remediation. As of December 31, 2019, there were 42 units held temporarily vacant on Treasure Island. The vacancy loss attributable to these units totaled approximately $1,221,000 and $1,510,000, respectively, for the years ended December 31, 2019 and 2018. As of December 31, 2019, 429 units continued to be managed by the Company under the sublease.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company's principal transactions with partnerships and limited liability companies (LLC’s) in which the Company has an equity interest involve providing property management, marketing, accounting, consulting and development services for a fee. Fees earned by the Company from related partnerships and LLC’s were approximately $4,661,000 in 2019 and $6,145,000 in 2018. Fees receivable from these entities at December 31, 2019 and 2018 aggregated approximately $3,929,000 and $3,609,000, respectively.

See the schedule reflecting the activity of partnership and limited liability company investments and advances on Page 23 for further details.

Subsequent to December 31, 2019, the Company paid $1,000,000 to acquire an additional 8.49% interest in North Beach Retail Associates, LLC, the entity which owns the retail component of the Company’s North Beach Place project (developed in partnership with BRIDGE Housing and Em Johnson Interest, Inc.).

JOHN STEWART COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

The following summarizes development, construction, property management fees and partnership administrative revenue earned by the Company from its most significant investments for the years ended December 31, 2019 and 2018:

	2019			2018		
	Development Fees	Property Mgmt. Fees	Partnership/ Construction Fees	Development Fees	Property Mgmt. Fees	Partnership/ Construction Fees
Projects with development complete as of December 31, 2019:						
1760 Bush, LP	$ 432,110	$ 86,832	$ 45,216	$ 690,000	$ 86,734	$ 3,406
491 31st Ave., LP		54,000	128,731	422,000	54,000	85,866
BTW Housing Partners, LP	28,500	33,200	15,682	36,000	38,500	15,225
Carlson Boulevard, LP		155,220	15,579		131,340	15,126
Heritage Commons, LP		35,042	11,690		34,020	4,250
Heritage Commons II, LP		33,372			32,400	
HV Partners 1, LP		83,460	47,911		83,460	47,389
HV Partners 2, LP		83,460	45,914	62,000	83,460	53,700
HV Partners Block 10, LP	62,000	56,160	189,610			
Hunters Point East West, LP	60,000	178,920	43,014	180,000	176,907	30,113
Marina Annex Associates, LP		35,186	25,000		34,165	59,100
Marina Tower Associates, LP		91,351	21,999		88,697	116,349
Monte Alban Partners, LP		176,190	7,122		171,056	6,914
New Village East, LP	(18,996)	141,360	47,180	376,094	141,360	53,451
New Providence Place, LP	5,000	156,793	28,226		157,082	31,092
Nihonmachi Terrace, LP		229,320	40,477		229,320	56,435
North Beach Dev. Associates, LLC		245,684			238,564	4,082
North Beach Retail Associates, LLC		43,125	8,022		42,434	7,789
RHA RAD Housing Partners, LP		102,960			118,800	
T9 Affordable Housing GP, LLC		110,678			105,408	
WAV Apartments Partners, LP		41,400	17,291		41,400	16,747
Westbrook Housing Partners, LP	80,000	181,968		(49,000)	181,968	
Other investments	125,000	122,710	5,628	325,000	140,772	7,003
Subtotal	773,614	2,478,391	744,292	2,042,094	2,411,847	614,037
Projects under development as of December 31, 2019:						
88 Broadway	(17,685)			221,920		
Creekside	268,980					
HV Partners 3, LP	62,000			268,000		
Shasta Hotel	310,950	33,561	16,118	281,250		
Other investments	(8,835)			289,520		15,938
Subtotal	615,410	33,561	16,118	1,060,690	-	15,938
Total	$ 1,389,024	$ 2,511,952	$ 760,410	$ 3,102,784	$ 2,411,847	$ 629,975

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

Other significant investment activity includes:

JSCo Development Services, LLC: In September 2016, the Company's shareholders formed a limited liability company, JSCo Development Services, LLC (JDS), for the purpose of developing affordable and mixed-income housing separately from the Company. The Company does not have any equity ownership in JDS. JDS and the Company occasionally contract with one another for development and other services, but are free to work with any entities of their choosing. The Company's Board of Directors has the discretion to determine whether the Company will provide such services, including providing construction completion and other guarantees on behalf of JDS for a fee. There are no substantial liabilities of JDS.

Hunters View Associates, LP: In January 2007, the Company formed and became the Managing General Partner of Hunters View Associates, LP, a limited partnership established to redevelop the dilapidated 267-unit "Hunters View" public housing development in San Francisco, California, as a mixed-income and mixed-use community, including the replacement of all existing public housing units and the creation of additional affordable and market rate rental and for-sale units. The Company is the sole member of JSCo HVA LLC, which was formed in January 2011 and was assigned the Company's interest in Hunters View Associates, LP. The Partnership is developing the project in multiple phases and is financing these phases with loans from private and public lenders, equity generated by the syndication of low-income housing tax credits and equity from third-party investors. Pursuant to predevelopment loan agreements with the City and County of San Francisco (through the Mayor's Office of Housing and Community Development) and the Redevelopment Agency of the City and County of San Francisco, the Partnership earns, at various stages of completion, developer fees from each of the agencies to manage the master planning and development activities of each phase. The Company and two other entities are co-developers of the project. The Company's original interest in the developer fee earned was 40% and 70% of the rental and for-sale components, respectively. In July 2010, an amendment to the memorandum of understanding was executed changing the Company's interest in the developer fee of the rental and for-sale components to 60% each. Phases one and two of the development were completed during 2013 and 2017, respectively. An additional project within the phase two area – "Block 10" – was commenced during 2015 and was completed during 2018. Phase three commenced during 2018 and continues as of December 31, 2019. Aggregate developer fees earned by the Company on the project as of December 31, 2019 totaled $5,849,855.

Monte Alban Associates LLC: In July 2006, the Company and a majority of its shareholders joined together to form a limited liability company, Monte Alban Associates LLC (MAA), to be one of two general partners in Monte Alban Partners, LP, which acquired an affordable housing project in San Jose. The Company owns 50% of the interest in MAA. The revenue, net income, assets and members' equity each were less than $300,000 as of and for the years ended December 31, 2019 and 2018, respectively. There are no substantial liabilities or operating costs of MAA.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

New Providence Place, LP: In 2018, the Company formed and became a 99.99% limited partner of New Providence Place, LP, a limited partnership established to acquire and operate a 292-unit apartment complex in Sacramento, California. The Company has accounted for the investment under the equity method of accounting due to its limited control. The condensed, audited balance sheets and statements of operations of New Providence Place, LP for the years ended December 31, 2019 and 2018, prepared in conformity with generally accepted accounting principles, are summarized below.

Audited Condensed Balance Sheets (in thousands):

	2019	2018
Property, net of depreciation	$ 16,057	$ 15,767
Operating cash and other assets	990	1,227
Total Assets	$ 17,047	$ 16,994
Debt, including accrued interest	$ 12,327	$ 12,535
Accounts payable and other liabilities	375	331
Total Liabilities	12,702	12,866
Equity	4,345	4,128
Total Liabilities and Equity	$ 17,047	$ 16,994

Audited Condensed Statements of Operations (in thousands):

	2019	2018
Total revenues, net of vacancy	$ 3,190	$ 2,048
Operating expenses	(1,802)	(1,147)
Depreciation and amortization expense	(507)	(331)
Interest expense	(451)	(352)
Net Income	$ 430	$ 218

Santa Rosa Canners LLC: In September 2005, the Company purchased a member's entire interest (approximately 25%) in Santa Rosa Canners LLC for $600,000, and subsequently contributed an additional $1,116,000 to the entity through December 31, 2019. Santa Rosa Canners LLC owns and intends to develop property in downtown Santa Rosa, California. Because of market conditions, the LLC had opted to delay development of the property, but is now actively pursuing the development of affordable housing on the site. The Company believes its investment of $1,657,948 as of December 31, 2019 is not impaired.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

WAV Apartments Partners, LP/WAV Condominiums LLC: During December 2007, the Company formed two limited liability companies to participate with Projects Linking Artists with the Community and Environment (PLACE), a not-for-profit organization, in the development of a mixed-use project in Ventura, California. The development contains retail space, 69 affordable rental housing units for low-income persons (including 15 units supported by project-based Section 8 subsidies) and 13 market rate for-sale units. The project was completed on a timely basis and met all guaranteed timelines, but incurred substantial cost overruns.

WAV Apartments Partners, LP: As of December 31, 2019, the Company has provided advances of $466,737 to the partnership in connection with cost overruns. Advances are represented by interest bearing notes. Interest accrued on the advances totals $428,813 and $386,168, respectively, as of December 31, 2019 and 2018.

The projected cash flow of WAV Apartments Partners, LP is such that the Company does not expect to receive significant repayment of its advances in the next five years. As a consequence, a reserve has been established against the accrued interest on the advances. During the years ended December 31, 2019 and 2018, additional reserves of $42,645 and $40,615, respectively, have been recorded with respect to the accrued interest on the project advances, resulting in a total allowance of $428,813 as of December 31, 2019.

WAV Condominiums LLC: During 2013, PLACE defaulted on certain obligations under WAV Condominiums LLC's operating agreement; as a result, PLACE's voting rights relating to certain management decisions were revoked at that time. The 13-market rate for-sale units were sold during 2016. The only asset which remains is a master lease for commercial space owned by WAV Apartment Partners, LP.

As of December 31, 2019, the project's retail space was 100% occupied.

As of December 31, 2019, the Company has provided aggregate advances of $2,284,213 to the LLC in connection with cost overruns and certain operating costs. Advances are represented by interest bearing notes. Interest accrued on the advances totals $563,698 and $495,141, respectively, as of December 31, 2019 and 2018.

The Company's net investment in WAV Condominiums LLC as of December 31, 2019 was $268,580, which has been fully reserved as no significant net cash flow is expected from the investment in the next five years.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

WAV Condominiums LLC, continued: The condensed unaudited balance sheets and statements of operations of WAV Condominiums LLC for the years ended December 31, 2019 and 2018, prepared in conformity with generally accepted accounting principles, are summarized below:

Unaudited Condensed Balance Sheets (in thousands):

	2019	2018
Property, net of depreciation	$ 149	$ 165
Operating cash and other assets	11	23
Total Assets	$ 160	$ 188
Debt, including accrued and deferred interest	$ 2,912	$ 2,841
Accounts payable and other liabilities	10	16
Total Liabilities	2,922	2,857
Deficit	(2,762)	(2,669)
Total Liabilities and Equity	$ 160	$ 188

Unaudited Condensed Statements of Operations (in thousands):

	2019	2018
Rental revenues, net of vacancy	$ 128	$ 126
Operating expenses	(135)	(115)
Depreciation and amortization expense	(17)	(16)
Deferred interest expense	(69)	(69)
Net Loss	$ (93)	$ (74)

5. NOTES ASSOCIATED WITH STOCK REDEMPTIONS

The Company redeemed all the shares of two shareholders during 2015, 2016 and 2019. Both redemptions were executed with a combination of upfront cash payments and notes payable.

Interest on the two notes is equal to the sum of the long-term Applicable Federal Rate plus 0.50%, with a minimum of 2.50% and a maximum of 5.0%, adjusted annually. Both notes pay an annual payment of fixed principal amount plus accrued interest on July 1st according to the terms of the note agreements. One loan is expected to be fully paid by July 2025. The second loan matures in July 2029.

Interest incurred on the notes totaled $68,344 and $44,753 during the years ended December 31, 2019 and 2018, respectively. Interest paid on the notes totaled $41,890 and $42,199 during the years ended December 31, 2019 and 2018, respectively.

5. NOTES ASSOCIATED WITH STOCK REDEMPTIONS (continued)

As of December 31, 2019, and 2018, the balance on the notes are $2,892,097 and $1,176,682, respectively.

The required principal repayments on the notes payable are as follows for the years ending December 31:

2020	$	374,585
2021		374,585
2022		374,585
2023		374,585
2024		374,585
Thereafter		1,019,172
Total	$	2,892,097

6. LINE OF CREDIT

During the reporting periods, the Company had a line of credit from Beneficial State Bank which permitted the Company to borrow up to $2,000,000. No amounts were outstanding or borrowed on the line of credit as of and during the years ended December 31, 2019 and 2018.

Subsequent to December 31, 2019, the Company extended the maturity date of the line of credit to July 27, 2022 and increased its limit to $4,000,000. Outstanding advances accrue interest at the prime rate plus one and one-half percent (1.50%). Borrowings had been collateralized by a $250,000 certificate of deposit and the assets of the Company during the reporting periods, but the certificate of deposit requirement was removed as part of the most recent extension. The line of credit agreement also requires the Company to have no borrowings against the line for thirty consecutive days each year and to maintain certain financial ratios. All covenants have been met for all reporting periods.

7. CAPITAL STOCK, RELATED BUY-SELL AGREEMENT, AND SHAREHOLDERS NOTES RECEIVABLE

During July 2017 two executives were each issued 500 shares of the Company’s common stock and paid the Company $200 per share. Simultaneously, all of the shareholders executed a revised buy-sell agreement which includes a calculation of a purchase price should a shareholder wish to sell their shares. Provisions in the agreement required the recently admitted shareholders to remain with the Company for five years to obtain the full calculated value of the shares under the buy-sell agreement. Subsequent to July 2017, the Board of Directors elected to modify the employment requirement from a five-year period to an 18-month period.

7. CAPITAL STOCK, RELATED BUY-SELL AGREEMENT, AND SHAREHOLDERS NOTES RECEIVABLE (continued)

The two shareholders remained with the Company for the 18 months. The total value of stock-based compensation related to the shares' issuance was $1,367,556. The value is required to be amortized over the vesting period. During the year ended December 31, 2018, $911,704 of stock-based compensation was recorded.

In December 2018 the Company provided advances to the two new shareholders to cover tax obligations related to the stock issuance. Annual payments of interest only are required with the initial payment due March 2020. The unpaid principal balance and all accrued interest is payable on the earliest of: March 2029, the date a shareholder sells their stock, or upon a merger/sale of the Company. Interest accrues at a rate equal to the long-term AFR plus 0.5% with a minimum of 2.5% and a maximum of 5.0%. Total interest income earned and accrued as of and for the year ended December 31, 2019 totaled $27,089.

8. INCOME TAXES

The Company's total income tax expense, exclusive of employment credits and income related to non-controlling interests of pass-through entities, is approximately equal to the aggregate federal and state effective statutory rates applied to pretax income.

The Company's provision for income taxes is comprised of the following components for the years ended December 31, 2019 and 2018:

	2019	2018
Current income tax expense exclusive of employment credits	$ 562,534	$ 274,718
Federal and state employment credits	(72,919)	(49,981)
Net current tax	489,615	224,737
Deferred tax components:		
Property depreciation differences	6,000	7,000
State tax employment credit carryforward realization	70,000	30,000
Differences reflected in partnership investments	(196,000)	(25,000)
Realization reserves	(11,000)	(7,000)
Timing of state income tax deduction, employee vacation, and charitable contributions	(29,000)	145,000
Total income tax expense	$ 329,615	$ 374,737

8. INCOME TAXES (continued)

As of December 31, 2019 and 2018, the components of the deferred tax asset account is as follows:

	2019	2018
Property depreciation	$ 33,000	$ 39,000
State tax employment credit carryforward realization	50,000	120,000
Investments in partnerships	123,000	(73,000)
Realization reserves	290,000	279,000
Accrual for paid time off and bonuses	261,000	230,000
Timing of state income tax deduction	12,000	6,000
Charitable contributions		8,000
Total	$ 769,000	$ 609,000

The Company is entitled to tax credits for employees who work and reside in designated Empowerment (Enterprise) zones. These credits relate to employees who work at sites managed by the Company as well as at corporate office locations.

As of December 31, 2019, the Company has unused employee state tax credits estimated at approximately $625,000, which carry forward to future years. The Company expects it will utilize $50,000 and $120,000 of the available credits as of December 31, 2019 and 2018, respectively. Approximately $500,000 of the credits expire during the year ending December 31, 2023. Much of the remaining $125,000 of the credits expire at an average annual rate of approximately $30,000 during the years ending December 31, 2024 through 2027.

The Company’s tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed. As of June 4, 2020 an Internal Revenue Service examination is underway.

9. RETIREMENT PLAN

All full-time employees of the Company age 18 or older with one expected year of service are eligible to participate in a 401(k) plan. Participants elect to contribute a percentage of their salary up to an annual limit. Employee contributions are vested immediately. The plan permits annual discretionary Company matching contributions which are vested over a five-year period.

The Company reports its contribution to the plan net of reimbursements received from properties under management contracts. The matching contribution required to be contributed into the plan for the years ended December 31, 2019 and 2018 totaled $993,501 and $847,226, respectively. The Company’s share of the matching contribution for the years ended December 31, 2019 and 2018 totaled $263,674 and $199,259, respectively.

10. LITIGATION MATTERS

In the normal course of business, the Company is involved in matters that may result in litigation. Management believes that no such matter will have a material adverse impact on the Company or its operations.

11. COMMITMENTS AND CONTINGENCIES

The Company has formed limited partnerships to construct or rehabilitate residential rental property in order to provide affordable housing for low-income residents. In some cases the Company is the general partner; in other cases the Company forms a single member limited liability company to act as the general partner. Low-income housing tax credits are generally provided as an incentive for limited partners to provide substantial equity investments in the partnerships. The realization of the tax credits by the investor limited partner is contingent upon various factors, including: the construction or rehabilitation being completed; residents occupying the property meeting certain income criteria; and the property sustaining economic viability for 15 years. Investor limited partners generally require guarantees from the Company with respect to construction completion within stated ranges, funding of project operating deficits, and protection from tax credit recapture or reduction potentially resulting in the repurchase of the property. Generally, the guarantees for construction completion, operating deficits and tax credit recapture or reduction expire following construction completion, five years after the property has been placed in service, and upon the expiration of the fifteen-year tax credit compliance period, respectively.

11. COMMITMENTS AND CONTINGENCIES (continued)

The following is a listing of the partnerships to which the Company has provided guarantees as of December 31, 2019:

	Operating	Tax Credit/ Repurchase	Construction Completion
88 Broadway Family, LP	X	X	X
491 31st Ave., LP	X	X	
735 Davis Senior, LP	X	X	X
1760 Bush, LP	X	X	
BTW Housing Partners, LP	X	X	
Creekside Davis, LP	X	X	X
Heritage Commons, LP		X	
Heritage Commons Phase II, LP	X	X	
Hunters Point East West, LP	X	X	
HV Partners 1, LP		X	
HV Partners 2, LP	X	X	
HV Partners Block 10, LP	X	X	
Monte Alban Partners, LP		X	
New Village East, LP	X	X	
Nihonmachi Terrace, LP		X	
Shasta Hotel Housing Associates, LP	X	X	X
RHA RAD Housing Partners, LP	X	X	
T9 Affordable Housing GP, LLC	X	X	
WAV Apartments Partners, LP	X	X	
WAV Condominiums LLC	X		
Woodhaven Senior, LP	X	X	

Other significant commitments include:

WAV Apartments Partners, LP: WAV Condominiums LLC, of which the Company and PLACE are members, has entered into a master lease for the Partnership's retail space on a triple net basis for 15 years. WAV Condominiums LLC commenced making rent payments on the commercial space in April 2010. The annual rent for the year ended December 31, 2019 was approximately $94,000.

12. OPERATING LEASES

The Company leases office space in various locations in San Francisco, Sacramento, Scotts Valley and Los Angeles, California. The Company's San Francisco office lease extends through September 2021, with a renewal option for an additional five years. The office space leases are for varying terms, but generally for five years.

Aggregate rent expense for the years ended December 31, 2019 and 2018 totaled $1,250,013 and $1,296,709, respectively.

The future annual rental commitments, which do not reflect the Company's share of any change in common area maintenance costs, are as follows:

Years Ending December 31:		
2020	$	1,149,195
2021		965,479
2022		314,089
2023		199,558
2024		152,913
Thereafter		230,501
Total future rental commitments	$	3,011,735

The Company also leases office equipment at a cost of approximately $60,000 per year. In general, the leases will be expiring in three years.

13. CONCENTRATIONS

Financial instruments that potentially subject the Company to credit risk include certificates of deposit, checking, and money market accounts with financial institutions that, at times, exceed the $250,000 insurance limitation of the United States Federal Deposit Insurance Corporation.

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INVESTMENTS AND ADVANCES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Dec. 31, 2017	2018 Activity			Dec. 31, 2018	2019 Activity			Dec. 31, 2019
	Net Invest-ment	Capital Contributions /Advances	Distributions/ Advance Repayments	Allocated Share of Income (Losses)	Net Invest-ment	Capital Contributions /Advances	Distributions/ Advance Repayments	Allocated Share of Income (Losses)	Net Invest-ment
491 31st Ave., LP	$ 10,467	$ 350,000	$ (10,630)	$ (2)	$ 349,835	$	$	$ (64)	$ 349,771
735 Davis Senior, LP						240,294			240,294
88 Broadway Family, LP						288,715			288,715
BTW Housing Partners, LP	122,583		(74,197)	(73)	48,313	25,858		(51)	74,120
Carlson Boulevard, LP	(6,081)		(103,005)	(6)	(109,092)		(58,930)	168,335	313
Casa Feliz, LP	(289)			(72,853)	(73,142)			(275,210)	(348,352)
Hunters Point East West, LP	7,421	3,515	(10,500)	(192)	244		(451,076)	(73)	(450,905)
Hunters View Block 10, LP	86,798		(86,774)	(67)	(43)			(36)	(79)
Monte Alban Associates, LLC	93,748		(92,751)	146,657	147,654		(147,000)	127,971	128,625
New Providence Place, LP		3,910,134		218,150	4,128,284		(212,941)	429,150	4,344,493
North Beach Dev. Associates, LLC	156,012		(116,457)		39,555		(61,381)	67,812	45,986
North Beach Retail Associates, LLC	45,447		(92,894)	210,814	163,367		(100,038)	225,687	289,016
RHA RAD Housing Partners, LP	(136)			(55)	(191)	113,307		(77)	113,039
Santa Rosa Canners LLC	1,618,792	25,000		(547)	1,643,245	15,228		(525)	1,657,948
T9 Affordable Housing Associates, LLC	112,811		(16,089)	(38,953)	57,769		(17,899)		39,870
New Village East, LP	211,563		(211,463)	(110)	(10)	79,098		(21)	79,067
WAV Apartments Partners, LP	466,177	40,615		(40,682)	466,110	42,645		(42,714)	466,041
Shasta Hotel	482,516	301,539			784,055	49	(686,339)	(12)	97,753
St. Marks	113,005	1,900			114,905				114,905
WAV Condominiums LLC		68,514		(68,514)		68,557		(68,557)	
Other miscellaneous investments	225,079	42,696	(61,812)	(130,397)	75,566	163,106	(9,748)	(375)	228,549
Total	$ 3,745,913	$ 4,743,913	$ (876,572)	$ 223,170	$ 7,836,424	$ 1,036,857	$ (1,745,352)	$ 631,240	$ 7,759,169

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF PERSONNEL, GENERAL AND ADMINISTRATIVE AND OCCUPANCY EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Personnel:		
Salaries	$ 18,748,439	$ 17,564,939
Group insurance	1,825,258	1,616,679
Payroll taxes	1,381,252	1,316,320
Consultants, temporary help and personnel fees	663,702	1,150,443
Retirement plan contributions	263,674	199,259
Total Personnel	$ 22,882,325	$ 21,847,640
General and Administrative:		
Computer costs	$ 772,197	$ 797,006
Auto and travel	642,099	544,544
Miscellaneous	514,472	573,359
Supplies and equipment repair	508,349	519,997
Insurance	422,782	391,084
Legal and accounting fees	375,397	450,349
Conferences, seminars and subscriptions	251,237	204,540
Promotion and development	179,951	188,166
Bad debts	32,839	45,003
Postage and delivery	15,580	29,187
Total General and Administrative	$ 3,714,903	$ 3,743,235
Occupancy:		
Rent	$ 1,250,013	$ 1,296,709
Telephone and utilities	351,272	360,393
Personal property and business taxes	174,506	224,612
Miscellaneous	24,280	91,570
Building maintenance and repairs	24,731	38,000
Depreciation	21,026	18,787
Total Occupancy	$ 1,845,828	$ 2,030,071

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF RENTAL INCOME AND EXPENSES RELATING TO THE TREASURE ISLAND SUBLEASE FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenues:		
Rental revenues, net of vacancy and concessions 2019, \$1,220,670; 2018, \$1,509,628	\$ 11,306,172	\$ 11,070,421
Interest and other rental related income	9,662	41,021
Total	11,315,834	11,111,442
Operating Expenses:		
Percentage rent	1,355,375	867,965
Base rent	720,582	696,419
Landscaping, disposal and other maintenance expenses	5,672,325	4,665,844
Utilities	1,881,200	1,896,575
Administrative expenses	747,771	961,590
Possessory interest taxes and insurance	(441,630)	654,633
Navy common area maintenance charge	910,705	949,473
Marketing expenses	55,187	47,635
Total	10,901,515	10,740,134
Net Rental Income from Treasure Island Sublease	\$ 414,319	\$ 371,308

JOHN STEWART COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

P&C

PEROTTI & CARRADE

Certified Public Accountants

JOHN STEWART COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
John Stewart Company:

We have audited the accompanying consolidated financial statements of the John Stewart Company and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of New Providence Place, LP, a limited partnership, the investment in which, as discussed in Note 4 to the financial statements, is accounted for by the equity method of accounting. The investment in New Providence Place, LP was $4,533,379 and $4,344,493 as of December 31, 2020 and 2019, respectively. The financial statements of New Providence Place, LP were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for New Providence Place, LP, is based solely on the report of the other auditors. We conducted our audits 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 of 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 auditor's 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 auditor considers 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, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of John Stewart Company and subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplemental schedules on pages 23 through 25 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidated information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

June 16, 2021

Perotti & Carrade

JOHN STEWART COMPANY

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

		2020		2019
ASSETS				
Current Assets:				
Cash and cash equivalents	$	12,185,036	$	10,743,906
Temporarily invested cash		2,261,041		754,373
Accounts receivable:				
Development fees		2,145,810		3,468,409
Management fees		2,369,004		2,522,900
Construction services fees		1,497,020		1,582,510
Project payroll and other advances		1,103,173		1,569,587
Tenant and other receivables		750,200		248,307
Refundable income taxes		386,659		444,823
Prepaid expenses		644,451		649,713
Total current assets		23,342,394		21,984,528
Restricted Tenants' Security Deposits and Funded Reserves		775,689		729,789
Property and Equipment - at cost:				
Office furnishings, equipment and leasehold improvements		810,858		810,858
Less accumulated depreciation and amortization		(785,413)		(768,774)
Property and equipment - net		25,445		42,084
Other Assets:				
Certificate of deposit		1,200,769		-
Development fees receivable		1,046,931		-
Investments in and advances to partnerships and limited liability companies		8,968,850		8,558,426
Shareholders notes receivable, including accrued interest		717,041		726,595
Deferred income taxes		1,635,000		769,000
Certificate of deposit collateralizing line of credit		-		257,667
Total other assets		13,568,591		10,311,688
Total Assets	$	37,712,119	$	33,068,089
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable and accrued expenses	$	7,357,765	$	4,952,360
Deferred payroll taxes		1,731,635		-
Current portion of notes related to redemption of Company stock		374,585		374,585
Total current liabilities		9,463,985		5,326,945
Noncurrent Liabilities:				
Deferred payroll taxes		1,731,634		-
Notes related to redemption of Company stock		2,142,926		2,517,512
Tenant security deposits		628,556		656,005
Investments in and advances to partnerships and limited liability companies		708,015		799,257
Total noncurrent liabilities		5,211,131		3,972,774
Shareholders' Equity		23,037,003		23,768,370
Total Liabilities and Shareholders' Equity	$	37,712,119	$	33,068,089

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenues:		
Management and accounting fees	$ 25,172,492	$ 23,786,680
Treasure Island rental revenue	11,269,046	11,315,834
Development and partnership administrative fees	2,331,950	2,147,000
Construction services and consulting fees	1,028,122	1,103,487
Processing fees and other income	1,367,931	1,114,516
Interest income	269,380	273,920
Total revenues	41,438,921	39,741,437
Management Expenses:		
Treasure Island:		
Base and percentage rent	1,484,124	2,075,957
Other operating expenses	9,416,410	8,825,558
Personnel, net of reimbursements	25,225,924	22,882,325
General and administrative	5,096,496	3,714,903
Occupancy	2,149,652	1,845,828
Interest	77,126	68,344
Total expenses	43,449,732	39,412,915
Operating Income (Loss)	(2,010,811)	328,522
Other Income: Income from partnership and limited liability company investments	1,601,950	631,240
Income (Loss) Before Income Taxes	(408,861)	959,762
Income Taxes (Benefit)	(123,436)	329,615
Net Income (Loss)	$ (285,425)	$ 630,147

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Number of Shares Issued and Outstanding (10,000 shares Authorized)	No Par Capital Stock	Additional Paid in Capital	Retained Earnings	Total Shareholders' Equity
Balance, December 31, 2018	4,000	$ 400,000	$ 1,680,389	$ 23,179,360	$ 25,259,749
Stock redemption	(1,000)	(100,000)	-	(2,021,526)	(2,121,526)
Net income for 2019	-	-	-	630,147	630,147
Balance, December 31, 2019	3,000	300,000	1,680,389	21,787,981	23,768,370
Stock redemption	(200)	(20,000)	-	(425,942)	(445,942)
Net loss for 2020	-	-	-	(285,425)	(285,425)
Balance, December 31, 2020	2,800	$ 280,000	$ 1,680,389	$ 21,076,614	$ 23,037,003

See accompanying notes to financial statements.

JOHN STEWART COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Net income (loss)	$ (285,425)	$ 630,147
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:		
Depreciation	16,639	21,026
Partnership and LLC investment income (net)	(1,601,950)	(631,240)
Increase in deferred taxes	(866,000)	(160,000)
Changes in operating assets and liabilities:		
Management and development fees receivable	429,564	(601,633)
Construction services fees receivable	85,490	(891,335)
Tenant and other receivables	(501,893)	98,637
Refundable income taxes	58,164	155,185
Accrued interest on shareholders notes receivable	9,554	(27,089)
Prepaid expenses	5,262	(71,302)
Accounts payable & accrued expenses	2,405,405	(1,032,011)
Deferred payroll taxes	3,463,269	-
Project payroll advances - net	466,414	(766,283)
Net cash provided by (used for) operating activities	3,684,493	(3,275,898)
Cash Flows from Investing Activities:		
Change in Treasure Island security deposit restricted reserves	364,400	23
Withdrawals from (additions to) temporarily invested cash	(2,707,437)	515,706
Property additions	-	(17,411)
Net change to certificates of deposit collateralizing line of credit	257,667	(2,793)
Investments in and advances to partnerships and limited liability companies - net of distributions	1,100,284	708,495
Net cash provided by (used for) investing activities	(985,086)	1,204,020
Cash Flows from Financing Activities:		
Stock redemption	(445,942)	-
Stock redemption loan payments	(374,586)	(406,111)
Net cash used for financing activities	(820,528)	(406,111)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	1,878,879	(2,477,989)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	10,815,747	13,293,736
Cash and Cash Equivalents and Restricted Cash, End of Year	$ 12,694,626	$ 10,815,747
Supplementary Information:		
Interest Paid	$ 86,762	$ 42,199
Income Taxes Paid	$ 684,400	$ 334,430

See accompanying notes to financial statements.

1. THE COMPANY

The John Stewart Company (the "Company") provides property management, marketing, accounting, construction management and consulting services to a variety of real estate clients throughout California. The Company also develops affordable, mixed-income and mixed-use real estate projects for its own account and in partnership with other private and non-profit organizations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers. Certain amounts in the 2019 financial statements have been reclassified to conform with the current year presentation.

Cash and Cash Equivalents - Cash and cash equivalents consist of checking and money market accounts and certificates of deposit with an original maturity date of ninety days or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals presented in the statements of cash flows as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 12,185,036	$ 10,743,906
Cash included in restricted tenants' security deposits and funded reserves	509,590	71,841
Cash, Cash Equivalents, and Restricted Cash	$ 12,694,626	$ 10,815,747

Temporarily Invested Cash – Cash that is temporarily invested in certificates of deposit having an original maturity date of greater than 90 days.

Revenue Recognition – Revenue recognition policies consist of the following:

Management and Accounting Fees – The Company provides property management services to its customers. Property management contracts are generally for a period of one year and are renewed annually. The performance obligations under the terms of the contracts are satisfied over time. The Company recognizes revenue monthly as the Company performs, or makes available, the applicable services to the customers. The billing terms for these services call for either a flat or variable monthly fee and generally billed at the end of each month. Contract modifications that extend or revise contract terms are uncommon.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition, continued – *Treasure Island Rental Revenue* – Rental revenue attributable to residential leases is recorded when due from residents, generally on the first day of each month. Tenant leases are for periods of up to one year, with rental payments due monthly.

Processing Fees – A fee is charged on a biweekly basis to properties managed by the Company to process the payroll for the employees at the properties who are considered Company personnel. The fee is calculated as a percentage of the property's total payroll cost for the related period. Revenue is recognized at the point in time the payroll has been processed.

Construction Services – The Company provides construction management services for which it generally earns a fixed fee plus reimbursement for certain expenses. The performance obligations under the terms of such contracts are satisfied over time, generally within a year or two. Revenue is measured and earned based on costs incurred compared to total costs of the project during the period. The billing terms for such contracts call for invoicing as services are rendered, generally monthly. Contract modifications that extend or revise contract terms are uncommon.

Development Fees and Partnership Administrative Fees - In addition to developing projects for its own account, the Company also provides development services for which it generally earns fixed fees. These services are associated with the financing and acquisition, construction or rehabilitation of affordable housing, commonly properties that involve low-income housing tax credits. Fees are earned over the course of the financing, construction and lease-up phases of the projects, culminating with their stabilization and the final award of credits. The fees earned are allocated to key deliverables. The performance obligations under the terms of such contracts are satisfied over time, generally over five-year periods. Revenue is measured based on the level of output performed during the period and requires estimates of the timing of revenue. Contract modifications that extend or revise contract terms are uncommon.

The Company is also entitled to annual administrative fees from some partnerships and limited liability companies of which the Company is a partner or member. Generally, such fees are earned for providing on-going administrative oversight and support services to the partnerships or limited liability companies. The Company evaluates such agreements annually to determine if the performance obligations have been achieved and will recognize revenue by the end of the year. The fees are generally paid in the following year if sufficient property cash flow is available to do so.

Accounts Receivable - The Company carries its accounts receivable less an allowance for doubtful accounts, if warranted. Receivables are considered past due when payment is not received based on the terms of the contracts. On a periodic basis, management evaluates its accounts receivable and considers the necessity of an allowance for doubtful accounts based

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable, continued - on a review of the aging of accounts receivable balances and collection history. The Company's policy is to generally not accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely. An allowance for uncollectible developer and partnership administration fees of approximately $292,000 and $274,000, respectively, has been reflected as of December 31, 2020 and 2019 in the accompanying consolidated balance sheets.

Investments in and Advances to Partnerships and Limited Liability Companies - Investments in and advances to partnerships and limited liability companies are carried at cost and adjusted annually for equity in income and losses sustained by the partnerships and limited liability companies, and do not usually affect Company operating funds. In most cases, the Company or one of its wholly owned limited liability companies is a general partner, has an ownership interest of one percent or less, administers the affairs of the partnership and has an equity interest in the gain realized upon the eventual disposition of the underlying property of the respective partnership. Deferred taxes have been provided for timing differences relating to the recognition of income and losses (principally resulting from accelerated depreciation of property) for income tax purposes, but not reflected in the financial statements.

Personnel Expense - The Company reports its personnel costs net of reimbursements received from properties under management contracts. Gross wages before reimbursements were $78.7 million and $70.4 million for the years ended December 31, 2020 and 2019, respectively.

Depreciation and Amortization - Leasehold improvements and office furnishings and equipment acquired with a value of $5,000 or greater are capitalized at cost. Depreciation related to office furnishings and equipment is computed primarily on a straight-line basis over the estimated economic lives of the assets, which are generally 7 and 5 years, respectively. Leasehold improvements are amortized over their estimated useful lives or the life of the lease, whichever is shorter.

Income Taxes - Income taxes are provided for the tax effects of transactions reflected in the financial statements and consist of taxes currently due, plus deferred taxes which arise primarily because the income tax and financial statement basis of partnership investments and property differ due to dissimilar depreciation or amortization methods, and the timing of when state income taxes and accrued vacation is deductible on the income tax returns. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when these differences reverse at a future date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses, principally relating to the collectability of accounts receivable, the estimation of developer fees earned at interim points during the development process and the realization of partnership investments and deferred income taxes. Accordingly, actual results could differ from those estimates.

Variable Interest Entities - The Company has elected to not apply variable interest entity guidance as permitted under generally accepted accounting principles which permits the Company to not consolidate certain entities in which it has no controlling voting interest.

3. SUBLEASE WITH TREASURE ISLAND DEVELOPMENT AUTHORITY

In March 1999, the Company signed a sublease with the Treasure Island Development Authority (the Authority) for the rehabilitation, marketing, rental and management of 766 housing units on Yerba Buena Island and Treasure Island (Islands) resulting from the closure of the Treasure Island Naval Station and its conversion to public use. Effective September 26, 2014, the original sublease with the Authority terminated, and the Company entered into a new sublease and property management agreement in order to operate, maintain, repair and manage up to 556 housing units on the Islands.

The term of the agreement is seven years after the commencement date of the sublease and property management agreement, with an additional three-year extension option commencing on the expiration date (and the Company plans to exercise that option, extending the term of the sublease to September, 2024). The Company pays the Authority a base rent and 95% of net rental revenues as outlined in the sublease and property management agreement. Subsequent to the commencement date of the new sublease, forty-eight units were returned to the Navy for soil remediation. During the year ended December 31, 2015, 79 units on Yerba Buena Island were transferred for development and are no longer under the subtenancy agreement. During the years ended December 31, 2020 and 2019, units were held temporarily vacant on Treasure Island in anticipation of future transfers for development and remediation. As of December 31, 2020, there were fifty-two units held temporarily vacant on Treasure Island. The vacancy loss attributable to these units totaled approximately $1,352,000 and $1,221,000, respectively, for the years ended December 31, 2020 and 2019. As of December 31, 2020, 429 units continued to be managed by the Company under the sublease.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company's principal transactions with partnerships and limited liability companies (LLC’s) in which the Company has an equity interest involve providing property management, marketing, accounting, consulting and development services for a fee. Fees earned by the Company from related partnerships and LLC’s were approximately $4,832,000 in 2020 and $4,661,000 in 2019. Fees receivable from these entities at December 31, 2020 and 2019 aggregated approximately $3,563,000 and $3,929,000, respectively.

During the year ended December 31, 2020, the Company paid $1,000,000 to acquire an additional 15.55% interest in North Beach Retail Associates, LLC, the entity which owns the retail component of the Company’s North Beach Place project (developed in partnership with BRIDGE Housing Corporation and Em Johnson Interest, Inc.), buying out Em Johnson Interest, Inc’s ownership share. Subsequent to December 31, 2020, the Company was paid $546,000 by BRIDGE Housing Corporation to acquire 8.49% of that interest.

The Company’s share of equity is limited to the amount of contributed capital, equity, and the Company’s share of recourse debt. Should the Company receive distributions in excess of contributed capital and allocated equity, the investment in the partnership or limited liability company is reflected as a liability on the consolidated balance sheet.

As of December 31, 2020, for one investment, $372,166 of partnership losses allocated to the Company has been suspended and not recognized in the accompanying consolidated financial statements as the losses allocated have exceeded equity.

See the schedule reflecting the activity of partnership and limited liability company investments and advances on Page 23 for further details.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

The following summarizes development, construction, property management fees and partnership administrative revenue earned by the Company from its most significant investments for the years ended December 31, 2020 and 2019:

	2020			2019		
	Development Fees	Property Management Fees	Partnership/ Construction Fees	Development Fees	Property Management Fees	Partnership/ Construction Fees
Projects with development complete as of December 31, 2020:						
1760 Bush, LP	$ (174,910)	$ 90,574	$ 60,958	$ 432,110	$ 86,832	$ 45,216
491 31st Ave., LP	-	59,456	12,480	-	54,000	128,731
BTW Housing Partners, LP	36,000	34,200	8,195	28,500	33,200	15,682
Carlson Boulevard, LP	-	155,220	188,664	-	155,220	15,579
Creekside Davis, LP	279,502	-	17,060	268,980	-	-
Heritage Commons II, LP	-	35,037	-	-	33,372	-
Hunters Point East West, LP	60,000	194,414	-	60,000	178,920	43,014
HV Partners 1, LP	-	87,312	120,084	-	83,460	47,911
HV Partners 2, LP	-	87,312	-	-	83,460	45,914
HV Partners Block 10, LP	-	58,752	89,900	62,000	56,160	189,610
Marina Annex Associates, LP	-	35,801	61,169	-	35,186	25,000
Marina Tower Associates, LP	-	93,186	20,000	-	91,351	21,999
Monte Alban Partners, LP	-	179,574	43,381	-	176,190	7,122
New Providence Place, LP	-	161,209	34,607	5,000	156,793	28,226
New Village East, LP	-	177,840	27,803	(18,996)	141,360	47,180
Nihonmachi Terrace, LP	-	238,140	34,603	-	229,320	40,477
North Beach Dev. Associates, LLC	-	253,049	-	-	245,684	-
North Beach Retail Associates, LLC	-	41,417	8,263	-	43,125	8,022
RHA RAD Housing Partners, LP	-	102,960	5,000	-	102,960	-
Shasta Hotel Housing Associates, LP	310,800	44,207	60,481	310,950	33,561	16,118
T9 Affordable Housing GP, LLC	-	116,230	-	-	110,678	-
Westbrook Housing Partners, LP	-	181,968	5,000	80,000	181,968	-
Other investments	-	230,109	47,858	116,165	199,152	34,609
Subtotal	511,392	2,657,967	845,506	1,344,709	2,511,952	760,410
Projects under development as of December 31, 2020:						
88 Broadway, LP	194,428	-	5,000	(17,685)	-	-
HV Partners 3, LP	116,481	-	-	62,000	-	-
Coldstream Commons, LP	199,864	-	5,000	-	-	-
Meadow View Place, LP	142,785	-	5,000	-	-	-
Other investments	148,694	-	-	-	-	-
Subtotal	802,252	-	15,000	44,315	-	-
Total	$ 1,313,644	$ 2,657,967	$ 860,506	$ 1,389,024	$ 2,511,952	$ 760,410

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

Other significant investment activity includes:

JSCo Development Services, LLC: In September 2016, the Company's shareholders formed a limited liability company, JSCo Development Services, LLC (JDS), for the purpose of developing affordable and mixed-income housing separately from the Company. The Company does not have any equity ownership in JDS. JDS and the Company occasionally contract with one another for development and other services, but are free to work with any entities of their choosing. The Company's Board of Directors has the discretion to determine whether the Company will provide such services, including providing construction completion and other guarantees on behalf of JDS for a fee. There are no substantial liabilities of JDS.

Hunters View Associates, LP: In January 2007, the Company formed and became the Managing General Partner of Hunters View Associates, LP, a limited partnership established to redevelop the dilapidated 267-unit "Hunters View" public housing development in San Francisco, California, as a mixed-income and mixed-use community, including the replacement of all existing public housing units and the creation of additional affordable and market rate rental and for-sale units. The Company is the sole member of JSCo HVA LLC, which was formed in January 2011 and was assigned the Company's interest in Hunters View Associates, LP. The Partnership is developing the project in multiple phases and is financing these phases with loans from private and public lenders, equity generated by the syndication of low-income housing tax credits and equity from third-party investors. Pursuant to predevelopment loan agreements with the City and County of San Francisco (through the Mayor's Office of Housing and Community Development) and the Redevelopment Agency of the City and County of San Francisco, the Partnership earns, at various stages of completion, developer fees from each of the agencies to manage the master planning and development activities of each phase. The Company and two other entities are co-developers of the project. The Company's original interest in the developer fee earned was 40% and 70% of the rental and for-sale components, respectively. In July 2010, an amendment to the memorandum of understanding was executed changing the Company's interest in the developer fee of the rental and for-sale components to 60% each. Phases one and two of the development were completed during 2013 and 2017, respectively. An additional project within the phase two area – "Block 10" – was commenced during 2015 and completed during 2018. Phase three commenced during 2018 and continues as of December 31, 2020.

Monte Alban Associates LLC: In July 2006, the Company and a majority of its shareholders joined together to form a limited liability company, Monte Alban Associates LLC (MAA), to be one of two general partners in Monte Alban Partners, LP, which acquired an affordable housing project in San Jose. The Company owns 50% of the interest in MAA. The revenue, net income, assets and members' equity each were less than $500,000 as of and for the years ended December 31, 2020 and 2019, respectively. There are no substantial liabilities or operating costs of MAA.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

New Providence Place, LP: In 2018, the Company formed and became a 99.99% limited partner of New Providence Place, LP, a limited partnership established to acquire and operate a 292-unit apartment complex in Sacramento, California. The Company has accounted for the investment under the equity method of accounting due to its limited control. The condensed, audited balance sheets and statements of operations of New Providence Place, LP for the years ended December 31, 2020 and 2019, prepared in conformity with generally accepted accounting principles, are summarized below.

Audited Condensed Balance Sheets (in thousands):

	2020	2019
Property, net of depreciation	$ 15,919	$ 16,057
Operating cash and other assets	1,030	990
Total Assets	$ 16,949	$ 17,047
Debt, including accrued interest	$ 12,066	$ 12,327
Accounts payable and other liabilities	349	375
Total Liabilities	12,415	12,702
Equity	4,534	4,345
Total Liabilities and Equity	$ 16,949	$ 17,047

Audited Condensed Statements of Operations (in thousands):

	2020	2019
Total revenues, net of vacancy	$ 3,463	$ 3,190
Operating expenses	(1,969)	(1,802)
Depreciation and amortization expense	(527)	(507)
Interest expense	(480)	(451)
Net Income	$ 487	$ 430

Santa Rosa Canners LLC: In September 2005, the Company purchased a member's entire interest (approximately 25%) in Santa Rosa Canners LLC for $600,000, and subsequently contributed an additional $1,126,000 to the entity through December 31, 2020. Santa Rosa Canners LLC owns two properties in downtown Santa Rosa, California. Because of market conditions, the LLC had previously opted to not develop the properties. During 2020, the LLC received a predevelopment loan from the City of Santa Rosa to develop a 129-unit affordable housing project on one of the properties. The Company formed The Cannery at Railroad Square, a limited liability company, to acquire both properties from Santa Rosa Canners, LLC, accept an assignment of the City's predevelopment loan, and develop the project. Based on the valuation of the projected acquisition, the Company wrote down its investment in the Santa Rosa Canners, LLC by $600,000 to $1,028,867 during 2020. The Company anticipates earning developer fees from the subsequent project.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

WAV Apartments Partners, LP/WAV Condominiums LLC: During December 2007, the Company formed two limited liability companies to participate with Projects Linking Artists with the Community and Environment (PLACE), a not-for-profit organization, in the development of a mixed-use project in Ventura, California. The development contains retail space, 69 affordable rental housing units for low-income persons (including 15 units supported by project-based Section 8 subsidies) and 13 market rate for-sale units. The project was completed on a timely basis and met all guaranteed timelines, but incurred substantial cost overruns.

WAV Apartments Partners, LP: As of December 31, 2020, the Company has provided advances of $466,737 to the partnership in connection with cost overruns. Advances are represented by interest bearing notes. Interest accrued on the advances totals $473,590 and $428,813, respectively, as of December 31, 2020 and 2019.

The projected cash flow of WAV Apartments Partners, LP is such that the Company does not expect to receive full repayment of its advances in the next five years. Consequently, a reserve has been established against the accrued interest on the advances. During the years ended December 31, 2020 and 2019, additional reserves of $44,777 and $42,645, respectively, have been recorded with respect to the accrued interest on the project advances, resulting in a total allowance of $473,590 as of December 31, 2020. WAV Apartments Partners, LP was negotiating loan modifications as of December 31, 2020 which the Company anticipates will significantly increase net project cash flow, thereby allowing for additional repayment of its advances.

WAV Condominiums LLC: During 2013, PLACE defaulted on certain obligations under WAV Condominiums LLC's operating agreement; as a result, PLACE's voting rights relating to certain management decisions were revoked at that time. The 13-market rate for-sale units were sold during 2016. The only asset which remains is a master lease for commercial space owned by WAV Apartment Partners, LP.

As of December 31, 2020, the project's retail space was 85.66% occupied.

As of December 31, 2020, the Company has provided aggregate advances of $2,284,213 to the LLC in connection with cost overruns and certain operating costs. Advances are represented by interest bearing notes. Interest accrued on the advances totals $632,255 and $563,698, respectively, as of December 31, 2020 and 2019.

The Company's net investment in WAV Condominiums LLC as of December 31, 2020 was $267,952, which has been fully reserved as no significant net cash flow is expected from the investment in the next five years.

4. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND LIMITED LIABILITY COMPANIES (continued)

WAV Condominiums LLC, continued: The condensed unaudited balance sheets and statements of operations of WAV Condominiums LLC for the years ended December 31, 2020 and 2019, prepared in conformity with generally accepted accounting principles, are summarized below:

Unaudited Condensed Balance Sheets (in thousands):

	2020	2019
Property, net of depreciation	$ 128	$ 149
Operating cash and other assets	44	11
Total Assets	$ 172	$ 160
Debt, including accrued and deferred interest	$ 2,998	$ 2,912
Accounts payable and other liabilities	6	10
Total Liabilities	3,004	2,922
Deficit	(2,832)	(2,762)
Total Liabilities and Deficit	$ 172	$ 160

Unaudited Condensed Statements of Operations (in thousands):

	2020	2019
Rental revenues, net of vacancy	$ 158	$ 128
Operating expenses	(141)	(135)
Depreciation and amortization expense	(18)	(17)
Deferred interest expense	(69)	(69)
Net Loss	$ (70)	$ (93)

5. NOTES ASSOCIATED WITH STOCK REDEMPTIONS

The Company redeemed all the shares of two former shareholders during 2015, 2016 and 2019. Both redemptions were executed with a combination of upfront cash payments and notes payable.

Interest on the two notes is equal to the sum of the long-term Applicable Federal Rate plus 0.50%, with a minimum of 2.50% and a maximum of 5.0%, adjusted annually. Both notes pay an annual payment of fixed principal amount plus accrued interest on July 1st according to the terms of the note agreements. One loan is expected to be fully paid by July 2025. The second loan matures in July 2029.

5. NOTES ASSOCIATED WITH STOCK REDEMPTIONS (continued)

Interest incurred on the notes totaled $77,126 and $68,344 during the years ended December 31, 2020 and 2019, respectively. Interest paid on the notes totaled $86,763 and $41,890 during the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the balance on the notes were $2,517,511 and $2,892,097, respectively.

The required principal repayments on the notes payable are as follows for the years ending December 31:

2021	$	374,585
2022		374,585
2023		374,585
2024		374,585
2025		259,171
Thereafter		760,000
Total	$	2,517,511

6. DEFERRED PAYROLL TAXES

During the year ended December 31, 2020 the Company elected to defer the payment of employer related payroll taxes as permitted under the 2020 CARES Act. As of December 31, 2020, the Company had deferred payment in the amount of $3,463,269. Under terms of the CARES Act, half of the deferred payroll taxes are required to be paid by December 31, 2021 and the second half is required to be paid by December 31, 2022.

7. LINE OF CREDIT

The Company has a line of credit from Beneficial State Bank which permits the Company to borrow up to $4,000,000. The maturity date of the line of credit is July 27, 2022. Outstanding advances accrue interest at the prime rate plus one and one-half percent (1.50%). Borrowings had been collateralized by a $250,000 certificate of deposit and the assets of the Company during the reporting periods, but the certificate of deposit requirement was removed as part of the most recent extension. No amounts were outstanding or borrowed on the line of credit as of and during the years ended December 31, 2020 and 2019.

The line of credit agreement also requires the Company to have no borrowings against the line for thirty consecutive days each year and to maintain certain financial ratios. All covenants have been met for all reporting periods.

8. CAPITAL STOCK, RELATED BUY-SELL AGREEMENT, AND SHAREHOLDERS NOTES RECEIVABLE

During July 2017 two executives were each issued 500 shares of the Company's common stock and paid the Company $200 per share. The difference between the value of the stock and the amount paid of $1,367,556 was recorded as stock-based compensation prior to January 1, 2019.

In December 2018 the Company provided advances to the two new shareholders to cover tax obligations related to the stock issuance. Annual payments of interest only are required with the initial payment due March 2020. The unpaid principal balance and all accrued interest is payable on the earliest of: March 2029, the date a shareholder sells their stock, or upon a merger/sale of the Company. Interest accrues at a rate equal to the long-term AFR plus 0.5% with a minimum of 2.5% and a maximum of 5.0%. Total interest income earned and accrued as of and for the years ended December 31, 2020 and 2019 totaled $17,535 and $27,089, respectively. Interest received totaled $27,089 for the year ended December 31, 2020.

9. INCOME TAXES

The Company's total income tax expense, exclusive of employment credits and income related to non-controlling interests of pass-through entities, is approximately equal to the aggregate federal and state effective statutory rates applied to pretax income.

The Company's provision for income taxes is comprised of the following components for the years ended December 31, 2020 and 2019:

	2020	2019
Current:		
Federal	$ 525,582	$ 385,721
State	216,982	103,894
Total current	742,564	489,615
Deferred:		
Federal	(657,000)	(169,000)
State	(209,000)	9,000
Total deferred	(866,000)	(160,000)
Total income tax expense/(benefit)	$ (123,436)	$ 329,615

9. INCOME TAXES (continued)

As of December 31, 2020 and 2019, the components of the deferred tax asset account are as follows:

	2020	2019
Accrual of payroll taxes and litigation reserve	$ 577,000	$ -
Accrual for paid time off and bonuses	381,000	261,000
Realization reserves	341,000	290,000
Investments in partnerships	267,000	123,000
Timing of state income tax deduction	39,000	12,000
Property depreciation	30,000	33,000
State tax employment credit carryforward realization	-	50,000
Total	$ 1,635,000	$ 769,000

The Company is entitled to tax credits for employees who work and reside in designated Empowerment (Enterprise) zones. These credits relate to employees who work at sites managed by the Company as well as at corporate office locations.

As of December 31, 2020, the Company has unused employee state tax credits estimated at approximately $575,000, which carry forward to future years. The Company does not expect it will be able to utilize any of the available credit as of December 31, 2020. As of December 3, 2019, the Company had expected to use $50,000 of the credit. Approximately $475,000 of the credits expire during the year ending December 31, 2023. Much of the remaining $100,000 of the credits expire at an average annual rate of approximately $25,000 during the years ending December 31, 2024 through 2027.

The Company's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

10. RETIREMENT PLAN

All full-time employees of the Company age 18 or older with one expected year of service are eligible to participate in a 401(k) plan. Participants elect to contribute a percentage of their salary up to an annual limit. Employee contributions are vested immediately. The plan permits annual discretionary Company matching contributions which are vested over a five-year period.

The Company reports its contribution to the plan net of reimbursements received from properties under management contracts. The matching contribution required to be contributed into the plan for the years ended December 31, 2020 and 2019 totaled $1,100,714 and $993,501, respectively. The Company's share of the matching contribution for the years ended December 31, 2020 and 2019 totaled $320,184 and $263,674, respectively.

11. LITIGATION MATTERS

In the normal course of business, the Company is involved in matters that may result in litigation. As of December 31, 2020, the Company was negotiating a legal settlement with an expected disbursement of $970,000. An estimated liability in the amount of $970,000 has therefore been recorded as of December 31, 2020 and is included in accounts payable and accrued expenses. Management believes that no other matters will have a material adverse impact on the Company or its operations.

12. COMMITMENTS AND CONTINGENCIES

The Company has formed limited partnerships to construct or rehabilitate residential rental property in order to provide affordable housing for low-income residents. In some cases the Company is the general partner; in other cases the Company forms a single member limited liability company to act as the general partner. Low-income housing tax credits are generally provided as an incentive for limited partners to provide substantial equity investments in the partnerships. The realization of the tax credits by the investor limited partner is contingent upon various factors, including: the construction or rehabilitation being completed; residents occupying the property meeting certain income criteria; and the property sustaining economic viability for 15 years. Investor limited partners generally require guarantees from the Company with respect to construction completion within stated ranges, funding of project operating deficits, and protection from tax credit recapture or reduction potentially resulting in the repurchase of the property. Generally, the guarantees for construction completion, operating deficits and tax credit recapture or reduction expire following construction completion, five years after the property has been placed in service, and upon the expiration of the fifteen-year tax credit compliance period, respectively.

12. COMMITMENTS AND CONTINGENCIES (continued)

The following is a listing of the partnerships to which the Company has provided guarantees as of December 31, 2020:

	Operating	Tax Credit/ Repurchase	Construction Completion
88 Broadway Family, LP	X	X	X
491 31st Ave, LP		X	
735 Davis Senior, LP	X	X	X
1760 Bush Street, LP	X	X	
BTW Housing Partners, LP	X	X	
Coldstream Commons, LP	X	X	X
Creekside Davis, LP	X	X	X
Heritage Commons, LP		X	
Heritage Commons II, LP	X	X	
Hunters Point East West, LP	X	X	
HV Partners 1, LP		X	
HV Partners 2, LP	X	X	
HV Partners Block 10, LP	X	X	
Meadow View Place, LP	X	X	X
Monte Alban Partners, LP		X	
New Village East, LP	X	X	
Nihonmachi Terrace, LP		X	
Shasta Hotel Housing Associations, LP	X	X	
RHA RAD Housing Partners, LP	X	X	
T9 Affordable Housing GP, LLC		X	
WAV Apartments Partners, LP	X	X	
Woodhaven Senior, LP	X	X	

13. OPERATING LEASES

The Company leases office space in various locations in San Francisco, Sacramento, Scotts Valley and Los Angeles, California. The Company's San Francisco office lease extends through September 2021, with a renewal option for an additional five years. The office space leases are for varying terms, but generally for five years.

Aggregate rent expense for the years ended December 31, 2020 and 2019 totaled $1,318,108 and $1,250,013, respectively.

13. OPERATING LEASES (continued)

The future annual rental commitments, which do not reflect the Company's share of any change in common area maintenance costs, are as follows:

Years Ending December 31:		
2021	$	1,149,193
2022		965,472
2023		356,634
2024		327,843
2025		283,122
Thereafter		451,648
Total future rental commitments	$	3,533,911

The Company also leases office equipment at a cost of less than $50,000 per year. In general, the leases will be expiring in two years.

14. RISKS AND UNCERTAINTIES

Cash and Cash Equivalents - Financial instruments that potentially subject the Company to credit risk include certificates of deposit, checking, and money market accounts with financial institutions that, at times, exceed the $250,000 insurance limitation of the United States Federal Deposit Insurance Corporation.

Covid-19 - In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of the Company, has been impacted. The extent to which the pandemic will impact operations will depend on future developments, which are highly uncertain. Based on information known as of June 16, 2021, the Company's management does not believe the pandemic will have a material adverse financial impact over the next twelve months.

15. SUBSEQUENT EVENTS

Management of the Company has evaluated subsequent events and transactions subsequent to December 31, 2020, for potential recognition or disclosure in the consolidated financial statements. Subsequent events have been evaluated through June 16, 2021, the date the consolidated financial statements were available to be issued.

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF PARTNERSHIP AND LIMITED LIABILITY COMPANY INVESTMENTS AND ADVANCES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Dec. 31, 2018	2019 Activity			Dec. 31, 2019	2020 Activity			Dec. 31, 2020
	Net Invest-ment	Capital Contributions /Advances	Distributions/ Advance Repayments	Allocated Share of Income (Losses)	Net Invest-ment	Capital Contributions /Advances	Distributions/ Advance Repayments	Allocated Share of Income (Losses)	Net Invest-ment
491 31st Ave., LP	$ 349,835	$ -	$ -	$ (64)	$ 349,771	$ -	$ -	$ (63)	$ 349,708
735 Davis Senior, LP	-	240,294	-	-	240,294	-	(236,250)	-	4,044
88 Broadway Family, LP	-	288,715	-	-	288,715	-	(282,925)	-	5,790
BTW Housing Partners, LP	48,313	25,858	-	(51)	74,120	-	(74,263)	206	63
Carlson Boulevard, LP	(109,092)	-	(58,930)	168,335	313	-	(1,069,610)	1,069,297	-
Casa Feliz, LP	(73,142)	-	-	(275,210)	(348,352)	-	-	114,616	(233,736)
Hunters Point East West, LP	244	-	(451,076)	(73)	(450,905)	150,212	(51,717)	(74)	(352,484)
Monte Alban Associates, LLC	147,654	-	(147,000)	127,971	128,625	-	(127,500)	234,311	235,436
New Providence Place, LP	4,128,284	-	(212,941)	429,150	4,344,493	50,007	(298,028)	486,914	4,583,386
North Beach Dev. Associates, LLC	39,555	-	(61,381)	67,812	45,986	-	-	63,222	109,208
North Beach Retail Associates, LLC	163,367	-	(100,038)	225,687	289,016	1,000,000	(109,148)	298,146	1,478,014
RHA RAD Housing Partners, LP	(191)	113,307	-	(77)	113,039	6,500	-	(122)	119,417
Santa Rosa Canners LLC	1,643,245	15,228	-	(525)	1,657,948	10,532	-	(639,613)	1,028,867
T9 Affordable Housing Associates, LLC	57,769	-	(17,899)	-	39,870	-	(34,132)	93,320	99,058
New Village East, LP	(10)	79,098	-	(21)	79,067	-	(200,876)	(27)	(121,836)
WAV Apartments Partners, LP	466,110	42,645	-	(42,714)	466,041	44,777	-	(44,899)	465,919
Shasta Hotel Housing Associates, LP	784,055	49	(686,339)	(12)	97,753	-	(97,702)	(51)	-
St. Marks	114,905	-	-	-	114,905	-	-	-	114,905
WAV Condominiums, LLC	-	68,557	-	(68,557)	-	69,185	-	(69,185)	-
Royal Adan Arms	-	127,949	-	-	127,949	125,298	-	-	253,247
Other miscellaneous investments	75,523	35,157	(9,748)	(411)	100,521	219,942	(194,586)	(4,048)	121,829
Total	$ 7,836,424	$ 1,036,857	$ (1,745,352)	$ 631,240	$ 7,759,169	$ 1,676,453	$ (2,776,737)	$ 1,601,950	$ 8,260,835

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF PERSONNEL, GENERAL AND ADMINISTRATIVE AND OCCUPANCY EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Personnel:		
Salaries	$ 20,718,817	$ 18,748,439
Group insurance	1,867,540	1,825,258
Payroll taxes	1,478,772	1,381,252
Consultants, temporary help and personnel fees	840,611	663,702
Retirement plan contributions	320,184	263,674
Total Personnel	$ 25,225,924	$ 22,882,325
General and Administrative:		
Litigation settlement	$ 1,225,316	$ 212,000
Legal and accounting fees	938,638	375,397
Computer costs	781,006	772,197
Supplies and equipment repair	539,762	508,349
Insurance	521,816	422,782
Auto and travel	501,096	642,099
Miscellaneous	207,924	302,472
Promotion and development	167,481	179,951
Conferences, seminars and subscriptions	135,270	251,237
Postage and delivery	60,377	15,580
Bad debts	17,810	32,839
Total General and Administrative	$ 5,096,496	$ 3,714,903
Occupancy:		
Rent	$ 1,318,108	$ 1,250,013
Telephone and utilities	470,170	351,272
Personal property and business taxes	176,963	174,506
Miscellaneous	125,193	24,280
Building maintenance and repairs	42,579	24,731
Depreciation	16,639	21,026
Total Occupancy	$ 2,149,652	$ 1,845,828

JOHN STEWART COMPANY

CONSOLIDATED SCHEDULE OF RENTAL INCOME AND EXPENSES RELATING TO THE TREASURE ISLAND SUBLEASE FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenues:		
Rental revenues, net of vacancy and concessions 2020, $1,352,213; 2019, $1,220,670	$ 11,263,167	$ 11,306,172
Interest and other rental related income	5,879	9,662
Total	11,269,046	11,315,834
Operating Expenses:		
Percentage rent	750,364	1,355,375
Base rent	733,760	720,582
Landscaping, disposal and other maintenance expenses	5,168,218	5,672,325
Utilities	1,881,520	1,881,200
Administrative expenses	909,353	747,771
Possessory interest taxes and insurance	487,924	(441,630)
Navy common area maintenance charge	907,181	910,705
Marketing expenses	62,214	55,187
Total	10,900,534	10,901,515
Net Rental Income from Treasure Island Sublease	$ 368,512	$ 414,319

City of Elk Grove
AFFORDABLE HOUSING FUND

Disclosure Form

Instructions
This form must be completed by all project owners, regardless of their percentage of interest in the partnership.

A response is required for all questions. If the response to any question is "yes," please provide additional information on the subject matter. You may attach correspondence to this form. Responding persons must sign the disclosure; signatures of counsel or any other person will not be accepted.

	YES	NO
Have you or any entity which you've managed, filed for bankruptcy protection or have been adjudicated bankrupt in the last 10 years?		X
Have you or any entity which you've managed, defaulted on any loan or other financing?		X
Have any projects owned by you or any entity you've managed, been in foreclosure?		X
Have any of the projects you own or manage been the subject of code enforcement action?	X	
Have you had any professional licenses revoked or suspended?		X
Have you been convicted of criminal fraud, forgery, theft, perjury or similar crime?		X
Have any civil actions been brought against you or any entity you've managed?		X

Supplemental Comments
As the property manager of nearly 35,000 units across the State of California, of which approximately 30,000 are managed for third party owners, we have managed properties that have been subject to code enforcement action. In these rare instances, the issues were immediately addressed and resolved.

Jack D. Gardner	President & CEO	jgardner@jsco.net
Name (printed)	Title	Email address

Jack D. Gardner

Signature

7/21/21

Date

CITY OF ELK GROVE
PROUD HERITAGE. BRIGHT FUTURE.

City of Elk Grove
AFFORDABLE HOUSING FUND

Authorization for Release of Information

To Whom It May Concern:

I hereby authorize the City of Elk Grove to make inquiry relating to any information necessary to determine my eligibility and/or the eligibility of my organization, The John Stewart Company, for consideration under the Affordable Housing Fund. Any information obtained by the City of Elk Grove will be used solely to evaluate ability to participate in the aforementioned programs.

I, the undersigned, authorize the City of Elk Grove, its employees, and authorized agents to verify any information (including information of a privileged or confidential nature) necessary in connection with my and/or my organization's application.

I understand this authorization is effective 12 months from the date below.

BY ATTACHING THIS RELEASE FORM, OR A COPY OF SAME, to any verification form requiring the undersigned's signature, you are authorized by the undersigned to release the information requested by the City of Elk Grove.

I hereby release you, your organization, or others from liability or damage which may result from furnishing the information requested.

Jack Gardner/The John Sewart Company	94-2477073	NA
Applicant Name	SSN or Tax ID Number	Date of Birth

Residence Address (if applicable)

The John Stewart Company	1388 Sutter Street, 11th Floor, San Francsico, CA 94109
Name of Business	Business Address

Jack D. Gardner	7/22/21
Signature	Date

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/29/2020

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
RISI dba Pan American Insurance Services
1277 Treat Blvd
Suite 400
Walnut Creek CA 94597

CONTACT NAME: Lauren McDermott
PHONE (A/C, No, Ext): (925) 937-8787 FAX (A/C, No): (925) 322-6655
E-MAIL ADDRESS: lauren.mcDermott@relationinsurance.com

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :	Philadelphia Indemnity Insurance Company	18058
INSURER B :	Federal Insurance Company	20281
INSURER C :	Republic Indemnity Company	43753
INSURER D :	Hiscox Insurance Company	10200
INSURER E :	Navigators Specialty Insurance Co	36056
INSURER F :		

INSURED
John Stewart Company, Inc.
1388 Sutter Street
11th Floor
San Francisco CA 94109

COVERAGES **CERTIFICATE NUMBER:** CL20122955617 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY; CLAIMS-MADE; X OCCUR; GEN'L AGGREGATE LIMIT APPLIES PER: POLICY, PRO-JECT, LOC; OTHER:			PHPK2187584	10/01/2020	10/01/2021	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 5,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 2,000,000
							PRODUCTS - COMP/OP AGG	$ 2,000,000
							Employee Benefits	$ 1,000,000
A	AUTOMOBILE LIABILITY; X ANY AUTO; OWNED AUTOS ONLY; SCHEDULED AUTOS; HIRED AUTOS ONLY; NON-OWNED AUTOS ONLY			PHPK2187584	10/01/2020	10/01/2021	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
							Uninsured motorist property damage	$
B	X UMBRELLA LIAB; X OCCUR; EXCESS LIAB; CLAIMS-MADE; DED; RETENTION $			79879859	10/01/2020	10/01/2021	EACH OCCURRENCE	$ 10,000,000
							AGGREGATE	$ 10,000,000
								$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N; ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) N; If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		002696-31	12/31/2020	12/31/2021	X PER STATUTE; OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
D	Crime			UC2435563321	01/01/2021	01/01/2022	Employee Theft	$3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Evidence of Coverage

E	Professional Liability	CE20MPLZ0649MIC	10/01/2020	10/01/2021	Each Claim: Aggregate: Deductible:	$1,000,000 $1,000,000 $ 100,000

CERTIFICATE HOLDER

Evidence of Coverage

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Stephen [illegible]

AMENDED AND RESTATED ARTICLES OF INCORPORATION
(Restated December 7, 2020)

BETHESDA LUTHERAN COMMUNITIES, INC.

The following Amended and Restated Articles of Incorporation of Bethesda Lutheran Communities, Inc., duly adopted pursuant to the provisions and authority of Chapter 181 of the Wisconsin Statutes, supersede and take the place of the existing Articles of Incorporation and any amendments thereto.

ARTICLE 1 - NAME

Name of the corporation: Bethesda Lutheran Communities, Inc.

ARTICLE 2 - ORGANIZATION

The corporation is organized under Ch. 181 of the Wisconsin Statutes.

ARTICLE 3 - REGISTERED AGENT NAME

Name of the registered agent: Corporation Service Company.

ARTICLE 4 - REGISTERED AGENT ADDRESS

Street address of the registered agent: 8040 Excelsior Drive, Suite 400, Madison, WI 53717.

ARTICLE 5 - PRINCIPAL OFFICE ADDRESS

Mailing address of the principal office: 600 Hoffmann Dr., Watertown, WI 53094.

ARTICLE 6 - MEMBERSHIP

The corporation will not have members.

ARTICLE 7 - PURPOSE

Bethesda Lutheran Communities, Inc. is a charitable corporation formed for the purpose of supporting persons with intellectual and developmental disabilities as a Christian mercy mission based upon Christian love, example and good works.

This purpose includes, without limitation, the fostering of low-income housing.

ARTICLE 8 - NUMBER OF DIRECTORS

The number of directors may be fixed by bylaw but shall not be less than the minimum number of directors required by Wisconsin law.

ARTICLE 9 - OTHER PROVISIONS

This corporation may acquire, own, hold, and dispose of real estate, buildings, and personal property for the purpose of its creation and business, and for such purpose may mortgage, sell, lease, or convey the same.

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director or officer thereof or to the benefit of any private person.

The corporation may make a payment or other distribution to a nonprofit corporation, provided the payment or distribution is in accordance with the stated purpose of the corporation and is permitted under Wis. Stat. 181.1302(3), as amended.

In the event of dissolution of this corporation, it shall follow the procedures prescribed in the Statutes of the State of Wisconsin for nonstock corporations.

Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes, which is engaged in activities similar to and in agreement with the purpose of the corporation as described in Article 7, and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code.

ARTICLE 10 - AMENDMENT

These articles may be amended in the manner authorized by law at the time of amendment.

BETHESDA LUTHERAN COMMUNITIES, INC.
CERTIFICATE

This Certificate is provided pursuant to Section 181.1006 of the Wisconsin Statutes, in connection with the Amended and Restated Articles of Incorporation of Bethesda Lutheran Communities, Inc. (the “Amended and Restated Articles of Incorporation”).

(a) The Amended and Restated Articles of Incorporation contain an amendment to the Corporation’s articles of incorporation requiring Board of Directors approval.

(b) The information required by Section 181.1006 of the Wisconsin Business Corporation Law is as follows:

(1) The text of the amendment requiring Board of Directors approval is set forth in Article 7 of the Amended and Restated Articles of Incorporation.

(2) The amendment requiring Board of Directors approval was adopted, effective December 7, 2020, in accordance with Section 181.1003 of the Wisconsin Business Corporation Law.

BETHESDA LUTHERAN COMMUNITIES, INC.

DocuSigned by:
jeff kaczmarski
F63EE4DED8EF643B...
Jeffrey A. Kaczmarski, Executive Vice President

This document was drafted by and
Upon filing should be returned to:

Chad Azzaline
von Briesen & Roper, s.c.
411 East Wisconsin Avenue
Suite 1000
Milwaukee, WI 53202
Telephone: (414) 287-1244

35658556_1.DOCX

For Office

State of Wisconsin

Department of Financial Institutions

Endorsement

RESTATED ARTICLES OF INCORPORATION - Ch. 181

BETHESDA LUTHERAN COMMUNITIES, INC.

Received Date: 12/7/2020 **Filed Date: 12/8/2020**

Filing Fee: $25.00

Expedited Fee: $25.00 Entity ID#: 6B14572

Total Fee: $50.00

Amends Purposes

OOS# 202012075619766

Approved: May 9 , 2019

OPERATING AGREEMENT

BETHESDA CORNERSTONE VILLAGE, LLC

ARTICLE I

Principal Office: The principal office of Bethesda Cornerstone Village, LLC, a Wisconsin limited liability company (hereinafter the "LLC"), shall be at 600 Hoffmann Drive, Watertown, Wisconsin 53094-6223. The LLC may have and maintain such other offices either within or without the State of Wisconsin as the members may appoint from time to time.

ARTICLE II

Members Meetings.

(a) Annual Meeting: The annual meeting of the members of the LLC shall be held within three (3) months after the close of the fiscal year of the LLC at the principal office of the LLC, or at such other location as the members may appoint. In the event that an annual meeting is not held as above provided, a deferred annual meeting may be held at any time or place thereafter at which meeting the business normally to be transacted at the annual meeting may be consummated. Failure to hold an annual meeting in one or more years shall not affect the validity of any LLC action.

(b) Special Meetings: Special meetings of the members shall be held if the holders of at least ten (10%) percent of the outstanding units sign, date, and deliver to the LLC one or more written demands for the meeting describing one or more purposes for which it is to be held. Business transacted at such meeting shall be confined to the subjects stated in the notice of meeting. All such meetings shall be held at the principal office of the LLC or at such other place as the notice shall specify.

(c) Notice of Meetings: Written notice stating the place, time, and date of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting was called, shall be delivered at least ten (10) days, but not more than fifty (50) days before the date of the meeting. Notice may be communicated in person, by telephone, facsimile or other form of wire or wireless communication, or by mail or private carrier, provided that if these forms of communication are impractical, then notice may be communicated by a newspaper of general circulation in the area where published. Notice shall be given to each member of record and to any proxy duly appointed by an instrument in writing which has been filed with the LLC. If mailed, such notice shall be deemed to be delivered when deposited in the U.S. Mail addressed to the person entitled thereto at his/her last known address as it appears in the LLC record book or other official records of the LLC. Notice in person or by telephone shall be deemed delivered when received. Notice by facsimile or other form of wire or wireless communication and publication shall be deemed given when sent or published. It shall be the responsibility of any person entitled to such notice to promptly notify the LLC in writing of any change of address. In the event the purpose of the meeting is to consider a merger or unit exchange, or in the event the purpose of the meeting is to sell, lease, exchange, or otherwise dispose of all or substantially all of the property of the LLC, then a notice to members in the manner provided in this section shall be given no fewer than twenty (20) days before the meeting date.

Notice of a special meeting shall also state the purpose or purposes for which the meeting is called, and shall indicate that it is being issued by, or at the discretion of, the person or persons calling the meeting.

(d) Proxies: A member of the LLC entitled to vote may vote either in person or by proxy appointed in writing by the member's or by duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the Secretary of the LLC. No proxy shall be valid eleven (11) months after the date of its signing unless otherwise provided in the proxy.

(e) Quorum: A quorum at any member meeting shall consist of a majority of the units entitled to vote represented either in person or by proxy. If a quorum is present, action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater number of votes is required by law or the Articles of Organization. The withdrawal of any member after the commencement of a meeting shall have no effect on the existence of a quorum, after a quorum has been established at the meeting.

(f) Organization: The President, and in the President's absence, any person chosen by the members present shall call the meetings of members to order and shall act as chairman thereof. The Secretary of the LLC shall act as Secretary of the meetings and shall prepare minutes thereof, but in the absence of the Secretary, any person present at any such meeting may be appointed by the members present to act as Secretary and prepare the minutes of such meeting. All minutes of meeting shall be signed by both the chairman and Secretary of such meetings, and, upon being so signed such minutes shall, in the absence of clerical error, be conclusive as to content on all members.

(g) Voting of Units: Each outstanding unit shall be entitled to one vote upon each matter submitted to a vote at a meeting of members.

(h) Voting of Units by Certain Holders:

1. Legal Representatives and Fiduciaries. Units held by an administrator, executor, guardian, conservator, trustee in bankruptcy, receiver, or assignee for creditors may be voted by him/her, either in person or by proxy, without a transfer of such units into his/her name, provided that there is filed with the Secretary before or at the time of meeting proper evidence of his/her incumbency and the number of units held. Units standing in the name of a fiduciary may be voted by him/her, either in person or by proxy.

2. Pledgees. A member whose units are pledged shall be entitled to vote such units until the units have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the units so transferred.

3. Minors. Units held by a minor may be voted by such minor in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the LLC has received written notice or has actual knowledge that such member is a minor.

4. Incompetents and Spendthrifts. Units held by an incompetent or spendthrift may be voted by such incompetent or spendthrift in person or by proxy and no such vote shall be subject to disaffirmance or avoidance, unless prior to such vote the Secretary of the LLC has actual knowledge that such member has been adjudicated an incompetent or spendthrift or actual knowledge of filing of judicial proceedings for appointment of a guardian.

5. Joint Tenants. Units registered in the names of two or more persons as joint tenants may be voted in person or by proxy signed by any one or more of such individuals if either (i) no other such individual or his/her legal representative is present and claims the right to participate in the vote of such units or prior to the vote files with the Secretary of the LLC a contrary written voting authorization or direction or written denial of authority of the individual present or signing the proxy proposed to be signed, or (ii) all such

other individuals are deceased and the Secretary of the LLC has no actual knowledge that the survivor has been adjudicated not to be the successor to the interests of those deceased.

(i) Unit Classes: The LLC shall only have one (1) class of membership unit.

ARTICLE III

(a) Management: The business and affairs of the LLC shall be managed by a Board of Directors. Directors need not be residents of the State of Wisconsin or members of the LLC.

(b) Number and Election: The Board of Directors shall consist of not less than four (4) natural persons who shall be elected by the members at their annual meeting. The Directors shall be elected to serve for a term of one year and until their successors are elected and qualify. Failure to elect directors in any one year shall not affect the power of the then existing Board to continue to manage the business affairs of the LLC.

(c) Meetings of Directors: Special meetings of the Board of Directors may be called by an officer of the LLC at any time, and any officer of the LLC shall promptly call a meeting of the Board upon the request of any director. All such special meetings shall be held upon at least forty-eight (48) hours' notice given in the same manner as is required for notice of member meetings. Such notice need not, however, specify either the purpose of the meeting or the business to be transacted thereat. The directors may by resolution provide for the holding of regular directors' meetings, and in the event that such meetings are provided for by appropriate resolution setting a regular place, time and date for the holding thereof, such meetings may be held without the necessity of giving any prior notice to directors.

The Board of Directors shall hold an annual meeting immediately following the annual meeting of the members for the purpose of electing officers and the transacting of any other business as may be necessary.

All meetings of the Board of Directors shall be held at the principal office of the LLC, or at such other place as may be specified either by Resolution or in the notice of meeting.

If requested by a director, minutes of any regular or special meeting shall be prepared and distributed to each director.

(d) Telephone Meetings. The Board of Directors and other committees of the LLC may allow participation in meetings by telephone or other electronic means that allow all participants to hear and be heard by all other participants. In such event, all participants in the meeting shall be informed in advance of commencement of the meeting that a meeting is taking place at which official business may be transacted.

(e) Quorum: A majority of the number of directors fixed by this Operating Agreement shall constitute a quorum for the transaction of business at any meeting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

(f) Organization: The President, and in the President's absence, the Vice-President, or in their absence, any director shall conduct all meetings of the Board of Directors. At each meeting either a director or any other person present at a meeting may be appointed secretary of the meeting for the purpose of preparing the minutes thereof. All minutes so prepared shall be signed by both the chairman and the secretary of the meeting and the minutes so signed shall, in the absence of clerical error, be conclusive as to the content upon all Directors.

(g) Compensation: Only the members may establish reasonable compensation for the directors for services to the LLC as directors, officers or otherwise.

ARTICLE IV

(a) Officers: The principal officers of the LLC shall consist of a President, First Vice President, Second Vice President, Secretary, and Treasurer together with such other officers as the members may determine from time to time.

(b) Election: Officers of the LLC shall be elected each year by the Board of Directors at their annual meeting. All officers shall be elected to serve for a period of one year and until their successors shall be elected and qualify. No officer need be a member or director. The failure to elect officers in any one year shall not affect any powers of the then existing officers to continue to perform the duties of their offices.

(c) Duties of Officers:

1. President. The President shall be the principal executive officer of the LLC and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the LLC. The President shall, when present, preside at all meetings of the members and directors. The President shall have authority, subject to such rules as may be prescribed by the directors, to appoint such agents and employees of the LLC as the President shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. The President shall have authority to sign, execute and acknowledge, on behalf of the LLC, all deeds, mortgages, bonds, unit certificates, contracts, leases, reports and all other documents or instruments necessary or proper to be executed in the course of the LLC's regular business, or which shall be authorized by resolution of the directors; and, except as otherwise provided by law or the members, the President may authorize any other officer or agent of the LLC to sign, execute, and acknowledge such documents in his/her place and stead. In general the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the directors from time to time.

2. First Vice-President. In the absence of the President or in the event of the President's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the President to act personally, the First Vice-President shall perform the duties of the President, and when so acting, shall have the powers of and be subject to all the restrictions upon the President. The First Vice-President shall in general perform all duties incident to the office of First Vice-President and have such other duties and exercise such authority as from time to time may be delegated or assigned to him/her by the President or by the Board of Directors.

3. Second Vice-President. In the absence of the President and the First Vice President or their inability or refusal to act, the Second Vice President shall perform the duties of the President, and when so acting, shall have the powers of and be subject to all of the restrictions upon the President. The Second Vice-President shall in general perform all duties incident to the office of Second Vice-President and have such other duties and exercise such authority as from time to time may be delegated or assigned to him/her by the President or by the Board of Directors.

4. Secretary. The Secretary shall: (a) keep the minutes of the meetings of the members and Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Operating Agreement or as required by law; (c) be custodian of the LLC records; (d) keep or arrange for the keeping of a list of members which includes the post office address of each member which shall be furnished to the Secretary by such member and the date each past or present member became a member of the LLC or no longer was a member of the LLC; (e) sign with the President, certificates

for units of the LLC, the issuance of which shall have been authorized by resolution of the members; (f) have general charge of the unit transfer books of the LLC; and (g) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned to him/her by the President or Board of Directors.

5. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the LLC; (b) receive and give receipts for moneys due and payable to the LLC from any source whatsoever, and deposit all such moneys in the name of the LLC in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article VI(d); and (c) in general perform all of the duties incident to the office of Treasurer and have such other duties and exercise such other authority as from time to time may be delegated or assigned to him/her by the President or by the members.

6. Salaries. The salaries of the principal officers, if any, shall be fixed from time to time by majority vote of the Board of Directors.

ARTICLE V

Allocation of Profits and Losses and Distributions.

(a) Allocation of Profits and Losses. The net profits or net losses of the LLC shall be credited or charged to a member in the same proportion as the member's voting rights under Article II above, determined by dividing the member's units by all issued units in the LLC.

(b) Distributions. When approved by a majority vote of the members, all distributions shall be distributed to the members in the same proportion as the division of profits and losses of the LLC pursuant to Article V(a) above.

(c) Liquidation. In the event the LLC is liquidated, the assets to be distributed shall be distributed to the members in the same proportion as the division of profits and losses of the LLC pursuant to Article V(a) above.

ARTICLE VI

Contracts, Loans, Checks, and Deposits.

(a) Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute or deliver any instrument in the name of and on behalf of the LLC, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages, and instruments of assignment or pledge made by the LLC shall be executed in the name of the LLC by the President; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

(b) Loans. No indebtedness for borrowed money shall be contracted on behalf of the LLC and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

(c) Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the LLC, shall be signed by such officer or officers, agent or agents of the LLC and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

(d) Deposits. All funds of the LLC not otherwise employed shall be deposited from time to time to the credit of the LLC in such banks, trust companies, or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

ARTICLE VII

Informal Action: Any action of the members or Board of Directors which may be required by law or the Articles of Organization or this Operating Agreement to be taken at a meeting, may be taken without a meeting if one or more consents in writing, setting forth the action so taken, shall be signed at any time by all of the members or the Board of Directors entitled to vote and shall be delivered to and retained by the LLC.

ARTICLE VIII

Waiver of Notice: Whenever any notice whatever is required to be given by law, the Articles of Organization or this Operating Agreement, a waiver thereof in writing signed at any time by the person or persons entitled to such notice, shall be deemed equivalent to the giving of such notice. Such waiver shall contain the same information as would have been required to be included in the notice so waived, except that the time and place of meeting need not be stated. Attendance at a meeting waives objection to lack of notice, improper notice and consideration of the subject matter of the meeting, unless objection is made by the person so attending the meeting either at the beginning of the meeting or promptly upon arrival.

ARTICLE IX

(a) Certificates for Units. Certificates representing units of the LLC shall be in such form, consistent with law, as shall be determined by the Board of Directors. Such certificates shall be signed by the President and Secretary of the LLC. All certificates for units shall be consecutively numbered or otherwise identified. The name and address of the person to whom the units represented thereby are issued, with the number of units and date of issue, shall be entered on the List of Members of the LLC. All certificates surrendered to the LLC for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of units shall have been surrendered and cancelled.

(b) Transfer of Units. Prior to due presentment of a certificate for units for registration of transfer, the LLC may treat the registered owner of such units as the person exclusively entitled to vote, to receive notifications and otherwise to have and exercise all the rights and powers of an owner. Where a certificate for units is presented to the LLC with a request to register for transfer, the LLC shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the LLC had no duty to inquire into adverse claims or has discharged any such duty. The LLC may require reasonable assurance that said endorsements are genuine and effective and compliance with such other regulations as may be prescribed by law or under the authority of the members.

(c) Consideration for Units. The units of the LLC may be issued for such consideration as shall be fixed from time to time by the members. The consideration to be paid for units may be paid in whole or in part, in money, in other property, tangible or intangible, or in labor or services actually performed for the LLC, in contracts for services to be performed, or in other securities of the LLC. When payment of the consideration for which units are to be issued shall have been received by the LLC, such units shall be deemed to be fully paid and nonassessable by the LLC.

ARTICLE X

The business year of the LLC shall end on the 31st day of December of each year.

ARTICLE XI

(a) Amendments by Members. This Operating Agreement may be altered, amended, or repealed and a new Operating Agreement may be adopted by a unanimous vote of the members at a meeting duly called and held.

(b) Amendments by Directors. This Operating Agreement may be altered, amended, or repealed and a new Operating Agreement may be adopted by a unanimous vote of the directors at a meeting duly called and held.

(c) Implied Amendments. Any action taken or authorized by the members which would be inconsistent with the Operating Agreement then in effect but is taken or authorized by affirmative vote of not less than the number of units required to amend the Operating Agreement so that the Operating Agreement would be consistent with such action, shall be given the same effect as though the Operating Agreement had been temporarily amended or suspended so far, but only so far, as is necessary to permit the specific action so taken or authorized.

This Operating Agreement is made effective as of the 9th day of May, 2019.

Jeff A Kaczmarski

Jeff Kaczmarski, Executive Vice-President and Chief Legal Officer of Bethesda Lutheran Communities, Inc., Sole Member of the LLC

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Bylaws of
Bethesda Lutheran Communities, Inc.

(As Revised February 17, 2018)

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ARTICLE I: NAME

The name of the Corporation is Bethesda Lutheran Communities, Inc. ("Bethesda" or "Corporation"). The fiscal year of the Corporation shall begin on the first day of September and end on the 31st day of August of each year.

ARTICLE II: OBJECT

The mission of the Corporation is to enhance the lives of people with intellectual and developmental disabilities through services that share the good news of Jesus Christ.

ARTICLE III: MEMBERS

Section 1. Membership Qualifications and Voting Rights.

The Articles of Incorporation set forth the qualifications for membership in the Corporation and the voting qualifications for members. The member dues required by the Articles of Incorporation shall be five dollars ($5.00) per year for an annual membership and at least one hundred dollars ($100.00) for a lifetime membership.

Section 2. Qualifications for Friends of Bethesda.

The Articles of Incorporation set forth the qualifications for membership in Friends of Bethesda. Friends of Bethesda are supporters of the Corporation, but are not members of the Corporation and do not have the privilege of voting at member meetings. The dues of Friends of Bethesda shall be five dollars ($5.00) per year for an annual membership and at least one hundred dollars ($100.00) for a lifetime membership.

ARTICLE IV: MEETINGS OF THE MEMBERSHIP.

Section 1. The Annual Meeting.

The Annual Meeting shall be held on the third Saturday of November in each year at the principal office of the Corporation, in the City of Watertown, County of Jefferson and State of Wisconsin, or on such other date in each year or at such other place as may be determined by the Board of Directors, for the transaction of any proper and necessary business.

When designated by the Board of Directors, attendance at the Annual Meeting through the use of communications technology as specified below shall be and is considered present in person attendance at the Annual Meeting, and those members who attend the Annual Meeting through the use of communications technology shall have the same rights, privileges, duties and responsibilities as those members who actually attend the Annual Meeting. If the Board determines that attendance through the use of communications technology may be used for an Annual Meeting, it shall make a designation permitting such attendance in the announcement of the Annual Meeting. For a member meeting to be permitted through the use of communications technology, any or all members shall be able to participate in the meeting through the use of a computer system, telephone or any other means of communication by which either: (i) all participating members may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating member, and (iii) each participating member is able to immediately send messages to all other participating members.

Section 2.   Special Meetings.

Special meetings of the Corporation may be called by the Board of Directors. A special meeting must be called by the Chairman of the Board if requested in writing by any twenty-five (25) members of the Corporation, providing announcement thereof in each case is made by mail to all members of the Corporation at least fifteen (15) days prior to the holding of such meeting. If designated by the Board of Directors, a special meeting may be conducted through the use of communications technology in the same manner as permitted for the Annual Meeting.

Section 3.   Quorum Requirement.

Thirteen (13) members in good standing shall constitute a quorum at any meeting of the membership of the Corporation.

Section 4.   Devotional Requirement.

All meetings shall be opened with a devotion.

Section 5.   Report to the Membership.

Within a reasonable time after the Annual Meeting or any special meeting, a written summary of the business of the meeting shall be mailed or otherwise delivered to the members.

ARTICLE V: BOARD OF DIRECTORS

Section 1.   Authority and Responsibilities of the Board of Directors.

The affairs and business of the Corporation shall be governed by a Board of Directors elected in the manner hereafter provided in these Bylaws. The Board of Directors shall govern and act in compliance with all applicable legal standards. Requests for Board of Directors action shall come from or through the President and Chief Executive Officer, except that (1) executive staff may make such requests directly in the event of a vacancy of the position, or the incapacity or death of the President and Chief Executive Officer; and (2) the Audit Committee shall receive and respond appropriately to reports from any source regarding accounting concerns, internal controls, auditing matters or potentially illegal activities.

The Board of Directors shall employ the President and Chief Executive Officer. The President and Chief Executive Officer is the principal executive employee responsible for the day to day management and control of the Corporation, reports directly to the Board of Directors, and is charged with implementing the Board of Directors' decisions. The Board of Directors may, in its discretion, appoint an ad hoc Search Committee for the purpose of locating potential candidates. The Board of Directors shall make the final candidate selection. The Board member officers shall negotiate the terms of employment.

The Board of Directors shall issue calls for persons to serve in any chaplain position in the Corporation.

Section 2. Meetings of the Board of Directors.

The Board of Directors shall have a regular meeting once every three months, ordinarily in February, May, August and November. Special meetings of the Board may be called by the Chairman of the Board, or upon the written request of three directors.

Meetings of the Board of Directors shall be at the principal office of the Corporation, or at a location designated by the Board or Chairman of the Board. Any or all directors may participate in a regular or special meeting or in a committee meeting of the Board of Directors by, or conduct the meeting through the use of a computer system, telephone or any other means of communication by which either: (i) all participating directors may simultaneously hear each other during the meeting or (ii) all communication during the meeting is immediately transmitted to each participating director, and (iii) each participating director is able to immediately send messages to all other participating directors. If a meeting will be conducted through the use of communication technology, all participating directors shall be informed that a meeting is taking place at which official business may be transacted. A director participating in a meeting through communication technology is deemed to be present in person at the meeting.

A majority of directors in attendance shall constitute a quorum. The Board of Directors or any of its committees may take action by written consent without a meeting.

At any Board of Directors meeting, any item or matter shall be placed on the agenda for the meeting at the request of the Chairman of the Board or of any two directors.

Section 3. Composition and Directorship Requirements.

The Board of Directors shall be comprised of from nine(9) to twenty (20) directors. The Chairman of the Board shall determine the number of directors in consultation with the Chairperson of the Governance Committee. Directors shall be members in good standing of the Corporation, or in the case of Other Christians shall be individual Friends of Bethesda, in conformity with Article VI of the Articles of Incorporation.

Clergy/Church Worker and congregational affiliation composition standards vary by the number of directors and are as follows:

Total # of Directors	Clergy (LCMS, WELS, ELS) or LCMS Rostered Church Worker Required Minimum	The Lutheran Church - Missouri Synod Required Minimum	Other Lutheran/Other Christian Maximum
20	3	10	10
19	3	10	9
18	3	9	9
17	3	9	8
16	3	8	8
15	3	8	7
14	2	7	7
13	2	7	6
12	2	6	6
11	2	6	5
10	2	5	5
9	1	5	4

The Board of Directors does not lose its power to act if its composition does not meet the above range and composition standards. In that event, it shall act to achieve compliance with the composition standards as soon as practicable.

Section 4. Terms of Directors.

Subject to the below, each director shall be elected for a term of three (3) years. For directors elected during a regular October member election, the election term shall begin at the adjournment of the regular November Board of Directors meeting next held after the election, and shall end at the adjournment of the regular November Board of Directors meeting held three years after the election. The election term for a director elected by the Board of Directors to fill a vacancy shall begin at the adjournment of the meeting where elected and end when the term would have ended for the director who vacated the position. The election term for a director elected by the Board of Directors to fill an available, open director position at a time other than a regular October member election shall begin at the adjournment of the meeting where elected, and the director shall be required to stand for election at the next regular October member election. The term of a director shall end immediately upon disqualification under Article III, section 3 of the Bylaws or upon the vote of 2/3 of the directors present at a Board of Directors meeting, providing that such 2/3 majority is also a majority of all directors.

Section 5. Director Election Year Classes.

The terms of the directors shall be staggered so that at least three (3) directors are elected each year. In the event that, due to resignation or other cause, this election year class allocation requirement is not met, the Governance Committee shall assign one or more directors to another election year class to meet the requirement. The Governance Committee may also, in its discretion, change election year class assignment to improve the balance of the election year classes. In making class changes, the Governance Committee shall meet the requirement through a method that changes the election year class of the fewest directors possible. If a director is assigned to another election year class, the director's term and election cycle shall be that of the newly assigned class, except if applicable the director's last eligible election term shall be for one or two years as needed to permit the director to reach the director's term limit.

Section 6. Director Term Limit.

For purposes of the term limits described herein, the time of service need not be continuous. If intermittent, only time actually served as a director shall count toward the term limit. A director initially elected before October 1, 2015 and during a regular October member election shall be ineligible to serve as a director after having completed twelve (12) years of service. A director initially elected before October 1, 2015 and by the Board of Directors to fill a vacancy or an available, open director position shall be ineligible to serve as a director after having completed twelve years of service measured from the director's initial regular October member election; except that the term limit for a director elected to an available, open director position during May 2015 who then served as a director of Bethesda Lutheran Foundation, Inc. (Foundation) shall be the director's remaining available term of service on the Foundation.

A director initially elected on or after October 1, 2015 and during a regular October member election shall be ineligible to serve as a director after having completed nine (9) years of service. A director initially elected on or after October 1, 2015 and by the Board of Directors to fill a vacancy or an available, open director position shall be ineligible to serve as a director after having completed nine years of service measured from the director's initial regular October member election.

For persons not serving as a director for four or more continuous years and elected by the Board to fill a vacancy or an available, open director position during 2015, any prior director term limits shall be inapplicable.

Section 7. Vacancy in the Board of Directors.

When there is a vacancy in the Board of Directors that the Chairman of the Board determines should be filled; or if the Chairman of the Board determines that an available, open director position should be filled at a time other than a regular October member election; the Governance Committee shall promptly provide notice of the need to fill the available director position to all directors and solicit proposed candidates from them. The Governance Committee shall thereafter recommend to the Board of Directors a candidate who meets the requirements for the director position. The candidate shall be presented to the Board of Directors for election to the director position. If the Board of Directors does not elect a candidate, another candidate shall be presented following the same procedures.

Section 8. Nomination and Election of Directors.

The Governance Committee shall identify and select non-incumbent candidates for director elections, and make arrangements for and supervise the conduct of the annual directors election consistent with these Bylaws and the policies of the Corporation.

ARTICLE VI: OFFICERS

Section 1. Officer Positions.

The Corporation shall have Board member officers consisting of a Chairman of the Board, Vice-Chairman of the Board, Secretary and a Treasurer. No individual shall hold more than one such office at one time.

The Chairman of the Board, Vice-Chairman of the Board, Treasurer and Secretary shall be members of the Board of Directors. The Chairman of the Board shall have served at least one full year as a Bethesda or Foundation director. Any director shall be eligible to serve as the Vice-Chairman of the Board, Secretary and Treasurer. The Board member officers shall be elected annually by the Board of Directors at its annual regular Board of Directors meeting in November. Where there is more than one candidate for an office, the election for that office shall be by written ballot. Where there is one candidate for an office, the candidate shall be declared elected to the office by acclamation and no written ballot shall be required.

The Corporation shall have a President. The President shall be the President and Chief Executive Officer of the Corporation hired by the Board of Directors, and shall hold the office of President as an incident of and while occupying that position.

With the approval of the Board of Directors, the President may designate principal executive employees of the Corporation as officers of the Corporation. Any officers so designated shall have an officer title including the phrase “Vice President.”

Section 2. Vacancy in Board Member Officer Positions.

In the event of a vacancy in any one of the Board member officer positions, the Chairman of the Board, with the approval of the Governance Committee, shall fill said vacancy by appointment.

Section 3. Duties and Authority of Officers.

The principal duties of the officers shall be as follows:

The Chairman of the Board shall preside at all meetings of the members of this Corporation, the Board of Directors, and the Executive Committee, and perform such other duties as may be prescribed by the Board of Directors from time to time or as may be prescribed by the Bylaws of the Corporation.

The Vice-Chairman of the Board shall perform all duties of the Chairman of the Board in the absence or inability of the latter to act.

The Secretary shall be responsible for the creation of the minutes of all meetings of the Corporation, the Board of Directors and the Executive Committee; shall develop and maintain systems to keep and appropriately secure the minutes and records of the Board of Directors; shall attend to the correspondence of the Corporation, countersign all documents required by the Board of Directors and attach the corporate seal thereto, if necessary; and perform such other duties as may be required by the Board of Directors or by the Bylaws.

The Treasurer shall have supervision of and responsibility for all funds of the Corporation.

The President shall be the chief executive officer of the Corporation and shall have general charge and control of all its business affairs. The President shall sign and execute contracts and other written instruments in the name of the Corporation, and shall have the general powers and duties usually vested in the office of President of a corporation.

Any officers designated as Vice Presidents shall have the powers and duties designated by the President and approved by the Board of Directors.

Each and all of said officers of the Corporation shall also have the further powers and shall discharge the duties not herein before specifically mentioned which are usually incidental to their respective offices in similar corporations organized under the laws of the State of Wisconsin and such other or further powers and duties as may from time to time be given and granted or required by the Bylaws of the Corporation or by due resolution of its members or Board of Directors.

Any one officer of the Corporation may sign conveyances of property valued at $250,000 or less in its behalf. Any two officers of the Corporation may sign conveyances of property with a value greater than $250,000. Any one officer of the Corporation may sign a receipt, acknowledgement or other instrument reflecting receipt of property by the Corporation.

ARTICLE VII: COMMITTEES

The Corporation shall have the following standing committees: Executive Committee, Audit Committee and Governance Committee. Additionally, the Corporation shall have such subcommittees and ad hoc committees as may be created from time to time.

Section 1. The Executive Committee.

The Executive Committee shall consist of the Chairman of the Board, Vice-Chairman of the Board, Secretary, and Treasurer. The Chairman of the Board shall be the chairperson of the Executive Committee. The President and Chief Executive Officer shall be advisory to the Executive Committee. The Executive Committee shall meet as needed, and at least once between each quarterly Board of Directors meeting. Meetings shall be called by the Chairman of the Board or may be called on the request of two (2) members of the committee. The minutes of the Executive Committee shall be disseminated to all directors as soon as possible. The Executive Committee shall have the following authority and responsibilities:

A. The Executive Committee shall have the power to transact all business necessary between meetings of the Board of Directors in conformity with policies established by the Board of Directors.

B. The Executive Committee shall facilitate the creation and maintenance of a strategic plan for the organization. The Executive Committee shall on an ongoing basis monitor the strategic plan and evaluate how staff are meeting its goals. At the February meeting, the Executive Committee shall report on and review the strategic plan with the Board of Directors, along with its recommendations for any modifications or additions thereto.

C. The Executive Committee shall review the proposed annual budget prepared by staff, and shall recommend adoption by the Board of Directors of an annual budget. The Executive Committee shall provide all directors with a recommended annual budget at a time reasonably in advance of the regular August meeting of the Board of Directors.

D. The Executive Committee shall annually evaluate the performance of the President and Chief Executive Officer, and shall present a summary report to the full Board of Directors.

E. The Executive Committee shall determine the compensation paid and benefits provided to the President and Chief Executive Officer.

F. The Executive Committee shall serve as a Compensation Committee with the duty to review and make findings as to the reasonableness of (i) the compensation paid and benefits provided to the President and Chief Executive Officer, and (ii) the recommendations of the President and Chief Executive Officer for the compensation ranges and benefit levels for Vice President level executive staff and all other persons whom it determines to be in a position to exercise substantial influence over the affairs of the Corporation within the meaning of section 4958 of the Internal Revenue Code ("Disqualified Persons"). In doing so it shall:

1. Identify all Disqualified Persons, and annually report the identity of such persons to the Board of Directors.

2. Periodically review and determine the reasonableness of the compensation and benefit levels of the President and Chief Executive Officer.

3. Periodically review and determine the reasonableness of the recommendations of the President and Chief Executive Officer for the compensation ranges and benefit levels of other Disqualified Persons.

4. Consider all incentives, perquisites, deferred compensation and anything of value when considering the reasonableness of compensation or benefit levels.

5. Obtain from sources outside the Corporation objective, market comparable compensation and benefit level data.

6. Document its considerations and determinations in written reports.

7. At least annually report its activities and findings to the Board of Directors.

Section 2. The Business Committee.

The Business Committee shall consist of three (3) to five (5) directors appointed at the discretion of the Chairman of the Board, who shall also appoint its chairperson.

The Chairman of the Board shall be an ex-officio member, i.e. has the right to attend meetings with full member rights but is not obligated to do so and is not counted in determining a quorum. The President and Chief Executive Officer shall be advisory to the Business Committee.

The Business Committee shall provide governance level oversight and review, and shall on an ongoing basis report to the Board of Directors its analyses and recommendations, regarding:

A. Financial health, performance and forecasting.

B. Bethesda's business model, and business planning to improve performance in current or potential markets.

C. Business strategy, including existing and new lines of service and markets.

D. Strategic finance issues, such as debt management, capital structure and asset management, including management of Bethesda's real estate portfolio.

E. Organizational systems and infrastructure.

F. Bethesda's strategic plan as it relates to these business issues.

The Business Committee shall consult, coordinate with and support the Executive Committee in its annual review of the proposed budget and in its strategic planning process as it relates to business issues within the scope of the Business Committee. The Business Committee shall consult, coordinate with and support Bethesda Lutheran Foundation, Inc. ("Foundation") on matters of shared interest.

Section 3. The Audit Committee.

The Audit Committee shall consist of the Treasurer and three (3) to eight (8) other directors appointed at the discretion of the Chairman of the Board. The Treasurer shall be the chairperson of the Audit Committee.

The Chairman of the Board shall be an ex-officio member, i.e. has the right to attend meetings with full member rights but is not obligated to do so and is not counted in determining a quorum. The President and Chief Executive Officer shall be advisory to the Audit Committee.

The Audit Committee shall have the following authority and responsibilities:

A. The Audit Committee shall oversee the accounting practices and policies of the Corporation.

B. The Audit Committee shall annually engage independent auditors to examine the finances and accounting systems of the Corporation, and to submit an audit report to the Board of Directors at its November meeting. The independent auditors shall report directly to the Audit Committee. The Audit Committee shall convey to the independent auditors that they are accountable to the Audit Committee and ultimately the Board of Directors.

C. The Audit Committee shall resolve any disagreements between management and the independent auditors regarding financial reporting. This authority shall not be delegated to management or the Board of Directors.

D. The Audit Committee shall have the power to retain and terminate the services of independent auditors, outside legal counsel, investigators or other consultants as necessary to fulfill its responsibilities as stated herein.

E. The Audit Committee shall have the power to require management and others to attend its meetings and provide pertinent information as necessary. It may conduct executive sessions with independent auditors, the President and Chief Executive Officer, any executive staff and other staff or contracted consultants to review any matter relating to the finances and accounting systems of the Corporation or significant risks or exposures facing the Corporation.

F. The chairperson of the Audit Committee has the power to independently retain independent auditors, outside legal counsel, investigators or other consultants as necessary if the chairperson determines, after reasonable deliberation, that such retainer is in the best interests of the Corporation under the circumstances and the Chairman of the Board consents to the retainer. In this event, the chairperson shall report such action(s) to the Audit Committee as soon as reasonably possible considering the best interests of the Corporation.

G. The Audit Committee shall review all legal and regulatory matters that may have a material impact on the Corporation's financial statements.

H. The Audit Committee shall promptly report to the Board of Directors any noteworthy findings or potentially damaging circumstances that have the potential to materially and adversely affect the Corporation.

I. The Audit Committee shall oversee the Corporation's ethics and compliance program, including its code of ethics, conflicts of interest policy and whistleblower non-retaliation policy.

J. The Audit Committee shall establish procedures to receive and respond appropriately to reports from any source regarding accounting concerns, internal controls, auditing matters or potentially illegal activities.

K. The Audit Committee shall at least annually report its activities and findings to the Board of Directors.

L. The Audit Committee shall on an ongoing basis consult and coordinate with the Audit Committee of Foundation.

Section 4. The Governance Committee.

The Governance Committee shall consist of four (4) to nine (9) directors appointed at the discretion of the Chairman of the Board, who shall also appoint its chairperson.

The Chairman of the Board may appoint himself to serve on the Governance Committee. If not so appointed, the Chairman of the Board shall be an ex-officio member, i.e. has the right to attend meetings with full member rights but is not obligated to do so and is not counted in determining a quorum. The President and Chief Executive Officer shall be advisory to the Governance Committee.

The Governance Committee shall have the following authority and responsibilities:

A. The Governance Committee shall evaluate the performance of directors.

B. The Governance Committee shall determine whether incumbent directors seeking an additional term will be placed on the ballot for re-election.

C. The Governance Committee shall identify and select candidates for director elections where the director position is not occupied by an incumbent director.

D. The Governance Committee shall make arrangements for and supervise the conduct of the annual directors and officers elections consistent with these Bylaws and the policies of the Corporation.

E. The Governance Committee shall provide for an appropriate orientation for new directors.

F. The Governance Committee shall provide for ongoing training and development for all directors.

G. The Governance Committee shall promptly provide notice of a director vacancy to all directors and solicit proposed replacement candidates from them, and shall thereafter recommend to the Board of Directors for its election a candidate who meets the requirements for the vacant director position.

H. The Governance Committee shall review and determine whether it will approve any officer appointments by the Chairman of the Board to fill a mid-term officer vacancy.

I. The Governance Committee shall ensure compliance with the composition requirements for the Board of Directors. It shall assign directors to election year classes and designate directors for purposes of clergy, synodical or congregational affiliation as provided in the Board composition requirements herein.

J. The Governance Committee shall on an ongoing basis assess and seek to improve the functioning of the Board of Directors and its systems of governance.

K. The Governance Committee shall periodically review the governing documents (Articles of Incorporation, Bylaws and Board governance policies), and recommend any changes it deems advisable to the Board of Directors.

The Governance Committee shall not have the authority to review or recommend proposed amendments to the Foundation bylaws. These matters shall be referred directly to the Board of Directors.

Section 5. Subcommittees.

A standing committee may create one or more subcommittees to assist with or more efficiently conduct the work of the standing committee. A subcommittee shall be advisory to the standing committee only. The chairperson of any subcommittee shall be a member of the standing committee. The standing committee chairperson shall appoint the members of a subcommittee. Subcommittee members may include any member of the Board of Directors or any other person selected by the standing committee chairperson. The Chairman of the Board shall be an ex officio member of any subcommittee. A standing committee chairperson shall be an ex officio member of any subcommittee advisory to the standing committee.

Section 6. Ad Hoc Committees.

Ad hoc committees may be created as deemed necessary by the Board of Directors or the Executive Committee. These committees shall be advisory to the Board of Directors or any of its committees and shall have no other legal status. Unless the enabling resolution appoints the members and chairperson of an ad hoc committee, the Chairman of the Board shall appoint the members of an ad hoc committee and its chairperson. An ad hoc committee may include any member of the Board of Directors or any other person selected by the Chairman of the Board. The Chairman of the Board shall be an ex officio member of any ad hoc committee. If an ad hoc committee is advisory to a standing committee, the standing committee chairperson shall be an ex officio member of the ad hoc committee. The initial charge to the committee shall advise the ad hoc committee when and to whom it should make its report and recommendations. Each ad hoc committee shall automatically cease to exist as soon as it has completed its assigned task unless extended by a resolution of the Board of Directors or the Executive Committee.

ARTICLE VIII: EMPLOYEE PENSION TRUST

The trustees of the Employee Pension Trust shall consist of the Treasurer; the President and Chief Executive Officer; and from one (1) to three (3) directors appointed at the discretion of the Chairman of the Board. In trustee meetings, the President and CEO shall act as the meeting chairperson. The trustees shall determine and administer the benefits of the Pension Trust and manage the funds available for investment in a prudent manner, and shall take such steps as are necessary to maintain the Pension Trust as a qualified tax exempt trust under the Internal Revenue Code. The trustees shall annually give a financial report on the status of the Pension Trust to the Board of Directors.

ARTICLE IX: PARLIAMENTARY AUTHORITY

The rules contained in the current edition of Robert's Rules of Order Newly Revised shall govern the business of the Board of Directors in all cases to which they are applicable to the extent they are not inconsistent with these Bylaws and any special rules of order the Board may adopt.

ARTICLE X: AMENDMENT OF BYLAWS

Section 1. Amendment by Members.

These Bylaws may be amended at the Annual Meeting of the Corporation, or at a special meeting of the Corporation, by a two-thirds (2/3) vote of the members present, provided that not less than ten (10) days before the meeting the members are given written notice stating the nature of the proposed amendment(s).

Section 2. Amendment by the Board of Directors.

These Bylaws may be amended at a regular or special meeting of the Board of Directors by a two-thirds (2/3) vote of the directors present, provided that not less than ten (10) days before the meeting the directors are given written notice stating the nature of the proposed amendment(s).

ARTICLE XI. FINANCIAL DISCLAIMER RESPECTING RECOGNIZED SERVICE ORGANIZATION STATUS

Recognition by the Synod (i) is not an endorsement of the fiscal solvency of the Corporation, nor of services or programs offered by the Corporation; (ii) does not express or imply endorsement of the fiscal solvency of the Corporation, or Synod responsibility for the debts or other financial obligations of the Corporation; and (iii) does not cause the Synod or its districts or congregations to incur or be subject to the liabilities or debts of the Corporation or its subsidiaries and/or affiliates.

Version Date: February 17, 2018

IRS Department of the Treasury
Internal Revenue Service

OGDEN UT 84201-0038

In reply refer to: 0441977571
Dec. 10, 2009 LTR 4168C E0
39-0806446 000000 00
00033376
BODC: TE

BETHESDA LUTHERAN COMMUNITIES INC
600 HOFFMANN DR
WATERTOWN WI 53094-6223

009678

Employer Identification Number: 39-0806446
Person to Contact: Corrinna Patino
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Dec. 01, 2009, request for information regarding your tax-exempt status.

Our records indicate that your organization was recognized as exempt under section 501(c)(03) of the Internal Revenue Code in a determination letter issued in August 1937.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section 509(a)(2).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

Rita A. Leete

Rita A. Leete
Accounts Management II

Organizational Chart

Developer
Bethesda Cornerstone Village, LLC
FEIN: 84-1730106

Officers

President:	Dave Sneddon	(CEO, Bethesda Lutheran Communities, Inc.)
First Vice President:	Jeff Kaczmarski	(General Counsel & Senior Vice President, Bethesda Lutheran Communities, Inc.)
Second Vice President:	Thomas Campbell	(Vice President of Real Estate Development, Bethesda Lutheran Communities, Inc.)
Secretary:	Jeff Kaczmarski	(General Counsel & Senior Vice President, Bethesda Lutheran Communities, Inc.)
Treasurer:	Brian Savoie	(Chief Financial Officer, Bethesda Lutheran Communities, Inc.)

Sponsor / Guarantor
Bethesda Lutheran Communities, Inc.
FEIN: 39-0806446
Single member of Bethesda Cornerstone Village, LLC

Board of Directors

Chair:	Cesar Villalpando,	Retired
Vice Chair:	Rev. Jay DeBeir	Lutheran Hour Ministries
Treasurer:	Randall Odzer	Principal Financial Group
Secretary:	Catherine Brondos	Education Trainer & Coach
Auxiliary Advisory:	Karen Carter	Retired
Directors:	Malcolm Conner	Progressive Business
	Ardis Loeber	Retired
	Jim Rymarcsuk	Stanford University
	Deaconess Tiffany Manor	New England District LCMS
	Christine Tricoli	H.W. Kaufman Group
	Ellen Trytek	Wipfli LLP
	J. Larry Tyler	Practical Governance Group
	John Wiktor	Horwood Marcus & Berk

BETHESDA LUTHERAN COMMUNITIES, INC.
AND AFFILIATES

Watertown, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended August 31, 2019 and 2018

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

TABLE OF CONTENTS
As of and for the Years Ended August 31, 2019 and 2018

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bethesda Lutheran Communities, Inc. and Affiliates
Watertown, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bethesda Lutheran Communities, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of August 31, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional operating expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers 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 consolidated financial position of the Organization as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to that matter.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other financial information on pages 38-46 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, cash flows and functional operating expenses of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 5, 2019

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,284,903	$ 9,819,547
Accounts receivable:		
Client programs	7,469,331	7,401,441
Interest and other	839,060	1,178,057
Legacies	410,412	9,543,432
Supply inventories	207,730	236,759
Prepaid expenses and other current assets	1,101,959	1,055,795
Assets held for sale	1,800,000	4,427,358
Total Current Assets	19,113,395	33,662,389
ASSETS WHOSE USE IS LIMITED OR RESTRICTED		
Funds held on behalf of clients	1,625,902	2,101,052
Escrow deposits	3,586,842	1,435,578
Other donor restricted assets	30,626	30,611
Total Assets Whose Use is Limited or Restricted	5,243,370	3,567,241
OTHER ASSETS		
Investments	93,188,634	104,340,854
Assets relating to split-interest agreements and trusts	13,266,930	13,338,169
Notes receivable and other assets	40,715	42,175
Total Other Assets	106,496,279	117,721,198
PROPERTY AND EQUIPMENT	56,091,742	54,985,482
TOTAL ASSETS	$ 186,944,786	$ 209,936,310
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 4,237,329	$ 3,728,095
Salaries, wages, related withholdings and fringe benefits	7,692,271	7,911,759
Line of credit	35,000,000	35,000,000
Current portion of mortgage notes payable - HUD	213,722	195,368
Other current liabilities	107,533	42,719
Total Current Liabilities	47,250,855	46,877,941
LONG-TERM LIABILITIES		
Due to beneficiaries and others under split-interest agreements and trusts	7,798,961	7,681,167
Mortgage notes payable - HUD	1,220,571	1,434,293
Pension plan liability	22,302,897	10,051,810
Funds held on behalf of clients	1,056,728	1,581,576
Other long-term liabilities	1,417,180	876,701
Total Long-Term Liabilities	33,796,337	21,625,547
Total Liabilities	81,047,192	68,503,488
NET ASSETS		
Without donor restrictions	92,607,859	128,582,803
With donor restrictions	13,289,735	12,850,019
Total Net Assets	105,897,594	141,432,822
TOTAL LIABILITIES AND NET ASSETS	$ 186,944,786	$ 209,936,310

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 6,928,162	$ -	$ 6,928,162
Net assets released from restrictions - operations	887,657	(887,657)	-
Total Operating Public Support	7,815,819	(887,657)	6,928,162
OPERATING REVENUE			
Program service revenue	90,511,297	-	90,511,297
Investment income, net of fees	2,804,383	-	2,804,383
Retail operations income	6,738,540	-	6,738,540
Rental income	252,978	-	252,978
Impairment loss and gain/loss on sale of property and equipment	(341,178)	-	(341,178)
Change in value of split-interest annuities	52,327	(12,693)	39,634
Other	723,935	-	723,935
Total Operating Revenue	100,742,282	(12,693)	100,729,589
Total Operating Public Support and Revenue	108,558,101	(900,350)	107,657,751
OPERATING EXPENSES			
Program expenses	106,389,286	-	106,389,286
Management and general expenses	20,789,832	-	20,789,832
Fundraising expenses	3,802,392	-	3,802,392
Total Operating Expenses	130,981,510	-	130,981,510
Change in Net Assets Before Non-Operating Activities	(22,423,409)	(900,350)	(23,323,759)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	138,406	(138,406)	-
Restricted contributions	-	1,438,141	1,438,141
Restricted investment income	-	40,331	40,331
Market adjustment for fixed income investments	1,023,286	-	1,023,286
Adjustment to unfunded pension plan liability	(14,713,227)	-	(14,713,227)
Total Non-Operating Activities	(13,551,535)	1,340,066	(12,211,469)
CHANGE IN NET ASSETS	(35,974,944)	439,716	(35,535,228)
NET ASSETS - BEGINNING OF YEAR	128,582,803	12,850,019	141,432,822
NET ASSETS - END OF YEAR	$ 92,607,859	$ 13,289,735	$ 105,897,594

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 20,758,437	$ -	$ 20,758,437
Net assets released from restrictions - operations	796,310	(796,310)	-
Total Operating Public Support	21,554,747	(796,310)	20,758,437
OPERATING REVENUE			
Program service revenue	94,392,609	-	94,392,609
Investment income, net of fees	10,017,292	-	10,017,292
Retail operations income	6,385,259	-	6,385,259
Rental income	216,475	-	216,475
Gain on sale of property and equipment	3,271,493	-	3,271,493
Change in value of split-interest annuities	(42,119)	(1,866)	(43,985)
Other	791,166	-	791,166
Total Operating Revenue	115,032,175	(1,866)	115,030,309
Total Operating Public Support and Revenue	136,586,922	(798,176)	135,788,746
OPERATING EXPENSES			
Program expenses	113,580,974	-	113,580,974
Management and general expenses	20,079,201	-	20,079,201
Fundraising expenses	3,404,526	-	3,404,526
Total Operating Expenses	137,064,701	-	137,064,701
Change in Net Assets Before Non-Operating Activities	(477,779)	(798,176)	(1,275,955)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	10,936	(10,936)	-
Restricted contributions	-	1,273,804	1,273,804
Restricted investment income	-	31,111	31,111
Market adjustment for fixed income investments	(799,659)	-	(799,659)
Adjustment to unfunded pension plan liability	7,270,393	-	7,270,393
Total Non-Operating Activities	6,481,670	1,293,979	7,775,649
CHANGE IN NET ASSETS	6,003,891	495,803	6,499,694
NET ASSETS - BEGINNING OF YEAR	122,578,912	12,354,216	134,933,128
NET ASSETS - END OF YEAR	$ 128,582,803	$ 12,850,019	$ 141,432,822

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (35,535,228)	$ 6,499,694
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense (recovery)	(157,083)	(251,970)
Net unrealized (gain) loss on investments	1,634,790	(5,164,875)
Accretion	-	9,930
Depreciation	5,705,950	5,860,220
Impairment and (gain) loss on sale of property and equipment	341,178	(3,271,493)
Net realized gain on investments	(3,071,359)	(1,733,101)
Net change in split interest agreements	82,201	(300,575)
Contributions restricted for endowment	-	(19,599)
Restricted investment income, net	(40,331)	(31,111)
Change in beneficial interest in assets held by others	106,817	(379,533)
Adjustment to unfunded pension plan liability	14,713,227	(7,270,393)
Changes in assets and liabilities		
Client programs receivable	89,193	1,674,598
Interest and other receivable	338,997	104,475
Legacies receivable	9,133,020	(8,848,901)
Supply inventories	29,029	112,922
Prepaid expenses and other current assets	(46,164)	(12,969)
Notes receivable and other assets	1,460	527
Funds held on behalf of clients	(49,698)	109,164
Accounts payable	(638,564)	141,575
Salaries, wages, related withholdings and fringe benefits	(219,488)	(1,782,002)
Pension plan liability	(2,462,140)	(2,366,462)
Other current liabilities	64,814	(888)
Other long-term liabilities	540,479	45,284
Net Cash Flows from Operating Activities	(9,438,900)	(16,875,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,665,754)	(5,596,898)
Proceeds from sale of property and equipment	1,287,522	8,715,800
Purchase of investments	(10,464,807)	(13,173,971)
Proceeds from sale of investments	23,053,596	18,527,954
Net change in escrow deposits	(2,151,264)	(170,448)
Net Cash Flows from Investing Activities	7,059,293	8,302,437
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments on) line of credit	-	(54,735)
Principal payments on mortgage notes payable - HUD	(195,368)	(178,995)
Net restricted investment income	40,331	31,111
Contributions restricted for endowment	-	19,599
Net Cash Flows from Financing Activities	(155,037)	(183,020)
Net Change in Cash and Cash Equivalents	(2,534,644)	(8,756,066)
CASH AND CASH EQUIVALENTS - Beginning of Year	9,819,547	18,575,613
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,284,903	$ 9,819,547
Supplemental cash flow disclosures:		
Cash paid for interest	$ 1,319,491	$ 1,090,440
Noncash investing and financing activities:		
Purchases of property and equipment in accounts payable	$ 1,174,813	$ 27,015

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL OPERATING EXPENSES

For the Year Ended August 31, 2019

	Program	Management and General	Fundraising	Total
Salaries	$ 61,330,893	$ 11,002,536	$ 1,835,039	$ 74,168,468
Payroll taxes and benefits	13,586,283	1,932,983	306,447	15,825,713
Supplies	4,091,611	227,904	96,223	4,415,738
Repairs	2,220,598	61,315	-	2,281,913
Client professional and other services	4,639,435	204	-	4,639,639
Staff development	203,263	1,180,294	31,780	1,415,337
Legal, audit and other professional services	371,097	2,437,089	201,559	3,009,745
Other general outside services	3,512,944	931,079	1,096,313	5,540,336
Travel, meals, lodging and gasoline	1,622,458	504,530	184,857	2,311,845
Rent	3,070,370	113,537	-	3,183,907
Telephone and internet services	1,161,582	191,137	15,913	1,368,632
Electricity, natural gas, water and sewer	1,640,152	193,656	-	1,833,808
Property and liability insurance	1,960,349	246,780	15,176	2,222,305
Depreciation	4,883,145	819,595	3,210	5,705,950
Interest	145,123	1,181,077	-	1,326,200
Medicaid assessment fees	1,241,682	-	-	1,241,682
All other	708,301	(233,884)	15,875	490,292
Total Expenses	$ 106,389,286	$ 20,789,832	$ 3,802,392	$ 130,981,510

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL OPERATING EXPENSES
For the Year Ended August 31, 2018

	Program	Management and General	Fundraising	Total
Salaries	$ 64,283,148	$ 8,877,229	$ 1,699,796	$ 74,860,173
Payroll taxes and benefits	16,611,411	1,762,366	345,376	18,719,153
Supplies	4,550,255	208,621	139,144	4,898,020
Repairs	1,591,116	1,382,121	1,826	2,975,063
Client professional and other services	5,439,885	258,672	5,042	5,703,599
Staff development	200,268	881,766	80,834	1,162,868
Legal, audit, and other professional services	356,286	2,089,577	615,521	3,061,384
Other general outside services	3,444,422	2,110,830	298,087	5,853,339
Travel, meals, lodging and gasoline	1,588,629	507,391	181,079	2,277,099
Rent	3,345,575	27,900	-	3,373,475
Telephone and internet services	1,205,599	153,300	13,769	1,372,668
Electricity, natural gas, water and sewer	1,791,943	244,108	-	2,036,051
Property and liability insurance	1,868,152	197,955	13,255	2,079,362
Depreciation and amortization	5,296,614	570,121	3,415	5,870,150
Interest	155,504	934,936	-	1,090,440
Medicaid assessment fees	1,337,474	-	-	1,337,474
All other	514,693	(127,692)	7,382	394,383
Total Expenses	$ 113,580,974	$ 20,079,201	$ 3,404,526	$ 137,064,701

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The consolidated financial statements reflect the accounts of Bethesda Lutheran Communities, Inc., Faith Village, Inc. ("Village"), Faith Village IV, Inc., Good Shepherd Residence, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon and The Oregon Good Shepherd Lutheran Home, Inc. (collectively referred to as "Bethesda"), Bethesda Lutheran Foundation, Inc. ("Foundation"), and Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC (collectively referred to as "Cornerstone") (all entities collectively referred to as the "Organization") with intercompany accounts eliminated. The nine U.S. Department of Housing and Urban Development ("HUD") projects operate under the Rules and Regulations of HUD. The Organization operates residential facilities for the benefit of developmentally disabled persons.

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of six months or less. Money market accounts whose use is restricted by annuity agreements are classified as investments.

Client Programs Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized funding source obligations, which generally are payable within 30 days from the invoice or billing date, and are stated at the invoice amount. The Organization provides an allowance for doubtful accounts for client programs receivable equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Client programs receivable is shown net of an allowance for doubtful accounts of $258,480 and $616,223 as of August 31, 2019 and 2018, respectively. For the year ending August 31, 2019 and 2018, bad debt expense (recovery) was $(157,083) and $(251,970), respectively, and is included on the consolidated statements of functional operating expenses in all other.

Legacies Receivable

Significant legacies receivable are recorded when the Organization receives documentation of the gift, no other party of interest is contesting the gift, the cash and investments are quantifiable, and real property and non-marketable investments have been valued by independent appraisal. Legacies receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of August 31, 2019 and 2018.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Legacies Receivable (continued)

Legacies receivable of $410,412 and $9,543,432 as of August 31, 2019 and 2018, respectively, are expected to be collected in less than one year.

Supply Inventories

Inventory, which mainly consists of thrift store items, is stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Funds Held on Behalf of Clients

Certain residents have deposited funds in trust accounts maintained for their benefit by the Organization in separate accounts from the main operating account. The funds are used to pay personal expenses of the residents. If a resident leaves the Organization, the balance remaining in the fund is returned to the resident.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

The Organization may employ derivatives and other strategies to (1) hedge against market risks, (2) arbitrage mispricing of related securities, and (3) replicate long or short positions more cost-effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest and currency swaps, call and put options, debt and equity futures contracts, equity swaps, and other vehicles that may be appropriate in certain circumstances. Since the Organization does not strive for higher returns through market timing or by making leveraged market bets, derivatives are not used for speculation.

The Organization's external investment managers are authorized to use specified derivative financial instruments, including futures and forward currency contracts, in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Directors.

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. Acquisitions of property and equipment in excess of $1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service unless otherwise instructed by donor.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

The Organization has recorded a liability of $327,684 for estimated asbestos clean-up costs as of August 31, 2019 and 2018 and it is presented as other long-term liabilities in the consolidated statements of financial position.

Assets Held for Sale

During 2018, the Organization closed certain programs and was marketing nine buildings for sale with net book value totaling $4,427,358. During 2019, the Organization sold four of the buildings with total gross proceeds of $889,590, one building remained on the market with a fair value of $1,800,000 and four of the buildings were placed back into service. No new buildings were added to assets held for sale in 2019. Management has an accepted offer on the remaining property and expects it to be sold within the next fiscal year. All properties held for sale are recorded at historical cost net of accumulated depreciation at the time the assets were classified as held for sale or net realizable value, whichever is lower.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Organization has recorded an impairment loss of $920,639 and $0 during the years ending August 31, 2019 and 2018, respectively.

Assets Relating to Split-Interest Agreements and Trusts

The Organization is the trustee of various split-interest agreements. The trusts and the assets held are recorded at fair value and are reported in the consolidated statements of financial position. In addition, the Organization is a specified beneficiary of assets held by others and has recorded a beneficial interest in these assets.

Assets received under split-interest agreements and trusts are recorded at their fair value. The Organization records a liability when a split-interest agreement (Unitrust, Annuity Trust, and Pooled Income Fund) is established at the present value of the estimated future payments to the donor and other beneficiaries. Discount rates ranging from 4% to 6% were used to project the Due to beneficiaries and others under split interest agreements and trusts liability as of August 31, 2019 and 2018. Revenue is recorded for the difference between the fair value of the assets received and the liability.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that expire by passage of time can be fulfilled and removed by actions of the Organization pursuant to those stipulations or are required to be maintained permanently.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of August 31, 2019 and 2018.

Tax-Exempt Status

Bethesda Lutheran Communities, Inc., Faith Village, Inc., Faith Village IV, Inc., Good Shepherd Residence, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon, The Oregon Good Shepherd Lutheran Home, Inc., and Bethesda Lutheran Foundation, Inc. have received notification that each entity qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, each entity is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC are single member limited liability companies, solely owned by Bethesda. Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC are not tax paying entities; instead, all revenues and expenses are reported on Bethesda Lutheran Communities, Inc.'s Form 990.

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting during interim periods. The Organization does not believe that it has any uncertain tax positions at August 31, 2019 and 2018.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including pledges receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The gifts are reported as net assets with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. In the absence of donor specification or law that income and gains on donated funds are restricted, such income and gains are reported as contributions without donor restrictions.

Program Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization. Payment arrangements include reimbursement of costs, discounted charges, and per diem payments. Program service revenue is recorded in the period in which services are provided and is reported at the net realizable amounts from residents, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operations

The Organization's operating results include all operating revenues and expenses that are an integral part of its programs and supporting activities. Contributions and releases from donor restrictions to support its operating activities are also included. The measure of operations excludes net assets released from restrictions for property and equipment, restricted contributions, restricted investment income, market adjustment for fixed income investments and adjustment to unfunded pension plan liability.

Expense Allocation

The cost of providing program and supporting activities has been summarized on a functional basis within the consolidating statements of functional expenses. Expenses which are directly attributable to a specific program or supporting activity of the Organization are reported as expenses of that activity.

Expenses which are attributable to more than one program or supporting activity are allocated on a reasonable basis to the appropriate category. Expenses related to the office of the Chief Executive Officer and Marketing and Communications are allocated based on estimated time and effort spent in direct support or supervision of each activity. Expenses for information technology are allocated based on full time equivalent employees. Certain insurance costs are allocated based on relative value of assets or total salaries covered, as applicable.

Reclassification

For comparability, certain 2018 amounts have been reclassified to conform with classifications adopted in 2019. The reclassifications have no effect on reported amount of net assets or change in net assets.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Distributions

The Organization's regulatory agreements with HUD stipulate, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted ASU No. 2016-14 in 2019 and has applied the changes retrospectively to all periods presented, except for the disclosure about liquidity and availability of financial assets. This disclosure has been presented for 2019 only, as allowed by ASU No. 2016-14. The adoption of ASU No. 2016-14 did not affect total net assets or change in net assets. The new standard changed the following aspects of the consolidated financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- Certain expenses within the statements of functional expenses were reclassified to be consistent with the guidance.
- The consolidated financial statements include a disclosure about liquidity and availability of financial assets (Note 2).

New Accounting Pronouncements

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Additional updates defer the effective date of ASU No. 2014-09, clarify the implementation guidance on principal versus agent considerations, clarify the identification of performance obligations and the licensing implementation guidance. ASU No. 2014-09 (as amended) is effective for annual periods beginning after December 15, 2018 (2020). The changes may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. Management is currently assessing the effect that ASU No. 2014-09 (as amended) will have on its consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for contributions received during annual periods beginning after December 15, 2018 (2020) and contributions made during annual periods beginning after December 15, 2019 (2021). Management is currently assessing the effect that ASU No. 2018-08 will have on its consolidated financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This standard will require cash flow statements to explain the change during a reporting period of the totals for cash, cash equivalents, restricted cash, and restricted cash equivalents. Amounts reported as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update also includes a requirement that the footnotes to the consolidated financial statements explain the nature of the restrictions. The Organization will be required to apply the standard for annual periods beginning after December 15, 2018 (2020). The standard should be applied retrospectively upon adoption. Management is currently assessing the effect that ASU No. 2016-18 will have on its consolidated financial statements.

In March 2017, FASB issued ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered during the period. Other components of the net benefit cost, as defined, are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. It must be clear where the other components are reported. The Organization will be required to apply the standard for annual periods beginning after December 15, 2018 (2020). The standard should be applied retrospectively. Management is currently assessing the effect that ASU No. 2017-07 will have on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. For not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the counter market, ASU No. 2016-02 (as amended) is effective for annual periods beginning after December 15, 2018 (2020). All other entities will be required to apply the standard for annual periods beginning after December 15, 2020 (2022). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, Fair Value Measurement. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. ASU No. 2018-13 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019 (2021). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2018-13 will have on its financial statements.

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU No. 2016-15 addresses eight cash flow issues with specific guidance on how certain cash receipts and cash payments should be presented on the statement of cash flows. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2018 (2020) and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-15 will have on its consolidated financial statements.

NOTE 2 - Liquidity and Availability of Financial Assets

The Organization's primary sources of liquidity are its cash, short term accounts receivable, and investments, which total $109.2 million as of August 31, 2019. Of these assets, $2.7 million are restricted based on purpose and time and $6.4 million are restricted into perpetuity by donor or other contractual restrictions. $4.1 million is reserved for future payouts on charitable gift annuities, and a CD of $2.0 million is held to secure corporate credit card liabilities. Accordingly, $94.0 million is available for operational use and to fulfill the Organization's mission to provide care for the people we serve. Current available assets are considered to be more than sufficient to fund the Organization's planned operating and capital expenditures over the next twelve months.

The Organization has $3.6 million of funds in escrow which are designated for construction and capital improvement projects. $1.5 million of this amount is reserved for capital improvements made to HUD program properties, and any withdrawals are subject to the approval of HUD. $2.1 million is on deposit with the Lutheran Church Extension Fund ("LCEF"), and is solely for construction costs related to a new mixed-use rental property in Victoria, Minnesota under ownership of Cornerstone Village – Victoria, LLC.

The Organization holds deposits of $1.6 million on behalf of clients which relate to its role as organizational representative payee. These funds are owned by and are solely for the use of Bethesda Lutheran Communities, Inc.'s clients and are segregated from operational bank accounts.

NOTE 2 - Liquidity and Availability of Financial Assets (continued)

The Organization also holds a beneficial interest of $13.3 million in various donor trusts. $11.5 million is held in trusts that do not currently provide income to the Organization but will provide a future benefit upon occurrence of certain events. $1.8 million is held by the Good Shepherd Fund; investment income generated by these trusts may be used for operational expenses, however the principal amounts are restricted in perpetuity.

The Organization's operations are largely funded by payments from Medicaid and other federal and state agencies, and additional capital is provided by investment returns and the controlled liquidation of foundation assets as required. The Foundation exists for the benefit of Bethesda Lutheran Communities, Inc. and Foundation assets are to be solely used to fulfill the Organization's mission. The board authorizes distributions from the Foundation up to a certain limit at the beginning of each fiscal year and adjusts funding accordingly if management identifies the need for additional cash flow during the year. The Organization has a balanced investment strategy for managing Foundation assets, which generally consists of a mix of 65% stocks, 30% fixed income, and 5% cash. The Foundation's board receives quarterly advice from the Organization's portfolio manager, Merrill Lynch, and changes to investment strategy require board approval.

During the fiscal year ended August 31, 2019, the Organization saw a decrease in liquid assets (cash, short term accounts receivable, and investments) of $23.1 million. $3.6 million of this amount was for required funding of the legacy pension plan. $5.4 million was related to net capital expenditures, which includes $1.3 million of proceeds received on sale of property and equipment, $4.6 million in purchases of fixed assets, and $2.1 million of funds held in escrow for Cornerstone Village construction costs. The remaining $14.1 million decrease was primarily related to operational losses, which were largely funded by a net sale of foundation investments during the year.

At August 31, 2019, the Company had a $45.0 million revolving line of credit with Bank of America, with an outstanding balance of $35.0 million. The line of credit bears interest at the daily LIBOR rate plus 95 basis points. The line of credit is secured by Foundation assets, and is subject to call if pledged assets fall below $70.0 million. The Organization does not plan to increase the amount outstanding or take additional draws on the line during the next twelve months, and any action to do so would require board approval. Management is seeking to reduce the amount due on the line of credit by refinancing all or part of the current balance against real estate holdings during fiscal year 2020.

In August 2019, the Organization closed on a $14.7 million dollar delayed-draw construction loan with LCEF to finance construction of the new rental property in Victoria, MN. The note bears interest at an initial rate of 5.25% annually, and converts to a permanent mortgage loan on August 1, 2021 with a maturity date of August 31, 2031. Once converted, the mortgage will bear interest at an initial variable rate of 4.75%. Principal payments are due following conversion of the note; interest only payments are required once proceeds are drawn through the conversion date. There was no balance outstanding as of August 31, 2019. $2.1 million of cash was put into escrow with LCEF upon closing; these funds are to be utilized solely for construction costs, prior to draw of any funds on the related note. The note includes a $2.0 million guarantee provided by the Foundation, which is in effect until certain criteria (such as meeting debt service requirements for two consecutive years) are satisfied once construction is complete and the building is operational. Management expects to meet all requirements to remove the guarantee in a timely manner.

NOTE 2 - Liquidity and Availability of Financial Assets (continued)

In consideration of future liquidity needs, management has presented a five-year plan to achieve cash flow neutrality. The plan includes new real estate developments under the Cornerstone Village brand, investment in retail operations and philanthropic resources, and continuing to pursue growth in mission based operations. Additionally, management is evaluating various real estate holdings to determine the best use of each for the Organization, including potential sale. Two properties are under pending contract for sale as of September, 2019, which are expected to generate proceeds of $2.0 million that will be available for use during fiscal year 2020.

In October 2019, the Organization secured the designation of church plan status for its legacy pension program. This change is expected to result in annual savings of approximately $700 thousand, and $2.6 million of previously paid insurance premiums intend to be recouped in fiscal year 2020.

NOTE 3 - Fair Value Measurements

The Organization follows current authoritative accounting guidance, which provides a framework for measuring, reporting, and disclosing fair value under generally accepted accounting principles. These standards apply to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

NOTE 3 - Fair Value Measurements (continued)

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy.

	August 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments				
Mutual funds	$ 58,298,349	$ 58,298,349	$ -	$ -
Common and preferred stock	9,108,933	9,108,933	-	-
Church extension funds	5,840	-	5,840	-
Fixed income securities	16,126,632	16,126,632	-	-
Hedge funds	383,213	-	-	383,213
Mutual funds - charitable gift annuities	7,093,649	7,093,649	-	-
Fixed income securities - charitable gift annuities	316,481	316,481	-	-
457 plan investments - mutual funds	695,995	695,995	-	-
Money market funds - charitable gift annuities	1,159,542	-	1,159,542	-
Total	$ 93,188,634	$ 91,640,039	$ 1,165,382	$ 383,213
Assets relating to split- interest agreements and trusts				
Fixed income mutual funds	$ 3,938,242	$ 3,938,242	$ -	$ -
Money market funds	419,520	-	419,520	-
Equity mutual funds	4,726,558	4,726,558	-	-
Beneficial interest in assets held by others	4,182,610	-	-	4,182,610
Total	$ 13,266,930	$ 8,664,800	$ 419,520	$ 4,182,610

NOTE 3 - Fair Value Measurements (continued)

	August 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments				
Mutual funds	$ 68,444,564	$ 68,444,564	$ -	$ -
Common and preferred stock	9,496,984	9,496,984	-	-
Church extension funds	4,720	-	4,720	-
Fixed income securities	17,128,720	17,128,720	-	-
Hedge funds	502,172	-	-	502,172
Mutual funds - charitable gift annuities	7,031,768	7,031,768	-	-
Fixed income securities - charitable gift annuities	127,743	127,743	-	-
457 plan investments - mutual funds	548,981	548,981	-	-
Money market funds - charitable gift annuities	1,055,202	-	1,055,202	-
Total	$104,340,854	$102,778,760	$ 1,059,922	$ 502,172
Assets relating to split- interest agreements and trusts				
Fixed income mutual funds	$ 3,813,229	$ 3,813,229	$ -	$ -
Money market funds	318,727	-	318,727	-
Equity mutual funds	4,916,786	4,916,786	-	-
Beneficial interest in assets held by others	4,289,427	-	-	4,289,427
Total	$ 13,338,169	$ 8,730,015	$ 318,727	$ 4,289,427

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual funds, common and preferred stock and fixed income securities - These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available, including hedge funds that have a ticker symbol.

Church extension funds and money market funds - These investments are measured at fair value using multiple sources of information that are corroborated by market data and are considered Level 2 items.

Hedge funds - Investments in hedge funds, fund of funds, and other alternative investments have no readily determinable fair value and are classified as Level 3 as the valuation is based on significant unobservable inputs that are not corroborated by market data. The valuation was determined by the Organization's investment managers.

NOTE 3 - Fair Value Measurements (continued)

Beneficial interest in assets held by others - The trusts, that the Organization is named as a specified beneficiary in which they are not the trustee of the assets, are considered Level 3 items as the valuation is based on significant unobservable inputs that are not corroborated by market data.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Hedge Funds	Beneficial Interest in Assets Held by Others
Balance, August 31, 2017	$ 734,223	$ 3,909,904
Net realized and unrealized gains included in change in net assets	10,522	379,523
Sales	(242,573)	-
Balance, August 31, 2018	502,172	4,289,427
Net realized and unrealized gains (losses) included in change in net assets	20,988	(106,817)
Sales	(139,947)	-
Balance, August 31, 2019	$ 383,213	$ 4,182,610
Net unrealized gains (losses) included in change in net assets relating to assets held at August 31, 2019	$ 7,489	$ (106,817)
Net unrealized gains (losses) included in change in net assets relating to assets held at August 31, 2018	$ (10,584)	$ 379,523

Unrealized net gains (losses) included in change in net assets are reported in the consolidated statements of activities as investment income for the hedge funds and restricted contributions for the beneficial interest in assets held by others.

Level 3 hedge funds consist of two funds at August 31, 2019 and four funds at August 31, 2018. The funds are valued at their net asset value and are deemed alternative investments. To withdraw funds from these investments, the Organization is required to submit a written request and is limited to one request per quarter. The investment companies can deny the request to withdraw funds. The Organization has no unfunded commitments relating to these investments. The Organization has taken steps to liquidate all Level 3 hedge funds and plans to complete the liquidation process within the next year.

The Level 3 hedge funds seek to invest in companies in various stages of development and are allocated among alternative investment managers. The funds pursue a variety of investment strategies. The primary objective of the hedge funds is to provide capital appreciation with less volatility than that of the equity market.

NOTE 3 - Fair Value Measurements (continued)

The Organization also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These include assets that are measured at the lower of carrying value or market, less costs to sell, and had a fair value below carrying value at August 31, 2019. There were no similar transactions during the year ending August 31, 2018.

	2019			
	Total	Level 1	Level 2	Level 3
Assets held for sale	$ 1,800,000	$ -	$ 1,800,000	$ -

NOTE 4 - Escrow Deposits

The Organization has $2,028,405 on deposit with the Lutheran Church Extension Fund (LCEF) as of August 31, 2019. The funds are solely for construction costs related to a new mixed-use rental property in Victoria, Minnesota under ownership of Cornerstone Village-Victoria, LLC. Additionally, the Organization has $15,300 on deposit with various entities related to the construction project as of August 31, 2019.

Monthly escrow deposits are made as required by HUD for the reserve for replacements and are maintained in interest bearing accounts separate from the operating account of the HUD projects. Disbursements are restricted to replacement of structural elements or equipment and may be made only upon approval by HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to the capital advance, the balance in this escrow reverts to the benefit of the project. The balances in the reserve for replacement escrow accounts were $1,251,048 and $1,143,774 as of August 31, 2019 and 2018, respectively.

HUD requires the HUD projects to remit all cash remaining, if any, after the establishment of all required escrows and reserves and the payment of all expenses and allowable disbursements to a residual receipts fund on an annual basis. Deposits are made within 90 days after year-end and are maintained in interest bearing accounts separate from the operating accounts of the HUD projects. Withdrawals may be made with permission from HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to the capital advance, the balance in this fund reverts to the benefit of HUD. The balances in the residual receipts escrow accounts were $285,492 and $285,210 as of August 31, 2019 and 2018, respectively.

HUD escrow deposits for insurance reserves were $6,597 and $6,594 as of August 31, 2019 and 2018, respectively.

NOTE 5 - Investments

Following is a summary of investments as of August 31:

	2019	2018
Common and preferred stocks	$ 9,108,933	$ 9,496,984
Fixed income securities	16,126,632	17,128,720
Mutual funds	58,298,349	68,444,564
Mutual funds - charitable gift annuities	7,093,649	7,031,768
Fixed income securities - charitable gift annuities	316,481	127,743
Church extension funds	5,840	4,720
Hedge funds	383,213	502,172
457 plan investments - mutual funds	695,995	548,981
Money market funds - charitable gift annuities	1,159,542	1,055,202
Total	$ 93,188,634	$ 104,340,854

The Organization invests in various securities which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

The asset allocation size and style mix was large cap growth 23% and 24%, large cap value 26% and 15%, small/mid cap growth 2% and 6%, small/mid cap value 4% and 7%, international equity 12% and 12%, long term bonds 4% and 9%, intermediate term bonds 7% and 10%, short term bonds 8% and 10%, fixed income blend 11% and 1%, and cash 3% and 6%, as of August 31, 2019 and 2018, respectively. The Foundation's board receives quarterly advice from the Organization's portfolio manager, Merrill Lynch, and changes to investment strategy require board approval.

NOTE 6 - Property and Equipment

The major categories of property and equipment at August 31 are summarized as follows:

	Depreciable Lives	2019	2018
Land and land improvements	5-40 yrs.	$ 17,031,026	$ 15,894,272
Buildings, improvements and capitalized maintenance	5-40 yrs.	79,082,368	75,429,711
Fixed and moveable equipment	3-20 yrs.	27,945,076	27,112,534
Construction in progress	N/A	1,686,558	3,240,640
Total Property and Equipment		125,745,028	121,677,157
Less: Accumulated depreciation		(69,653,286)	(66,691,675)
Net Property and Equipment		$ 56,091,742	$ 54,985,482

NOTE 7 - Retirement Plans

403(b) Plan

The Organization has a contributory 403(b) defined contribution plan that covers substantially all full-time employees. Participating employees are eligible to receive an employer matching contribution, which is established annually by the Board of Directors. The contribution for the years ended August 31, 2019 and 2018 was $1,047,881 and $993,625, respectively.

Defined Benefit Plan

The Organization had a noncontributory retirement plan covering substantially all of the Organization's employees who had completed one year of service (as defined) and were over 18 years of age. The Organization's policy is to contribute annually the amount required by the Employee Retirement Income Security Act of 1974 ("ERISA") funding standards. The measurement date on the defined benefit retirement plan is August 31.

Effective December 31, 2012 the Organization froze the defined benefit plan, which prevented additional accumulation of benefits for current employees and prevented new employees from joining the plan.

Change in Projected Benefit Obligation	2019	2018
Projected Benefit Obligation at beginning of year	$ 80,306,791	$ 88,370,869
Service cost	445,092	372,962
Interest cost	3,182,666	3,265,276
Actuarial loss (gain)	13,605,492	(5,090,005)
Benefits paid and administrative costs	(5,638,075)	(6,612,311)
Projected Benefit Obligation at end of year	$ 91,901,966	$ 80,306,791

Change in plan assets	2019	2018
Fair value of plan assets at beginning of year	$ 68,254,981	$ 65,882,204
Employer contribution	3,000,000	2,800,000
Actual return on plan assets	2,982,163	6,185,088
Benefits paid and administrative costs	(5,638,075)	(6,612,311)
Fair value of plan assets at end of year	$ 68,599,069	$ 68,254,981
Funded status of the plan	$ (23,302,897)	$ (12,051,810)

Amounts recognized in the consolidated statements of financial position consist of:

	2019	2018
Accrued benefit cost - included in salaries, wages, related withholdings and fringe benefits	$ (1,000,000)	$ (2,000,000)
Pension plan liability	(22,302,897)	(10,051,810)
Total	$ (23,302,897)	$ (12,051,810)

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

Components of the operating portion of pension expense consist of the following for the years ended August 31:

	2019	2018
Service cost	$ 445,092	$ 372,962
Interest cost	3,182,666	3,265,276
Expected return on plan assets	(4,532,380)	(4,627,473)
Amortization of net loss	442,482	622,772
Operating portion of pension expense	$ (462,140)	$ (366,463)

Components of the non-operating portion of retirement plan expense (reported as adjustment to unfunded pension plan liability in the consolidated statements of activities) consist of the following for the years ended August 31:

	2019	2018
Unrecognized net gain (loss)	$ (14,713,227)	$ 7,270,393

Amounts to be included in future years net periodic pension costs:

	2019	2018
Unrecognized net loss	$ (36,208,629)	$ (21,495,402)

The accumulated benefit obligation for this defined benefit retirement plan was $91,901,966 and $80,306,791 at August 31, 2019 and 2018, respectively. Since benefit accruals were frozen during 2013, the projected benefit obligation is equal to the accumulated benefit obligation at August 31, 2019 and 2018.

Expected components of subsequent year's net periodic post retirement benefit cost	2020	2019
Service cost	$ 440,575	$ 445,092
Interest cost	2,692,853	3,182,666
Expected return on assets	(4,519,723)	(4,532,380)
Amortization of net loss from earlier periods	903,929	442,482
Total net periodic postretirement benefit	$ (482,366)	$ (462,140)

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

The actuarial assumptions used to develop the net periodic pension cost were as follows:

	2019	2018
Weighted average discount rate	4.07%	3.77%
Increase in future compensation levels	n/a	n/a
Expected long-term rate of return on assets	6.75%	6.75%

The actuarial assumptions used to develop the benefit obligation were as follows:

	2019	2018
Weighted average discount rate	3.00%	4.07%
Increase in future compensation levels	n/a	n/a

The following benefit payments are expected to be paid:

2020	$ 3,846,343
2021	3,915,512
2022	4,004,595
2023	3,976,648
2024	4,006,316
2024-2028	21,551,590
Total	$ 41,301,004

Management is not able to appropriately determine the exact amount that will be contributed to this retirement plan during the fiscal year ending August 31, 2020. It is reasonably possible that the above estimate of subsequent year's net periodic post retirement benefit cost will change as it is based on an estimated $1.0 million contribution to the plan in the next fiscal year.

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

The table below presents the balances of financial instruments within the retirement plan measured at fair value on a recurring basis by level within the hierarchy:

	August 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Common stocks	$ 45,726,565	$ 45,726,565	$ -	$ -
Fixed income	19,789,638	19,789,638	-	-
Money market funds	2,912,414	-	2,912,414	-
Hedge funds	170,452	-	-	170,452
Total assets	$ 68,599,069	$ 65,516,203	$ 2,912,414	$ 170,452

	August 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Common stocks	$ 44,080,304	$ 44,080,304	$ -	$ -
Fixed income	19,190,654	19,190,654	-	-
Money market funds	4,759,515	-	4,759,515	-
Hedge funds	224,508	-	-	224,508
Total assets	$ 68,254,981	$ 63,270,958	$ 4,759,515	$ 224,508

The asset allocation size and style mix was large cap growth 24% and 24%, large cap value 27% and 17%, small/mid cap growth 2% and 6%, small/mid cap value 6% and 7%, international equity 9% and 11%, long term bonds 4% and 10%, intermediate term bonds 6% and 8%, short term bonds 7% and 9%, fixed income blend 12% and 1%, and cash 3% and 7%, as of August 31, 2019 and 2018, respectively. The Pension Trustee's receives quarterly advice from the Organization's portfolio manager, Merrill Lynch, and changes to investment strategy require Pension Trustee approval.

The assets measured, reported, and disclosed at fair value listed above as level 1, 2, or 3 are classified based on the category definitions listed in footnote 3.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Hedge Funds
Balance, August 31, 2017	$ 328,668
Net gains (realized and unrealized)	5,214
Sales	(109,374)
Balance, August 31, 2018	224,508
Net gains (realized and unrealized)	9,399
Sales	(63,455)
Balance, August 31, 2019	$ 170,452

NOTE 7 - Retirement Plans (continued)

The Organization has delegated authority for the administration and investment of the retirement plan to five trustees. The philosophy of management is to maximize the amounts available for the payment of pension benefits, provide necessary liquidity to facilitate pension payments, and provide diversification of investment vehicles sufficient to create an acceptable level of investment risk. The investment policy on plan assets is to have a target of 65% in equities, target of 30% invested in fixed income securities, and a target of 5% in cash and cash equivalents. Management determined the expected rate of return on assets based on historical performance and investment portfolio allocations.

NOTE 8 - Assets Relating to Split-Interest Agreements and Trusts

The Organization has four types of split-interest agreements.

The annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization.

Bethesda Lutheran Home Pooled Income Fund and the Bethesda Lutheran Home Balanced Growth Pooled Income Fund ("Funds") act as vehicles for giving to the Organization. The Organization has been designated trustee for the Funds. Contributions deposited into the Funds are invested and reinvested by the trustee in accordance with a trust agreement. Investment earnings, as defined in the trust agreement, are distributed quarterly, in the month following the end of the quarter, to donor-designated beneficiaries based upon the donor's pro rata share (units of participation) in the total investment pool. Upon the death of the last beneficiary, the remaining interest in the donor's contribution is severed from the Funds, any other identified beneficiaries are paid in accordance with the terms of the agreement and any remaining funds become available for the operation of the Organization.

Unitrusts also act as vehicles for giving to the Organization. Amounts received are invested and the agreements provide for specified payments to beneficiaries for a term chosen by the donor. When the term has ended, remaining assets are distributed in accordance with the unitrust agreement, most of which identify the Organization as the remainder beneficiary.

The Good Shepherd Fund and Lutheran Church Missouri Synod - Foundation are the trustees for several funds where the Organization is the beneficiary. The assets are held by these trustees, with the Organization having a beneficial interest in the assets and the income.

NOTE 9 - Debt

The Organization has a $45,000,000 line of credit with Bank of America with a variable interest rate of LIBOR plus 0.95% (at August 31, 2019 and 2018 the interest rate was 3.04% and 3.02%, respectively), and a maturity date of January 31, 2020. The line of credit is secured by a guarantee of the Foundation and collateral, which consists of a portion of the Foundation's investments.

The amount borrowed on the line of credit was $35,000,000 at August 31, 2019 and 2018. Interest expense on the line of credit was $1,181,077 and $934,936 for the years ended August 31, 2019 and 2018, respectively. Management is seeking to reduce the amount due on the line of credit by refinancing all or part of the current balance against real estate holdings during fiscal year 2020.

NOTE 9 - Debt (continued)

In August 2019, the Organization closed on a $14.7 million dollar delayed-draw construction loan with LCEF to finance construction of a new mixed-used rental property in Victoria, MN. The note bears interest at an initial rate of 5.25% annually, and converts to a permanent mortgage loan on August 1, 2021, with a maturity date of August 1, 2031. Beginning in September 2019, payments of interest only are due on the disbursed principal balance outstanding. There was no balance outstanding at August 31, 2019.

Once converted, the mortgage note will bear interest at an initial variable rate of 4.75%. Beginning in September 2021, the loan agreement calls for 119 monthly payments of principal and interest, with a final 120th balloon payment of all remaining principal and interest on the maturity date. The note will be amortized over a period of 360 months.

The note includes a $2.0 million guarantee provided by the Foundation, which is in effect until certain criteria (such as meeting debt service requirements for two consecutive years) are satisfied once construction is complete and the building is operational. Management expects to meet all requirements to remove the guarantee in a timely manner.

NOTE 10 - Mortgage Notes Payable - HUD

Mortgage notes payable - HUD consist of the following at August 31:

	2019	2018
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $4,334 including interest at 9.25%, due June 30, 2023	$ 167,302	$ 202,065
Mortgage note payable to HUD with monthly payments of $1,602 including interest at 8.125%, due February 28, 2031, secured by a mortgage on the Organization's land, buildings, and equipment.	143,351	150,603
Note payable to the Mental Health Division-State of Oregon, unsecured, $28 to $86 is forgiven each month that the Organization uses the property for its stated purpose through May 2021.	1,806	2,836
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $12,803 including interest at 9.250%, due April 2022	353,827	468,890
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,633 including interest at 8.375%, due November 2031	333,305	348,300
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,881 including interest at 8.375%, due May 2031	347,542	364,245

NOTE 10 - Mortgage Notes Payable - HUD (continued)

Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $1,140 including interest at 9.000%, due February 2029	$ 87,160	$ 92,722
Totals	1,434,293	1,629,661
Less: Current portion	(213,722)	(195,368)
Long-Term Portion	$ 1,220,571	$ 1,434,293

Interest expense on mortgage notes payable - HUD was $138,414 and $155,504 for the years ended August 31, 2019 and 2018, respectively.

Principal requirements on mortgage notes payable for years ending after August 31, 2019 are as follows:

2020	$ 213,722
2021	233,556
2022	192,380
2023	103,804
2024	67,691
Thereafter	623,140
Total	$ 1,434,293

NOTE 11 - Self-Insurance

The Organization has a self-insurance program for health coverage of employees. The Organization self insures benefits under its health plan up to a stop loss of $200,000 per individual, and up to a maximum liability in the aggregate that fluctuates based on the number of participants. Benefit claims are accrued as incurred. The Organization has recorded a liability for unpaid claims of $827,304 and $922,156 as of August 31, 2019 and 2018, respectively.

The liability for the self-insurance program is subject to various estimates such as the number of claims submitted during the year which the Organization has not yet been made aware and the costs of such claims. Due to the level of uncertainty associated with the liability, it is reasonably possible that claims made could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

NOTE 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31 are composed of:

	2019	2018
Restricted due to time or purpose:		
Time restricted	$ 2,187	$ 14,880
Purpose restricted	2,675,520	2,135,852
Irrevocable trust held by a third party	253,482	253,482
Held by Lutheran Church Extension Fund - Missouri Synod	2,157,299	2,264,117
Restricted due to requirements to hold in perpetuity:		
Restricted for endowment	6,429,419	6,409,860
Held by Good Shepherd Fund	1,771,828	1,771,828
Totals	$ 13,289,735	$ 12,850,019

NOTE 13 - Endowment

The Organization follows current authoritative guidance, which provides guidance on classifying net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of the guidance is a requirement to classify the donor-restricted endowment fund as net assets with donor restrictions until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Organization's endowment fund ("Endowment Fund") consists of approximately 30 individual funds established for a variety of purposes. The Organization excludes from the Endowment Fund assets held on its behalf by outside organizations. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Organization has interpreted UPMIFA enacted in the State of Wisconsin as requiring the creation of an endowment of permanent duration with the original value of a donor's gift when a donor's gift instrument evidences such intent by use of terminology consistent with UPMIFA, unless other language in the gift instrument limits the duration or purpose of the fund. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund is included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 13 - Endowment (continued)

In accordance with UPMIFA, unless the donor's gift instrument otherwise specifically limits the authority to appropriate for expenditure or accumulate, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund consists of the following at August 31:

	2019				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 6,429,419	$ 145,348	$ 6,574,767	$ 6,574,767

	2018				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 6,409,860	$ 137,894	$ 6,547,754	$ 6,547,754

NOTE 13 - Endowment (continued)

Changes in endowment net assets for the year ended August 31, 2019:

	2019				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 6,409,860	$ 137,894	$ 6,547,754	$ 6,547,754
Investment income, net of fees	-	19,559	289,575	309,134	309,134
Amounts appropriated for expenditure	-	-	(282,121)	(282,121)	(282,121)
Endowment net assets, end of year	$ -	$ 6,429,419	$ 145,348	$ 6,574,767	$ 6,574,767

Changes in endowment net assets for the year ended August 31, 2018:

	2018				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 6,380,158	$ 129,679	$ 6,509,837	$ 6,509,837
Investment income, net of fees	-	10,103	593,421	603,524	603,524
Contributions	-	19,599	-	19,599	19,599
Amounts appropriated for expenditure	-	-	(585,206)	(585,206)	(585,206)
Endowment net assets, end of year	$ -	$ 6,409,860	$ 137,894	$ 6,547,754	$ 6,547,754

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature as of August 31, 2019 and 2018. These deficiencies would result from unfavorable market fluctuations that occurred shortly after the investment of new endowment contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in the endowment.

NOTE 13 - Endowment (continued)

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization considers all endowment earnings to be appropriated for expenditure in the same year the amounts are earned, unless there are donor restrictions on the earnings. For ease of tracking, investment earnings with donor restrictions are transferred to Bethesda and are reported net assets with donor restrictions. The Organization has elected to reflect the investment earnings that are appropriated for expenditure within the same year as investment income without donor restrictions in the consolidated statements of activities.

NOTE 14 - Leases

The Organization has operating leases for various properties, land, office space, vehicles, and equipment for the operation of its activities. There are also numerous leases that are on a month-to-month basis.

Future minimum operating lease payments as of August 31 are as follows:

2020	$ 1,990,065
2021	938,138
2022	660,427
2023	394,224
2024	75,392
Thereafter	91,501
Total	$ 4,149,747

Rent expense on these operating leases was $2,857,941 and $3,054,578 for the years ended August 31, 2019 and 2018, respectively.

In fiscal year 2019, the Organization entered capital leases agreements for the use of vehicles. The capitalized cost of the lease property at August 31, 2019 and 2018 was $538,709 and $0, respectively. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was $40,641 and $0 as of August 31, 2019 and 2018, respectively.

Long-term capital lease obligation are included in other long-term liabilities on the consolidated statements of financial position. Interest expense related to capital leases was $6,709 and $0 for the years ended August 31, 2019 and 2018, respectively.

NOTE 14 - Leases (continued)

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of August 31:

2020	$ 80,946
2021	80,946
2022	80,946
2023	80,946
2024	39,753
Total Future Minimum Lease Payments	363,537
Less: Amount representing interest	(45,707)
Add: Residual value	142,400
Present Value of Future Minimum Lease Payments	460,230
Less: Current portion	(66,766)
Long-Term Capital Lease Obligation	$ 393,464

NOTE 15 - Fiduciary Responsibilities

The Foundation acts as trustee for the Bethesda Lutheran Home Pooled Income Funds and certain Unitrust Funds and Annuity Trusts ("Fund"). As trustee, the Foundation distributes income earned on investments to donor-designated beneficiaries in accordance with trust agreements. Upon the death of the last beneficiary or expiration of the trust, the remaining interest in a donor's contribution is severed from the Fund and becomes available for maintenance and benefit of Bethesda or the Foundation unless another beneficiary is specified. In addition, the Foundation acts as trustee for supplementary trusts, the beneficiaries of which are clients. All assets included in these funds and trusts are included in assets relating to split-interest agreements and trusts in the consolidated statements of financial position in the amount of $9,084,320 and $9,048,742 as of August 31, 2019 and 2018, respectively. The amount due to beneficiaries as of August 31, 2019 and 2018 was $3,728,575 and $3,898,418, respectively.

Annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization. Assets held related to annuity funds are held in investments and were $8,569,673 and $8,214,713 as of August 31, 2019 and 2018, respectively. The amount due to beneficiaries relating to gift annuities was $4,070,386 and $3,762,749 as of August 31, 2019 and 2018, respectively, and is included in due to beneficiaries and others under split interest agreements and trusts on the consolidated statements of financial position.

Discretionary trusts where the Foundation is the trustee are held and administered in accordance with the wishes of the donors. Upon the death of the donor, the trust principal and income become available for supplemental care of specified Bethesda clients ("trust beneficiary"). The trust assets are not recognized by the Foundation until the death of the trust beneficiary, or termination of the trust, and then the trust assets are reflected in the Foundation's net assets without donor restrictions.

NOTE 16 - Capital Advances

The Organization received capital advances of $1,201,300 from HUD to finance the purchase of low income housing units. The advances given to the Organization were in the form of mortgage notes which bear no interest and require no repayment provided that the housing to which they relate remain available for low-income developmentally disabled persons in accordance with the appropriate regulations until dates ranging from November 2034 to February 2035. If the Organization does not comply with the terms of the agreements, the entire advance amounts plus interest at 6.625% per year would be required to be paid back to HUD. The capital advances are recorded as net assets without donor restrictions on the accompanying consolidated statements of financial position.

NOTE 17 - Commitments and Contingencies

Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Commitments

In July 2019, the Organization committed $5,255,720 to the construction of Bethesda Cornerstone Village-Victoria, a 52 unit Christian Centered Housing development in Victoria, Minnesota. Of this commitment, $4,910,347 is still outstanding as of August 31, 2019. The Organization will finance this project with the construction loan described in Note 9.

Litigation

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Organization's consolidated financial position or activities.

NOTE 18 - Concentrations

The Organization maintains cash balances in several institutions which exceed the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. Substantially all of the client programs receivable at August 31, 2019 and 2018 were from governmental third-party payors.

NOTE 18 - Concentrations (continued)

The Organization receives Medicaid funding from programs in various states. Medicaid reimbursement methodology varies from state to state. Approximately 25% and 27% of program service revenue were generated from services to Medicaid beneficiaries in 2019 and 2018, respectively. The Organization has receivables of $2,255,044 and $2,973,588 due from Medicaid at August 31, 2019 and 2018, respectively. Additionally, approximately 43% and 41% of program service revenue were generated from Medicaid Waiver Funding in 2019 and 2018, respectively. The Organization has receivables of $3,433,501 and $2,816,409 due from Medicaid Waiver Funding at August 31, 2019 and 2018, respectively.

NOTE 19 - Subsequent Events

In October 2019, the Organization secured the designation of church plan status for its frozen defined benefit pension plan. As a result, the pension plan will no longer be subject to the Employee Retirement Income Security Act of 1974 (ERISA). This change is expected to result in annual insurance premium savings of approximately $700,000. In addition, $2,624,000 of previously paid insurance premiums intend to be recouped in fiscal year 2020.

The Organization had two properties under pending contract for sale as of September, 2019, which are expected to generate proceeds of $2,025,000 in fiscal year 2020.

The Organization has evaluated subsequent events through November 5, 2019, which is the date that the consolidated financial statements were approved and available to be issued.

SUPPLEMENTAL INFORMATION

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of August 31, 2019

ASSETS

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 3,930,861	$ 3,354,042	$ -	$ -	$ 7,284,903
Accounts receivable:					
Client programs	7,469,331	-	-	-	7,469,331
Interest and other	450,244	388,816	-	-	839,060
Legacies	115,412	295,000	-	-	410,412
Intercompany	4,099,611	1,008,035	10,200	(5,117,846)	-
Supply inventories	207,730	-	-	-	207,730
Prepaid expenses and other current assets	1,101,959	-	-	-	1,101,959
Assets held for sale	1,800,000	-	-	-	1,800,000
Total Current Assets	19,175,148	5,045,893	10,200	(5,117,846)	19,113,395
ASSETS WHOSE USE IS LIMITED OR RESTRICTED					
Beneficial interest in subsidiaries	99,649,760	-	-	(99,649,760)	-
Funds held on behalf of clients	1,625,902	-	-	-	1,625,902
Escrow deposits	1,543,137	-	2,043,705	-	3,586,842
Other donor restricted assets	30,626	-	-	-	30,626
Total Assets Whose Use is Limited or Restricted	102,849,425	-	2,043,705	(99,649,760)	5,243,370
OTHER ASSETS					
Investments	3,803,209	89,385,425	-	-	93,188,634
Assets relating to split-interest agreements and trusts	4,182,610	9,084,320	-	-	13,266,930
Notes receivable and other assets	2,016	-	38,699	-	40,715
Total Other Assets	7,987,835	98,469,745	38,699	-	106,496,279
PROPERTY AND EQUIPMENT	54,334,125	-	1,928,448	(170,831)	56,091,742
TOTAL ASSETS	$ 184,346,533	$ 103,515,638	$ 4,021,052	$ (104,938,437)	$ 186,944,786

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (continued)
As of August 31, 2019

LIABILITIES AND NET ASSETS

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
CURRENT LIABILITIES					
Accounts payable	$ 3,233,122	$ 40,000	$ 964,207	$ -	$ 4,237,329
Intercompany accounts payable	4,276,696	-	841,150	(5,117,846)	-
Salaries, wages, related withholdings and fringe benefits	7,692,271	-	-	-	7,692,271
Line of credit	35,000,000	-	-	-	35,000,000
Current portion of mortgage notes payable - HUD	213,722	-	-	-	213,722
Other current liabilities	107,533	-	-	-	107,533
Total Current Liabilities	50,523,344	40,000	1,805,357	(5,117,846)	47,250,855
LONG-TERM LIABILITIES					
Due to beneficiaries and others under split-interest agreements and trusts	1,757,388	6,041,573	-	-	7,798,961
Mortgage notes payable - HUD	1,220,571	-	-	-	1,220,571
Pension plan liability	22,302,897	-	-	-	22,302,897
Funds held on behalf of clients	1,056,728	-	-	-	1,056,728
Other long-term liabilities	1,417,180	-	-	-	1,417,180
Total Long-Term Liabilities	27,754,764	6,041,573	-	-	33,796,337
Total Liabilities	78,278,108	6,081,573	1,805,357	(5,117,846)	81,047,192
NET ASSETS					
Without donor restrictions	92,778,690	91,002,459	2,215,695	(93,388,985)	92,607,859
With donor restrictions	13,289,735	6,431,606	-	(6,431,606)	13,289,735
Total Net Assets	106,068,425	97,434,065	2,215,695	(99,820,591)	105,897,594
TOTAL LIABILITIES AND NET ASSETS	$ 184,346,533	$ 103,515,638	$ 4,021,052	$(104,938,437)	$ 186,944,786

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions				
	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
OPERATING PUBLIC SUPPORT					
Contributions and legacies	$ 6,129,451	$ 798,511	$ 200	$ -	$ 6,928,162
Net assets released from restrictions - operations	887,657	-	-	-	887,657
Total Operating Public Support	7,017,108	798,511	200	-	7,815,819
OPERATING REVENUE					
Program service revenue	90,511,297	-	-	-	90,511,297
Investment income, net of fees	119,793	2,681,923	2,667	-	2,804,383
Retail operations income	6,738,540	-	-	-	6,738,540
Rental income	423,809	-	-	(170,831)	252,978
Impairment and loss on sale of property and equipment	(341,178)	-	-	-	(341,178)
Change in value of split-interest annuities	(235,048)	287,375	-	-	52,327
Change in beneficial interest in subsidiaries	(19,669,052)	-	-	19,669,052	-
Other	681,540	42,395	-	-	723,935
Total Operating Revenue	78,229,701	3,011,693	2,667	19,498,221	100,742,282
Total Operating Public Support and Revenue	85,246,809	3,810,204	2,867	19,498,221	108,558,101
OPERATING EXPENSES					
Program expenses	106,333,499	-	55,787	-	106,389,286
Management and general expenses	20,461,447	-	328,385	-	20,789,832
Fundraising expenses	3,756,155	46,237	-	-	3,802,392
Total Operating Expenses	130,551,101	46,237	384,172	-	130,981,510
Change in Net Assets Before Non-Operating Activities	(45,304,292)	3,763,967	(381,305)	19,498,221	(22,423,409)
NON-OPERATING ACTIVITIES					
Net assets released from restrictions - property and equipment	138,406	-	-	-	138,406
Market adjustment for fixed income investments	-	1,023,286	-	-	1,023,286
Adjustment to unfunded pension plan liability	(14,713,227)	-	-	-	(14,713,227)
Transfer between entities	24,075,000	(24,075,000)	2,597,000	(2,597,000)	-
Total Non-Operating Activities	9,500,179	(23,051,714)	2,597,000	(2,597,000)	(13,551,535)
CHANGE IN NET ASSETS	(35,804,113)	(19,287,747)	2,215,695	16,901,221	(35,974,944)
NET ASSETS - BEGINNING OF YEAR	128,582,803	110,290,206	-	(110,290,206)	128,582,803
NET ASSETS - END OF YEAR	$ 92,778,690	$ 91,002,459	$ 2,215,695	$ (93,388,985)	$ 92,607,859

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (continued)
For the Year Ended August 31, 2019

	With Donor Restrictions				
	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
OPERATING PUBLIC SUPPORT					
Net assets released from restrictions - operations	$ (887,657)	-	$ -	$ -	$ (887,657)
OPERATING REVENUE					
Change in value of split-interest annuities	-	(12,693)	-	-	(12,693)
Change in beneficial interest in subsidiaries	6,867	-	-	(6,867)	-
Total Operating Revenue	6,867	(12,693)	-	(6,867)	(12,693)
Total Operating Public Support and Revenue	(880,790)	(12,693)	-	(6,867)	(900,350)
NON-OPERATING ACTIVITIES					
Net assets released from restrictions - property and equipment	(138,406)	-	-	-	(138,406)
Restricted contributions	1,438,141	-	-	-	1,438,141
Restricted investment income	20,771	19,560	-	-	40,331
Total Non-Operating Activities	1,320,506	19,560	-	-	1,340,066
CHANGE IN NET ASSETS	439,716	6,867	-	(6,867)	439,716
NET ASSETS - BEGINNING OF YEAR	12,850,019	6,424,739	-	(6,424,739)	12,850,019
NET ASSETS - END OF YEAR	$ 13,289,735	$ 6,431,606	$ -	$ (6,431,606)	$ 13,289,735

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

BETHESDA
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 6,129,451	$ -	$ 6,129,451
Net assets released from restrictions - operations	887,657	(887,657)	-
Total Operating Public Support	7,017,108	(887,657)	6,129,451
OPERATING REVENUE			
Program service revenue	90,511,297	-	90,511,297
Investment income, net of fees	119,793	-	119,793
Retail operations income	6,738,540	-	6,738,540
Rental income	423,809	-	423,809
Impairment loss and gain/loss on sale of property and equipment	(341,178)	-	(341,178)
Change in value of split-interest annuities	(235,048)	-	(235,048)
Change in beneficial interest in subsidiaries	(19,669,052)	6,867	(19,662,185)
Other	681,540	-	681,540
Total Operating Revenue	78,229,701	6,867	78,236,568
Total Operating Public Support and Revenue	85,246,809	(880,790)	84,366,019
OPERATING EXPENSES			
Program expenses	106,333,499	-	106,333,499
Management and general expenses	20,461,447	-	20,461,447
Fundraising expenses	3,756,155	-	3,756,155
Total Operating Expenses	130,551,101	-	130,551,101
Change in Net Assets Before Non-Operating Activities	(45,304,292)	(880,790)	(46,185,082)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	138,406	(138,406)	-
Restricted contributions	-	1,438,141	1,438,141
Restricted investment income	-	20,771	20,771
Market adjustment for fixed income investments	-	-	-
Adjustment to unfunded pension plan liability	(14,713,227)	-	(14,713,227)
Transfer between entities	24,075,000	-	24,075,000
Total Non-Operating Activities	9,500,179	1,320,506	10,820,685
CHANGE IN NET ASSETS	(35,804,113)	439,716	(35,364,397)
NET ASSETS - BEGINNING OF YEAR	128,582,803	12,850,019	141,432,822
NET ASSETS - END OF YEAR	$ 92,778,690	$ 13,289,735	$ 106,068,425

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 798,511	$ -	$ 798,511
OPERATING REVENUE			
Investment income, net of fees	2,681,923	-	2,681,923
Change in value of split-interest annuities	287,375	(12,693)	274,682
Other	42,395	-	42,395
Total Operating Revenue	3,011,693	(12,693)	2,999,000
Total Operating Public Support and Revenue	3,810,204	(12,693)	3,797,511
OPERATING EXPENSES			
Fundraising expenses	46,237	-	46,237
Change in Net Assets Before Non-Operating Activities	3,763,967	(12,693)	3,751,274
NON-OPERATING ACTIVITIES			
Restricted investment income	-	19,560	19,560
Market adjustment for fixed income investments	1,023,286	-	1,023,286
Transfer to Bethesda	(24,075,000)	-	(24,075,000)
Total Non-Operating Activities	(23,051,714)	19,560	(23,032,154)
CHANGE IN NET ASSETS	(19,287,747)	6,867	(19,280,880)
NET ASSETS - BEGINNING OF YEAR	110,290,206	6,424,739	116,714,945
NET ASSETS - END OF YEAR	$ 91,002,459	$ 6,431,606	$ 97,434,065

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CORNERSTONE
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 200	$ -	$ 200
OPERATING REVENUE			
Investment income, net of fees	2,667	-	2,667
OPERATING EXPENSES			
Program expenses	55,787	-	55,787
Management and general expenses	328,385	-	328,385
Total Operating Expenses	384,172	-	384,172
Change in Net Assets Before Non-Operating Activities	(381,305)	-	(381,305)
NON-OPERATING ACTIVITIES			
Transfer from Bethesda	2,597,000	-	2,597,000
Total Non-Operating Activities	2,597,000	-	2,597,000
CHANGE IN NET ASSETS	2,215,695	-	2,215,695
NET ASSETS - BEGINNING OF YEAR	-	-	-
NET ASSETS - END OF YEAR	$ 2,215,695	$ -	$ 2,215,695

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL OPERATING EXPENSES
For the Year Ended August 31, 2019

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
PROGRAM EXPENSES					
Salaries	$ 61,330,893	$ -	$ -	$ -	$ 61,330,893
Payroll taxes and benefits	13,586,283	-	-	-	13,586,283
Supplies	4,091,611	-	-	-	4,091,611
Repairs	2,220,598	-	-	-	2,220,598
Client professional and other services	4,639,435	-	-	-	4,639,435
Staff development	203,263	-	-	-	203,263
Legal, audit and other professional services	315,428	-	55,669	-	371,097
Other general outside services	3,512,926	-	18	-	3,512,944
Travel, meals, lodging and gasoline	1,622,458	-	-	-	1,622,458
Rent	3,070,370	-	-	-	3,070,370
Telephone and internet services	1,161,582	-	-	-	1,161,582
Electricity, natural gas, water and sewer	1,640,152	-	-	-	1,640,152
Property and liability insurance	1,960,349	-	-	-	1,960,349
Depreciation	4,883,145	-	-	-	4,883,145
Interest	145,123	-	-	-	145,123
Medicaid assessment fees	1,241,682	-	-	-	1,241,682
All other	708,201	-	100	-	708,301
Total Program Expenses	$ 106,333,499	$ -	$ 55,787	$ -	$ 106,389,286
MANAGEMENT AND GENERAL EXPENSES					
Salaries	$ 10,957,535	$ -	$ 45,001	$ -	$ 11,002,536
Payroll taxes and benefits	1,921,962	-	11,021	-	1,932,983
Supplies	226,945	-	959	-	227,904
Repairs	61,315	-	-	-	61,315
Client professional and other services	204	-	-	-	204
Staff development	1,180,294	-	-	-	1,180,294
Legal, audit and other professional services	2,181,723	-	255,366	-	2,437,089
Other general outside services	920,890	-	10,189	-	931,079
Travel, meals, lodging and gasoline	499,997	-	4,533	-	504,530
Rent	113,537	-	-	-	113,537
Telephone and internet services	190,650	-	487	-	191,137
Electricity, natural gas, water and sewer	193,656	-	-	-	193,656
Property and liability insurance	246,780	-	-	-	246,780
Depreciation	819,444	-	151	-	819,595
Interest	1,181,077		-	-	1,181,077
All other	(234,562)	-	678	-	(233,884)
Total Management and General Expenses	$ 20,461,447	$ -	$ 328,385	$ -	$ 20,789,832

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL OPERATING EXPENSES (continued)
For the Year Ended August 31, 2019

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
FUNDRAISING EXPENSES					
Salaries	$ 1,835,039	$ -	$ -	$ -	$ 1,835,039
Payroll taxes and benefits	306,447	-	-	-	306,447
Supplies	96,223	-	-	-	96,223
Staff development	31,780	-	-	-	31,780
Legal, audit and other professional services	155,680	45,879	-	-	201,559
Other general outside services	1,095,955	358	-	-	1,096,313
Travel, meals, lodging and gasoline	184,857	-	-	-	184,857
Telephone and internet services	15,913	-	-	-	15,913
Property and liability insurance	15,176	-	-	-	15,176
Depreciation	3,210	-	-	-	3,210
All other	15,875	-	-	-	15,875
Total Fundraising Expenses	$ 3,756,155	$ 46,237	$ -	$ -	$ 3,802,392
TOTAL EXPENSES					
Salaries	$ 74,123,467	$ -	$ 45,001	$ -	$ 74,168,468
Payroll taxes and benefits	15,814,692	-	11,021	-	15,825,713
Supplies	4,414,779	-	959	-	4,415,738
Repairs	2,281,913	-	-	-	2,281,913
Client professional and other services	4,639,639	-	-	-	4,639,639
Staff development	1,415,337	-	-	-	1,415,337
Legal, audit and other professional services	2,652,831	45,879	311,035	-	3,009,745
Other general outside services	5,529,771	358	10,207	-	5,540,336
Travel, meals, lodging and gasoline	2,307,312	-	4,533	-	2,311,845
Rent	3,183,907	-	-	-	3,183,907
Telephone and internet services	1,368,145	-	487	-	1,368,632
Electricity, natural gas, water and sewer	1,833,808	-	-	-	1,833,808
Property and liability insurance	2,222,305	-	-	-	2,222,305
Depreciation	5,705,799	-	151	-	5,705,950
Interest	1,326,200	-	-	-	1,326,200
Medicaid assessment fees	1,241,682	-	-	-	1,241,682
All other	489,514	-	778	-	490,292
Total Expenses	$ 130,551,101	$ 46,237	$ 384,172	$ -	$ 130,981,510

BETHESDA LUTHERAN COMMUNITIES, INC.
AND AFFILIATES

Watertown, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended August 31, 2020 and 2019

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

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As of and for the Years Ended August 31, 2020 and 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bethesda Lutheran Communities, Inc. and Affiliates
Watertown, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bethesda Lutheran Communities, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of August 31, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional operating expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers 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 consolidated financial position of the Organization as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to that matter.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other financial information on pages 41-49 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, cash flows and functional operating expenses of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
November 10, 2020

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 12,529,652	$ 7,284,903
Accounts receivable:		
Client programs	8,452,003	7,469,331
Interest and other	614,879	839,060
Legacies	1,384,239	410,412
Supply inventories	792,065	207,730
Prepaid expenses and other current assets	1,744,057	1,101,959
Assets held for sale	-	1,800,000
Total Current Assets	25,516,895	19,113,395
ASSETS WHOSE USE IS LIMITED OR RESTRICTED		
Funds held on behalf of clients	2,287,033	1,625,902
Escrow deposits	1,635,923	3,586,842
Other donor restricted assets	30,629	30,626
Total Assets Whose Use is Limited or Restricted	3,953,585	5,243,370
OTHER ASSETS		
Investments	75,925,089	93,188,634
Assets relating to split-interest agreements and trusts	13,465,266	13,266,930
Notes receivable and other assets	1,489	40,715
Total Other Assets	89,391,844	106,496,279
PROPERTY AND EQUIPMENT	67,660,837	56,091,742
TOTAL ASSETS	$ 186,523,161	$ 186,944,786

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 6,138,705	$ 4,237,329
Salaries, wages, related withholdings and fringe benefits	7,638,573	7,692,271
Line of credit	25,790,872	35,000,000
Current portion of mortgage notes payable	234,184	213,722
Other current liabilities	1,604,699	107,533
Total Current Liabilities	41,407,033	47,250,855
LONG-TERM LIABILITIES		
Due to beneficiaries and others under split-interest agreements and trusts	7,771,180	7,798,961
Mortgage notes payable	10,469,360	1,220,571
Pension plan liability	21,525,529	22,302,897
Funds held on behalf of clients	1,737,811	1,056,728
Other long-term liabilities	2,029,065	1,417,180
Total Long-Term Liabilities	43,532,945	33,796,337
Total Liabilities	84,939,978	81,047,192
NET ASSETS		
Without donor restrictions	89,500,276	92,607,859
With donor restrictions	12,082,907	13,289,735
Total Net Assets	101,583,183	105,897,594
TOTAL LIABILITIES AND NET ASSETS	$ 186,523,161	$ 186,944,786

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 8,323,716	$ 1,176,115	$ 9,499,831
Net assets released from restrictions - operations	3,464,474	(3,464,474)	-
Total Operating Public Support	11,788,190	(2,288,359)	9,499,831
OPERATING REVENUE			
Program service revenue	96,698,576	-	96,698,576
Investment income, net of fees	9,206,967	-	9,206,967
Retail operations income	5,534,386	-	5,534,386
Rental income	230,767	-	230,767
Gain on sale of property and equipment	2,105,189	-	2,105,189
Change in value of split-interest annuities	144,786	13	144,799
Other	726,517	-	726,517
Total Operating Revenue	114,647,188	13	114,647,201
Total Operating Public Support and Revenue	126,435,378	(2,288,346)	124,147,032
OPERATING EXPENSES			
Program expenses	111,845,381	-	111,845,381
Management and general expenses	16,932,000	-	16,932,000
Fundraising expenses	3,067,030	-	3,067,030
Total Operating Expenses	131,844,411	-	131,844,411
Change in Net Assets Before Non-Operating Activities	(5,409,033)	(2,288,346)	(7,697,379)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	83,507	(83,507)	-
Restricted contributions	-	1,119,113	1,119,113
Restricted investment income, net of fees	-	45,912	45,912
Adjustment to unfunded pension plan liability	2,217,943	-	2,217,943
Total Non-Operating Activities	2,301,450	1,081,518	3,382,968
CHANGE IN NET ASSETS	(3,107,583)	(1,206,828)	(4,314,411)
NET ASSETS - BEGINNING OF YEAR	92,607,859	13,289,735	105,897,594
NET ASSETS - END OF YEAR	$ 89,500,276	$ 12,082,907	$ 101,583,183

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 6,928,162	$ -	$ 6,928,162
Net assets released from restrictions - operations	887,657	(887,657)	-
Total Operating Public Support	7,815,819	(887,657)	6,928,162
OPERATING REVENUE			
Program service revenue	90,511,297	-	90,511,297
Investment income, net of fees	3,827,669	-	3,827,669
Retail operations income	6,738,540	-	6,738,540
Rental income	252,978	-	252,978
Impairment loss and loss on sale of property and equipment	(341,178)	-	(341,178)
Change in value of split-interest annuities	52,327	(12,693)	39,634
Other	723,935	-	723,935
Total Operating Revenue	101,765,568	(12,693)	101,752,875
Total Operating Public Support and Revenue	109,581,387	(900,350)	108,681,037
OPERATING EXPENSES			
Program expenses	107,140,530	-	107,140,530
Management and general expenses	20,923,973	-	20,923,973
Fundraising expenses	3,824,239	-	3,824,239
Total Operating Expenses	131,888,742	-	131,888,742
Change in Net Assets Before Non-Operating Activities	(22,307,355)	(900,350)	(23,207,705)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	138,406	(138,406)	-
Restricted contributions	-	1,438,141	1,438,141
Restricted investment income, net of fees	-	40,331	40,331
Adjustment to unfunded pension plan liability	(13,805,995)	-	(13,805,995)
Total Non-Operating Activities	(13,667,589)	1,340,066	(12,327,523)
CHANGE IN NET ASSETS	(35,974,944)	439,716	(35,535,228)
NET ASSETS - BEGINNING OF YEAR	128,582,803	12,850,019	141,432,822
NET ASSETS - END OF YEAR	$ 92,607,859	$ 13,289,735	$ 105,897,594

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2020 and 2019

	2020	2019 (as adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (4,314,411)	$ (35,535,228)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Bad debt expense (recovery)	-	(157,083)
Net unrealized (gain) loss on investments	(2,555,022)	1,634,790
Depreciation	4,691,369	5,705,950
Impairment and loss (gain) on sale of property and equipment	(2,105,189)	341,178
Net realized gain on investments	(4,868,673)	(3,071,359)
Net change in split interest agreements	(306,910)	82,201
Contributions restricted for endowment	(357,595)	-
Restricted investment income, net	(45,912)	(40,331)
Change in beneficial interest in assets held by others	80,790	106,817
Adjustment to unfunded pension plan liability	(2,217,943)	13,805,995
Changes in assets and liabilities		
Client programs receivable	(982,672)	89,193
Interest and other receivable	224,181	338,997
Legacies receivable	(973,827)	9,133,020
Supply inventories	(584,335)	29,029
Prepaid expenses and other current assets	(642,098)	(46,164)
Notes receivable and other assets	39,226	1,460
Funds held on behalf of clients	681,083	(524,848)
Accounts payable	(929,086)	(638,564)
Salaries, wages, related withholdings and fringe benefits	(53,698)	(219,488)
Pension plan liability	1,440,575	(1,554,908)
Other current liabilities	1,363,251	64,814
Other long-term liabilities	177,681	540,479
Net Cash Flows from Operating Activities	(12,239,215)	(9,914,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,754,621)	(4,665,754)
Proceeds from sale of property and equipment	4,468,254	1,287,522
Purchase of investments	(27,878,894)	(28,545,335)
Proceeds from sale of investments	52,566,134	41,134,124
Net Cash Flows from Investing Activities	25,400,873	9,210,557
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	(9,209,128)	-
Principal payments on mortgage notes payable	(213,720)	(195,368)
Net restricted investment income	45,912	40,331
Contributions restricted for endowment	357,595	-
Principal payments on capital leases	(187,356)	-
Net Cash Flows from Financing Activities	(9,206,697)	(155,037)
Net Change in Cash and Cash Equivalents and Restricted Cash	3,954,961	(858,530)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - Beginning of Year	12,497,647	13,356,177
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 16,452,608	$ 12,497,647
Supplemental cash flow disclosures:		
Cash paid for interest	$ 857,446	$ 1,319,491
Capitalized interest	$ 152,298	$ -
Noncash investing and financing activities:		
Purchases of property and equipment in accounts payable	$ 4,005,275	$ 1,174,813
Purchases of property and equipment financed with capital leases	$ 755,475	$ -
Purchases of property and equipment financed with mortgage notes payable	$ 9,482,971	$ -
Loan origination fees financed with mortgage notes payable	$ 128,936	$ -

Reconciliation of Cash and Cash Equivalents and Restricted Cash to the Statements of Financial Position:

	2020	2019
Cash and cash equivalents	$ 12,529,652	$ 7,284,903
Funds held on behalf of clients	2,287,033	1,625,902
Escrow deposits	1,635,923	3,586,842
Total cash and cash equivalents and restricted cash	$ 16,452,608	$ 12,497,647

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL OPERATING EXPENSES
For the Year Ended August 31, 2020

	Program	Management and General	Fundraising	Total
Salaries	$ 66,232,564	$ 10,220,728	$ 1,707,725	$ 78,161,017
Payroll taxes and benefits	14,649,112	(637,078)	310,253	14,322,287
Supplies	4,173,759	324,041	134,833	4,632,633
Repairs	1,764,722	60,411	618	1,825,751
Client professional and other services	5,529,887	315	85	5,530,287
Staff development	208,664	957,903	12,027	1,178,594
Legal, audit and other professional services	779,249	2,490,089	548,346	3,817,684
Other general outside services	3,462,267	952,808	179,984	4,595,059
Travel, meals, lodging and gasoline	1,018,771	314,586	112,934	1,446,291
Rent	2,793,241	190,602	-	2,983,843
Telephone and internet services	1,189,352	174,417	14,549	1,378,318
Electricity, natural gas, water and sewer	1,576,532	150,563	-	1,727,095
Property and liability insurance	2,078,449	254,271	17,941	2,350,661
Depreciation and amortization	4,088,025	600,751	2,593	4,691,369
Interest	145,183	710,640	-	855,823
Medicaid assessment fees	1,192,623	-	-	1,192,623
All other	962,981	166,953	25,142	1,155,076
Total Expenses	$ 111,845,381	$ 16,932,000	$ 3,067,030	$ 131,844,411

See accompanying notes to consolidated financial statements.

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL OPERATING EXPENSES
For the Year Ended August 31, 2019

	Program	Management and General	Fundraising	Total
Salaries	$ 61,330,893	$ 11,002,536	$ 1,835,039	$ 74,168,468
Payroll taxes and benefits	14,337,527	2,067,124	328,294	16,732,945
Supplies	4,091,611	227,904	96,223	4,415,738
Repairs	2,220,598	61,315	-	2,281,913
Client professional and other services	4,639,435	204	-	4,639,639
Staff development	203,263	1,180,294	31,780	1,415,337
Legal, audit, and other professional services	371,097	2,437,089	201,559	3,009,745
Other general outside services	3,512,944	931,079	1,096,313	5,540,336
Travel, meals, lodging and gasoline	1,622,458	504,530	184,857	2,311,845
Rent	3,070,370	113,537	-	3,183,907
Telephone and internet services	1,161,582	191,137	15,913	1,368,632
Electricity, natural gas, water and sewer	1,640,152	193,656	-	1,833,808
Property and liability insurance	1,960,349	246,780	15,176	2,222,305
Depreciation and amortization	4,883,145	819,595	3,210	5,705,950
Interest	145,123	1,181,077	-	1,326,200
Medicaid assessment fees	1,241,682	-	-	1,241,682
All other	708,301	(233,884)	15,875	490,292
Total Expenses	$ 107,140,530	$ 20,923,973	$ 3,824,239	$ 131,888,742

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The consolidated financial statements reflect the accounts of Bethesda Lutheran Communities, Inc., Faith Village, Inc. ("Village"), Faith Village IV, Inc., Good Shepherd Residence, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon and The Oregon Good Shepherd Lutheran Home, Inc. (collectively referred to as "Bethesda"), Bethesda Lutheran Foundation, Inc. ("Foundation"), and Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC (collectively referred to as "Cornerstone") (all entities collectively referred to as the "Organization") with intercompany accounts eliminated. The nine U.S. Department of Housing and Urban Development ("HUD") projects operate under the Rules and Regulations of HUD. The Organization operates residential facilities for the benefit of developmentally disabled persons.

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents and Restricted Cash

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of six months or less. Restricted cash includes funds held on behalf of clients and escrow deposits. The Organization does not have the ability to use these funds for operations due to contractual requirements.

Client Programs Receivable

Accounts receivable are uncollateralized funding source obligations which generally are payable within 30 days from the invoice or billing date. In 2019, client accounts receivable were reported net of an allowance for doubtful accounts to represent the Organization’s estimate of inherent losses, if any, at the statement of financial position date and the amount that will ultimately be collectable. The Organization analyzed the receivables and recorded a provision for uncollectible accounts based on prior collection experience. The allowance for doubtful accounts was $258,480 as of August 31, 2019. In 2020, with the adoption of Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, contracts from revenues that are considered exchange transactions are recorded at an amount that management expects to receive from the net transaction price. Balances are recorded net of adjustments or discounts to determine the net transaction price. Billings for services under third-party payor programs are recorded net of estimated adjustments, if any. Historically, the Organization has collected substantially all of the consideration to which it is entitled under its contracts with customers. Subsequent adjustments, if any, are recognized as revenue when received. The adequacy of the Organization’s net realizable receivable is reviewed on an ongoing basis, using historical payment trends, write-off experience, analysis of receivable portfolios by payor source and aging of receivables, along with a review of specific accounts. Adjustments are made as necessary.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Legacies Receivable

Significant legacies receivable are recorded when the Organization receives documentation of the gift, no other party of interest is contesting the gift, the cash and investments are quantifiable, and real property and non-marketable investments have been valued by independent appraisal. Legacies receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of August 31, 2020 and 2019.

Legacies receivable of $1,384,239 and $410,412 as of August 31, 2020 and 2019, respectively, are expected to be collected in less than one year.

Supply Inventories

Inventory, which mainly consists of thrift store items and personal protective equipment and supplies, is stated at the lower of cost or market, with cost determined on the first-in, first-out basis.

Funds Held on Behalf of Clients

Certain residents have deposited funds in trust accounts maintained for their benefit by the Organization in separate accounts from the main operating account. The funds are used to pay personal expenses of the residents. If a resident leaves the Organization, the balance remaining in the fund is returned to the resident.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the consolidated statements of activities net of fees as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

The Organization may employ derivatives and other strategies to (1) hedge against market risks, (2) arbitrage mispricing of related securities, and (3) replicate long or short positions more cost-effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest and currency swaps, call and put options, debt and equity futures contracts, equity swaps, and other vehicles that may be appropriate in certain circumstances. Since the Organization does not strive for higher returns through market timing or by making leveraged market bets, derivatives are not used for speculation.

The Organization's external investment managers are authorized to use specified derivative financial instruments in managing the assets under their control, subject to restrictions and limitations adopted by the Board of Directors.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost if purchased or fair value at date of the gift if donated. Acquisitions of property and equipment in excess of $1,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in net assets without donor restrictions at their estimated fair value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service unless otherwise instructed by donor.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

The Organization has recorded a liability of $250,382 and $327,684 for estimated asbestos clean-up costs as of August 31, 2020 and 2019, respectively, and it is presented as other long-term liabilities in the consolidated statements of financial position.

Assets Held for Sale

All properties held for sale are recorded at historical cost net of accumulated depreciation at the time the assets were classified as held for sale or net realizable value, whichever is lower. During 2018, the Organization closed certain programs and was marketing nine buildings for sale with net book value totaling $4,427,358. During 2019, the Organization sold four of the buildings with total gross proceeds of $889,590, one building remained on the market with a fair value of $1,800,000 and four of the buildings were placed back into service. During 2020, the Organization sold the remaining building with total gross proceeds of $1,742,745.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Organization has recorded impairment losses of $0 and $920,639 during the years ending August 31, 2020 and 2019, respectively.

Assets Relating to Split-Interest Agreements and Trusts

The Organization is the trustee of various split-interest agreements. The trusts and the assets held are recorded at fair value and are reported in the consolidated statements of financial position. In addition, the Organization is a specified beneficiary of assets held by others and has recorded a beneficial interest in these assets.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Assets Relating to Split-Interest Agreements and Trusts (continued)

Assets received under split-interest agreements and trusts are recorded at their fair value. The Organization records a liability when a split-interest agreement (Unitrust, Annuity Trust, and Pooled Income Fund) is established at the present value of the estimated future payments to the donor and other beneficiaries. Discount rates ranging from 4.5% to 6.0% were used to project the Due to beneficiaries and others under split interest agreements and trusts liability as of August 31, 2020 and 2019. Revenue is recorded for the difference between the fair value of the assets received and the liability.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors has not designated any amounts as of August 31, 2020 and 2019.

Tax-Exempt Status

Bethesda Lutheran Communities, Inc., Faith Village, Inc., Faith Village IV, Inc., Good Shepherd Residence, Inc., Creating Possibilities, Inc., Good Shepherd of Washington, Good Shepherd of Washington II, Good Shepherd of Colorado I, Good Shepherd Corporation of Oregon, The Oregon Good Shepherd Lutheran Home, Inc., and Bethesda Lutheran Foundation, Inc. have received notification that each entity qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, each entity is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC are single member limited liability companies, solely owned by Bethesda Lutheran Communities, Inc. Bethesda Cornerstone Village, LLC and Bethesda Cornerstone Village - Victoria, LLC are not tax paying entities; instead, all revenues and expenses are reported on Bethesda Lutheran Communities, Inc.'s Form 990.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Tax-Exempt Status (continued)

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes, and accounting during interim periods. The Organization does not believe that it has any uncertain tax positions at August 31, 2020 and 2019.

Program Service Revenue

Program service revenue consists primarily of revenues from residential habilitation and non-residential habilitation services. Prior to the adoption of ASU No. 2014-09, program service revenue was recorded in the period in which services were provided and was reported at the net realizable amounts from residents, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments were accrued on an estimated basis in the period the related services were rendered and adjusted in future periods as final settlements were determined.

With the adoption of ASU No. 2014-09, residential habilitation and non-residential habilitation fee revenues are reported at the amount that reflects the consideration the Organization expects to receive in exchange for the services provided. Contracts are signed with clients and are primarily paid by private sources or a third party payor. The Organization reviewed contracts using a portfolio approach for contracts with individual clients for residential habilitation services due to similarities in contracts. In addition, the Organization reviewed contracts using a portfolio approach for contracts with individual clients for non-residential habilitation services due to similarities in contracts. Performance obligations are determined based on the nature of the services provided. Residential habilitation and non-residential fee revenues are recognized as performance obligations are satisfied.

Under the Organization's residential habilitation agreements, which are generally for a contractual term of one year, the Organization provides daily residential habilitation services to clients for a stated daily or monthly fee. Such services include an integrated array of individually tailored daily-living supports and training in an environment where close, continuous supervision can be provided. The Organization has determined that the services included under the Organization's group home, host home and intermediate care facility agreements have the same timing and pattern of transfer and are performance obligations that are satisfied over time as the underlying services are provided and revenue is recognized accordingly. The Organization recognizes revenue under ASC 606, *Revenue Recognition from Contracts with Customers* ("ASC 606"), for its group home, host home and intermediate care facility agreements for which it has estimated that the non-lease components of such residency agreements are the predominant component of the contract.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Program Service Revenue (continued)

Under the Organization's non-residential habilitation agreements, which are also generally for a contractual term of one year, the Organization provides habilitation services to clients for a stated per-unit fee - typically fractions of an hour. Such services include community-integrated day programs, supported employment, in-home supports and behavioral supports. These services are considered separate performance obligations that are satisfied as the underlying services are provided and revenue is typically recognized over a period of time.

The Organization receives payment for services under various third-party payor programs, primarily Medicaid, and to a lesser extent from client's private sources. Although rates are generally known and considered fixed prior to services being performed, notification of rate adjustments can be received from third-party payor programs with retroactive effect. These adjustments can result in increases in payment rates due to general inflation effects or event-specific conditions, such as the current COVID-19 pandemic or may be decreases in billed amounts as a result of rate adjustments. The Organization determines the transaction price based on the terms of the contract with the payor, correspondence with the payor and historical payment trends. Changes to these estimates for retroactive adjustments are recognized in the period of the change or when the adjustment becomes known or when final settlements are determined.

The Organization determined that revenue recognized and the timing of when the revenue is recognized under the new standard is materially the same as under the previous guidance. There are no expressed or implied warranties. There is no revenue recognized for services performed in prior periods. There are no contract assets or liabilities with these revenue sources.

Contract Balances

Program service revenue for residential and non-residential habilitation services is generally billed monthly in arrears under the provider agreements with the various third-party payors. Although the terms and conditions within the Organization's revenue-generating contracts vary by contract type and payor source, payment is generally received within 90 days or less from the date invoices are submitted to the payor.

Amounts of revenue that are collected from third-party payors in advance are recognized as other current liabilities until the performance obligations are satisfied. As of August 31, 2020, the Organization had deferred revenues from contracts with customers of approximately $500,000, which is included in other current liabilities in the statements of financial position. There were no similar transactions during the year ending August 31, 2019. Substantially all of this deferred revenue is recognized in the subsequent month when the related services are provided. The Organization applied the practical expedient in Accounting Standards Codification 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Retail Operations

The Organization operates retail sales locations where primarily donated household goods and clothing are sold. Revenue is recognized when control of the promised goods or services is transferred to the customer. The transaction price for goods sold is recognized at the point of the sale transaction and includes variable consideration for discounts and estimated returns of goods for refund or exchange. Control is obtained when a customer has the ability to direct the use of and substantially all of the remaining benefits from that good. The Organization has elected to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Organization from the customer. There are no expressed or implied warranties. There is no revenue recognized for sales in prior periods. There are no contract assets or liabilities with this revenue source.

Contributions

Unconditional contributions, including legacies receivable, are recognized in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, whether received or made are recognized only when the conditions on which they depend are met and the promises become unconditional. The gifts are reported as net assets with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. In the absence of donor specification or law that income and gains on donated funds are restricted, such income and gains are reported as contributions without donor restrictions. The Organization has one conditional contribution at August 31, 2020 of approximately $862,000.

Operations

The Organization's operating results include all operating revenues and expenses that are an integral part of its programs and supporting activities. Contributions and releases from donor restrictions to support its operating activities are also included. The measure of operations excludes net assets released from restrictions for property and equipment, restricted contributions that are not considered part of operations, restricted investment income, and adjustment to unfunded pension plan liability.

Expense Allocation

The cost of providing program and supporting activities has been summarized on a functional basis within the consolidated statements of functional operating expenses. Expenses which are directly attributable to a specific program or supporting activity of the Organization are reported as expenses of that activity.

Expenses which are attributable to more than one program or supporting activity are allocated on a reasonable basis to the appropriate category. Expenses related to the office of the Chief Executive Officer and Marketing and Communications are allocated based on estimated time and effort spent in direct support or supervision of each activity. Expenses for information technology are allocated based on full time equivalent employees. Certain insurance costs are allocated based on relative value of assets or total salaries covered, as applicable.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amount of net assets or change in net assets.

Distributions

The Organization's regulatory agreements with HUD stipulate, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. Additional updates defer the effective date of ASU No. 2014-09, clarify the implementation guidance on principal versus agent considerations, clarify the identification of performance obligations and the licensing implementation guidance. The Organization adopted the new standard effective for the Organization’s fiscal year beginning September 1, 2019 using the modified retrospective approach and applied the guidance to all contracts at the date of initial application of the standard. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. The Organization has determined that the adoption of ASU No. 2014-09 (as amended) did not result in any significant change to the amount and timing of revenue recognized and did not result in an adjustment to net assets as of September 1, 2019.

In 2020, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adopting ASU No. 2018-08 on the modified prospective basis did not have a significant impact on the consolidated financial statements of the Organization.

In 2020, the Organization adopted ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10)*. The ASU modifies the guidance related to fair value disclosures of financial instruments. Adopting ASU No. 2016-01 did not have a significant impact on the consolidated financial statements of the Organization.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements (continued)

In 2020, the Organization adopted ASU No. 2017-07, *Compensation Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered during the period. Other components of the net benefit cost, as defined, are required to be presented in the statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. It must be clear where the other components are reported. The organization has adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2017-07 has been applied retrospectively to all periods presented. See Note 7 for information regarding the impact to the consolidated financial statements during 2019.

The Organization adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* in 2020. The amendments in this update require that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization has adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2016-18 has been applied retrospectively to all periods presented.

As a result of the adoption of ASU No. 2016-18, the consolidated statement of cash flows of the Organization for the year ended August 31, 2019 was adjusted as follows:

	After Adoption of ASU No. 2016-18	As Originally Presented	Effect of Change
Net cash flows from operating activities	$ (9,914,050)	$ (9,438,900)	$ (475,150)
Net cash flows from investing activities	9,210,557	7,059,293	2,151,264
Net change in Cash and Cash Equivalents	N/A	(2,534,644)	2,534,644
CASH AND CASH EQUIVALENTS - Beginning of year	N/A	9,819,547	(9,819,547)
CASH AND CASH EQUIVALENTS - END OF YEAR	N/A	7,284,903	(7,284,903)
Net Change in Cash and Cash Equivalents and Restricted Cash	(858,530)	N/A	(858,530)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - Beginning of year	13,356,177	N/A	13,356,177
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - End of year	12,497,647	N/A	12,497,647

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In August 2018, FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The new guidance modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting - Chapter 8*: *Notes to Financial Statements*, which the FASB finalized on August 28, 2018. ASU No. 2018-13 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2019 (2021). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2018-13 will have on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. Organizations that have not yet adopted will be required to apply the standard for annual periods beginning after December 15, 2021 (2023). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2020-07 will have on its consolidated financial statements.

NOTE 2 - Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date of August 31 for general expenditures are as follows:

	2020	2019
Total assets	$ 186,523,161	$ 186,944,786
Less:		
Net property and equipment	(67,660,837)	(56,091,742)
Prepaid expenses and other current assets	(1,744,057)	(1,101,959)
Supply inventories	(792,065)	(207,730)
Notes receivable and other assets	(1,489)	(40,715)
Assets held for sale	-	(1,800,000)
Total financial assets	116,324,713	127,702,640
Less:		
Assets held relating to split interest agreements and trusts	(9,363,446)	(9,084,320)
Funds held on behalf of clients	(2,287,033)	(1,625,902)
Escrow deposits	(1,635,923)	(3,586,842)
Assets with donor restrictions	(12,082,907)	(13,289,735)
Assets relating to charitable gift annuities	(6,900,741)	(8,569,672)
Assets available for general expenditures	$ 84,054,663	$ 91,546,169

The Organization’s operations are largely funded by payments from Medicaid and other federal and state agencies, and additional capital is provided by investment returns and the controlled liquidation of foundation assets as required. The Foundation exists for the benefit of Bethesda Lutheran Communities, Inc. and Foundation assets are to be solely used to fulfill the Organization’s mission. The board authorizes distributions from the Foundation up to a certain limit at the beginning of each fiscal year and adjusts funding accordingly if management identifies the need for additional cash flow during the year. The Organization has a balanced investment strategy for managing Foundation assets, which generally consists of a mix of 66% stocks, 30% fixed income, and 4% cash. The Foundation’s board receives quarterly advice from the Organization’s portfolio manager, Merrill Lynch, and changes to investment strategy require board approval.

At August 31, 2020, the Company had a $45.0 million revolving line of credit with Bank of America, with an outstanding balance of approximately $25.8 million. The line of credit bears interest at the daily LIBOR rate plus 95 basis points. The line of credit is secured by Foundation assets, and is subject to call if pledged assets fall below $45.0 million. The Organization does not plan to increase the amount outstanding or take additional draws on the line during the next twelve months, and any action to do so would require board approval. Management is seeking to reduce the amount due on the line of credit by refinancing all or part of the current balance against real estate holdings during fiscal year 2021.

In consideration of future liquidity needs, management has presented a five-year plan to achieve cash flow neutrality. The plan includes new real estate developments under the Cornerstone Village brand, investment in retail operations and philanthropic resources, and continuing to pursue growth in intellectual and developmental disabilities based operations. Additionally, management is evaluating various real estate holdings to determine the best use of each for the Organization, including potential sale.

NOTE 3 - Fair Value Measurements

The Organization follows current authoritative accounting guidance, which provides a framework for measuring, reporting, and disclosing fair value under generally accepted accounting principles. These standards apply to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined by current authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

NOTE 3 - Fair Value Measurements (continued)

The tables below present the balances of financial instruments measured at fair value on a recurring basis by level within the hierarchy.

	August 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments				
Mutual funds	$ 48,890,506	$ 48,890,506	$ -	$ -
Common and preferred stock	7,277,059	7,277,059	-	-
Church extension funds	6,742	-	6,742	-
Fixed income securities	11,626,083	11,626,083	-	-
Hedge funds	273,004	-	-	273,004
Mutual funds - charitable gift annuities	5,792,589	5,792,589	-	-
Fixed income securities - charitable gift annuities	243,180	243,180	-	-
Mutual funds - 457 plan investments	950,954	950,954	-	-
Total investments	75,060,117	$ 74,780,371	$ 6,742	$ 273,004
Money market funds - charitable gift annuities	864,972			
Total assets	$ 75,925,089			
Assets relating to split - interest agreements and trusts				
Fixed income mutual funds	$ 3,926,162	$ 3,926,162	$ -	$ -
Equity mutual funds	5,068,247	5,068,247	-	-
Beneficial interest in assets held by others	4,101,820	-	-	4,101,820
Total investments	13,096,229	$ 8,994,409	$ -	$ 4,101,820
Money market funds	369,037			
Total assets	$ 13,465,266			

NOTE 3 - Fair Value Measurements (continued)

	August 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Investments				
Mutual funds	$ 58,298,349	$ 58,298,349	$ -	$ -
Common and preferred stock	9,108,933	9,108,933	-	-
Church extension funds	5,840	-	5,840	-
Fixed income securities	16,126,632	16,126,632	-	-
Hedge funds	383,213	-	-	383,213
Mutual funds - charitable gift annuities	7,093,649	7,093,649	-	-
Fixed income securities - charitable gift annuities	316,481	316,481	-	-
Mutual funds - 457 plan investments	695,995	695,995	-	-
Total investments	92,029,092	$ 91,640,039	$ 5,840	$ 383,213
Money market funds - charitable gift annuities	1,159,542			
Total assets	$ 93,188,634			
Assets relating to split- interest agreements and trusts				
Fixed income mutual funds	$ 3,938,242	$ 3,938,242	$ -	$ -
Equity mutual funds	4,726,558	4,726,558	-	-
Beneficial interest in assets held by others	4,182,610	-	-	4,182,610
Total investments	12,847,410	$ 8,664,800	$ -	$ 4,182,610
Money market funds	419,520			
Total assets	$ 13,266,930			

The valuation of money market funds is determined on the cost basis. As a result, they are excluded from the fair value hierarchy level disclosures.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Mutual funds, common and preferred stock and fixed income securities - These investments are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing prices are readily available, including hedge funds that have a ticker symbol.

Church extension funds - These investments are measured at fair value using multiple sources of information that are corroborated by market data and are considered Level 2 items.

NOTE 3 - Fair Value Measurements (continued)

Hedge funds - Investments in hedge funds, fund of funds, and other alternative investments have no readily determinable fair value and are classified as Level 3 as the valuation is based on significant unobservable inputs that are not corroborated by market data. The valuation was determined by the Organization's investment managers.

Beneficial interest in assets held by others - The trusts, that the Organization is named as a specified beneficiary in which they are not the trustee of the assets, are considered Level 3 items as the valuation is based on significant unobservable inputs that are not corroborated by market data.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Hedge Funds	Beneficial Interest in Assets Held by Others
Balance, August 31, 2018	$ 502,172	$ 4,289,427
Net realized and unrealized gains included in change in net assets	20,988	(106,817)
Sales	(139,947)	-
Balance, August 31, 2019	383,213	4,182,610
Net realized and unrealized losses included in change in net assets	(28,379)	(80,790)
Sales	(81,830)	-
Balance, August 31, 2020	$ 273,004	$ 4,101,820
Net unrealized losses included in change in net assets relating to assets held at August 31, 2020	$ (50,589)	$ 80,790
Net unrealized gains (losses) included in change in net assets relating to assets held at August 31, 2019	$ 7,489	$ (106,817)

Unrealized net losses included in change in net assets are reported in the consolidated statements of activities as investment income for the hedge funds and restricted contributions for the beneficial interest in assets held by others.

Level 3 hedge funds consist of one fund at August 31, 2020 and two funds at August 31, 2019. The fund is valued based on unobservable inputs and is deemed an alternative investment. To withdraw funds from this investment, the Organization is required to submit a written request and is limited to one request per quarter. The investment company can deny the request to withdraw funds. The Organization has no unfunded commitments relating to this investment. The Organization has taken steps to liquidate this Level 3 hedge fund and plans to complete the liquidation process within the next year.

The Level 3 hedge funds seek to invest in companies in various stages of development and are allocated among alternative investment managers. The funds pursue a variety of investment strategies. The primary objective of the hedge funds is to provide capital appreciation with less volatility than that of the equity market.

NOTE 3 - Fair Value Measurements (continued)

The Organization also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These include assets that are measured at the lower of carrying value or market, less costs to sell, and had a fair value below carrying value at August 31, 2019. There were no similar transactions during the year ending August 31, 2020.

	2019			
	Total	Level 1	Level 2	Level 3
Assets held for sale	$ 1,800,000	$ -	$ 1,800,000	$ -

NOTE 4 - Escrow Deposits

Escrow deposits include $13 and $2,028,405 on deposit with the Lutheran Church Extension Fund ("LCEF") as of August 31, 2020 and 2019, respectively. The funds are solely for construction costs related to a new mixed-use rental property in Victoria, Minnesota under ownership of Cornerstone Village-Victoria, LLC. Additionally, the Organization has $8,300 and $15,300 in escrow deposits with various entities related to the construction project as of August 31, 2020 and 2019, respectively.

Monthly escrow deposits are made as required by HUD for the reserve for replacements and are maintained in interest bearing accounts separate from the operating account of the HUD projects. Disbursements are restricted to replacement of structural elements or equipment and may be made only upon approval by HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to the capital advance, the balance in this escrow reverts to the benefit of the project. The balances in the reserve for replacement escrow accounts were $1,335,278 and $1,251,048 as of August 31, 2020 and 2019, respectively.

HUD requires the HUD projects to remit all cash remaining, if any, after the establishment of all required escrows and reserves and the payment of all expenses and allowable disbursements to a residual receipts fund on an annual basis. Deposits are made within 90 days after year-end and are maintained in interest bearing accounts separate from the operating accounts of the HUD projects. Withdrawals may be made with permission from HUD. Upon satisfaction of the mortgage note payable or mortgage note relating to capital advance, the balance in this fund reverts to the benefit of HUD. The balances in the residual receipts escrow accounts were $285,732 and $285,492 as of August 31, 2020 and 2019, respectively.

HUD escrow deposits for insurance reserves were $6,600 and $6,597 as of August 31, 2020 and 2019, respectively.

NOTE 5 - Investments

Following is a summary of investments as of August 31:

	2020	2019
Common and preferred stocks	$ 7,277,059	$ 9,108,933
Fixed income securities	11,626,083	16,126,632
Mutual funds	48,890,506	58,298,349
Mutual funds - charitable gift annuities	5,792,589	7,093,649
Fixed income securities - charitable gift annuities	243,180	316,481
Church extension funds	6,742	5,840
Hedge funds	273,004	383,213
Mutual funds - 457 plan investments	950,954	695,995
Money market funds - charitable gift annuities	864,972	1,159,542
Total	$ 75,925,089	$ 93,188,634

The Organization invests in various securities which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

The asset allocation size and style mix is as follows as of August 31:

	2020	2019
Large cap growth	24%	23%
Large cap value	24%	26%
Small/mid cap growth	2%	2%
Small/mid cap value	4%	4%
International equity	11%	12%
Long term bonds	7%	4%
Intermediate term bonds	6%	7%
Short term bonds	9%	8%
Fixed income blend	6%	11%
Cash	7%	3%

Cash reflected within the investment portfolio mix above includes money market funds which are reflected as cash and cash equivalents in the statements of financial position.

NOTE 6 - Property and Equipment

The major categories of property and equipment at August 31 are summarized as follows:

	Depreciable Lives	2020	2019
Land and land improvements	5-40 yrs.	$ 16,008,716	$ 17,031,026
Buildings, improvements and capitalized maintenance	5-40 yrs.	77,852,916	79,082,368
Fixed and moveable equipment	3-20 yrs.	28,593,180	27,945,076
Construction in progress	N/A	16,188,587	1,686,558
Total Property and Equipment		138,643,399	125,745,028
Less: Accumulated depreciation		(70,982,562)	(69,653,286)
Net Property and Equipment		$ 67,660,837	$ 56,091,742

The amounts held in construction in progress primarily relates to Bethesda Cornerstone Village - Victoria LLC's construction of a new mixed-use rental property in Victoria, Minnesota.

The gain on sale of property and equipment of $2,105,189 for the year ending August 31, 2020 primarily relates to a sale of land.

NOTE 7 - Retirement Plans

403(b) Plan

The Organization has a contributory 403(b) defined contribution plan that covers substantially all full-time employees. Participating employees are eligible to receive an employer matching contribution, which is established annually by the Board of Directors. The contribution for the years ended August 31, 2020 and 2019 was $1,064,841 and $1,047,881, respectively.

Defined Benefit Plan

The Organization had a noncontributory retirement plan covering substantially all of the Organization's employees who had completed one year of service (as defined) and were over 18 years of age. The Organization's policy is to contribute annually the amount required. The measurement date on the defined benefit retirement plan is August 31.

Effective December 31, 2012 the Organization froze the defined benefit plan, which prevented additional accumulation of benefits for current employees and prevented new employees from joining the plan.

In October 2019, the Organization confirmed the designation of church plan status for its frozen defined benefit pension plan. The pension plan is not subject to the Employee Retirement Income Security Act of 1974 (“ERISA”).

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

Change in Benefit Obligation	2020	2019
Accumulated benefit obligation at beginning of year	$ 91,901,966	$ 80,306,791
Service cost	440,575	445,092
Interest cost	2,692,853	3,182,666
Actuarial loss	4,103,610	13,605,492
Benefits paid and administrative costs	(4,784,132)	(5,638,075)
Accumulated benefit obligation at end of year	$ 94,354,872	$ 91,901,966

Change in plan assets	2020	2019
Fair value of plan assets at beginning of year	$ 68,599,069	$ 68,254,981
Employer contribution	-	3,000,000
Actual return on plan assets	9,014,406	2,982,163
Benefits paid and administrative costs	(4,784,132)	(5,638,075)
Fair value of plan assets at end of year	$ 72,829,343	$ 68,599,069
Funded status of the plan	$ (21,525,529)	$ (23,302,897)

Since benefit accruals have been frozen, the projected benefit obligation is equal to the accumulated benefit obligation at August 31, 2020 and 2019.

Amounts recognized in the consolidated statements of financial position consist of:

	2020	2019
Accrued benefit cost - included in salaries, wages, related withholdings and fringe benefits	$ -	$ (1,000,000)
Pension plan liability	(21,525,529)	(22,302,897)
Total	$ (21,525,529)	$ (23,302,897)

Components of the net periodic benefit cost consist of the following for the years ended August 31:

	2020	2019
Service cost	$ 440,575	$ 445,092
Interest cost	2,692,853	3,182,666
Expected return on plan assets	(4,519,723)	(4,532,380)
Recognized actuarial loss	903,929	442,482
Total net periodic benefit cost	$ (482,366)	$ (462,140)

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

In 2020, the Organization adopted adopted ASU No. 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered during the period. Service cost in 2020 and 2019 was $440,575 and $445,092, respectively. The other components of the net periodic benefit cost are $(922,941) and $(907,232) in 2020 and 2019, respectively. The other components of the net periodic pension cost are included in the adjustment to unfunded pension plan on the consolidated statements of activities.

Included in net assets without donor restrictions at August 31, 2020 and 2019 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized actuarial net losses of $34,913,627 and $36,208,629, respectively.

Expected components of subsequent year's net periodic benefit cost:

	2021	2020
Service cost	$ 494,501	$ 440,575
Interest cost	2,454,054	2,692,853
Expected return on assets	(4,597,591)	(4,519,723)
Amortization of net loss	856,120	903,929
Total net periodic postretirement benefit costs	$ (792,916)	$ (482,366)

The actuarial assumptions used to develop the net periodic benefit cost for the years ended August 31 were as follows:

	2020	2019
Weighted average discount rate	3.00%	4.07%
Increase in future compensation levels	N/A	N/A
Expected long-term rate of return on assets	6.50%	6.75%

The actuarial assumptions used to develop the benefit obligation were as follows:

	2020	2019
Discount rate	2.66%	3.00%
Increase in future compensation levels	N/A	N/A

The following benefit payments are expected to be paid:

2021	$ 3,706,335
2022	3,946,722
2023	3,871,138
2024	3,898,145
2025	3,958,483
2025-2028	21,187,675

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

Management is not able to appropriately determine the exact amount that will be contributed to this retirement plan during the fiscal year ending August 31, 2021. It is reasonably possible that the above estimate of subsequent year's net periodic post retirement benefit cost will change as it is based on no contributions to the plan in the next fiscal year.

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The table below presents the balances of financial instruments within the retirement plan measured at fair value on a recurring basis by level within the hierarchy:

	August 31, 2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Common stocks	$ 50,539,559	$ 50,539,559	$ -	$ -
Fixed income	20,418,404	20,418,404	-	-
Hedge funds	122,541	-	-	122,541
Total investments	71,080,504	$ 70,957,963	$ -	$ 122,541
Money market funds	1,748,839			
Total assets	$ 72,829,343			

	August 31, 2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Common stocks	$ 45,726,565	$ 45,726,565	$ -	$ -
Fixed income	19,789,638	19,789,638	-	-
Hedge funds	170,452	-	-	170,452
Total investments	65,686,655	$ 65,516,203	$ -	$ 170,452
Money market funds	2,912,414			
Total assets	$ 68,599,069			

NOTE 7 - Retirement Plans (continued)

Defined Benefit Plan (continued)

The asset allocation size and style mix is as follows as of August 31:

	2020	2019
Large cap growth	26%	24%
Large cap value	28%	27%
Small/mid cap growth	2%	2%
Small/mid cap value	4%	6%
International equity	10%	9%
Long term bonds	7%	4%
Intermediate term bonds	6%	6%
Short term bonds	9%	7%
Fixed income blend	6%	12%
Cash	2%	3%

The assets measured, reported, and disclosed at fair value listed above as level 1, 2, or 3 are classified based on the category definitions listed in Note 3.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Hedge Funds
Balance, August 31, 2018	$ 224,508
Net gains (realized and unrealized)	9,399
Sales	(63,455)
Balance, August 31, 2019	170,452
Net losses (realized and unrealized)	(11,181)
Sales	(36,730)
Balance, August 31, 2020	$ 122,541

The Organization has delegated authority for the administration and investment of the retirement plan to five trustees. The philosophy of management is to maximize the amounts available for the payment of pension benefits, provide necessary liquidity to facilitate pension payments, and provide diversification of investment vehicles sufficient to create an acceptable level of investment risk. The investment policy on plan assets is to have a target of 65% in equities, target of 30% invested in fixed income securities, and a target of 5% in cash and cash equivalents. Management determined the expected rate of return on assets based on historical performance and investment portfolio allocations.

NOTE 8 - Assets Relating to Split-Interest Agreements and Trusts

The Organization has four types of split-interest agreements.

The annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization.

Bethesda Lutheran Home Pooled Income Funds ("Funds") acts as vehicles for giving to the Organization. The Organization has been designated trustee for the Funds. Contributions deposited into the Funds are invested and reinvested by the trustee in accordance with a trust agreement. Investment earnings, as defined in the trust agreement, are distributed quarterly, in the month following the end of the quarter, to donor-designated beneficiaries based upon the donor's pro rata share (units of participation) in the total investment pool. Upon the death of the last beneficiary, the remaining interest in the donor's contribution is severed from the Funds, any other identified beneficiaries are paid in accordance with the terms of the agreement and any remaining funds become available for the operation of the Organization.

Unitrusts also act as vehicles for giving to the Organization. Amounts received are invested and the agreements provide for specified payments to beneficiaries for a term chosen by the donor. When the term has ended, remaining assets are distributed in accordance with the unitrust agreement, most of which identify the Organization as the remainder beneficiary.

The Good Shepherd Fund and Lutheran Church Missouri Synod - Foundation are the trustees for several funds where the Organization is the beneficiary. The assets are held by these trustees, with the Organization having a beneficial interest in the assets and the income.

NOTE 9 - Line of Credit

The Organization has a $45,000,000 line of credit with Bank of America with a variable interest rate of LIBOR plus 0.95% (at August 31, 2020 and 2019 the interest rate was 1.11% and 3.04%, respectively). The line of credit is secured by a guarantee of the Foundation and collateral, which consists of a portion of the Foundation's investments.

The amount borrowed on the line of credit was $25,790,872 and $35,000,000 at August 31, 2020 and 2019, respectively. Interest expense on the line of credit was $710,640 and $1,181,077 for the years ended August 31, 2020 and 2019, respectively.

NOTE 10 - Mortgage Notes Payable

Mortgage notes payable consist of the following at August 31:

	2020	2019
Construction note payable to LCEF, $14.7 million delayed-draw construction loan, bearing interest at an initial rate of 5.25% annually. The agreement includes a conversion to a permanent financing agreement with an expected conversion date of August 1, 2021 and a maturity date of August 1, 2031. Beginning in September 2019, payments of interest only are due on the disbursed principal balance outstanding. Once converted, the mortgage note will bear interest at an initial variable rate of 4.75%. Beginning in September 2021, the loan agreement calls for 119 monthly payments of principal and interest, with a final 120th balloon payment of all remaining principal and interest. The note will be amortized over a period of 360 months. The note payable is secured by a mortgage on the property and includes a $2.0 million limited guarantee provided by the Foundation.	$ 9,611,907	$ -
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $4,334 including interest at 9.25%, due June 30, 2023.	129,185	167,302
Mortgage note payable to HUD with monthly payments of $1,602 including interest at 8.125%, due February 28, 2031, secured by a mortgage on the Organization's land, buildings, and equipment.	135,488	143,351
Note payable to the Mental Health Division-State of Oregon, unsecured, $28 to $86 is forgiven each month that the Organization uses the property for its stated purpose through May 2021.	774	1,806
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $12,803 including interest at 9.250%, due April 2022.	227,658	353,827
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,633 including interest at 8.375%, due November 2031.	317,005	333,305
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $3,881 including interest at 8.375%, due May 2031.	329,386	347,542

NOTE 10 - Mortgage Notes Payable (continued)

	2020	2019
Mortgage note payable to HUD, secured by the real property, payable in monthly installments of $1,140 including interest at 9.000%, due February 2029.	$ 81,077	$ 87,160
Totals	10,832,480	1,434,293
Less: Current portion	(234,184)	(213,722)
Long-Term Portion	10,598,296	1,220,571
Less: loan costs, net of accumulated amortization	(128,936)	-
Total Long-Term Portion, Net	$ 10,469,360	$ 1,220,571

Interest expense on mortgage notes payable was $119,717 and $138,414 for the years ended August 31, 2020 and 2019, respectively. Capitalized interest on the construction loan payable was $152,298 and $0 for the years ended August 31, 2020 and 2019, respectively. The Organization incurred loan origination fees of $128,936 related to the construction loan. The loan origination fees will be amortized over the term of the mortgage on a straight line basis.

The Organization is subject to certain restrictions and covenants relating to their notes payable. The Organization represents that it is in compliance with or has received a waiver for all covenants as of August 31, 2020 and 2019.

Principal requirements on mortgage notes payable for years ending after August 31, 2020 are as follows:

2021	$ 234,184
2022	419,292
2023	341,056
2024	317,318
2025	335,359
Thereafter	9,185,271
Total	$ 10,832,480

NOTE 11 - Self-Insurance

The Organization has a self-insurance program for health coverage of employees. The Organization self insures benefits under its health plan up to a stop loss of $250,000 per individual, and up to a maximum liability in the aggregate that fluctuates based on the number of participants. Benefit claims are accrued as incurred. The Organization has recorded a liability for unpaid claims of $866,003 and $827,304 as of August 31, 2020 and 2019, respectively.

The liability for the self-insurance program is subject to various estimates such as the number of claims submitted during the year which the Organization has not yet been made aware and the costs of such claims. Due to the level of uncertainty associated with the liability, it is reasonably possible that claims made could materially affect the amounts reported in the consolidated statements of financial position and consolidated statements of activities.

NOTE 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions at August 31 are composed of:

	2020	2019
Restricted due to time or purpose:		
Time restricted	$ 2,201	$ 2,187
Purpose restricted	2,204,625	2,675,520
Irrevocable trust held by a third party	253,482	253,482
Held by Lutheran Church Extension Fund - Missouri Synod	2,076,508	2,157,299
Restricted due to requirements to hold in perpetuity:		
Restricted for endowment	5,774,263	6,429,419
Held by Good Shepherd Fund	1,771,828	1,771,828
Totals	$ 12,082,907	$ 13,289,735

NOTE 13 - Endowment

The Organization follows current authoritative guidance, which provides guidance on classifying net assets associated with endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of the guidance is a requirement to classify the donor-restricted endowment fund as net assets with donor restrictions until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds.

The Organization's endowment fund ("Endowment Fund") consists of approximately 30 individual funds established for a variety of purposes. The Organization excludes from the Endowment Fund assets held on its behalf by outside organizations. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Organization has interpreted UPMIFA enacted in the State of Wisconsin as requiring the creation of an endowment of permanent duration with the original value of a donor's gift when a donor's gift instrument evidences such intent by use of terminology consistent with UPMIFA, unless other language in the gift instrument limits the duration or purpose of the fund. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund is included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 13 - Endowment (continued)

In accordance with UPMIFA, unless the donor's gift instrument otherwise specifically limits the authority to appropriate for expenditure or accumulate, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund consists of the following at August 31:

	2020				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 5,774,263	$ 157,327	$ 5,931,590	$ 5,931,590

	2019				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Donor-restricted endowment funds	$ -	$ 6,429,419	$ 145,348	$ 6,574,767	$ 6,574,767

NOTE 13 - Endowment (continued)

Changes in endowment net assets for the year ended August 31, 2020:

	2020				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 6,429,419	$ 145,348	$ 6,574,767	$ 6,574,767
Investment income, net of fees	-	15,167	733,985	749,152	749,152
Contributions	-	357,595	-	357,595	357,595
Amounts appropriated for expenditure*	-	(1,027,918)	(722,006)	(1,749,924)	(1,749,924)
Endowment net assets, end of year	$ -	$ 5,774,263	$ 157,327	$ 5,931,590	$ 5,931,590

* The Organization continually reviews funds with donor restrictions to ensure these restrictions are being met. Due to new information and analysis, management released $1,027,918 of previously permanently restricted funds during the fiscal year ended August 31, 2020.

Changes in endowment net assets for the year ended August 31, 2019:

	2019				
		With Donor Restrictions			
	Without Donor Restrictions	Original Gifts	Accumulated Gain (Losses)	Total	Total Endowment
Endowment net assets, beginning of year	$ -	$ 6,409,860	$ 137,894	$ 6,547,754	$ 6,547,754
Investment income, net of fees	-	19,559	289,575	309,134	309,134
Amounts appropriated for expenditure	-	-	(282,121)	(282,121)	(282,121)
Endowment net assets, end of year	$ -	$ 6,429,419	$ 145,348	$ 6,574,767	$ 6,574,767

NOTE 13 - Endowment (continued)

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature as of August 31, 2020 and 2019. These deficiencies would result from unfavorable market fluctuations that occurred shortly after the investment of new endowment contributions and continued appropriation for certain programs that was deemed prudent by the governing board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in the endowment.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Organization considers all endowment earnings to be appropriated for expenditure in the same year the amounts are earned, unless there are donor restrictions on the earnings. For ease of tracking, investment earnings with donor restrictions are transferred to Bethesda Lutheran Communities, Inc. and are reported as net assets with donor restrictions. The Organization has elected to reflect the investment earnings that are appropriated for expenditure within the same year as investment income without donor restrictions in the consolidated statements of activities.

NOTE 14 - Leases

The Organization has operating leases for various properties, land, office space, vehicles, and equipment for the operation of its activities. There are also numerous leases that are on a month-to-month basis.

Future minimum operating lease payments as of August 31 are as follows:

2021	$ 2,109,599
2022	1,188,526
2023	514,223
2024	75,391
2025	3,020
Thereafter	90,000
Total	$ 3,980,759

Rent expense on these operating leases was $2,865,453 and $2,857,941 for the years ended August 31, 2020 and 2019, respectively.

In fiscal year 2019 and 2020, the Organization entered into capital leases agreements for the use of vehicles. The capitalized cost of the lease property at August 31, 2020 and 2019 was $1,294,184 and $538,709, respectively. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was $145,311 and $40,641 as of August 31, 2020 and 2019, respectively.

NOTE 14 - Leases (continued)

Capital lease obligations are included in other current liabilities and other long-term liabilities on the consolidated statements of financial position. Interest expense related to capital leases was $25,466 and $6,709 for the years ended August 31, 2020 and 2019, respectively.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of August 31:

2021	$ 200,681
2022	200,681
2023	200,681
2024	159,160
2025	358,517
Total Future Minimum Lease Payments	1,119,720
Less: Amount representing interest	(91,370)
Total	1,028,350
Less: Current portion	(200,681)
Long-Term Capital Lease Obligation	$ 827,669

NOTE 15 - Fiduciary Responsibilities

The Foundation acts as trustee for the Bethesda Lutheran Home Pooled Income Funds and certain Unitrust Funds and Annuity Trusts ("Fund"). As trustee, the Foundation distributes income earned on investments to donor-designated beneficiaries in accordance with trust agreements. Upon the death of the last beneficiary or expiration of the trust, the remaining interest in a donor's contribution is severed from the Fund and becomes available for maintenance and benefit of Bethesda or the Foundation unless another beneficiary is specified. In addition, the Foundation acts as trustee for supplementary trusts, the beneficiaries of which are clients. All assets included in these funds and trusts are included in assets relating to split-interest agreements and trusts in the consolidated statements of financial position in the amount of $9,363,446 and $9,084,320 as of August 31, 2020 and 2019, respectively. The amount due to beneficiaries as of August 31, 2020 and 2019 was $3,696,964 and $3,728,575, respectively.

Annuity funds include the accounts of individuals who have made deposits under a gift annuity agreement which provides for payments at a stipulated rate during their lifetime. Upon termination, the individual's account balance becomes the property of the Organization. Assets held related to annuity funds are held in investments and were $6,900,741 and $8,569,673 as of August 31, 2020 and 2019, respectively. The amount due to beneficiaries relating to gift annuities was $4,074,216 and $4,070,386 as of August 31, 2020 and 2019, respectively, and is included in due to beneficiaries and others under split interest agreements and trusts on the consolidated statements of financial position.

Discretionary trusts where the Foundation is the trustee are held and administered in accordance with the wishes of the donors. Upon the death of the donor, the trust principal and income become available for supplemental care of specified Bethesda clients ("trust beneficiary"). The trust assets are not recognized by the Foundation until the death of the trust beneficiary, or termination of the trust, and then the trust assets are reflected in the Foundation's net assets without donor restrictions.

NOTE 16 - Capital Advances

The Organization received capital advances of $1,201,300 from HUD to finance the purchase of low income housing units. The advances given to the Organization were in the form of mortgage notes which bear no interest and require no repayment provided that the housing to which they relate remain available for low-income developmentally disabled persons in accordance with the appropriate regulations until dates ranging from November 2034 to February 2035. If the Organization does not comply with the terms of the agreements, the entire advance amounts plus interest at 6.625% per year would be required to be paid back to HUD. The capital advances are recorded as net assets without donor restrictions on the accompanying consolidated statements of financial position.

NOTE 17 - Commitments and Contingencies

Financial Awards from Grantors

Financial awards from federal, state and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Commitments

In July 2019, the Organization committed to the construction of Bethesda Cornerstone Village-Victoria, a 52 unit Christian Centered Housing development in Victoria, Minnesota. As of August 31, 2020, the Organization has a construction contract commitment of $14,875,798 for the construction of the building. Of this commitment, $4,650,265 is still outstanding as of August 31, 2020. The Organization will finance this project with the construction loan described in Note 10.

Litigation

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Organization's consolidated financial position or activities.

NOTE 18 - Revenues

Disaggregation of Revenue

The Organization disaggregates its revenue from contracts with customers by residential and non-residential payor sources, as the Organization believes it best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors. Program service revenue by payor source is as follows for the year ending August 31, 2020:

Payor source:	
Residential	
Medicaid	$ 82,948,228
Private	7,011,868
Other	543,415
Total residential	90,503,511
Non-residential	
Medicaid	4,074,329
Private	31,550
Other	84,226
Total non-residential	4,190,105
Total revenues from contracts with customers	94,693,616
Revenue from leases	1,768,688
Grant and other revenue	236,272
Total Program Service Revenues	$ 96,698,576

Substantially, all of the program service revenues from contracts with customers of $94,693,616 is recognized over time as the related performance obligations are satisfied for the year ended August 31, 2020. Additionally, substantially all amounts billed are traditionally fully collected.

NOTE 19 - Concentrations

The Organization maintains cash balances in several institutions which exceed the federally insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. Substantially all of the client programs receivable at August 31, 2020 and 2019 were from governmental third-party payors.

The Organization receives Medicaid funding from programs in various states. Medicaid reimbursement methodology varies from state to state. Approximately 90% of program service revenue was generated from services to Medicaid beneficiaries in 2020 and 2019. The Organization's client programs accounts receivable primarily consists of amounts due from Medicaid at August 31, 2020 and 2019.

NOTE 20 - Subsequent Events

The Organization has evaluated subsequent events through November 10, 2020, which is the date that the consolidated financial statements were approved and available to be issued.

SUPPLEMENTAL INFORMATION

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of August 31, 2020

ASSETS

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 7,468,889	$ 4,754,870	$ 305,893	$ -	$ 12,529,652
Accounts receivable:					
Client programs	8,450,403	-	1,600	-	8,452,003
Interest and other	277,628	326,172	11,079	-	614,879
Legacies	159,500	1,224,739	-	-	1,384,239
Intercompany	6,193,633	-	10,384	(6,204,017)	-
Supply inventories	792,065	-	-	-	792,065
Prepaid expenses and other current assets	1,732,819	-	11,238	-	1,744,057
Total Current Assets	25,074,937	6,305,781	340,194	(6,204,017)	25,516,895
ASSETS WHOSE USE IS LIMITED OR RESTRICTED					
Beneficial interest in subsidiaries	82,738,580	-	-	(82,738,580)	-
Funds held on behalf of clients	2,284,106	-	2,927	-	2,287,033
Escrow deposits	1,627,610	-	8,313	-	1,635,923
Other donor restricted assets	30,629	-	-	-	30,629
Total Assets Whose Use is Limited or Restricted	86,680,925	-	11,240	(82,738,580)	3,953,585
OTHER ASSETS					
Investments	3,537,461	72,387,628	-	-	75,925,089
Assets relating to split-interest agreements and trusts	4,101,820	9,363,446	-	-	13,465,266
Notes receivable and other assets	1,489	-	-	-	1,489
Total Other Assets	7,640,770	81,751,074	-	-	89,391,844
PROPERTY AND EQUIPMENT	50,989,541	-	16,927,542	(256,246)	67,660,837
TOTAL ASSETS	$ 170,386,173	$ 88,056,855	$ 17,278,976	$ (89,198,843)	$ 186,523,161

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION (continued)
As of August 31, 2020

LIABILITIES AND NET ASSETS

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
CURRENT LIABILITIES					
Accounts payable	$ 2,073,659	$ 30,000	$ 4,035,046	$ -	$ 6,138,705
Intercompany accounts payable	3,235,785	922,932	2,045,300	(6,204,017)	-
Salaries, wages, related withholdings and fringe benefits	7,638,573	-	-	-	7,638,573
Line of credit	25,790,872	-	-	-	25,790,872
Current portion of mortgage notes payable	234,184	-	-	-	234,184
Other current liabilities	1,604,699	-	-	-	1,604,699
Total Current Liabilities	40,577,772	952,932	6,080,346	(6,204,017)	41,407,033
LONG-TERM LIABILITIES					
Due to beneficiaries and others under split-interest agreements and trusts	1,694,704	6,076,476	-	-	7,771,180
Mortgage notes payable	986,389	-	9,482,971	-	10,469,360
Pension plan liability	21,525,529	-	-	-	21,525,529
Funds held on behalf of clients	1,733,285	-	4,526	-	1,737,811
Other long-term liabilities	2,029,065	-	-	-	2,029,065
Total Long-Term Liabilities	27,968,972	6,076,476	9,487,497	-	43,532,945
Total Liabilities	68,546,744	7,029,408	15,567,843	(6,204,017)	84,939,978
NET ASSETS					
Without donor restrictions	89,756,522	75,250,984	1,534,749	(77,041,979)	89,500,276
With donor restrictions	12,082,907	5,776,463	176,384	(5,952,847)	12,082,907
Total Net Assets	101,839,429	81,027,447	1,711,133	(82,994,826)	101,583,183
TOTAL LIABILITIES AND NET ASSETS	$ 170,386,173	$ 88,056,855	$ 17,278,976	$ (89,198,843)	$ 186,523,161

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions				
	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
OPERATING PUBLIC SUPPORT					
Contributions and legacies	$ 7,040,120	$ 1,189,706	$ 93,890	$ -	$ 8,323,716
Net assets released from restrictions - operations	3,311,474	153,000	-	-	3,464,474
Total Operating Public Support	10,351,594	1,342,706	93,890	-	11,788,190
OPERATING REVENUE					
Program service revenue	96,698,576	-	-	-	96,698,576
Investment income, net of fees	347,976	8,851,884	7,107	-	9,206,967
Retail operations income	5,534,386	-	-	-	5,534,386
Rental income	316,182	-	-	(85,415)	230,767
Gain on sale of property and equipment	2,105,189	-	-	-	2,105,189
Change in value of split-interest annuities	(141,516)	286,302	-	-	144,786
Change in beneficial interest in subsidiaries	(16,432,421)	-	-	16,432,421	-
Other	674,049	2,086	50,382	-	726,517
Total Operating Revenue	89,102,421	9,140,272	57,489	16,347,006	114,647,188
Total Operating Public Support and Revenue	99,454,015	10,482,978	151,379	16,347,006	126,435,378
OPERATING EXPENSES					
Program expenses	111,798,604	-	46,777	-	111,845,381
Management and general expenses	16,146,452	-	785,548	-	16,932,000
Fundraising expenses	3,021,315	45,715	-	-	3,067,030
Total Operating Expenses	130,966,371	45,715	832,325	-	131,844,411
Change in Net Assets Before Non-Operating Activities	(31,512,356)	10,437,263	(680,946)	16,347,006	(5,409,033)
NON-OPERATING ACTIVITIES					
Net assets released from restrictions - property and equipment	83,507	-	-	-	83,507
Adjustment to unfunded pension plan liability	2,217,943	-	-	-	2,217,943
Transfer between entities	26,188,738	(26,188,738)	-	-	-
Total Non-Operating Activities	28,490,188	(26,188,738)	-	-	2,301,450
CHANGE IN NET ASSETS	(3,022,168)	(15,751,475)	(680,946)	16,347,006	(3,107,583)
NET ASSETS - BEGINNING OF YEAR	92,778,690	91,002,459	2,215,695	(93,388,985)	92,607,859
NET ASSETS - END OF YEAR	$ 89,756,522	$ 75,250,984	$ 1,534,749	$ (77,041,979)	$ 89,500,276

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES (continued)
For the Year Ended August 31, 2020

	With Donor Restrictions				
	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
OPERATING PUBLIC SUPPORT					
Contributions and legacies	$ 1,176,115	$ -	$ -	$ -	$ 1,176,115
Net assets released from restrictions - operations	(3,311,474)	(153,000)	-	-	(3,464,474)
Total Operating Public Support	(2,135,359)	(153,000)	-	-	(2,288,359)
OPERATING REVENUE					
Change in value of split-interest annuities	-	13	-	-	13
Change in beneficial interest in subsidiaries	(478,759)	-	-	478,759	-
Total Operating Revenue	(478,759)	13	-	478,759	13
Total Operating Public Support and Revenue	(2,614,118)	(152,987)	-	478,759	(2,288,346)
NON-OPERATING ACTIVITIES					
Net assets released from restrictions - property and equipment	(83,507)	-	-	-	(83,507)
Restricted contributions	1,460,052	(517,323)	176,384	-	1,119,113
Restricted investment income, net of fees	30,745	15,167	-	-	45,912
Total Non-Operating Activities	1,407,290	(502,156)	176,384	-	1,081,518
CHANGE IN NET ASSETS	(1,206,828)	(655,143)	176,384	478,759	(1,206,828)
NET ASSETS - BEGINNING OF YEAR	13,289,735	6,431,606	-	(6,431,606)	13,289,735
NET ASSETS - END OF YEAR	$ 12,082,907	$ 5,776,463	$ 176,384	$ (5,952,847)	$ 12,082,907

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

BETHESDA
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 7,040,120	$ 1,176,115	$ 8,216,235
Net assets released from restrictions - operations	3,311,474	(3,311,474)	-
Total Operating Public Support	10,351,594	(2,135,359)	8,216,235
OPERATING REVENUE			
Program service revenue	96,698,576	-	96,698,576
Investment income, net of fees	347,976	-	347,976
Retail operations income	5,534,386	-	5,534,386
Rental income	316,182	-	316,182
Gain on sale of property and equipment	2,105,189	-	2,105,189
Change in value of split-interest annuities	(141,516)	-	(141,516)
Change in beneficial interest in subsidiaries	(16,432,421)	(478,759)	(16,911,180)
Other	674,049	-	674,049
Total Operating Revenue	89,102,421	(478,759)	88,623,662
Total Operating Public Support and Revenue	99,454,015	(2,614,118)	96,839,897
OPERATING EXPENSES			
Program expenses	111,798,604	-	111,798,604
Management and general expenses	16,146,452	-	16,146,452
Fundraising expenses	3,021,315	-	3,021,315
Total Operating Expenses	130,966,371	-	130,966,371
Change in Net Assets Before Non-Operating Activities	(31,512,356)	(2,614,118)	(34,126,474)
NON-OPERATING ACTIVITIES			
Net assets released from restrictions - property and equipment	83,507	(83,507)	-
Restricted contributions	-	1,460,052	1,460,052
Restricted investment income, net of fees	-	30,745	30,745
Adjustment to unfunded pension plan liability	2,217,943	-	2,217,943
Transfer from Foundation	26,188,738	-	26,188,738
Total Non-Operating Activities	28,490,188	1,407,290	29,897,478
CHANGE IN NET ASSETS	(3,022,168)	(1,206,828)	(4,228,996)
NET ASSETS - BEGINNING OF YEAR	92,778,690	13,289,735	106,068,425
NET ASSETS - END OF YEAR	$ 89,756,522	$ 12,082,907	$ 101,839,429

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 1,189,706	$ -	$ 1,189,706
Net assets released from restrictions - operations	153,000	(153,000)	-
Total Operating Public Support	1,342,706	(153,000)	1,189,706
OPERATING REVENUE			
Investment income, net of fees	8,851,884	-	8,851,884
Change in value of split-interest annuities	286,302	13	286,315
Other	2,086	-	2,086
Total Operating Revenue	9,140,272	13	9,140,285
Total Operating Public Support and Revenue	10,482,978	(152,987)	10,329,991
OPERATING EXPENSES			
Fundraising expenses	45,715	-	45,715
Change in Net Assets Before Non-Operating Activities	10,437,263	(152,987)	10,284,276
NON-OPERATING ACTIVITIES			
Restricted contributions	-	(517,323)	(517,323)
Restricted investment income, net of fees	-	15,167	15,167
Transfer to Bethesda	(26,188,738)	-	(26,188,738)
Total Non-Operating Activities	(26,188,738)	(502,156)	(26,690,894)
CHANGE IN NET ASSETS	(15,751,475)	(655,143)	(16,406,618)
NET ASSETS - BEGINNING OF YEAR	91,002,459	6,431,606	97,434,065
NET ASSETS - END OF YEAR	$ 75,250,984	$ 5,776,463	$ 81,027,447

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CORNERSTONE
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING PUBLIC SUPPORT			
Contributions and legacies	$ 93,890	$ -	$ 93,890
OPERATING REVENUE			
Investment income, net of fees	7,107	-	7,107
Other	50,382	-	50,382
Total Operating Revenue	57,489	-	57,489
Total Operating Public Support and Revenue	151,379	-	151,379
OPERATING EXPENSES			
Program expenses	46,777	-	46,777
Management and general expenses	785,548	-	785,548
Total Operating Expenses	832,325	-	832,325
Change in Net Assets Before Non-Operating Activities	(680,946)	-	(680,946)
NON-OPERATING ACTIVITIES			
Restricted contributions	-	176,384	176,384
CHANGE IN NET ASSETS	(680,946)	176,384	(504,562)
NET ASSETS - BEGINNING OF YEAR	2,215,695	-	2,215,695
NET ASSETS - END OF YEAR	$ 1,534,749	$ 176,384	$ 1,711,133

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL OPERATING EXPENSES
For the Year Ended August 31, 2020

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
PROGRAM EXPENSES					
Salaries	$ 66,206,478	$ -	$ 26,086	$ -	$ 66,232,564
Payroll taxes and benefits	14,646,366	-	2,746	-	14,649,112
Supplies	4,173,032	-	727	-	4,173,759
Repairs	1,764,722	-	-	-	1,764,722
Client professional and other services	5,529,887	-	-	-	5,529,887
Staff development	207,369	-	1,295	-	208,664
Legal, audit and other professional services	778,343	-	906	-	779,249
Other general outside services	3,451,399	-	10,868	-	3,462,267
Travel, meals, lodging and gasoline	1,015,363	-	3,408	-	1,018,771
Rent	2,793,241	-	-	-	2,793,241
Telephone and internet services	1,189,127	-	225	-	1,189,352
Electricity, natural gas, water and sewer	1,576,532	-	-	-	1,576,532
Property and liability insurance	2,078,449	-	-	-	2,078,449
Depreciation and amortization	4,088,025	-	-	-	4,088,025
Interest	145,183	-	-	-	145,183
Medicaid assessment fees	1,192,623	-	-	-	1,192,623
All other	962,465	-	516	-	962,981
Total Program Expenses	$ 111,798,604	$ -	$ 46,777	$ -	$ 111,845,381
MANAGEMENT AND GENERAL EXPENSES					
Salaries	$ 9,948,200	$ -	$ 272,528	$ -	$ 10,220,728
Payroll taxes and benefits	(675,012)	-	37,934	-	(637,078)
Supplies	323,736	-	305	-	324,041
Repairs	60,411	-	-	-	60,411
Client professional and other services	315	-	-	-	315
Staff development	955,684	-	2,219	-	957,903
Legal, audit and other professional services	2,096,941	-	393,148	-	2,490,089
Other general outside services	924,978	-	27,830	-	952,808
Travel, meals, lodging and gasoline	276,675	-	37,911	-	314,586
Rent	190,602	-	-	-	190,602
Telephone and internet services	173,520	-	897	-	174,417
Electricity, natural gas, water and sewer	150,563	-	-	-	150,563
Property and liability insurance	242,323	-	11,948	-	254,271
Depreciation and amortization	600,751	-	-	-	600,751
Interest	710,640		-	-	710,640
All other	166,125	-	828	-	166,953
Total Management and General Expenses	$ 16,146,452	$ -	$ 785,548	$ -	$ 16,932,000

BETHESDA LUTHERAN COMMUNITIES, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL OPERATING EXPENSES (continued)
For the Year Ended August 31, 2020

	Bethesda	Foundation	Cornerstone	Eliminations	Consolidated
FUNDRAISING EXPENSES					
Salaries	$ 1,707,725	$ -	$ -	$ -	$ 1,707,725
Payroll taxes and benefits	310,253	-	-	-	310,253
Supplies	134,833	-	-	-	134,833
Repairs	618	-	-	-	618
Client professional and other services	85	-	-	-	85
Staff development	12,027	-	-	-	12,027
Legal, audit and other professional services	505,987	42,359	-	-	548,346
Other general outside services	176,628	3,356	-	-	179,984
Travel, meals, lodging and gasoline	112,934	-	-	-	112,934
Telephone and internet services	14,549	-	-	-	14,549
Property and liability insurance	17,941	-	-	-	17,941
Depreciation and amortization	2,593	-	-	-	2,593
All other	25,142	-	-	-	25,142
Total Fundraising Expenses	$ 3,021,315	$ 45,715	$ -	$ -	$ 3,067,030
TOTAL EXPENSES					
Salaries	$ 77,862,403	$ -	$ 298,614	$ -	$ 78,161,017
Payroll taxes and benefits	14,281,607	-	40,680	-	14,322,287
Supplies	4,631,601	-	1,032	-	4,632,633
Repairs	1,825,751	-	-	-	1,825,751
Client professional and other services	5,530,287	-	-	-	5,530,287
Staff development	1,175,080	-	3,514	-	1,178,594
Legal, audit and other professional services	3,381,271	42,359	394,054	-	3,817,684
Other general outside services	4,553,005	3,356	38,698	-	4,595,059
Travel, meals, lodging and gasoline	1,404,972	-	41,319	-	1,446,291
Rent	2,983,843	-	-	-	2,983,843
Telephone and internet services	1,377,196	-	1,122	-	1,378,318
Electricity, natural gas, water and sewer	1,727,095	-	-	-	1,727,095
Property and liability insurance	2,338,713	-	11,948	-	2,350,661
Depreciation and amortization	4,691,369	-	-	-	4,691,369
Interest	855,823	-	-	-	855,823
Medicaid assessment fees	1,192,623	-	-	-	1,192,623
All other	1,153,732	-	1,344	-	1,155,076
Total Expenses	$ 130,966,371	$ 45,715	$ 832,325	$ -	$ 131,844,411

City of Elk Grove
AFFORDABLE HOUSING FUND

Disclosure Form

Instructions
This form must be completed by all project owners, regardless of their percentage of interest in the partnership.

A response is required for all questions. If the response to any question is "yes," please provide additional information on the subject matter. You may attach correspondence to this form. Responding persons must sign the disclosure; signatures of counsel or any other person will not be accepted.

	YES	NO
Have you or any entity which you've managed, filed for bankruptcy protection or have been adjudicated bankrupt in the last 10 years?		X
Have you or any entity which you've managed, defaulted on any loan or other financing?		X
Have any projects owned by you or any entity you've managed, been in foreclosure?		X
Have any of the projects you own or manage been the subject of code enforcement action?		X
Have you had any professional licenses revoked or suspended?		X
Have you been convicted of criminal fraud, forgery, theft, perjury or similar crime?		X
Have any civil actions been brought against you or any entity you've managed?		X

Supplemental Comments

Bethesda Cornerstone Village, LLC is the co-applicant. Bethesda Cornerstone Village, LLC is wholly owned and controlled by Bethesda Lutheran Communities, Inc. Please note that as as a board member of Bethesda Cornerstone Village, LLC, Thomas G. Campbell is signing on behalf of Bethesda Cornerstone Village, LLC, rather than himself personally.

Thomas G. Campbell	Second Vice President, Bethesda Cornerstone Village, LLC	tom.campbell@bethesdalc.org
Name (printed)	Title	Email address

Thomas G. Campbell

7/21/21

Signature | Date

City of Elk Grove
AFFORDABLE HOUSING FUND

Authorization for Release of Information

To Whom It May Concern:

I hereby authorize the City of Elk Grove to make inquiry relating to any information necessary to determine my eligibility and/or the eligibility of my organization, Bethesda Cornerstone Village, LLC, for consideration under the Affordable Housing Fund. Any information obtained by the City of Elk Grove will be used solely to evaluate ability to participate in the aforementioned programs.

I, the undersigned, authorize the City of Elk Grove, its employees, and authorized agents to verify any information (including information of a privileged or confidential nature) necessary in connection with my and/or my organization's application.

I understand this authorization is effective 12 months from the date below.

BY ATTACHING THIS RELEASE FORM, OR A COPY OF SAME, to any verification form requiring the undersigned's signature, you are authorized by the undersigned to release the information requested by the City of Elk Grove.

I hereby release you, your organization, or others from liability or damage which may result from furnishing the information requested.

Bethesda Cornerstone Village, LLC	84-1730106 (FEIN for Bethesda Cornerstone Village, LLC)	N/A
Applicant Name	SSN or Tax ID Number	Date of Birth

N/A

Residence Address (if applicable)

Bethesda Cornerstone Village, LLC	600 Hoffman Drive, Watertown, WI 53094
Name of Business	Business Address

Thomas G. Campbell 7/21/2021

Signature Date

Thomas G. Campbell
2nd Vice President

ARGO PRO
Member Argo Group

Miscellaneous PROtect℠
Professional Liability Insurance Declarations

NOTICE: THIS IS CLAIMS MADE AND REPORTED COVERAGE. SUBJECT TO ITS TERMS AND CONDITIONS, THIS POLICY ONLY AFFORDS COVERAGE FOR CLAIMS FIRST MADE AGAINST THE INSUREDS AND REPORTED TO THE INSURER IN WRITING DURING THE POLICY PERIOD OR EXTENDED REPORTING PERIOD, IF APPLICABLE. PLEASE READ THE POLICY CAREFULLY.

Insurer:	Peleus Insurance Company 8720 Stony Point Parkway Suite 400 Richmond, VA 23235	**Producer:**	Worldwide Facilities, LLC (San Francisco) 450 Sansome Street Suite 1000 San Francisco, CA 94111 5000342
Policy Number: 121 MPL 0168719-01			
Renewal of Policy Number: 121 MPL 0168719-00			

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

ITEM 1. **NAMED INSURED** (Name and Mailing Address):
Bethesda Cornerstone Village LLC
600 Hoffman Dr
Watertown, WI 53094

ITEM 2. **POLICY PERIOD:** (a) Inception Date: 05/01/2021 (b) Expiration Date: 05/01/2022
Both dates at 12:01 a.m. at the Named Insured's Mailing Address shown in ITEM 1 above.

ITEM 3. **COVERED PROFESSIONAL SERVICE**
Real Estate, Property Management and Development Consulting Services for owned and non-owned properties.

ITEM 4. **LIMIT OF LIABILITY AND DEDUCTIBLE:** INSURING AGREEMENTS

Limit of Liability: Each **Claim**	Limit of Liability: Aggregate for all **Claims**	Deductible: Each **Claim**	Deductible: Aggregate
$2,000,000	$2,000,000	$10,000	N/A

ITEM 5. **LIMIT OF LIABILITY AND DEDUCTIBLE:**

	Limit of Liability: Each **Expense Event**	Limit of Liability: Aggregate	Deductible: Each **Expense Event**
Subpoena Assistance	$15,000	$25,000	$0
Disciplinary Proceedings	$25,000	$100,000	$0
Crisis Management Expenses	$100,000	$100,000	$0

ITEM 6. **PREMIUM**: $11,250

ITEM 7. **EXTENDED REPORTING PERIOD OPTION(S):**

12 months at 100% of Full Annual Premium 24 months at 185% of Full Annual Premium

ITEM 8. **RETROACTIVE DATE:** 03/03/2020

ITEM 9. **NOTICE TO THE INSURER:**

CLAIMS OR POTENTIAL CLAIMS SEND TO:	ALL OTHER NOTICES SEND TO:
ARGO PRO US Professional Liability - Claims 413 W. 14th Street New York, NY 10014 855-225-7204 argoproclaims@argogroupus.com	ARGO PRO US Professional Liability - Underwriting 413 W. 14th Street New York, NY 10014

ITEM 10. **POLICY FORM AND ENDORSEMENTS ATTACHED AT ISSUANCE:**

Please see DECSCH-0117 - Schedule of forms and endorsements for a complete list of forms.

THESE DECLARATIONS, TOGETHER WITH THE PROFESSIONAL LIABILITY POLICY COVERAGE FORM(S) AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED POLICY.

This insurance contract is with an insurer which has not obtained a certificate of authority to transact a regular insurance business in the state of Wisconsin, and is issued and delivered as a surplus lines coverage pursuant to s. 618.41 of the Wisconsin Statutes. Section 618.43(1), Wisconsin Statutes, requires payment by the policyholder of 3% tax on gross premium.

Wisconsin Premium: 11,250
Fees: 350
Surplus Lines Tax: 348

Surplus Lines Licensee:
Name: Josh C. Ammons
Address: 4725 Piedmont Row Dr. Suite 600
Charlotte, NC 28210

SCHEDULE OF FORMS AND ENDORSEMENTS

PRMP1000DEC-1219	MISCELLANEOUS PROTECT PROFESSIONAL LIABILITY INSURANCE DECLARATIONS
PRMP1000-1219	MISCELLANEOUS PROTECT PROFESSIONAL LIABILITY INSURANCE
MPRO-5048-1020	REAL ESTATE AMENDATORY WITH OWNED PROPERTY ENDORSEMENT
U094-0415	SERVICE OF SUIT
ILP001-0104	U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") ADVISORY NOTICE TO POLICYHOLDERS
PRIVACYNOTICE-0820	NOTICE OF INSURANCE INFORMATION PRACTICES
SIGPIC-0817	SIGNATURE PAGE

Miscellaneous PROtect℠ Professional Liability Insurance

THIS IS A CLAIMS MADE AND REPORTED LIABILITY COVERAGE POLICY.

PLEASE READ THIS POLICY CAREFULLY.

NOTICE: THIS IS CLAIMS MADE AND REPORTED COVERAGE. SUBJECT TO ITS TERMS AND CONDITIONS, THIS POLICY ONLY AFFORDS COVERAGE FOR CLAIMS FIRST MADE AGAINST THE INSUREDS AND REPORTED TO THE INSURER IN WRITING DURING THE POLICY PERIOD OR EXTENDED REPORTING PERIOD, IF APPLICABLE.

DEFENSE WITHIN LIMITS: THE LIMIT OF LIABILITY AVAILABLE TO PAY SETTLEMENTS OR JUDGMENTS WILL BE REDUCED, AND MAY BE EXHAUSTED, BY DEFENSE COSTS. PLEASE READ THIS POLICY CAREFULLY.

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Words and phrases that appear in bold are defined and may be used in the singular or plural, as appropriate; please refer to Section III – Definitions.

In consideration of the payment of the premium, and in reliance on all statements made and information furnished to the Insurer, and subject to all of the terms and conditions of this policy (including all endorsements hereto), the Insurer agrees with the Insured to provide insurance as stated in this policy.

SECTION I - COVERAGES

A. Insuring Agreement

Professional Liability

The **Insurer** agrees to pay on behalf of the **Insured** all amounts in excess of the Deductible and up to the Limit of Liability that the **Insured** becomes legally obligated to pay as **Damages** and **Defense Costs** resulting from a **Claim** first made and reported in writing during the **Policy Period** or Extended Reporting Period, if applicable, arising out of a **Wrongful Act** committed before the end of the **Policy Period** and on or after the Retroactive Date, if any, shown in the Declarations.

B. Supplemental Payments

All of these Supplemental Payments will be subject to the applicable Limit of Liability shown in Item 5 of the Declarations. The Supplemental Payments are in addition to the aggregate Limit of Liability for all **Claims**.

1. **Crisis Management Expenses**

   The **Insurer** will reimburse the **Insureds** for any **Crisis Management Expenses** resulting from a **Crisis Management Event** that occurs during the **Policy Period**.

2. **Disciplinary Proceedings**

   a. If, during the **Policy Period**, a **Disciplinary Proceeding** is first brought against any **Insured**, the **Insurer** will reimburse the **Insured** for reasonable and necessary legal fees and expenses that the **Insured** incurs in the defense of such matter. Such legal fees and expenses do not include any fines, penalties or restitution paid by the **Insured** as part of or to resolve a **Disciplinary Proceeding**.

b. Any notice given to the **Insurer** by any **Insured** under this subsection will be deemed notice of **Potential Claim**.

3. Subpoena Assistance

a. If, during the **Policy Period**, an **Insured** first receives a subpoena for documents or testimony arising out of **Professional Services** performed by any **Insured**, and the **Insured** requests the **Insurer's** assistance in responding to such subpoena, the **Insurer** will reimburse the **Insured** for reasonable and necessary: legal fees and expenses incurred to provide the **Insured** advice regarding the production of documents; costs incurred by the **Insured** to produce any documents in response to the subpoena including testimony at a hearing, trial or examination under oath; and legal fees and expenses to prepare the **Insured** for sworn testimony and to represent the **Insured** at the **Insured's** deposition;

provided that:

(1) the subpoena arises out of a civil lawsuit to which the **Insured** is not a party; and

(2) the **Insured** has not been engaged to provide advice or testimony in connection with the civil lawsuit and the **Insured** has not provided such advice or testimony in the past.

b. Response to a subpoena as described above will not be considered a **Claim** or **Disciplinary Proceeding** under the policy and the coverage for any response to a subpoena is limited to that provided under this section.

SECTION II – LIMITS OF LIABILITY AND DEDUCTIBLE

A. Limit of Liability: A. Insuring Agreement Professional Liability

1. Limit of Liability: Each **Claim** under SECTION I – COVERAGES, A. Insuring Agreement: The most the **Insurer** will pay for **Damages** and **Defense Costs** for each **Claim** covered by this policy under SECTION I – COVERAGES, A. Insuring Agreement is the amount shown for Limit of Liability in Item 4 of the Declarations.

2. Limits of Liability: Aggregate for all **Claims** under SECTION I – COVERAGES, A. Insuring Agreement: The most the **Insurer** will pay for all **Damages** and **Defense Costs for** all **Claims** in the Aggregate covered by this policy under SECTION I – COVERAGES, A. Insuring Agreement is the amount shown in Item 4 of the Declarations.

3. **Defense Costs** are part of and not in addition to the Limits of Liability. Payment of **Defense Costs** by the **Insurer** will reduce, and may exhaust, the Limits of Liability.

B. Limits of Liability: SECTION I – COVERAGES, B. Supplemental Payments

Supplemental Payments under SECTION I – COVERAGES, B. Supplemental Payments will be paid in addition to the Each **Claim** or Aggregate Limit of Liability, as applicable, shown in Item 4 of the Declarations.

1. Limits of Liability: **Crisis Management Expenses**: The most the **Insurer** will pay for **Crisis Management Expenses** covered under Supplemental Payments,1. of this policy during the **Policy Period** resulting from each **Crisis Management Event** and in the Aggregate is the amount shown for **Crisis Management Expenses** in Item 5 of the Declarations.

2. Limits of Liability: **Disciplinary Proceeding**: The most the **Insurer** will pay for each such **Disciplinary Proceeding** and in the Aggregate under SECTION I – COVERAGES, B. Supplemental Payments, 2. of this policy during the **Policy Period** is the amount shown in Item 5 of the Declarations.

3. Limits of Liability: Subpoena Assistance: The most the **Insurer** will pay for each response to a subpoena and in the Aggregate under SECTION I – COVERAGES, B. Supplemental Payments, 3. of this policy is the amount shown in Item 5 of the Declarations. The Subpoena Assistance Limit of Liability will apply to all subpoenas issued in the same civil lawsuit.

C. Deductible

1. Regarding the coverage provided by this policy under SECTION I – COVERAGES, A. Insuring Agreement Professional Liability, Each Claim Deductible shown in Item 4 of the Declarations applies to each **Claim** and will be paid by the **Insured** as a condition precedent to payment of any **Damages** or **Defense Costs** by the **Insurer**. The **Insured** must pay the applicable Deductible for each **Claim** no later than 30 days after the **Insurer's** written request regardless of the number of **Claims** covered by this policy. Any Aggregate Deductible amount shown in Item 4 of the Declarations is the most the **Insured** will pay as a Deductible for all **Claims** covered by this policy.
2. Regarding the coverage provided by this policy under SECTION I – COVERAGES, B. Supplemental Payments, each **Expense Event** Deductible shown in Item 5 of the Declarations applies respectively to each **Crisis Management Expense**, **Disciplinary Proceeding** and response to a subpoena, and will be paid by the **Insured** as a condition precedent to payment of any amount by the **Insurer**. The **Insured** must pay the applicable Deductible for each **Expense Event** no later than 30 days after the **Insurer's** written request regardless of the number of **Expense Events** covered by this policy.
3. The **Insured's** Deductible obligation for each **Claim** will be reduced by 50%, subject to a maximum aggregate reduction of all Deductibles for all **Claims** of $25,000 if the **Insurer** agrees and the **Insured** consents to the final settlement of a **Claim** as a result of a voluntary mediation. This reduction does not apply to any **Claim** resolved through court-mandated mediation or voluntary or involuntary arbitration.

SECTION III - DEFINITIONS

A. **Bodily Injury** means physical injury, sickness, disease or death of any person.

B. **Claim** means any of the following arising from a **Wrongful Act**:

1. a written demand received by any **Insured** for monetary, non-monetary or injunctive relief, including a written demand that the **Insured** toll or waive a statute of limitations;
2. a civil proceeding against any **Insured** commenced by the service of a complaint or similar pleading;
3. the institution of an arbitration, mediation, or other alternate dispute resolution proceeding against any **Insured**;
4. a **Privacy Breach Claim**;
5. a **Security Event Claim**; or
6. a **Social Engineering Incident Claim**.

C. **Crisis Management Event** means an event that in the reasonable opinion of the **Named Insured** or a **Subsidiary** did cause or is reasonably likely to cause significant harm to the reputation of the **Named Insured** or a **Subsidiary**.

D. **Crisis Management Expenses** mean reasonable and necessary expenses approved by the **Insurer** in its sole discretion, for a public relations firm to assist the **Named Insured** or any **Subsidiary** in mitigating reputational harm to the **Named Insured** or any **Subsidiary** caused by a **Crisis Management Event**. **Crisis Management Expenses** do not include: (1) the remuneration, salaries or overhead of any **Insured**, or (2) any fees or expenses incurred prior to the time that a **Crisis Management Event** is reported to the **Insurer**.

E. **Damages** means a monetary judgment or settlement that an **Insured** becomes legally obligated to pay as a result of a covered **Claim**, including punitive or exemplary damages where insurable under applicable law.

1. **Damages** include:

   a. pre and post judgement interest on the entire amount of any judgment which accrues after the entry of the judgment and before the **Insurer** has paid or tendered or deposited in the Court that part of the judgment that does not exceed the policy limit.

2. **Damages** do not include:

   a. any fines, penalties, taxes or sanctions, whether imposed by law or otherwise or liquidated damages;

   b. the return, reduction or restitution of fees, costs, or expenses;

   c. amounts which are uninsurable under applicable law;

   d. the cost of complying with any injunctive, declaratory, administrative, or other non-monetary relief;

   e. any amount for which the **Insured(s)** are not financially liable or which are without legal recourse to the **Insured(s)**;

   f. fees, costs, and expenses paid, incurred, or charged by the **Insured**, no matter whether claimed as a restitution of specific funds, financial loss, mitigation expenses, or other non-cash consideration;

   g. amounts paid or incurred by the **Insured** to replace, restore, or recreate the **Insured's** electronic data, computer software, computer hardware, or computer network;

   h. amounts which constitute lost income to the **Insured** as a result of a **Privacy Breach** or **Security Event**; or

   i. amounts paid or incurred by the **Insured** to inform clients of any **Security Event** or **Privacy Breach**.

F. **Defense Costs** means:

1. reasonable and necessary fees, costs and expenses charged by any lawyer consented to or designated by the **Insurer** to defend any **Insured** against a **Claim**;

2. all other reasonable and necessary fees, costs and expenses resulting from the investigation, discovery, adjustment, defense, settlement or appeal of a **Claim** as authorized by the **Insurer**; and

3. the cost of a bond or appeal bond, required as a result of a **Claim**, including bonds to release attachments, but only for bond amounts not exceeding the applicable Limit of Liability; however, the **Insurer** has no obligation to apply for, guarantee or furnish any such bond.

Defense Costs do not include the remuneration, salaries, overhead, fees or expenses of the **Insured**, or any fees or expenses incurred prior to the time that a **Claim** is first made against any **Insured** and reported to the **Insurer**. **Defense Costs** will be paid first and will reduce, and may exhaust, the Limits of Liability shown in Item 4 of the Declarations.

G. **Disciplinary Proceeding** means a proceeding before a disciplinary board or similar entity or official to determine violations of disciplinary rules or rules of professional conduct, professional misconduct or other matters relating to licensing and discipline. **Disciplinary Proceeding** does not include charges, investigations or actions filed with a regulatory agency or official, including, without limitation, the Securities and Exchange Commission, the U.S. Patent & Trademark Office or the Internal Revenue Service.

H. **Expense Event** means any **Crisis Management Event**, **Disciplinary Proceeding**, or response to a subpoena that triggers coverage under SECTION I – COVERAGES, B. Supplemental Payments 1, 2. or 3.

I. **Information Custodian** means any third party that possesses **Non-public Personal Information** or **Proprietary Business Information** on behalf of the **Named Insured** and which is required to maintain the confidentiality and integrity of that information by a written contract with the **Named Insured**.

J. **Information System** means any electronic device, electronic and paper storage media, as well as any communications networks, including cloud or other multi-tenant storage models.

K. **Insured** means:

1. the **Named Insured** and any **Subsidiary**;
2. any past, present or future owner, principal, officer, director, partner, stockholder, shareholder, member, manager or employee of the **Named Insured** or any **Subsidiary** but only while performing **Professional Services** on behalf of the **Named Insured** or any **Subsidiary**;
3. the estate, heirs, executors, administrators, assigns and legal representatives of each **Insured** in the event of the death, incapacity, insolvency or bankruptcy of any **Insured**, but only to the extent that such **Insured** would otherwise be provided coverage under this policy;
4. any **Insured's** legal spouse, including any natural person qualifying as a domestic partner under the provisions of any applicable state, federal or local law in the United States, but only with respect to **Damages** and **Defense Costs** resulting from **Professional Services** of the **Named Insured** or any **Subsidiary**; or
5. any employee, intern, volunteer or independent contractor of the **Named Insured** or any **Subsidiary**, but only as respects **Professional Services** rendered on behalf of the **Named Insured** or **Subsidiary**.

L. **Insurer** means the insurance company issuing this policy as shown in the Declarations.

M. **Named Insured** means the person or entity designated in Item 1 of the Declarations.

N. **Non-public Personal Information** means any of the following information, if not already publicly available:

1. social security, driver's license or government issued identification numbers;
2. credit, debit, bank, credit union or brokerage account numbers, balances or account histories;
3. telephone numbers or telephone records;
4. medical records, health insurance identification numbers or other protected health information; or
5. any other non-public information that can be used to identify an individual, which is protected by a **Privacy Regulation**.

O. **Personal Injury Offense** means:

1. false arrest, humiliation, mental anguish, emotional distress, unlawful detention, false imprisonment, wrongful entry, eviction or other invasion of private occupancy, abusive litigation, abuse of process or malicious prosecution;
2. the publication or utterance of a libel or slander or other defamatory or disparaging material, or a publication or utterance in violation of any individual's right to privacy; or
3. misrepresentation in advertising or infringement of copyright, trademark, service mark, trade dress or trade name.

P. **Policy Period** means the period from the inception date of this policy to the expiration date of this policy, as shown in Item 2 of the Declarations, or its earlier termination date, if any.

Any extension of the **Policy Period** will not result in an increase or reinstatement of the Limit of Liability.

Q. **Pollutants** mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

R. **Potential Claim** means:

1. any circumstance which might reasonably be expected to give rise to a **Claim** against any **Insured** under the policy; or
2. receipt of notice of a **Disciplinary Proceeding**.

S. **Privacy Breach** means any of the following occurring on or after the Retroactive Date, if any, shown in Item 8 of the Declarations:

1. the alleged unauthorized alteration, collection, copying, disclosure, dissemination or viewing of **Non-public Personal Information** or **Proprietary Business Information** in any form, from any source, directly resulting from an **Insured's** failure to protect such information from unauthorized access or unauthorized use;
2. the alleged accidental release or loss of **Non-public Personal Information** or **Proprietary Business Information**;
3. the alleged wrongful collection, use or sale of **Non-public Personal Information** or **Proprietary Business Information** in any form; and
4. an **Insured's** alleged failure to correct the **Non-public Personal Information** of a third party that is stored on the **Named Insured's Information System** once notified by the affected individual or that individual's legal counsel.

Privacy Breach includes the **Named Insured's** vicarious liability for the disclosure of **Non-public Personal Information** or **Proprietary Business Information** in the care, custody and control of an **Information Custodian** to whom the **Named Insured** entrusted that information.

T. **Privacy Breach Claim** means a **Claim** brought by or on behalf of a third party seeking **Damages and** arising out of a **Privacy Breach** that occurred in the rendering of **Professional Services**.

U. **Privacy Regulation** means any current or future statute or regulation applying to the collection, dissemination or storage of **Non-public Personal Information** promulgated by a **Privacy Regulator** including, but not limited to, state breach notice laws, HIPAA, the Hi-Tech Act, the Federal Trade Commission (FTC) Red Flag rules, Gramm-Leach Bliley or the European Union (EU) Data Protection Act.

V. **Privacy Regulator** means any local, state or federal government of the United States, any provincial or federal government in Canada, The United Kingdom, the European Union or a member state of the European Union.

W. **Privacy Regulatory Action** means the institution of an investigation, an administrative hearing or civil charges by a **Privacy Regulator** under a **Privacy Regulation** arising out of an actual or alleged **Privacy Breach**.

X. **Professional Services** means those services described in Item 3 of the Declarations of this policy, performed for others.

Y. **Property Damage** means physical injury to tangible or real property, including all resulting loss of use of that property.

Z. **Proprietary Business Information** means business records, customer lists, trade secrets or any other non-public information entrusted to an **Insured** under a written contract to protect its confidentiality.

AA. **Security Event** means any of the following taking place on or after the Retroactive Date, if any, shown in Item 8 of the Declarations:

1. the **Insured's** inadvertent transmission of malicious computer code to a third party;
2. the failure to prevent the use of the **Named Insured's Information System** to harm a third party's **Information System** including the failure to prevent the use of the **Named Insured's Information System** for launching a denial of service attack;
3. the inability of any **Insured** or third party to access the **Named Insured's Information System** due to: the failure to prevent a denial of service attack, damage from malicious computer code, unauthorized access to, or unauthorized use of, the **Named Insured's Information System**; or
4. the corruption, destruction or loss of electronic data held within the **Named Insured's Information System,** as the direct result of malicious computer code, a denial of service attack or from unauthorized access to, or unauthorized use of, the **Named Insured's Information System**.

BB. **Security Event Claim** means a **Claim** brought by or on behalf of a third party seeking **Damages** and arising out of a **Security Event** that occurred in the rendering of **Professional Services**.

CC. **Social Engineering Incident** means the following taking place on or after the Retroactive Date, if any, shown in Item 8 of the Declarations an **Insured** having transferred, paid or delivered funds or data as a direct result of a fraudulent written instruction, electronic instruction (including e-mail or web-based instruction) or telephone instruction that was intended to mislead an **Insured** through misrepresentation of a material fact that was relied upon in good faith by such **Insured**.

DD. **Social Engineering Incident Claim** means a **Claim** brought by or on behalf of a third party seeking **Damages** and alleging a **Social Engineering Incident** that occurred in the rendering of **Professional Services**.

EE. **Subsidiary** means:

1. any entity in which more than 50% of the outstanding voting securities, or voting rights representing the present right to vote for election of directors, officers, or any equivalent executives, is owned or controlled by the **Named Insured**, either directly or indirectly on or before the effective date of this policy;
2. any entity created or acquired by the **Named Insured** after the effective date of this policy, if the gross revenues of the created or acquired entity for the prior year are less than 50% of the annual gross revenues of the **Named Insured** as reflected in the **Named Insured's** most recent audited consolidated financial statement prior to such creation or acquisition; or
3. any entity created or acquired by the **Named Insured** after the effective date of this Policy that does not fall within subsection 2. above, but such entity will be a **Subsidiary** only for either (i) a period of 30 days from the date such entity was created or acquired by the **Named Insured**; or (ii) until the end of the **Policy Period**, whichever occurs first.

Any entity which is a financial institution, including but not limited to any bank, insurance company, insurance agent/broker, securities broker/dealer, investment advisor, mutual fund or hedge fund is not a **Subsidiary**.

Subsidiary also means any foundation or charitable trust controlled or directly sponsored by the **Named Insured**.

Provided, however, this policy will only apply to **Wrongful Acts** committed or allegedly committed after the date an entity becomes a **Subsidiary** and prior to the date such entity ceases to be a **Subsidiary**.

FF. **Wrongful Act** means any actual or alleged act, error, omission or breach of duty by any **Insured** in the rendering of or failure to render **Professional Services**. **Wrongful Act** also means an actual or alleged **Personal Injury Offense** by any **Insured** or by anyone for whom the **Insured** is legally responsible in the rendering of or failure to render **Professional Services**.

SECTION IV - EXCLUSIONS

This policy does not apply to any **Claim**:

A. arising out of a **Wrongful Act**, **Privacy Breach, Security Event**, **Social Engineering Incident** or **Expense Event** occurring prior to the effective date of the first Miscellaneous Professional Liability Insurance Policy issued by the **Insurer** to the **Named Insured** and continuously renewed and maintained, if:

1. any **Insured** gave notice to any prior insurer of any such **Claim**, (including any **Potential Claim** that might lead to such **Claim**), **Wrongful Act**, **Privacy Breach**, **Security Event** or **Social Engineering Incident**; or
2. any **Insured** had a reasonable basis to believe that an **Insured** had committed a **Wrongful Act**, violated a disciplinary rule, or engaged in professional misconduct.

B. arising out of any actual or alleged intentional, criminal, dishonest, malicious or fraudulent act, error or omission by any **Insured** if such intentional, criminal, dishonest, malicious or fraudulent act, error or omission is established by a final adjudication of the **Claim** or a final adjudication in any judicial, administrative or alternative dispute resolution proceeding.

This Exclusion does not apply to any **Personal Injury Offense** that results from any **Insured's** rendering or failing to render **Professional Services**.

For purposes of this Exclusion, the act of any **Insured** shall not be imputed to any other **Insured(s)** who was not aware of and did not participate in such act.

C. arising out of any **Insured's** services provided on behalf of or capacity as an officer, director, partner, owner, member, manager or employee of any corporation, partnership, association or any other business enterprise or charitable organization of any kind or nature other than:

1. the **Named Insured**;

2. any entity other than the **Named Insured**:
    a. that is managed, or controlled by any **Insured**;
    b. in which any **Insured**, individually or collectively, has an ownership interest in excess of 49%; or
    c. which wholly or partly owns, operates or manages the **Named Insured**.

D. arising out of any actual or alleged violation or breach by any **Insured** of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, Telephone Consumer Protection Act (TCPA), Securities Act of 1933, Securities Exchange Act of 1934, the Racketeer Influenced and Corrupt Organizations Act 18 USC Sections 1961 et seq., the Controlling the Assault of Non-Solicited Pornography and Marketing ACT (CAN-SPAM) of 2003, the Fair Credit Reporting Act (FCRA), Fair and Accurate Credit Transactions Act (FACTA), or amendments thereto of any of these, or any similar provision of any federal, state or local statute, regulation, ordinance or common law.

This Exclusion does not apply if any **Insured** is deemed to be a fiduciary solely by reason of **Professional Services** rendered with respect to any employee benefit plan.

E. arising out of **Bodily Injury** or **Property Damage**.

F. arising out of any actual or alleged liability assumed by any **Insured** under any written or oral contract or agreement, including, without limitation, any indemnification agreement, express warranties or guarantees provided that this exclusion does not apply to any liability that would have attached to any **Insured** in the absence of such contract or agreement and that is otherwise covered under the policy.

In a foreign jurisdiction where the **Insured's** liability to a client is predicated only on contractual liability, this Exclusion does not apply except to the extent that the **Insured** has agreed to pay consequential or liquidated damages.

This exclusion does not apply to liability assumed by the **Insured** in a contract under which it has agreed to perform **Professional Services**.

G. by or on behalf any **Insured** against any other **Insured**.

H. arising out of the sale or promotion of any investment or security, including any personal financial planning or investment advice.

I. arising out of an actual or alleged false, deceptive or unfair trade practices, or violation of any anti-trust or price-fixing rule or regulation, false or misleading advertising.

J. arising out of:

1. the actual, alleged or threatened discharge, release, escape, seepage, migration or disposal of **Pollutants** at any time; or

2. any direction, demand or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of **Pollutants**.

K. arising out of the commingling, misappropriation or misuse of funds.

L. arising out of infringement of patent or misappropriation of a trade secret.

This exclusion does not apply to software or material produced for a client as part of **Professional Services.**

M. arising out of any **Insured's** advising, requiring obtaining or failing to advise, require or obtain any bond, suretyship or other insurance.

N. arising out of any actual or alleged discrimination, humiliation, harassment or misconduct including but not limited to that which is based on an individual's race, religion, color, gender, sexual orientation, national origin, age, disability, or marital status by any past, present or future owner, principal, officer, director, partner, stockholder, shareholder, member, manager or employee of the **Named Insured** or any **Subsidiary** to any employee, prospective employee, or customer.

This exclusion does not apply to any **Claim** arising out of an **Insured's** rendering or failing to render **Professional Services**.

SECTION V – EXTENDED REPORTING PERIODS

In the event this policy is cancelled or non-renewed by either the **Named Insured** or the **Insurer**:

A. Automatic Extended Reporting Period

An Extended Reporting Period is automatically provided to the **Named Insured** without additional charge. This period starts at the end of the **Policy Period** and lasts for 60 days, or the date another policy for professional liability insurance applicable to the **Named Insured** takes effect, whichever occurs first.

1. There will be no entitlement to this Automatic Extended Reporting Period if cancellation or non-renewal is due to any **Insured's** non-payment of premium or Deductible due, or failure to comply with the terms and conditions of the policy, or if the policy was issued based upon a misrepresentation by any **Insured**.

2. This Automatic Extended Reporting Period will be subject to all the terms and conditions of this policy and will apply only to **Claims** that are first made against any **Insured** during the Automatic Extended Reporting Period and reported to the **Insurer** during the Automatic Extended Reporting Period and that arise out of a **Wrongful Act** that occurred or is alleged to have occurred subsequent to the Retroactive Date, if any, shown on the Declarations and before the end of the **Policy Period**.

3. This Automatic Extended Reporting Period does not in any way increase the Limits of Insurance of this policy.

4. If any other policy of insurance in effect would apply to any **Claims** first made against the **Insured** during the Automatic Extended Reporting Period, then coverage provided under this Automatic Extended Reporting Period will apply specifically as excess over such other insurance.

B. An Optional Extended Reporting Period is available to the **Named Insured**, but only by an endorsement and for the extra premium charge as shown in Item 7 of the Declarations.

1. The **Named Insured** must give the **Insurer** a written request for an Optional Extended Reporting Period within 60 days after the end of the **Policy Period**. The Optional Extended Reporting Period will not go into effect unless the **Named Insured** pays the additional premium promptly when due.

2. The Optional Extended Reporting Period is non-cancellable and starts upon the expiration of the **Policy Period**.

3. All premiums paid for the Optional Extended Reporting Period will be deemed fully earned and non-refundable as of the first day of the Optional Extended Reporting Period.

4. There will be no entitlement to this Optional Extended Reporting Period if cancellation or non-renewal of the policy is due to any **Insured's** non-payment of premium or a Deductible due, or failure to comply with the terms and conditions of the policy, or if the policy was issued based on a misrepresentation by any **Insured**.

5. This Optional Extended Reporting Period will be subject to all the terms and conditions of this policy and will apply only to **Claims** first made against any **Insured** during the Optional Extended Reporting Period and reported to the **Insurer** during the Optional Extended Reporting Period and that arise out of a **Wrongful Act** that occurred or is alleged to have occurred subsequent to the Retroactive Date, if any, shown on the Declarations and before the end of the **Policy Period**.

6. The Optional Extended Reporting Period does not in any way increase the Limits of Insurance of this policy.

C. Non-practicing Extended Reporting Period

If, during this **Policy Period**, any **Insured** permanently and totally retires or otherwise voluntarily ceases the practice of providing the **Professional Services** insured by this policy, and has been insured by a Professional Liability Insurance policy issued by the **Insurer** for at least the 7 consecutive years immediately preceding, and the **Insured** is at least 55 years of age, the **Insurer** will, subject to the provisions of paragraphs A. and B. above, issue a Nonpracticing Extended Reporting Period endorsement.

1. This Nonpracticing Extended Reporting Period is provided until such **Insured** resumes the **Professional Services** insured by this policy, or until the death of such **Insured** in which case paragraph D.1 below, will apply.

2. No additional premium will be charged for this coverage, nor will any premium be refunded.

D. Death or Disability Extended Reporting Period

If during the **Policy Period,** any **Insured** dies from a cause other than suicide or becomes totally and permanently disabled, an extended reporting period is provided until the executor or administrator is discharged or until the disability ends. However, the Death or Disability Extended Reporting Period will never be longer than seven years from the date of death or disability. No additional premium will be charged for this coverage, nor will any premium be refunded. In no event will the Death or Disability Extended Reporting Period apply if the **Insurer** is not notified in accordance with 1 and 2 below.

1. In the event of death, the **Insured's** estate must, no later than 60 days after the end of this **Policy Period**, provide the **Insurer** with written notice that the extended reporting period is desired. This notice must include written proof of the date of death.

2. In the event the **Insured** becomes totally and permanently disabled, the **Insured** or the **Insured's** legal guardian must, no later than 60 days after the end of this **Policy Period**, provide the **Insurer** with written notice that the extended reporting period is desired. This notice must include written proof that the **Insured** is totally and permanently disabled, including the date the disability began, certified by the attending physician. The **Insured** agrees to submit to medical examination(s) by any physician(s) designated by the **Insurer**, if requested.

This Extended Reporting Period is subject to the conditions set forth in paragraph A. above.

SECTION VI – GENERAL CONDITIONS

A. Defense, Settlement and Cooperation

1. The **Insurer** has the right and duty to defend any **Insured** against any **Claim** seeking **Damages** to which this insurance applies even if the allegations of such **Claim** are groundless, false or fraudulent. The **Insurer** will designate, or, at the **Insurer's** sole discretion, approve counsel chosen by the **Insured** to defend the **Claim**.

   This policy has provisions whereby the **Insurer** will pay on the **Insured's** behalf certain costs incurred as a result of defending a **Disciplinary Proceeding** or responding to a subpoena for documents or testimony; however the **Insurer** has no duty to defend the **Insured** in any such **Disciplinary Proceeding** or in connection with any such subpoena assistance as shown in SECTION I – COVERAGES, B. Supplemental Payments, item 5 of this policy.

2. The **Insurer** has the right to make any investigation the **Insurer** deems necessary and, with the **Insured's** consent, make any settlement of any **Claim** covered by the terms of this policy.

3. The **Insured** will not, except at the **Insured's** own cost, make any payment, admit any liability, settle any **Claim**, assume any obligation or incur any expense, without the **Insurer's** prior written consent, such consent not to be unreasonably withheld.

4. If the applicable Limit of Liability shown in Items 4 and 5 of the Declarations are exhausted by the payment of **Damages** and **Defense Costs**, then all of the **Insurer's** obligations under this policy will be completely fulfilled and exhausted, and the **Insurer** will have no further obligations of any kind or nature whatsoever under this policy. If the applicable Limit of Liability shown in the Declarations is exhausted prior to settlement or judgment of any **Claim**, the **Insurer** will have the right to withdraw from further investigation or defense by tendering control of such investigation or defense to the **Insured**, and the **Insured** agrees, as a condition to the issuance of this policy, to accept such tender.

5. The **Insured** must cooperate with the **Insurer** and assist the **Insurer** in investigating and defending any **Claim** or **Potential Claim** or investigating any event resulting in coverage under SECTION I – COVERAGES, A. Insuring Agreement and SECTION I – COVERAGES, B. Supplemental Payments. Upon the **Insurer's** request, the **Insured** must submit to examination and interrogation by the **Insurer's** representatives, under oath if required, and the **Insured** must attend hearings, depositions and trials, and assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits and other proceedings, as well as in the giving of a written statement or statements to the **Insurer's** representatives including investigating and coverage counsel, and meeting with such representatives for the purpose of investigating and defense, including the investigation of coverage issues or defense. The **Insured** must further cooperate with the **Insurer** and do whatever is necessary to secure and effect any rights of indemnity, contribution or apportionment which the **Insured** may have.

B. Reporting and Notice

1. Reporting of **Claims**

If, during the **Policy Period** or any Extended Reporting Period, any **Claim** for a **Wrongful Act** is first made against any **Insured**, as a condition precedent to the **Insured's** right to coverage under this policy, the **Insured** must give the **Insurer** written notice of such **Claim** as soon as practicable, but in no event later than the later of 60 days after the expiration date or earlier termination date of this policy, or the expiration of any Extended Reporting Period, if applicable.

Timely and sufficient notice of a **Claim** by one of the **Insureds** will be deemed timely and sufficient notice for all of the **Insureds** involved in the **Claim**. Such notice must give full particulars of the **Claim**, including, but not limited to: a description of the **Claim** and **Wrongful Act**; the identity of the **Insured** and all potential claimants involved; a description of the injury or damages that resulted from such **Wrongful Act**; information on the time, place and nature of the **Wrongful Act**; and the manner in which the **Insured** first became aware of the **Claim**.

2. Reporting of **Potential Claims**

If, during the **Policy Period**, any **Insured** first becomes aware of any **Potential Claim**, the **Insured** will give the **Insurer** written notice of such **Potential Claim** with full particulars as soon as practicable thereafter, but in any event before the end of the Policy Period. If such **Potential Claim** later becomes a **Claim** not otherwise excluded by this policy, such **Claim** will be treated as if the **Claim** had been first made during the **Policy Period**. Full particulars include, but are not limited to: a description of the **Potential Claim**; the identity of the **Insured** and all potential claimants involved; information on the time, place and nature of the **Potential Claim**; the manner in which the **Insured** first became aware of such **Potential Claim**; and the reasons the **Insured** believe the **Potential Claim** is likely to result in a **Claim**.

3. Notice regarding **Crisis Management Expenses**

If, during the **Policy Period** a **Wrongful Act, Privacy Breach, Security Event** or **Social Engineering Incident** occurs, then as a condition precedent to the **Insured's** right to coverage under this policy for **Crisis Management Expenses**, the **Insured** must give the **Insurer** written notice of such **Wrongful Act, Privacy Breach**, **Security Event** or **Social Engineering Incident** as soon as practicable, but in no event later than the expiration date or earlier termination date of this policy.

Such notice must give full particulars of the **Wrongful Act, Privacy Breach**, **Security Event** or **Social Engineering Incident**, including, but not limited to: a description of the **Wrongful Act, Privacy Breach**, **Security Event** or **Social Engineering Incident**; the identity of the **Insured** and all potential claimants involved; and the manner in which the **Insured** first became aware of such **Wrongful Act, Privacy Breach**, **Security Event** or **Social Engineering Incident**.

4. Notice of **Disciplinary Proceedings** and Subpoenas

   If, during the **Policy Period**:

   a. a **Disciplinary Proceeding** is first initiated against any **Insured** and covered by SECTION I – COVERAGES, B. Supplemental Payments, 3. Disciplinary Proceedings; or

   b. any **Insured** first receives a subpoena covered by SECTION I – COVERAGES, B. Supplemental Payments, 4. Subpoena Assistance;

   then as a condition precedent to the **Insured's** right to coverage under this policy, the **Insured** must give the **Insurer** written notice of such **Disciplinary Proceeding** or subpoena as soon as practicable, but in no event later than the end of the **Policy Period**.

   Such notice must give full particulars of the **Disciplinary Proceeding** or subpoena, including, but not limited to: a description of the **Disciplinary Proceeding** or subpoena; the identity of the **Insured** and all potential claimants involved; and the manner in which the **Insured** first became aware of such **Disciplinary Proceeding** or subpoena.

5. Notices

   All written notices required herein must be sent to the **Insurer** at the **Insurer's** physical address or e-mail address shown in Item 9 of the Declarations.

C. Multiple Wrongful Acts, **Claims** or Claimants

Two or more **Claims** arising out of a single **Wrongful Act**, or any series of related **Wrongful Acts**, will be considered a single **Claim**. Each **Wrongful Act**, in a series of related **Wrongful Acts**, will be deemed to have occurred on the date of the first such **Wrongful Act**.

D. Organizational Changes

1. If, during the **Policy Period**:

   a. the **Named Insured** or any **Subsidiary** are merged with, consolidated into or acquired by or with another entity such that the **Named Insured** is not the surviving entity; or

   b. a receiver, conservator, trustee, liquidator or rehabilitator, or any similar official is appointed for or with respect to the **Named Insured** or any **Subsidiary**; then

   coverage under this policy will continue in full force and effect with respect to **Professional Services** rendered before such event, but coverage will cease with respect to **Professional Services** committed after such event. After any such event, this policy may not be canceled by the **Named Insured** and the entire premium for this policy will be deemed fully earned.

2. If, during the **Policy Period**, the **Named Insured** or any **Subsidiary** merges, consolidates or acquires an entity whose gross revenues for the prior year are equal to or greater than 50% of the annual gross revenues of the **Named Insured** as reflected in the **Named Insured's** most recent consolidated financial statement prior to such merger, consolidation or acquisition, then no coverage will be afforded under this policy for any **Claim** involving such assets or entity unless the following conditions are met:

a. the **Named Insured** provides written notice of such merger, consolidation creation, or acquisition to the **Insurer** within 60 days after the effective date of such merger, consolidation, creation or acquisition, or by the end of the **Policy Period**, whichever is earliest;

b. the **Named Insured** provides the **Insurer** with such information as the **Insurer** may deem necessary;

c. the **Named Insured** accepts any special terms, conditions, exclusions or additional premium charge as may be required; and

d. the **Insurer**, at the **Insurer's** sole discretion, agrees to provide such coverage.

E. Other Insurance

This insurance will apply only as excess of the applicable Deductible amount shown in Items 4 or 5 of the Declarations and as excess of the amount of any other valid and collectible insurance available to any **Insured**, including, but not limited to, any Cyber liability coverage available under any other policy, whether such other insurance is stated to be primary, pro rata, contributory, excess, contingent or otherwise, unless such other insurance is specifically written as excess insurance over the Limits of Liability provided in this policy.

F. Cancellation and Non-Renewal

1. Cancellation

a. The **Named Insured** may cancel this policy by mailing or delivering advance written notice to the **Insurer** at the **Insurer's** address shown in Item 9 of the Declarations, stating when cancellation will be effective. If the **Named Insured** cancels this policy, the **Insurer** will retain the customary short rate portion of the premium.

b. The **Insurer** may cancel this policy by mailing written notice to the **Named Insured** stating when, not less than 30 days thereafter (or such longer period of time as required by applicable law), such cancellation will be effective. If cancelled by the **Insurer**, earned premium will be computed pro rata.

c. However, if the **Insurer** cancels this policy because the **Named Insured** has failed to pay a premium or Deductible when due, the **Insurer** may cancel this policy by mailing written notice of cancellation to the **Named Insured** stating when, not less than 10 days thereafter (or such longer period of time as required by applicable law), such cancellation will be effective. Such notice will apply to all of the **Insureds**. If cancelled by the **Insurer**, earned premium will be computed pro rata.

2. Non-renewal

If the **Insurer** elects not to renew this policy, the **Insurer** will mail to the **Named Insured** written notice of non-renewal at least 60 days prior to the expiration date of this policy. If the notice is not given at least 60 days prior to the expiration date, the policy will continue in force until 60 days after the notice of intent not to renew is received by the **Insured**.

Notice of non-renewal will not be required if the **Named Insured** has obtained replacement coverage or have requested or agreed to non-renewal.

G. Appearance at Proceedings

The **Insurer** will pay for loss of earnings for the **Insured's** attendance, at the **Insurer's** written request, at a trial, hearing, arbitration or mediation proceeding involving a **Claim** against any **Insured**. The maximum amount the **Insurer** will pay for any one or series of trials, hearings, mediation or arbitration proceedings arising out of the same **Claim** will not exceed $500 per individual **Insured** for each day, or part thereof. The most the **Insurer** will pay under this subsection is $10,000 each **Claim** and $50,000 in the aggregate for all **Claims** made during the **Policy Period** or applicable Extended Reporting Period.

H. Subrogation

In the event of any payment under this policy, the **Insurer** will be subrogated to all the **Insureds'** rights of recovery against any person or organization; provided that the **Insurer** will not exercise any rights of subrogation against any **Insureds** who did not commit the **Wrongful Act**.

The **Insureds** shall execute all papers reasonably required and provide reasonable assistance and cooperation in securing or enabling the **Insurer** to exercise subrogation rights or any other rights in the name of any **Insured**.

Any amount recovered upon the exercise of such rights of subrogation will be applied as follows: first, to the repayment of expenses incurred in the exercise of such subrogation rights; second, to **Damages** and **Defense Costs** paid by the **Insured** in excess of the limits of liability; third, to **Damages** and **Defense Costs** paid by the **Insurer**; fourth, to **Damages** and **Defense Costs** paid by the **Insured** in excess of the Deductible amount which are subject to co-insurance; and last, to the repayment of any Deductible amount paid by the **Insured**.

Notwithstanding the above, the **Insurer** hereby waives such subrogation rights against any **Insured** under this policy, and also against any client of the **Insured,** to the extent that the **Insured** had, prior to any **Claim** or circumstance that might reasonably be expected to be the basis of a **Claim**, a written agreement to waive such rights, provided that prior to such written agreement no **Insured** had a basis to believe that any matter asserted in such **Claim** or circumstance might reasonably be expected to be the basis of a **Claim**. In no event will any **Insured** waive any of its rights of subrogation after it has become aware of any **Claim**, or of any circumstances that may give rise to a **Claim**, against any **Insured**.

I. Bankruptcy or Insolvency

Bankruptcy or insolvency of any **Insured** or of any **Insured's** estate will not relieve the **Insurer** of any of the **Insurer's** obligations or deprive the **Insurer** of any of the **Insurer's** rights under this policy.

J. Policy Territory

This policy applies to **Wrongful Acts** occurring anywhere in the world where legally permissible; however, no coverage will be available under this policy for any **Claim** brought, or occurring in any country with which the United States of America does not have active diplomatic relations at the time such **Claim** is made.

All premiums, Limits of Liability, Deductibles and other amounts under this policy are expressed and payable in the currency of the United States of America. If a judgment, settlement or other element of **Damages** or **Defense Costs** under this policy is stated in a currency other than United States Dollars, payment under this policy will be made in United States Dollars using the rate of exchange on the date the final judgment is reached, the amount of the settlement is agreed upon or the other element of **Damages** or **Defense Costs** is due.

K. Assignment

Neither this policy nor any **Insured's** interest in this policy may be assigned without the **Insurer's** written consent.

L. Liberalization

If the **Insurer** adopts any revision to this form that would broaden coverage under this policy without additional premium at any time during the **Policy Period**, the broadened coverage will immediately apply to this policy, except that it will not apply to **Claims** that were first made against any **Insured** prior to the effective date of such revision.

M. Policy Changes

Notice to or knowledge possessed by any broker or other person acting on the **Insured's** behalf will not affect a waiver or change in any part of this policy or prevent or estop the **Insurer** from asserting any right(s) under this policy. This policy can only be altered, waived or changed by written endorsement or as agreed in writing by an authorized representative of the **Insurer**.

N. Action Against the **Insurer**

No action can be brought against the **Insurer** unless, as a condition precedent, the **Insured** has fully complied with all the terms and conditions of this policy. Nothing contained in this policy gives any person or organization the right to join the **Insurer** as a party to any **Claim** to determine the **Insured's** liability.

O. Waiver

The **Insurer's** failure to insist on strict compliance with any of the terms or conditions of this policy or the failure to exercise any right or privilege shall not operate or be construed as a waiver of any subsequent breach or a waiver of any other terms, conditions, privileges or rights.

P. Representations

By accepting this policy, all **Insureds** agree that all statements made and information furnished to the **Insurer** are true, accurate and complete, and that this policy has been issued in reliance upon the truth and accuracy of those representations, subject to all of the terms and conditions of this policy.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

REAL ESTATE AMENDATORY WITH OWNED PROPERTY ENDORSEMENT

This endorsement modifies insurance provided under the following:

Miscellaneous PROtect Professional Liability Insurance

SCHEDULE

Additional Coverage Extension	Limit of Liability: Each **Claim**
Lock Box Property Damage Liability Limit	$25,000
Defense of Fair Housing Complaints	$100,000

In consideration of the premium charged, it is understood and agreed that the Policy is amended as follows:

I. Section IV - EXCLUSIONS is amended to include the following new exclusions:

This policy does not apply to any **Claim**:

1. arising out of:

    a. the failure to pay or collect commissions, including finder's fees; or

    b. the inability or failure to pay or collect money held or to be held for others;

2. arising out of any **Bodily Injury** to or sickness, disease or death of any person, or damage to or destruction of any tangible property, including the loss of use thereof; however, this exclusion will not apply to the **Lock Box Property Damage Liability** Coverage Extension (if granted) as contained in Section VI – GENERAL CONDITIONS as amended;

3. arising out of rendering or failure to render **Professional Services** as an attorney, accountant, actuary, tax preparer or tax consultant, insurance agent or broker, security broker, travel agent, security dealer, financial planner, mortgage banker, construction manager or property developer unless such activities are specifically included in the definition of **Professional Services**;

4. arising out of the failure to disclose defects in title to real property not appearing in a public record or about which any **Insured** is aware at the time the title insurance is issued;

5. arising out of the notarization of a signature without the physical appearance of the signatory before any **Insured**;

6. for payment of any fine, sanction or penalty of any nature against any **Insured**;

7. arising out of the failure to:

    a. effect, maintain, or advise of the need to obtain or maintain:

        (1) adequate insurance;

(2) suretyship; or

(3) bond; or

b. collect or pay:

(1) income tax;

(2) sales tax;

(3) property tax; or

(4) any other tax;

8. arising out of the insolvency, receivership, bankruptcy, liquidation or financial inability to pay, of any insurance company, reinsurer, risk retention group or captive (or any other self-insurance plan or trust by whatsoever name) in which any **Insured** has placed or obtained coverage for a client or an account;

9. arising out of feasibility studies, market valuations or any other study that promises, warranties or guarantees the future value of any real property;

10. arising out of any transaction involving a loan funded in whole or in part with any Insured's own assets, or in which any **Insured** has a financial interest as a lawyer or settler of real property transactions;

11. arising out of any **Insured's** activities performed in the capacity of a fiduciary under the Employee Retirement Income Security Act of 1974 and its amendments or any regulation or order issued pursuant thereto; or the Pension Benefits Act or the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) including any amendments, regulations or enabling statutes pursuant thereto, or any other similar federal, state or provincial statute or regulation; or

12. arising out of any conspiracy, intentional breach of contract, intentional interference with rights or obligations, assault, battery or trespass.

II. Section VI - GENERAL CONDITIONS is amended to include the following:

A. **Lock Box Property Damage Liability**

Subject to the provisions of Section I – COVERAGES, Paragraph A. Insuring Agreements, Professional Liability, the **Insurer** will pay, in excess of the applicable Deductible shown in the Declarations, those sums the **Insured** becomes legally obligated to pay as **Damages** or **Defense Costs** of any **Insured** arising from any **Claim** against such **Insured** because of **Professional Services** rendered, or that should have been rendered, by such **Insured** and which resulted in physical damage to tangible property arising out of the use, operation, maintenance or distribution of a lockbox or keyless entry system covered hereunder.

The maximum amount for which the **Insurer** is liable for the sum of all **Damages** or **Defense** arising from a **Claim** under this Coverage Extension is the Lock Box Property Damage Limit as shown in the SCHEDULE above.

All **Claims** under this Lock Box Property Damage Liability Coverage Extension made by one or more persons because of any one act or series of related acts will be deemed to be one **Claim**.

B. **Defense of Fair Housing Complaints**

Subject to the provisions of Section I – COVERAGES, Paragraph A. Insuring Agreements Professional Liability, the **Insure**r will pay in excess of the applicable Deductible shown in the Declarations, **Defense Costs** to defend any **Insured** against alleged violations of Title VIII of the Civil Rights Act of 1968 or the Fair Housing Amendment Act of 1988 or any similar federal or state law not otherwise excluded and provided that the alleged violation arose out of the rendering of to which this policy applies.

The maximum amount for which the **Insurer** is liable for the sum of all **Defense Costs** under this Coverage Extension is the Defense of Fair Housing Complaints Limit, if any, shown in the SCHEDULE above.

C. **Defense at Board Proceedings or Regulatory Hearings**

In the event that, during the **Policy Period**, any **Insured** is required to appear before a proceeding brought by a state licensing board, real estate board or government regulatory authority because of **Professional Services** such **Insured** rendered or failed to render, the **Insurer** will reimburse such **Insured**, in excess of the Deductible shown in this policy's Declarations, up to twenty-five hundred dollars ($2,500) in any **Policy Period** for reasonable expenses incurred by such **Insured** in that proceeding or hearing.

The maximum amount for which the **Insurer** is liable for the sum of such reasonable expenses is twenty-five hundred dollars ($2,500) regardless of the number of **Insureds** required to appear.

Payments made under these Coverage Extensions, if applicable, are subject to and will reduce the Limit of Liability shown in Item 4. of the Declarations.

III. SECTION I – COVERAGES, Paragraph B. Supplemental Payments is amended to include the following additional paragraph:

Failure to Disclose Pollutants

The **Insurer** will reimburse the **Insured** up to $100,000 for any **Claim** alleging the failure to disclose the existence of **Pollutants**, provided that such claim directly results from a **Wrongful Act** occurring on or after the Retroactive Date.

The **Insured** must pay the Deductible stated in Item 4. of the Declarations.

After the **Insurer** has paid up to the amount shown above, any additional amounts the **Insurer** agrees to pay under this provision will be treated as **Defense Costs** and will be erode the Limit of Liability stated in Item 4. of the Declarations.

As a condition precedent to the **Insured's** right to coverage under this provision, any **Claim** alleging the failure to disclose **Pollutants** under this paragraph must be reported in accordance with the provisions of SECTION IV – GENERAL CONDITIONS, Paragraph B. Reporting and Notice, 1. Reporting of **Claims**.

IV. Section IV – EXCLUSIONS, Exclusion C. is deleted and replaced with the following:

C. arising out of any **Insured's** services provided on behalf of or capacity as an officer, director, partner, owner, member, manager or employee of any corporation, partnership, association or any other business enterprise or charitable organization of any kind or nature other than:

1. the **Named Insured**;

2. any entity other than the **Named Insured**:
   a. that is managed, or controlled by any **Insured**;
   b. in which any **Insured**, individually or collectively, has an ownership interest in excess of 49%; or
   c. which wholly or partly owns, operates or manages the **Named Insured**.

However, this exclusion shall not apply to the sale and/or management of owned or affiliate owned property.

All other terms and conditions remain unchanged.

This endorsement changes the Policy to which it is attached and is effective on the date issued unless otherwise stated.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SERVICE OF SUIT

If service of process is to be made upon the Company by way of hand delivery or courier service, delivery should be made to the Company's principal place of business:

Claims Manager
Colony Insurance Company,
Colony Specialty Insurance Company, or
Peleus Insurance Company
8720 Stony Point Parkway, Suite 400
Richmond, Virginia 23235

If service of process is to be made upon the Company by way of the U.S. Postal Service, the following mailing address should be used:

General Counsel
Colony Insurance Company,
Colony Specialty Insurance Company, or
Peleus Insurance Company
P.O. Box 469011
San Antonio, Texas 78246

Where required by statute, regulation, or other regulatory directive, the Company appoints the Commissioner of Insurance, or other designee specified for that purpose, as its attorney for acceptance of service of all legal process in the state in any action or proceeding arising out of this insurance.

The Commissioner or other designee is requested to forward process to the Company as shown above, or if required in his/her particular state, to a designated resident agent for service of process.

ALL OTHER TERMS AND CONDITIONS OF THE POLICY REMAIN UNCHANGED.

U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") ADVISORY NOTICE TO POLICYHOLDERS

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – http//www.treas.gov/ofac.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.

Notice of Insurance Information Practices

Argo Group US, Inc., and each of its subsidiaries ("Argo Group") recognizes the importance of maintaining the privacy of our customers and their personal information. We take seriously the responsibility that accompanies our collection and use of your personal information. Argo Group protects the privacy and security of our customers and their personal information as required by applicable privacy and security laws.

This Notice of Insurance Information Practices ("Insurance Privacy Notice") provides notice of our information practices to all applicants, policyholders, and where applicable claimants, in connection with our insurance transactions. It supplements the privacy and security provisions contained in Argo Group's Global Privacy Notice (which is located at *www.argolimited.com/privacy-policy*).

This Insurance Privacy Notice applies to all companies and business produced or underwritten within Argo Group, and complies with the requirements of the Gramm-Leach-Bliley Act (GLBA), and any federal and state privacy and security laws and regulations applicable to insurance transactions. You are receiving this Insurance Privacy Notice with respect to your relationship with Argo Group* and one or more of the subsidiaries listed below.

Information Collection and Use

To conveniently and effectively provide and service the insurance products we sell, we may collect and use your personal information, including information that may be considered nonpublic personal information, under applicable privacy and security laws. This personal information may include identifiers, financial and insurance underwriting information, financial and account information, and information considered protected classifications under applicable privacy and security laws. More information on the specific personal information we may collect and how we might use it is available in our Global Privacy Notice referenced above.

Information Sharing and Disclosure

Applicable laws impose certain obligations upon third parties and organizations with which we share personal information. Accordingly, we prohibit the unauthorized disclosure of personal information, except as legally required or permitted.

Argo Group does not rent, sell or share your personal information with nonaffiliated third parties except that Argo Group may share personal information with nonaffiliated third parties to the extent necessary in furtherance of the applicable insurance transaction, including third party contractors. These third parties are prohibited from using the information for purposes other than performing services for Argo Group. Argo Group may disclose your information to third parties when obligated to do so by law and to investigate, prevent, or act regarding suspected or actual prohibited activities, including but not limited to fraud and situations involving the security of our operations and employees. In certain instances, you may share your information with a third party directly and that information may be subject to that party's applicable security and privacy policies.

Finally, Argo Group may transfer your personal information to a successor entity in connection with a corporate merger, consolidation, sale of all or a portion of its assets, bankruptcy, or other corporate change.

Security

We implement technical and organizational security measures designed to secure and protect personal information. Please note, however, we cannot fully eliminate security risks associated with the storage and transmission of personal information.

To protect the confidentiality and integrity of your personal information, we limit access to personal information by only allowing authorized personnel to have access to such information. We maintain physical, electronic and procedural security protections to safeguard the nonpublic personal information in our records. Documents that contain an individual's personal information are appropriately destroyed or deleted before disposal; Argo Group maintains security measures to protect the loss, misuse and alteration of the information under our control. Our hardware infrastructure is housed in a controlled access facility that restricts access to authorized individuals. The network infrastructure is protected by a firewall and traffic is monitored and logged on the firewall and servers. Sensitive administrative activities are carried out over secure, encrypted links between our offices and hosting facility. Administrative access is limited to authorized employees including specific remote administration protocols and IP addresses. All employees with access to personal information have been advised of Argo Group's security policies and practices and receive regular training regarding these policies and practices.

Any Argo Group employee who becomes aware of the inappropriate use or disclosure of your nonpublic personal information is expected and required to immediately report such behavior to Argo Group's Data Protection Officer.

Contact Us

If you have any questions about this Insurance Privacy Notice, our Global Privacy Notice, or our privacy and security practices, please contact:

Data Protection Officer
privacy@argogroupus.com
Argo Group International Holdings Ltd.
P.O. Box 469011
San Antonio, TX 78246
800-470-7958

*Note: Argo Group is the parent of Argonaut Insurance Company; Argonaut-Midwest Insurance Company; Argonaut Great Central Insurance Company; ARIS Title Insurance Corporation; Colony Insurance Company; Colony Specialty Insurance Company; Peleus Insurance Company; Rockwood Casualty Insurance Company; Somerset Casualty Insurance Company; Central Insurance Management, Inc.; Alteris Insurance Services, Inc.; Trident Insurance Services, LLC; and Argonaut Management Services, Inc. This Privacy Policy applies to all companies and business produced or underwritten within Argo Group.

SIGNATURE PAGE

IN WITNESS WHEREOF, the company issuing this policy has caused this policy to be signed by its President and its Secretary and countersigned (if required) on the Declarations page by a duly authorized representative of the company. This endorsement is executed by the company stated in the Declarations.

Peleus Insurance Company

President **Secretary**

ARGO PRO

Risk Management & Contract Review Program

For Architects, Engineers, Contractors, Real Estate Developers, and Miscellaneous Professional Liability

What's included?

- Access to risk management advice from attorneys.
- Contract review services provided by attorneys.*
- Recommendations of specific contract language.
- Explanation of terms in contract language.
- Suggested alternatives to contract language.
- Counsel on how to limit exposure of policyholders

How do Policyholders receive assistance?

Policyholders can either call 1-857-313-3926 to reach an attorney or their insurance broker can email requests to their assigned ArgoPro underwriter. Include your policy number and the name of your firm as listed on your active policy.

Examples of risk management and contract review

- Suggested wording surrounding scope of services.
- Recommendations for use of limitation of lability.
- Description of benefits/drawback to Indemnification agreements and hold harmless clauses
- Explanation of how the Standard of Care would/could play a role in the event of a claim

Lewis Brisbois offers legal practice in more than 40 specialties, and a multitude of sub-specialties. Attorneys have broad knowledge, experience, and sensitivity to clients' unique needs. With over forty offices from Los Angeles to New York and Seattle to Miami, attorneys have fostered a diverse group of professionals ready to meet clients' needs.

*Insured is entitled to receive three contract reviews per policy period.

For more information on this Risk Management & Contract Review Program, please contact ArgoPro's Head of Architects & Engineers and Miscellaneous Professional Liability, Daniel Gmelin at 732-692-6164 or Daniel.gmelin@argoprous.com.

Qualifications and Experience

The John Stewart Company, Inc. (“JSCo”) and Bethesda Cornerstone Village, LLC (“Bethesda”) are excited for the opportunity partner on a transformational development like Cornerstone Village – Elk Grove.

JSCo and Bethesda share a mission to create communities that foster well-being and independence for people of all abilities. We have assembled a development team, including many firms we have worked with previously, based on their collaborative approach, local knowledge and embrace of our goal of creating an inclusive, affordable community. We look forward to bringing this shared mission to the forefront in Elk Grove.

JSCO and Bethesda share a mission to create communities that foster well-being and independence for people of all abilities.

Development Team Members

Lead Developer & Property Management	The John Stewart Company
Co-Developer, Resident Life	Bethesda Cornerstone Village
Architectural Design	Mogavero Architects
General Contractor	Brown Construction
Financial Consultant	Devine & Gong, Inc.
Legal Counsel	Lubin Olson LLP
Audit & Tax Accounting	CohnReznick
Environmental Consultant	PSI-Intertek

Below are highlights of the Development Team’s experience creating and managing successful residential communities in California and the Sacramento region in particular. More details about the development team members are included in Section 14.

Experience Working Together

JSCo and Bethesda have assembled a team that has worked together successfully on multiple affordable housing projects in California over the last five years. Bethesda Cornerstone Village, which is new to developing in California, is the only new member on the team. The entire team is currently working on Coral Gables & Villa Jardin, a combination of new construction and rehabilitation in Sacramento. JSCo recently received a 9% LIHTC award for Coral Gables, which is very similar in financing structure and physical design to the proposed Cornerstone Village – Elk Grove. As a result, the team is able to immediately apply this experience to developing Cornerstone Village. Below is a table illustrating recent project collaboration.

Comparable Project	Location	JSCo	Mogavero	Brown	Devine & Gong	Lubin Olson	Cohn Reznick	PSI-Intertek
Coral Gables & Villa Jardin	Sacramento, CA	■	■	■	■	■	■	■
Meadow View Place	Truckee, CA	■	■	■				
Coldstream Commons	Truckee, CA	■	■	■				
Creekside Apartments	Davis, CA	■		■				
Heritage Commons Phase 3	Dixon, CA	■		■				
Heritage Commons Phase 2	Dixon, CA	■		■				
Solivita Commons	Clovis, CA		■	■				
Renaisannce at Parc Grove	Fresno, CA		■	■				
Cueva do Oso	Selma, CA		■	■				

Coral Gables & Villa Jardin
Sacramento, CA

Meadow View Place
Truckee, CA

Coldstream Commons
Truckee, CA

Creekside Apartments
Davis, CA

Heritage Commons
Phases 2 & 3
Dixon, CA

Development Team Experience & Key Staff Resumes

The John Stewart Company
Lead Developer | Property Management

The John Stewart Company ("JSCo") was founded in 1978 with a commitment to providing high quality management for affordable housing in the Bay Area. Today, JSCo is a full-service housing management, development, and consulting organization employing over 1,400 people state-wide. JSCo's staff is as multi-faceted as the populations we serve, and we have been recognized by the State of California with an award for Excellence in the Workplace for the promotion of ethnic and cultural diversity. Our professional backgrounds are in areas as diverse as real estate, finance, education, sociology, land use planning, public policy, architecture, engineering, construction, accounting, and communication. This variety of experience, together with our commitment to providing service-oriented housing, exemplifies the unique perspective and breadth of services we bring to every project.

The John Stewart Company has experience with the complex process of multifamily real estate development, financing, construction, marketing, and management. We have the versatility and professional capacity to perform every task from initial feasibility through development and long-term property management. We have four offices across California: San Francisco, Sacramento, Scotts Valley, and Los Angeles. Our services include:

Development and Construction
JSCo provides project development and construction management services for our own developments as well as for a wide variety of outside clients and organizations. To date, JSCo has developed approximately 5,000 units of housing throughout California, the vast majority of which are affordable. The development team has extensive experience financing projects with tax credits, tax-exempt bonds, HUD programs and other public and private funding sources. As a developer and construction manager, JSCo draws on its broad range of internal and external expertise – including property managers, developers, architects, and contractors – to provide comprehensive services throughout the budget, design, development, construction, lease up, and operations processes.

Recently completed and ongoing development projects in the Sacramento area include:

- **Coral Gables and Villa Jardin**, an 82-unit affordable family development that includes the preservation and rehab of 44 apartments in Villa Jardin and new construction of 38 at the adjacent Coral Gables;

- **Cannery Place/Township 9**, a 180-unit affordable family housing new construction project that includes ground floor retail;

- **Woodhaven**, a 104-unit affordable senior acquisition rehabilitation project;
- **Providence Place**, a 292-unit affordable family acquisition rehabilitation project; and
- **Shasta Hotel**, an 80-unit acquisition rehabilitation SRO project.

A detailed list of the firm's development projects is included in Section 14. The John Stewart Company has never owned or managed an asset that defaulted or was foreclosed upon.

Management
Comprehensive housing management is the foundation of JSCo's diversified housing services. As the largest manager of affordable housing in California, JSCo has a portfolio that contains 430 properties and approximately 33,400 residential units, which house over 65,000 Californians. Please note that given the large number of projects for which JSCo provides third party property management, we have not included the complete list of third-party managed properties, although we are happy to provide upon request.

No properties under JSCo's ownership and management have defaulted or were foreclosed upon. JSCo has experience in affordable and market-rate family housing, special needs housing, veterans housing, senior housing, cooperatives, marketing and lease up, specialized program development, and common interest developments. Our goal is to provide secure, service-oriented, well-maintained, and professionally managed housing that serves the interests of residents and owners alike. Reaching beyond the traditional management services of maintenance and budgeting, we strive to create community environments that foster high levels of physical, social, and emotional well-being among residents. At the same time, we also provide owners and sponsors with financial efficiency, accountability, and value-added benefits. Additionally, we are fully equipped with internal compliance staff to ensure that we are meeting all of the regulatory and financing requirements that are tied to the complicated affordable housing projects that we manage.

Marketing and Lease Up
JSCo's approach to marketing and lease up utilizes a range of targeted advertising and promotional activities designed to effectively reach qualified applicants. We also establish community outreach and community building programs to attract qualified potential residents. Our screening procedures are careful and thorough. We perform background checks, call references, and conduct family interviews. We verify income and assure compliance with housing assistance programs, when applicable.

Our familiarity with the requirements of the many federal and state housing program and occupancy guidelines, such as HUD, CHFA, HCD and the Low Income Housing Tax Credit program, assures full compliance with Regulatory Agreements and Fair Housing requirements.

Maintenance
After a project is developed, JSCo has the internal capacity and capability to ensure long-term success for the project. Our construction, asset, and property management teams collaborate to develop comprehensive maintenance programs for each project we own to ensure every property is well-maintained. Extensive preventative maintenance procedures keep equipment

and systems in top operating condition. Every property is required to have an Operations Manual containing emergency information and procedures, utility location and shut-off maps, and identification, location, and servicing information for building equipment systems.

Asset Management
JSCo has an asset management team that oversees the firm's portfolio of owned assets. The asset managers work closely with property management, development, and construction services staff to ensure that each project is meeting its original social, community, and financial goals and that it is maintained in the highest quality manner possible.

Key Staff

Jack D. Gardner, President & CEO
San Francisco, CA
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Years in Real Estate Development: 25+

Margaret Miller, Senior Vice President of Development
San Francisco, CA
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Years in Real Estate Development: 18
** Primary project liaison*

Tracy Esposito, Vice President of Property Management
Sacramento, CA
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Years in Property Management: 15+

Catherine Etzel, Director of Development
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Years in Real Estate Development: 10+

Julie Mendel, Project Manager
San Francisco, CA
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Years in Real Estate Development: 2

Key Staff Resumes

Jack D. Gardner
President & CEO

Jack D. Gardner has been actively involved in the financing, development, and management of affordable housing since 1985 and has served as the President & CEO of the John Stewart Company since 2002. Under Mr. Gardner's leadership, JSCo has become one of the largest managers of affordable housing in the United States, with over 33,000 units under management, and one of the top developers of affordable housing in California, with over 1,000 units of affordable housing under construction or in predevelopment. Mr. Gardner has served on the Board of Directors since 2000.

Mr. Gardner's professional background includes the public, non-profit, and private sectors. His experience includes serving as Senior Housing Development Analyst for the City of Santa Monica, Southern California Program Manager for the Low Income Investment Fund (for which he established a Southern California office in 1991), founding Executive Director of the Hollywood Community Housing Corporation (HCHC) in Los Angeles, Executive Director of Resources for Community Development in Berkeley, and Tax Credit Acquisitions Director for Edison Capital Housing Investments. Following the development of several innovative affordable housing projects, HCHC was named Non-Profit Developer of the Year by the Southern California Association of Non-Profit Housing (SCANPH) in 1995.

Mr. Gardner is experienced in both the new construction and rehabilitation of residential properties, and his historic renovation projects have received the Governor's History Preservation Award, the Hollywood Legacy Award, the Los Angeles Conservancy Award, and the California Preservation Foundation's Affordable Housing Award. He is founding President of the Affordable Housing PAC, California's first affordable housing political action committee, co-chair of the San Francisco Planning and Urban Research (SPUR) Housing Policy Board, a member of both the Local Advisory Committee for Bay Area LISC and Lambda Alpha (an international honorary land economics society), and Chairman of the Board of the YMCA of the East Bay (where he was named Volunteer of the Year in 2000). He is an Emeritus Director of the California Housing Consortium (where he served as Secretary, Treasurer, and Vice-Chairperson) and former member of the Board of Directors of the Non-Profit Housing Association of Northern California (2013-2018), the Affordable Housing Advisory Council of the Federal Home Loan Bank of San Francisco (2005-2012), and the Editorial Advisory Board of *Affordable Housing Finance* magazine (2004-2011). In 2018, Mr. Gardner was recognized as a "Male Champion of Change" by the Organization of Women Architects and Design Professionals for "helping to disrupt entrenched workplace cultures" and, in 2019, he was inducted into the California Housing Consortium's Housing Hall of Fame in recognition of his "profound impact on California's affordable housing industry."

Mr. Gardner received a Bachelor of Arts in Political Economics from the University of California at Berkeley and a Master in Public Policy degree from the Kennedy School of Government at Harvard University.

Margaret Miller
Senior Vice President of Development

Margaret Miller joined the John Stewart Company in 2004 as a Project Manager and has been promoted over the past 15 years to now serve as JSCo's Senior Vice President of Development. As Senior Vice President of Development, Ms. Miller oversees the full range of corporate activities related to developing affordable and mixed-income multifamily housing, including identifying and acquiring properties, business development, project design, obtaining entitlements and environmental approvals, financial structuring, loan packaging, construction oversight, and regulatory compliance. In this capacity, she also supervises four full-time Project Managers and Assistant Project Managers, an Asset Manager, and an Administrative Assistant for the company. Ms. Miller joined the Board of Directors in 2017.

Ms. Miller's experience includes a wide variety of tasks related to planning, community development, and real estate development. While earning her Master's Degree in Real Estate Development from Columbia University, Ms. Miller worked at Avalon Bay Communities, a national real estate developer, where she developed a proposal for a green residential building in Battery Park City and conducted market research to inform amenity and design decisions at the firm. Prior to moving to New York City, Ms. Miller formed and managed a real estate investment partnership that purchased residential properties in Idaho. Ms. Miller has also worked at an early stage company managing relationships and projects with Fortune 500 companies and university partners, a socially responsible venture capital fund in Boston, and was appointed by the Mayor of Portland, Oregon to serve on the Northwest Area Plan Committee to devise a strategic 20-year plan for the growth of Portland's Northwest Plan Area. Ms. Miller currently serves as the Vice-Chair of the Board of Directors of the San Francisco Housing Action Coalition.

Ms. Miller holds a Bachelor's Degree in American History with a Minor in Economics from Bowdoin College, a Master's Degree in Real Estate Development from Columbia University in New York, and was a fellow at the University of Pennsylvania Center of Urban Redevelopment Excellence.

Daniel Levine
Senior Vice President of Construction Management Services

Daniel Levine joined The John Stewart Company in 1997 as Director of Construction Administration, after nearly 25 years of practice as a registered architect. Mr. Levine brings with him comprehensive expertise in the housing and construction industries and a long history of successful professional consulting to The John Stewart Company. As Principal of Daniel Levine Architecture in Novato, CA, and formerly as Associate and Vice President of Thomas Sehulster Architect in San Francisco, CA, Mr. Levine has designed, directed, and managed a broad range of building alteration, remodeling, retrofit, and expansion work, as well as numerous space planning, retail planning, and interior design projects. Among other recent projects, Mr. Levine served as Project Architect for the renovations of Shelter Hill Apartments in Mill Valley, CA and Mote Alban Apartments in San Jose, CA as well as Construction Administrator for the renovation of Land Park Woods Apartments in Sacramento, CA and Del Norte Place Apartments and Retail Marketplace in El Cerrito, CA.

The firm of Daniel Levine Architecture was established in 1986 as a full-service architectural practice, specializing in multi-family and commercial building alteration and renovation projects. For 11 years, the firm was dedicated to the technical aspects of the architectural profession, including the preparation of bid and contract drawings, specifications, and construction administration services, offering a broad range of expert professional consulting services to building owners, developers, building managers, contractors, and other design professionals.

Mr. Levine received a Bachelor of Science in Architecture from the University of Michigan in 1971 and a Master of Architecture from the University of Michigan in 1974, and is a registered architect in the State of California.

Tracy Esposito
Vice President of Property Management

Tracy Esposito has worked in the property management field since 1999. Ms. Esposito has worked with The John Stewart Company in its Sacramento office since 2005, rising from Regional Manager to Senior Regional Manager to Regional Director to Assistant Vice President, before being promoted to Vice President in charge of the region in 2018.
In her early work for JSCo, Ms. Esposito managed the company's South Sacramento portfolio, including properties owned by the Sacramento Housing and Redevelopment Agency (SHRA), Reiner Communities, and Ocwen Loan Servicing, LLC. Her portfolio included single family homes, homeowner associations, single room occupancy, and multifamily housing properties with multiple regulatory agreements and layered funding programs including private debt, HUD financing, CDBG, Low Income Housing Tax Credits, tax-increment and tax-exempt financing, Multifamily Housing Program (MHP) loans, and Project-Based Section 8 rental subsidies. Throughout her tenure with JSCo, Ms. Esposito has built strong relationships with SHRA, the Sacramento Housing Authority, local police departments and neighborhood service groups, multiple homeowner associations, and many elected officials.
In January 2018, Ms. Esposito was promoted to Vice President in charge of JSCo's Sacramento Regional Office. In this capacity, she is responsible for over 4,000 housing units in Sacramento, Yolo, Solano, and San Joaquin counties. She also oversees the region's in-house Accounting Department, Compliance Department, and all administrative staff.

Catherine Etzel
Director of Development

Catherine Etzel joined the John Stewart Company in 2013 as a Project Manager and has since been promoted to Director of Development. In this capacity, Ms. Etzel manages the development activities for both new construction and rehabilitation projects in San Francisco and the City of Richmond. Her responsibilities include managing the design and construction process, developing and tracking project scope and budgets, preparing funding applications, overseeing financial closings, and coordinating resident outreach, communication, and participation. Since joining JSCo, Ms. Etzel has worked primarily on the firm's Hunters View project, which is a multi-phase transformative public housing revitalization project located in San Francisco. She has also worked on public housing revitalization projects in other jurisdictions. Prior to joining JSCo, Ms. Etzel worked for BRIDGE Housing Corporation for nearly seven

years, where she focused on new construction and rehabilitation development projects across the greater Bay Area.
Ms. Etzel holds a Bachelor of Arts degree in U.S. History from Columbia University.

Julie Mendel
Project Manager

Julie Mendel joined the John Stewart Company in 2019 as an Assistant Project Manager and has since been promoted to Project Manager. In this role, she supports the day-to-day development activities of the multi-phase Hunters View project, as well as other acquisition rehabilitation projects. Her responsibilities include preparing funding applications, developing project scope and budgets, managing draws and invoice payments, and supporting community outreach efforts. Prior to joining JSCo, Ms. Mendel was a Fellow in the Housing Policy Division of the California Department of Housing and Community Development, where she supported implementation of the 2017 Housing Package, and worked as a Graduate Student Researcher at the Terner Center for Housing Innovation, where she conducted research on the costs of housing funded by Low Income Housing Tax Credits.

Ms. Mendel received a Bachelor of Arts in International Studies from the University of Washington and a Master’s Degree in City and Regional Planning from the University of California at Berkeley.

John Stewart Company - Developments
As of May 2021

Project Name	Project Location	Project Type	Year Built/ Rehabbed	Total Units/Space	Affordable Units	Total Costs (in millions)	Subsidy Financing	JSCo Role	Currently Own
88 Broadway/735 Davis	88 Broadway San Francisco, CA	Family/ Senior	2021	178	178	$126M	CITY, TCAC, BONDS	Co-GP	Yes
Cannery Place Apartments (T9)	426 N. 7th Street Sacremento, CA 95811	Family/Rental	2015	180	180	$38.6M	BONDS, SHRA, TCAC, HCD/CITY	Co-GP	Yes
California Corridor Phase I SFHA RAD	Three Sites San Francisco, CA	Family/Rental	2017	257	257	$40M	BONDS, RAD, TAX CREDITS	Co-Gp	Yes
California Corridor Phase II SFHA RAD	Three Sites San Francisco, CA	Family/Rental	2019	246	246	$40M	BONDS, RAD, TAX CREDITS	Co-Gp	Yes
Casa Feliz	525 9th Street San Jose, CA 95112	SRO/Rental	2009	60	60	$16M	TCAC CITY, MHP,AHP	Co-GP	Yes
Clifford Manor	240 Clifford Avenue Watsonville, CA95076	Co-Op	2021	100	100	$20.4M	FHA	Developer	No
Coldstream Commons	Truckee, CA	Family-Rental	2020	48	48	$21.7M	TCAC, Bonds, HCD	Co-GP	Yes
Creekside Apartments	2990 Fifth Street Davis, CA 95617	Family/Rental	2019	73	73	$25M	TCAC, CALHFA HCD AHSC, CITY	Co-GP	Yes
Crescent Manor SRO	467 Turk Street San Francisco, CA 94102	Family/Rental	1970	91	90	$3.3M	HUD	Lead-GP	No
Cypress Springs Apartments	7850 Cypress Avenue Riverside, CA 92505	Family/Rental	2006-07	101	100	$25.9M	TCAC, CITY, RDA, AHP	Co-GP	Yes
Del Norte Place	11720 San Pablo Avenue El Cerrito, CA 94708	Family/Rental	1992	135 20K SF Retail	27	$17.5M	BONDS, RDA	Lead-GP	No
Fulton & Gough	Fulton & Gough San Francisco, CA 94102	Market Rental	NA	69 5K SF Retail	8	$28M	Debt, Equity	Co-GP	No
Heritage Commons Phase I	191 Heritage Lane Dixon, CA 95620	Senior/Rental	2013	60	60	$12M	TCAC, BONDS, RDA, STATE HOME	Co-GP	Yes
Heritage Commons Phase II	191 Heritage Lane Dixon, CA 95620	Senior/Rental	2016	54	54	$12M	TCAC, BONDS, RDA, STATE HOME	Co-GP	Yes
Heritage Commons Phase III	191 Heritage Lane Dixon, CA 95620	Senior/Rental	2022	40	40	$12.50	TCAC, Bonds	Co-GP	Yes
Hunters Point East West	Oakdale Avenue San Francisco, CA 94124	Family/Rental	2017	213	213	$118M	BONDS, RAD, TAX CREDITS	Co-GP	Yes
Hunters View Phase I	227-229 West Point Road San Francisco, CA 94124	Family/Rental	2013	107	107	$80M	CITY, STATE, FEDERAL, TCAC	Co-GP	Yes
Hunters View Phases IIA	227-229 West Point Road San Francisco, CA 94124	Family/Rental	2017	107	107	$80M	CITY, STATE, FEDERAL, TCAC	Co-GP	Yes
Hunters View Phases Block 10	227-229 West Point Road San Francisco, CA 94124	Family/Rental	2017	72	72	$45M	CITY, STATE, FEDERAL, TCAC	Co-GP	Yes
Hunters View Phases IIIA	227-229 West Point Road San Francisco, CA 94124	Family/Rental Home Owner	Pre-Dev	118	118	$87.6M	CITY, STATE, FEDERAL, TCAC	Lead-GP	No
Jackie Robinson Apartments	1340 Hudson Avenue San Francisco, CA 94124	Family/Rental	1971	130	129	$5.5M	HUD	Co-GP	No
John Burton Advocates for Youth Housing Complex	820 Presidio San Francisco, CA 94115	TAY/Family Rental	2017	50	50	$21M	CITY, HY-MHP, TCAC	Co-GP	Yes
Land Park Woods	2814 5th Street Sacramento, CA 95818	Family/Rental	1997	75	74	$3.5M	TCAC, SHRA, AHP	Lead-GP	Yes
Larkspur Isle	Larkspur Plaza Drive Larkspur, CA 94939	Family/Rental	1981	28	27	$2.8M	Private Equity & Debt	Lead-GP	No
Las Casitas	26409 Gading Road Hayward, CA 94544	Family/Rental	1983	61	60	$3M	OTHER	Lead-GP	No
Marina Tower	575 Sacramento St. Vallejo, CA 94590	Senior/Rental	2006	155	154	$27.7M	BONDS, CITY, TCAC	Co-GP	Yes
Marina Tower Annex	575 Sacramento St. Vallejo, CA 94590	Senior/Rental	2001	57	57	$4.8M	BONDS, CITY, TCAC	Co-GP	Yes
Mercy Family Plaza	1501 - 1599 Hayes Street San Francisco, CA	Family/Rental	1991	36	35	$6.2M	TCAC, STATE, CITY	Lead-GP	No
Monte Alban Apts.	1324 Santee Drive San Jose, CA 95122	Family/Rental	1969/2007	192	190	$25.7M	BONDS, TCAC, OTHER	Lead-GP	Yes
Nihonmachi Terrace	1615 Sutter Street San Francisco, CA	Family/Senior Rental	2010	245	244	$38M	BONDS, TCAC	Co-GP	Yes
North Beach Place	445 Bay Street San Francisco, CA 94133	Family/Rental	2004	341 19K SF Retail	340	$106.5M	TCAC. HOPE VI, AHP, CITY	Co-GP	Yes
Oak Village Apts.	780 13th Street Oakland, CA 94612	Family/Rental	1987	117	116	$1.8M	HUD	Lead-GP	No
Olive Court	917 3rd Street Davis, CA 95617	Family/Rental	1986	27	26	$2M	Private Equity & Debt	Co-GP	No
Piper Court	191 Piper Court Fairfax, CA 94930	Family/Rental	1986	27	26	$1.5M	Private Equity & Debt	Co-GP	No
Providence Place	5500 Mack Road Sacramento, CA 95823	Family/Rental	2018	292	292	$16M	Private Equity & Debt	Co-GP	Yes
Pullman Point	2989 Pullman Blvd. Richmond, CA 94804	Family/Rental	2005	199	198	$27M	TCAC, OTHER	Lead-GP*	Yes
Royal Adah	1240 Fillmore Street San Francisco, CA 94115	Senior/Rental	2022	142	142	$42.5M	FHA	Developer	No
Shasta Hotel	1017 10th Street Sacramento, CA	SRO/Rental	2020	80	80		TCAC	Co-GP	Yes
Shiloh Arms	4009 23rd Avenue Sacramento, CA 95820	Family/Rental	1980	106	105	$3M	HUD	Lead-GP	No
St. John's Apts.	121 W. MacDonald Richmond, CA 94801	Family/Rental	1979	158	157	$7.5M	HUD	Lead-GP	No
The Villages at Treasure Island	Treasure/Yerba Buena Islands San Francisco, CA	Family/Rental	1999	638	0	$11M	Private Equity & Debt	Lead-GP	No
Triangle Court/Friendship Manor	Stege Avenue Richmond, CA	Family/Senior Rental	2017	156	156	$31.6M	TCAC, CITY, Tax Exempt Bonds	Co-GP	Yes
Turk Street Apts.	381 Turk Street San Francisco, CA 94102	Family/Rental	1982	32	31	$2M	CITY, SECTION 8	Lead-GP	No
Villa Jardin/Coral Gables	2701 Meadowview Road Sacramento, CA 95832	Family/Rental	2022	73	73	$26.6M	TCAC, HCD, SHRA, AHP	Lead-GP	No
Village East Apts.	2501 E. Lafayette St. Stockton, CA 95205	Family/Rental	2017	190	189	$5M	HUD	Lead-GP	Yes
Westbrook	Oakdale Avenue San Francisco, CA 94124	Family/Rental	2019	226	226	$120M	BONDS, RAD, TAX CREDITS	Co-GP	Yes
Working Artists Ventura	35 West Thompson Blvd Ventura, CA 93001	Family/Rental Condos	2009	69 13 6K SF Retail	69	$42.4M	TCAC,CITY RDA,AHP	Lead-GP*	Yes
Woodhaven Senior	3731 Rio Linda Blvd. Sacramento, CA 95838	Senior/Rental	2016	104	103	$3M	TCAC, CalHFA	Lead-GP	Yes

TOTAL UNITS DEVELOPED/UNDER DEVELOPMENT **6,328**

Bethesda Cornerstone Village

Co-Developer | Resident Life Programming

Bethesda Cornerstone Village is the real estate development arm of Bethesda Lutheran Communities, a national leader in providing homes and support, promoting awareness, and advocating for people with intellectual and developmental disabilities ("I/DD").

Bethesda's Cornerstone Village initiative is a forward-thinking solution designed to create inclusive, independent housing options for people with intellectual and developmental disabilities. With Cornerstone Village, Bethesda is building on its years of experience developing and managing a diverse real estate portfolio, ranging from four-person group homes to retail centers. Bethesda Lutheran Communities currently operates 34 residential facilities for people with I/DD in nine communities in California.

In 2019, Bethesda Cornerstone Village broke ground on its first inclusive multifamily residential community in Minnesota. The five-year strategic plan is to create 14 Cornerstone Villages, including three in the Sacramento region. Bethesda Lutheran Communities, with the full support of its Board of Directors, is investing significant resources in order to realize this goal. Bethesda Lutheran Communities hired four experienced development professionals in its first year and half of operation.

Cornerstone Village – Elk Grove represents Bethesda's entrance into affordable housing development in the Sacramento region. Below are similar projects that were recently completed or are currently in development:

- **Cornerstone Village – Victoria**, a 52-unit community for seniors ages 55 and older. 20% of the units are set-aside for adults over 18 with I/DD. The development utilizes Tax Increment Financing to make 20% of the apartments to households at or below 50% of the area median income. The new construction development includes many universal design features and smart home technology.

- **Cornerstone Village – Oakdale**, a 71-unit mixed income community targeting families that is located near a bus rapid transit station that connects the state capital of St. Paul to the eastern suburbs. The 50 affordable units are financed primarily with 4% credits and tax-exempt bonds. Twenty-five percent of the apartments will be reserved for households with someone who has I/DD.

- **Cornerstone Village – Highland**, a 68-unit affordable development on Milwaukee's Near West Side. The development will be for seniors ages 55 and older. Twenty-five percent are supportive housing units, including seven apartments for older adults referred through the homeless coordinated entry system and ten for younger adults who have a disability and are at-risk-of-homelessness.

- **Cornerstone Village – Wauwatosa**, a 97-unit mixed-income development where 20% of the units will be affordable for adults with I/DD. The building will include Bethesda's Innovation Lab for adaptive technology and accessible design, as well as an instruction space for the Wauwatosa School District's transition program for young adults with disabilities.

Key Staff

Tom G. Campbell, Vice President, Real Estate
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Years in Real Estate Development: 27

Kristine Giornalista, Senior Director, Real Estate Development
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Years in Real Estate Development: 16
** Primary project liaison*

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Years in Residential Programming & Operations: 15

Cornerstone Village – Key Team Members

Tom Campbell
Vice President of Real Estate

As Vice President of Real Estate, Tom Campbell leads Bethesda Cornerstone Village, overseeing all aspects of developing, constructing and managing new housing developments throughout the U.S. Prior to taking on this role in 2019, Campbell served as a consultant to Bethesda for several years, assisting with complex real estate solutions.

Campbell was the principal executive at Campbell Corporation, where for more than 27 years he developed, constructed managed and owned affordable senior and family housing throughout Wisconsin. His areas of expertise include project sourcing, feasibility, financing, planning, construction, leasing and property operations. At Campbell Corporation, he successfully completed real estate projects valued in the hundreds of millions of dollars in the residential, commercial, hospitality and industrial real estate markets. He has managed the development of real estate projects throughout Wisconsin, the U.S. and beyond. Campbell earned a Bachelor of Science degree from the University of Wisconsin-Milwaukee and has been a Licensed Real Estate Broker since 1989.

Kristine Giornalista
Senior Director of Real Estate Development

As Senior Director of Real Estate Development, Kristine Giornalista is focused on expanding the Bethesda Cornerstone Village concept across the U.S. Giornalista, who joined in 2019, works with advocates, guardians and service providers to design communities that support choice, inclusion and independence. She also coordinates housing development tasks from site identification through construction closing.

Her expertise is in creating affordable housing developments for vulnerable individuals and families. Giornalista has been involved in development projects totaling over $245 Million, ranging from public housing transformations to supportive housing to urban infill. She has experience with many forms of financing used in affordable housing, including LIHTC, Historic Tax Credits, HUD grant programs, FHLB Affordable Housing Program, Tax Increment Financing and brownfield remediation grants. Giornalista most recently served as VP of Real Estate Development for Impact Seven in Wisconsin. Kristine was also advanced affordable housing projects at IFF and Heartland Housing in Illinois. Giornalista earned a Bachelor degree and a Master of Public Affairs degree from the University of Wisconsin – Madison.

Chris Dettling
Senior Director of Real Estate Development

Based in Minneapolis, Minnesota, Chris advances Bethesda's Cornerstone Village concept throughout the nation with a particular focus on the organizations expanding MN presence. Chris' career in affordable housing spans 25 years and he applies this experience to all aspects of the development process from concept creation though construction completion. Dettling has been directly responsible for the creation of over $150M in multifamily and mixed-use affordable housing developments and managed teams delivering another $200M+. Chris' career has focused on the creation of deeply affordable housing and most recently has focused on creating permanent supportive housing for individuals and families experiencing homelessness. Dettling has held various leadership roles in public and nonprofit organizations where he has been responsible for making strategic and mission critical decisions in a fast-paced, high-pressure environment. Most recently, Chris served as Director of Housing Development for Beacon Interfaith Housing Collaborative and, for 15 years prior, with Project for Pride in Living, Inc. Chris earned a dual Bachelor degree in History and American Indian Studies and a Master of Urban and Regional Planning degree from the University of Minnesota-Twin Cities.

John Pechan
Senior Project Manager

As Senior Project Manager, John Pechan is responsible for coordinating the development of Cornerstone Villages, from concept through construction completion. Pechan is the lead for identifying opportunities in Wisconsin and supports the rest of the team in other markets with his keen skills in financial modeling and creative financing structures.

Prior to joining Bethesda in 2020, Pechan was the Finance Project Manager for J. Jeffers & Co., a Milwaukee-based development company. There, Pechan sourced more than $100 Million in tax credit equity and debt and also lead the due diligence process for finance closings on numerous low-income and historic tax credit transactions in Wisconsin. Pechan began his career in real estate development as a financial analyst at Baker Tilly, which gave him broad exposure to affordable and market rate financing structures across the country. Pechan earned his Bachelor's in Business Administration from Seattle University in Seattle, Washington.

Allison Katula
Independent Living Advocate

Allison comes to Bethesda with nearly 15 years experience in senior housing and programming. Her philosophy about independence is that it is not black or white, but many shades of gray. In career she has worked to enhance and honor the independence of those she served through innovative healthcare, wellness, hospitality and life enrichment programs. She holds her MS in Nonprofit Management and Leadership from the University of Wisconsin – Milwaukee.

Executive Leadership Team

Mike Thirtle
President, Chief Executive Officer

As President and Chief Executive Officer of Bethesda, Mike Thirtle works alongside Bethesda's leadership team and the passionate people of the organization to fulfill Bethesda's mission.

Before joining Bethesda, he worked for the RAND Corporation in various roles for 12 years, including Director of the RAND office at Air Combat Command at Langley Air Force Base, Virginia. Before his years with RAND, Thirtle was Director of Consulting for the National Data Corporation in Chicago and a Senior Consultant with PricewaterhouseCoopers in Los Angeles. Thirtle is a proud veteran and retired member of the U.S. Air Force, where he served as an active duty and reserve officer for more than two decades. He graduated with military distinction— in the top one percent of his class— with a Bachelor's degree in biology from the United States Air Force Academy in Colorado Springs, Colorado.

In addition, Thirtle holds several advanced degrees, including doctoral and a master's degrees in policy analysis, both from the RAND Graduate School in Santa Monica, California. Thirtle also has master's degrees in finance and economics, both from Wright State University in Dayton, Ohio. He has attended Executive Leadership Programs at both the Stanford Business School and the Harvard Business School. Thirtle has published numerous reports and articles on business reform, process improvement, education and development of people, technology and leadership. Thirtle has also served on the faculty of Northwestern University in Evanston, Illinois, as an adjunct professor teaching classes in analytical methods and leadership.

Jeff Kaczmarski
Senior Vice President, Chief Legal Officer

Jeff Kaczmarski holds the positions of Bethesda's Executive Vice President and Chief Legal Officer. In his roles, Kaczmarski supports strategic planning, business development, organizational change management and enterprise project execution. Kaczmarski provides and manages all legal services for Bethesda, is involved in Bethesda's public policy and advocacy efforts and leads Bethesda's internal management compliance team.

Before coming to Bethesda in 1993, Kaczmarski worked as a business litigation attorney for several law firms in Madison and Milwaukee, Wisconsin, where he represented organizations in a variety of complex business, employment and appellate matters. Kaczmarski has a bachelor's degree in political science and a law degree from the University of Wisconsin—Madison.

Brian Savoie
Vice President of Finance, Chief Financial Officer

As Chief Financial Officer, Brian Savoie leads and directs the organization's finance team.

Savoie brings more than 15 years of operations experience to his role. Most recently, he served as Chief Financial Officer for the American Society for Quality (ASQ) in Milwaukee, where he led the finance, accounting, information technology, organizational excellence and office services work groups at the 70,000-member nonprofit professional society. He also held finance leadership positions at VF Corporation, in Appleton, Wisconsin, Brady Corporation in Milwaukee, and Nike, Inc. in Oregon. Savoie earned his bachelor's degree in industrial engineering from the Milwaukee School of Engineering and his MBA from Carnegie Mellon University in Pittsburgh.

Lorene King
Vice President of Philanthropy

Lorene S. King is the Vice President of Philanthropy at Bethesda Lutheran Communities. She is responsible for executing a comprehensive advancement plan to support all aspects of philanthropic giving that reflect the larger strategic goals and objectives in support of Bethesda's mission.

Prior to coming to Bethesda, King served as Vice President for Institutional Advancement at Daytona State College in Daytona Beach, Fla., where she also was Executive Director of the college's foundation. She previously was the Executive Director of the NASCAR Foundation and held several senior leadership roles with ALSAC/St. Jude Children's Research Hospital in Memphis, Tennessee. King earned an Executive MBA from the University of Memphis and a bachelor's degree in marketing and management from the University of South Alabama.

Sri Nagarajan
Chief Technology and Innovation Officer

Sri Nagarajan is responsible for advancing Bethesda's innovation strategy on behalf of people with developmental disabilities. First among these initiatives is a game-changing quality platform that will enhance the lives of people with disabilities.

Nagarajan co-founded Camino Ventures, a North Carolina-based financial technology firm, and he previously served in senior leadership roles with AAA Carolinas, AIG Insurance and Bank of America. A true innovator, he is the holder of five patents, with about two dozen more pending.

Nagarajan lives in Charlotte, N.C., and spent his formative years in Oman and India before emigrating to the U.S. to attend graduate school. He earned a Master's degree in information management from Carnegie Mellon University in Pittsburgh; an MBA from the Kellogg School of Management at Northwestern University in Evanston, Ill.; and a Master's degree in financial management from Pondicherry University in India. His Bachelor's degree in commerce is from the University of Madras, also in India.

Cindy Moon-Mogush
Chief Marketing and Communications Officer

Cindy Moon-Mogush is an accomplished marketing and communications leader with extensive experience in brand building, digital experience, and corporate communications with a successful leadership history in innovating brand strategy in the health care and financial services sectors. Moon-Mogush is responsible for overseeing internal and external communications and marketing for all Bethesda programs.

Prior to coming to Bethesda, Moon-Mogush served as senior vice president and chief marketing officer of Aurora Health Care, Milwaukee, and as senior vice president and chief marketing officer for Green Bay-based Associated Banc-Corp.

Moon-Mogush earned a master's degree in organizational communication from Central Michigan University, where she also received a bachelor's degree in communications and journalism.

Diane Ekstrand
Chief Human Resources Officer

Diane Ekstrand brings more than 15 years of human resource experience to her role, having worked with a variety of financial service and health care organizations. Ekstrand most recently served as Vice President, Human Resources for Northwestern Mutual in Milwaukee. Prior to Northwestern Mutual, she was Vice President, Human Resources for Banner Health in Arizona and Aurora Health Care in Wisconsin.

Ekstrand earned a master's degree in human resources / labor relations from the University of Wisconsin-Milwaukee and a bachelor's degree in economics from the University of Wisconsin-Whitewater. She also holds several professional certifications, including Senior Professional in Human Resources, and is an active member of the Metro Milwaukee Society for Human Resource Management and Professional Dimensions.

Bethesda
Cornerstone Village

A Forward-thinking, Inclusive Community

Bethesda Cornerstone Village
Victoria, MN

Bethesda Cornerstone Village, a senior living campus in Victoria, Minnesota completed construction in August 2020. This Christian residential community offers a combination of 52 villas and apartment homes that integrate people with intellectual and developmental disabilities with adults of all abilities 55 years and older.

Up to 20 percent of Cornerstone Village's units serve persons with a disability, at a price they can afford. Cornerstone Village will be the one of the first developments of its kind in the nation.

The development was built with $1.28 million in TIF funding from the City of Victoria. The TIF requires an affordability component where 20% of the units are reserved for residents at 50% of the area median income. Cornerstone Village is a subsidiary of Bethesda Lutheran Communities. Additional Cornerstone Village developments are planned for the Twin Cities, Wisconsin and California. Each will vary on their residential mix and size, but all will include people with disabilities.

Bethesda
Cornerstone Village

Independence through Connectivity

Bethesda Cornerstone Village
Oakdale, MN

Cornerstone Village – Oakdale will be a 71-unit community located near the Helmo Avenue Station of the METRO Gold Line Bus Rapid Transit, which is slated to open in spring 2024.

The community will provide 50 affordable apartments and 21 market rate apartments. Seventeen (17) apartments will be set-aside for adults with I/DD and four (4) apartment for adults who have experienced homelessness.

Easy access to transit and nearby amenities will be key to independence for residents who do not own cars. The project is slated to start construction in fall 2021.

Bethesda
Cornerstone Village

Creative Urban Infill

Bethesda Cornerstone Village
Milwaukee, WI

Cornerstone Village – Highland is a 68-unit community for older adults, ages 55+, on Milwaukee's historic Near West Side. The new building will replace an obsolete office building being vacated by Advocate Aurora Health.

The community will feature 62 affordable and dix (6) market rate units. Ten (10) apartments will be set-aside for adults with I/DD and seven (7) apartments for older adults who have experienced homelessness.

The Milwaukee Center for Independence will operate a satellite location on the ground level.
The project is slated to start construction in spring 2022.

Bethesda
Cornerstone Village

Creating New Opportunities for Inclusion

Transition to Group Homes
Carver & Hennepin Counties, MN

Historically, people with intellectual and developmental disabilities who resided outside of their parents' home would live in a large institution or a smaller intermediate care facility (ICF). Both fell out of favor as expectations for people with disabilities changed along with funding sources.

An ICF in Victoria, Minnesota, went into service in 1971, with multiple buildings housing 12 people each. At the time this was state of the art, but times and needs changed. In 2018, Bethesda purchased seven homes in the Twin Cities area based on neighborhood desirability, available housing stock and proximity to activities for people supported. Each individual served identified goals for relocation. Once purchased, Bethesda renovated the homes to make them accessible to individuals' needs, including chair lifts, garage lifts and leveled floors. Meanwhile, beds in the ICF were decertified, with 27 of 32 residents from the ICF continuing with Bethesda at new homes in 2019.

A multidisciplinary team worked together to make this process as smooth as possible for people supported and to fulfill obligations to the state and private sellers. Frequent and transparent communication was essential with stakeholders including parents and guardians, case workers and employees. The Minnesota Department of Health Services was a valuable partner throughout the process.






Bethesda Lutheran Communities

Corporate Profile | 2020

Bethesda

About Us

Founded in 1904 in Watertown, Wisconsin, Bethesda is a national leader in providing homes and support, promoting awareness and advocating for people with intellectual and developmental disabilities. Operating at program locations across the United States, we are a Christian organization that succeeds through the passion of our employees and volunteers who make a difference every day in the lives of those we support.

Bethesda's spectrum of services continues to evolve as we strive to reflect the needs of the people and families we support, which in recent years has focused on independence and community inclusion. Our organization is proud to be a change agent in implementing forward-thinking solutions that improve the lives of people with intellectual and developmental disabilities. Bethesda's shared living program and employment support services are two examples of our offerings that exemplify the level of self-direction and choice that people we support, parents, and guardians seek.

This transformation of our services, which comes at a time of decreased government funding, allows us to extend our mission as we impact more lives in more communities. It also will lead to real progress as greater acceptance and more diverse opportunities continue to break down limits for people with disabilities.

During this period of change, hard choices have been made – and will continue to be made – as we travel a path that rights our organization financially and positions us at the forefront of intellectual and developmental disability service providers.

Over the past few years, we have made much financial progress, restructuring our debt and cutting a substantial deficit in half. We have decreased expenses and reduced vendor costs, as well as generated significant cash to relieve pressure from our Bethesda Foundation.

Bethesda has long been a beacon of hope and support for the many people we support, and to ensure its longevity far into the future, we need to transform our organization and adapt to a changing environment.

Bethesda Timeline

1903

40 acres of land along the Rock River in Watertown, Wisconsin, were donated to Bethesda.

1904

Bethesda was founded as The Society for the Training and Care of the Feebleminded and Epileptic in Watertown, Wisconsin, by concerned Lutherans, and opened its doors to five people. The school focused on Christ-centered training and Lutheran education while providing people with a loving, supportive home.

1923

The school adopted the name Bethesda, taken from John 5:2-9 and meaning "House of Mercy."

1940s

Bethesda entered a period of expansion, which began with renovations to campus buildings in Watertown, Wisconsin.

1960

The first Bethesda thrift store started in Watertown.

1961-1968

Bethesda started occupational therapy, speech therapy and physical therapy departments.

1970s-1980s

Bethesda began expanding its services across the United States. In addition to Wisconsin, services were now offered in Illinois, Indiana, Michigan, Missouri and Texas.

1995

The organization made a greater commitment to serve people in the community when the board authorized new ministry consultant positions, which facilitate opportunities for people with disabilities to connect to faith communities of their choice. Bethesda works with congregations across the nation.

2006

Good Shepherd Communities affiliated with Bethesda.

2019

Bethesda is positioned to succeed and continue to help people with intellectual and developmental disabilities to live the lives they want – as it has done for more than a century.

Our Mission

Enhance the lives of people with intellectual and developmental disabilities through services that share the good news of Jesus Christ and achieve our vision for the future.

Our Aspiration

Bethesda aspires to be the leading national provider of supports, programs and resources for those with intellectual and developmental disabilities. We will work tirelessly to educate, advocate for and integrate those with intellectual and developmental disabilities into our communities, all to further the goal of helping the people we support live their best life in a loving way that is always true to our Christian mission.

Our Vision for the Future

Bethesda 2030
Moving **BOLDLY** into the Future

Bethesda 20/30 is our strategic view of the future and serves as a roadmap to guide us to our goals. Our Strategic Plan is made up of five key objectives. Each of these objectives plays a role in helping us to transform the organization and achieve our vision for the future:

To achieve our vision, we need to **THINK DIFFERENTLY.**

5 POINTS OF TRANSFORMATION

1. EXPAND
our reach to help more people

2. INCREASE
services and programs offered

3. IMAGINATION & INNOVATION
to redefine quality and the use of technology in a way the field has never seen before

4. CREATE
new revenue opportunities

5. INVEST
in the best people to move our mission forward regardless of where they live

To create new revenue opportunities, we're taking a new, unique approach to help us stand out in the market. Our future will be built on two portfolios of services that support each other.

2 PORTFOLIOS OF SERVICE

MISSION DRIVEN

A mission-driven portfolio that will serve people's needs with quality service lines

- Faith Support
- Homes
- Transition Services
- Behavioral Health
- Skill Development
- Education
- Employment

REVENUE DRIVEN

A revenue-driven portfolio run with a for-profit mindset to make money to serve our mission

- Cornerstone Village
- Financial Service
- Retail
- Tech Co.

FUNDS OUR MISSION

Services

Homes

Every person we support has an opportunity to turn a house into their home. Bethesda supports people with intellectual and developmental disabilities in community-based group homes, host homes and through family caregiver programs.

Across the United States, we help adults with intellectual and developmental disabilities make choices about where they live, who they live with and how they spend their time.

No matter the setting, we strive to foster independence and empower choice in the everyday activities and decisions of the people we support.

Independent and Supported Living: While some people we support live at home with a guardian, parent or relative who provides day-to-day support, others live independently in their own homes or apartments. Through our intermittent supports, we help people with intellectual and developmental disabilities receive support at the times and locations they want.

We offer personalized supported living programs as well as short-term supports and respite services.

Community Activities and Day Programs

We help people with developmental disabilities become active members of their communities. Our goal is to enable the people we support to make choices in their lives that will help them pursue their passions and have fulfilling life experiences.

Through our Community Activities and Day Programs, we offer the people we support countless ways to create friendships with others who share their interests and mentors that help them grow.

Career Connections

The employment support services staff at Bethesda assists people with disabilities in finding the right job.

- We work with Department of Vocational Rehabilitation services as well as people we serve and their loved ones.
- We use our vast employer and business networks to find a position that matches individual interests, skills and abilities.
- Employment staff provide support needed to successfully navigate applications, interviews and the hiring process.
- Through a specific and individualized approach to assessment, discovery, employer engagement and long-term job supports, Bethesda successfully helps many people each year find engaging long term employment in their communities.

Bethesda provides employment support services in Wisconsin, Oregon and Colorado.

Behavior Support Services

Quality behavior supports are an integral part of Bethesda's mission to enhance the quality of life for people with intellectual and developmental disabilities. Bethesda provides access to quality behavior support programs from certified behavior analysts to enhance the lives of people with intellectual and developmental disabilities.

We are committed to offering these services in-house for those already receiving residential supports through Bethesda. This allows for the positive, reinforcement-based supports to be fully integrated into each individuals' plan and help enhance their quality of life.

Faith Supports

Many of the people we support tell us the connection to their communities began in their congregation. For many, church was the first time they'd ever experienced a sense of being part of something bigger, being empowered to give back to the community or have the feeling of oneness that comes when a person is respected and valued as an equal member of a community.

To achieve this, Bethesda's ministry consultants facilitate opportunities for people with disabilities to connect to faith communities of their choice. We work with congregations across the nation.

Bethesda's Religious Life team collaborates to make connections that benefit the people we support, staff and congregations. The team provides training and education for congregations, church leaders and other religious organizations to promote the importance of spiritual support for people with developmental disabilities. Together with our partners, we help people with developmental disabilities and their families connect and fully participate in the life of the Christian community of their choice.

Bethesda College

The Bethesda College of Applied Learning is a unique, two-year post-secondary certificate program where people with intellectual and developmental disabilities can realize their dream of receiving a college education. Students enrolled in Bethesda College live on the Concordia University Wisconsin campus in integrated residence halls.

At CUW they can build lifelong friendships, practice their faith and participate in clubs and student activities. Bethesda College's faculty members are always available to support each student and help them get the most from their college experience.

The Bethesda College of Applied Learning is built on an inclusive model focused on academics and employment. Combining a liberal arts focus with skills development coursework, Bethesda College's curriculum is a blended model designed to help students grow intellectually, vocationally, socially, personally and spiritually.

Quality

At Bethesda, everything comes down to quality – doing the best for the people we support. We work to help them realize their hopes, dreams and desires. That's when we know we've done our job.

How do we know what each person wants? We ask them, and, together, we make a plan to get them there.

For each person, those goals are different. Ricky, in Wisconsin, wanted to move out of an institutional setting and into a home in his community. James, in Colorado, wanted to grow a vegetable garden. Malcolm, in Illinois, wanted to play in a basketball tournament.

While Bethesda works with each person we support to help them achieve their goals, the accomplishments are uniquely their own. Malcolm and his team earned second place in the basketball tournament. James is growing tomatoes in his backyard. Ricky moved into a home he shares with roommates he chose.

Bethesda helps them every step of the way, but the people we support are the ones who made decisions, took action and reached their goals.

Quality is central in everything we do at Bethesda.

Bethesda 2030

Moving **BOLDLY** into the Future

What does Bethesda's future look like?

Our 2030 Vision is to transform Bethesda into the intellectual and developmental disabilities industry innovator, by offering new services and a portfolio of new business ventures that will contribute critical funding to our work.

Together, we can innovate and move quickly to expand our reach and create positive impacts for the 6.5 million people in the U.S. who need our support.

Homes

Creating innovative housing options for people with I/DD, including growing our Bethesda Cornerstone Village locations, increasing shared living arrangements and adding small group homes where it makes fiscal sense

Behavioral Health

Launching our behavior support services in new markets will increase the number of people we can provide life-changing applied behavior analysis treatment to, including both adults and children

Transition Services

Increasing transition services for young adults, includ-ing education programs, life skills training and support to help people gain experience and confidence to live as independently as possible

Financial Services

Introducing financial services to ensure benefits are never in danger and people with disabilities have the financial independence and security we all desire

Employment

Expanding employment services to new markets to provide meaningful work opportunities for more people that aren't currently supported by Bethesda, with a goal to provide a rewarding career paths

Retail

Introducing a new retail brand to attract new generations of consumers and donors to our stores in order to generate revenue to fund our mission

Faith Support

Providing faith resources for people with I/DD to ensure every person we support has access to resources that will help them live the faith life they choose for themselves

Smart Tech

Expanding the use of smart tech services to help those with disabilities gain more independence by using technology to make everyday life easier, more safe and secure

Bethesda

Bethesda 2019-2020 Impact Report Thru 9/17/20

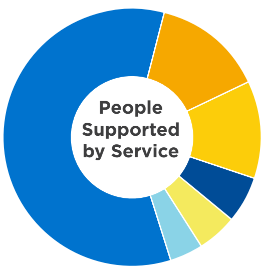
Moving Our Mission Boldly Forward

During Fiscal Year 2019-2020, we continued to provide quality, caring support across all of our existing services, all while developing new and innovative ways to support, empower and create more inclusion for people in the future.

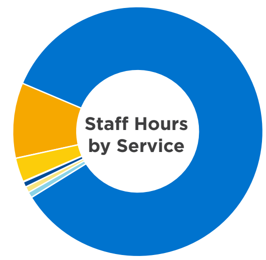
OVERALL SUPPORT

1,500+
people served
by Bethesda

3.6 million
hours of support
provided to people with disabilities across all programs



- 55% Bethesda Homes
- 13% Community Connections
- 12% Independent & Supported Living
- 8% Shared Living
- 6% Employment Connections
- 6% Behavior Supports



- 85% Bethesda Homes
- 10% Independent & Supported Living
- 2% Community Connections
- 1% Shared Living
- 1% Employment Connections
- 1% Behavior Supports

BETHESDA HOMES

850+
PEOPLE LIVING IN BETHESDA LICENSED HOMES

2.5 million+
HOURS OF SUPPORT PER YEAR

2,967
AVERAGE HOURS OF SUPPORT PER PERSON PER YEAR

FAITH ENGAGEMENT

1,300+
TOUCHPOINTS WITH PARENTS & FAMILIES OF PEOPLE WE SUPPORT

LIVING SERVICES
Independent & Supported

185
PEOPLE SUPPORTED IN THEIR OWN HOMES

1,680
SUPPORT HOURS PER PERSON PER YEAR

32
AVERAGE HOURS PROVIDED PER WEEK

COMMUNITY & EMPLOYMENT CONNECTIONS

198
PEOPLE SERVED IN DAY, COMMUNITY AND EMPLOYMENT PROGRAMS

BEHAVIOR SERVICES

88
PEOPLE RECEIVED THERAPY SERVICES

SHARED LIVING HOMES

119
PEOPLE
LIVING IN A SHARED LIVING ARRANGEMENT SERVED BY BETHESDA

CORNERSTONE VILLAGE

90
POTENTIAL **PROPERTIES** REVIEWED

5
PROPERTIES IN ACTIVE PLANNING STAGES

1
PROPERTY OPEN AND OCCUPIED

Bethesda

Bethesda California Operations – At A Glance

BY THE NUMBERS

CALIFORNIA

221
People supported

378
Staff

34
Facilities

UNITED STATES

300+
Programs

13
States served

$136.6 million
Operating revenue, 2018

4 million
Hours per year of support, 2019

1904
Year founded

Who is Bethesda?

Bethesda is a national Christian nonprofit organization serving people with intellectual and developmental disabilities. We strive to help people live their lives to the fullest.

What We Do

Across the country, Bethesda provides a variety of services including residential, employment, community and faith supports.

Services in California

- **Community-based homes:** Offering safe, comfortable places to live
- **Shared living:** Matching a person needing support with a loving family
- **Independent and supported living services:** Providing as-needed support for people who are better able to care for themselves

Communities served:

- Bakersfield, Clovis, Fremont, Fresno, Laguna Hills, Lake Forest, Mission Viejo, Porterville, Visalia

President & CEO

- Mike Thirtle, Ph.D.

Regional Director

- Christina Mance

Bethesda

National Board of Directors

Cesar Villalpando
Chairman of the Board
Burbank, California
Cesar Villalpando is the former Corporate Senior Vice President, Enterprise Shared Services at Kaiser Permanente, the nation's largest integrated health system. During his 29+ years with Kaiser he oversaw a broad range of services, including hospitals, pharmacy, construction, support services, and financial and strategy divisions. He holds a Bachelor's degree in Psychology, including graduate studies in Human Factors from California State University, Northridge.

View his LinkedIn profile.

Rev. Jay DeBeir
Vice Chairman of the Board
Eureka, Missouri

Rev. Jay DeBeir is the former Executive Vice President at Lutheran Hour Ministries St. Louis. He provided leadership for mission strategy and operations, finance, information technology, human resources, and marketing/creative services. He previously served as vice president of operations for Horizon Health Corp., where he oversaw multiple health care facilities across the U.S. Rev. DeBeir also served as senior vice president of the Lutheran Church Extension Fund's Ministry Services Division in St. Louis, where his responsibilities included strategic planning, program development, and district and national relations. Rev. DeBeir was ordained at Concordia Seminary St. Louis and earned his Master's degree in Business Administration from Benedictine University, his Master's degree in Clinical Psychology from the Illinois School of Professional Psychology in Chicago, and his Bachelor's degree in Psychology from Aurora University.

View his LinkedIn profile.

Randall Odzer
Treasurer
Des Moines, Iowa

Randall Odzer is the Chief Financial Officer of the U.S. Insurance Solutions division of Principal Financial Group, a Fortune 500 global financial services company. Randall is a results-oriented business leader with diverse healthcare and insurance experience as CFO of several organizations, including: Optum Health Care Solutions, United Behavioral Health and Cigna Behavioral Health. He holds an MBA from Northwestern University – Kellogg School of Management and a Bachelor's degree in accounting from the University of Illinois at Chicago.

View his LinkedIn profile.

Bethesda

Catherine Brondos
Secretary
Haymarket, Virginia

Cathy Brondos is an educational trainer and coach. Her career primarily focused on high school administration, special education, science education and undergraduate teacher education. She completed postgraduate programs in school administration and in special education at the University of Denver. Brondos holds a Master's degree in Botany from the University of Kansas and a Bachelor's degree in Education from Concordia University.

View her LinkedIn profile.

Karen Carter
Director
Whitehall, Wisconsin

Karen Carter is the former Volunteer Coordinator at Riverfront, Inc. and the Chippewa Valley Museum. Her career has included Lutheran Camp Counselor, Children's Librarian, Director and Teacher in private and Lutheran early childhood settings. She has served on numerous church and civic boards and committees. She currently is the President of the Bethesda Auxiliary Governing Board. Karen holds an Associate degree from Concordia and Bachelor's degree in Early Child Development from Warner Pacific.

View her LinkedIn profile.

Malcolm Conner
Director
Malvern, Pennsylvania

Malcolm Conner is a Corporate Council Member of the Children's Hospital of Philadelphia. Malcolm is a visionary, innovative, decisive senior executive recognized for outstanding bottom-line results and a proven record of building world-class teams and results. Malcolm is a former Board member of the American Water Charitable Foundation and Chief Executive Advisor at Progressive Business. He holds an MBA from The Wharton School of Business, University of Pennsylvania.

View his LinkedIn profile.

Bethesda

Ardis Loeber
Director
Watertown, Wisconsin

Ardis Loeber is a former Operations Leader of Bethesda. She retired in 2010 after 28 years of service. After retirement, Ardis became a contractor and filled critical leadership vacancies at Bethesda and assisted to turn around troubled services areas. Ardis has a daughter with developmental disabilities and is a guardian of an individual with disabilities. She is also a member of the Bethesda Auxiliary – Wisconsin Unit. Ardis holds a Bachelor's degree from Dana College.

View her LinkedIn profile.

Jim Rymarcsuk
Director
Bethesda, Maryland

Jim Rymarcsuk is a Distinguished Career Institute Fellow at Stanford University. He previously served as Chief Marketing & Strategy Officer for Honeywell Aerospace, a $15 billion diversified industrial and technology company, where he was responsible for overall business strategy, strategic planning, growth, new product development, customer engagement, mergers and acquisitions and transformation to a digital leader. He held senior leadership positions with iRobot Corp. and Lockheed Martin Corp. He holds a Bachelor's degree in mechanical engineering and Master's degree in aerospace engineering from Stanford University, an MBA in Finance from Golden Gate University and a Master's degree in technology and public policy from MIT.

View his LinkedIn profile.

Christine Tricoli
Director
Bloomfield Hills, Michigan

Christine Tricoli is the Head of Human Resources at H.W. Kaufman Group, a global network of companies dedicated to shaping the insurance industry, located in Bloomfield Hills, Michigan. Christine's career has primarily focused on talent development, retention, engagement and culture. Christine has more than 20 years of experience in human resources working with Fortune 500 companies. Christine also serves as a Senior Executive Board Member at the Best Practice Institute. She holds an MBA and Bachelor's from Canisius College in Buffalo, NY.

View her LinkedIn profile.

Ellen Trytek
Director
Elm Grove, Wisconsin

Ellen Trytek is the Executive Marketing and Business Development Officer at WipFli, LLP. She is a dynamic, results-driven executive with outstanding success creating and delivering business and marketing strategies designed to drive profitable growth and revenue creation for professional services, consulting, and B2B service industries. She holds a Master's degree in Marketing from Northwestern University and a Bachelor's degree in Advertising, Marketing and Journalism from Marquette University.

View her LinkedIn profile.

J. Larry Tyler
Director
Sandy Springs, Georgia

J.Larry Tyler, FACHE, FHFMA, CMPE, is CEO and chairman of the Practical Governance Group in Atlanta. His organization includes consultants and academicians specializing in good governance and education of health care boards. Tyler began his professional career on the audit staff of Price Waterhouse and Co. and later founded Tyler & Company, which conducts executive-level searches for the health care industry. In 2013, Tyler & Company became part of Jackson Healthcare. Tyler earned his Master's degree in public accounting from Georgia State University and his Bachelor's degree in industrial management from the Georgia Institute of Technology.

View his LinkedIn profile.

John Wiktor
Director
Valparaiso, Indiana

John Wiktor is a partner at Horwood Marcus & Berk Chartered in Chicago and leads the firm's Trusts & Estates practice. John counsels charities and foundations on the complex world of charitable planning. He works with entities ranging from large public charities to sophisticated private family foundations and simple grant-making organizations, helping them navigate issues related to governance, tax and the structure of gift agreements. He also partners with donors on estate planning to learn their charitable motivations and helps to ensure their legacies live on after death. John earned his law degree from Loyola University Chicago School of Law and his bachelor's degree from the University of Michigan.

View his LinkedIn profile.

Mogavero Architects
Architectural Design

For nearly thirty years, Mogavero Architects has designed buildings and communities with the goal to inspire sustainability and create places with meaning. The firm's award-winning architecture, planning, and urban design services have been provided to clients throughout California, from small towns to intensely urban settings. Mogavero's experience with public agencies spans the State of California, and they currently have contracts with many local Housing Authorities and local government entities. As skilled facilitators and outreach consultants, Mogavero has extensive experience in consensus building and collaborative decision-making with public agencies, private organizations, and individuals. Public participation in the planning and design process adds immeasurable value to the built environment. Mogavero Architects typically facilitates collaborative efforts with neighborhood associations in addition to public and private organizations as they assist developers, government agencies, and nonprofit organizations in realizing their project goals.

Mogavero Architects' LEED-accredited professionals have demonstrated their dedication to green, sustainable design since the firm's inception. The firm's founders pioneered cutting edge green building with an emphasis on passive heating and cooling and ventilation systems, daylighting, and other natural conservation systems. Mogavero assesses the context of the building on site, position in the neighborhood, contribution to the built environment, and future purpose. Using themes that include historic and cultural influences, neighborhood identity, or natural elements like climate and environment, Mogavero contributes to the definition and creation of community at varying levels while encouraging interaction with the projects they are asked to design.

Mogavero thrives on complex products that involve many product types, financing sources, and stakeholders. Weaving together seemingly disparate objectives, site constraints, and systems to make a beautiful building is what they do best.

Key Staff

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Years in Architecture: 18

Renner Johnston, Principal
Sacramento, CA
rjohnston@mogaveroarchitects.com | (916) 443-1033
Years in Architecture: 25

Matthew Wietrick, Architectural Designer
Sacramento, CA
mwietrick@mogaveroarchitects.com | (916) 443-1033
Years in Architecture: 30

mogavero ARCHITECTS

NATHANIEL W. SEBOK, AIA, LEED AP

PRINCIPAL

Nathaniel Sebok, a prinicipal with Mogavero Architects, is passionate about the firm's goal of community building. With twenty years experience, he enjoys integrating sustainable strategies into projects to create a holistic design. His broad scope of project experience ranges from institutional to multifamily and mixed-use retail. Mr. Sebok and his design team excel with unifying a building's interior, exterior and site design, resulting in award-winning projects.

Mr. Sebok holds a Bachelor of Architecture and Masters of Business Administration from Cal Poly San Luis Obispo, and is active in the local Sacramento community as a member of the Urban Land Institute.

PROJECT EXPERIENCE

MULTIFAMILY

MAIN STREET, ROSEVILLE, CA

65 affordable multifamily residencies in two 4-story buildings including offices and 3,000 sf of retail space.

T STREET APARTMENTS, SACRAMENTO, CA

11-unit infill apartment building and renovation of traditional existing home in downtown Sacramento.

CAPITOL YARDS, WEST SACRAMENTO, CA

280-unit market rate apartment project, including a 6,000 sf clubhouse with extensive site amenities. Winner of the NAHB Platinum Award for Best Multifamily Project in the U.S. (4-stories or less).

THE ARBORS AT OAK PARK, SACRAMENTO, CA

A mixed-use 56 unit senior apartment complex with ground floor retail.

COLDSTREAM APARTMENTS, TRUCKEE, CA

48-unit apartment complex located in the Sierra Nevada mountains.

MEADOW VIEW PLACE, TRUCKEE, CA

56-unit affordable apartment complex tucked in a wooded hillside in the Lake Tahoe area.

7TH & H MIXED-USE RESIDENTIAL TOWER, SACRAMENTO, CA

An 8-story tower on an urban infill site with affordable housing for special needs population, including a clinic for residents and neighborhood retail. Consultant coordination and document development.

UNIVERSITY OF CALIFORNIA, DAVIS TERCERO STUDENT HOUSING, PHASE II

Programming and design services for the second phase of a 600 bed modern, dormitory-style housing for UC Davis students.

THE RENAISSANCE AT PARC GROVE, FRESNO, CA

40-unit affordable apartment complex for veterans.

ROCHDALE GRANGE, WOODLAND, CA

A 2-story, 42-unit apartment complex with a community building.

RETAIL

RUHSTALLER TAP ROOM, SACRAMENTO, CA

Tenant improvement of a local Sacramento Brewery.

CSU SACRAMENTO DINING COMMONS, SACRAMENTO, CA

Renovation, expansion and rebranding of the student dining facility located on the CSUS campus.

CIVIC / MEDICAL

MCKINLEY VILLAGE RECREATION CENTER, SACRAMENTO, CA

4,200 sf recreation center for a community of 328 homes. Winner of the NAHB Award for Best Community Amenity in the Nation.

BROOKFIELD SCHOOL, SACRAMENTO, CA

A private, K-8 school emphasizing sustainable design and net zero energy use.

PROJECT EXPERIENCE
CIVIC / MEDICAL (CONTINUED)

PLEASANT VALLEY RECREATION AND PARK DISTRICT, CAMARILLO, CA

Needs assessment and programming for a community center and senior facility.

NATOMAS PARK CLUBHOUSE, SACRAMENTO, CA

Remodel and improvement of the Natomas Park Homeowners Association's 15,000 sf clubhouse. Guided the Association through the development process and assisted with community outreach.

SIERRA IMAGING CENTER, CLOVIS, CA

Tenant improvement to accommodate medical scanning equipment.

SUTTER ROSEVILLE HOSPITAL COMPLEX, ROSEVILLE, CA

Participated in an array of projects, including a new neonatal intensive care unit. Designer and project manager, including OSHPD coordination.

EDUCATION:

- Masters in Business Administration, California Polytechnic State University San Louis Obispo 2002
- Bachelor of Architecture California Polytechnic State University San Luis Obispo 2001

PROFESSIONAL CERTIFICATION & MEMBERSHIPS:

- Architect, California 2005 License No. C30330
- Member AIA
- LEED Accredited Profesional
- Member, Urban Land Institute
- Prequalified Architectural Submittal System (PASS) Certified

AWARDS

- PCBC Gold Nugget 2017
- NAHB Platinum Award 2017; Best 4-Story Multi-family in the Nation
- NAHB 2017; Best Residential Amenity

LECTURES AND PUBLICATIONS:

- "Low Hanging Fruit: Initial Steps to Greening Your Building", Round table facilitator, ICSC National Green Retail Conference

CONTACT
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mogavero ARCHITECTS

RENNER JOHNSTON, AIA, LEED AP

PRINCIPAL

Renner became passionate about architecture while working in Europe and returned to the U.S. for a Masters in Architecture at the University of Oregon.

With Mogavero Architects since 1997, Renner shares the firm's long commitment to green sustainable design. As Principal, he has designed and managed projects including infill, affordable and market rate housing, mixed-use, urban design and large solar arrays.

Renner has also worked on several master planning projects including, the Mather Campus Vision plan, Grass Valley Workforce Housing plan and the Baechtel Charrette for the City of Willits.

PROJECT EXPERIENCE

7TH & H STREETS MIXED-USE RESIDENTIAL TOWER, SACRAMENTO, CA

A Downtown Sacramento 8-story tower with affordable housing for the special needs population, including a clinic for residents and neighborhood retail. Project Manager for Mercy Housing California.

WEST GATEWAY PLACE, WEST SACRAMENTO, CA

LEED-Silver Certified, multifamily affordable mixed-use 4-story buildings with 77 residences over retail. 2017 NAHB Best in American Living, Platinum, Mutlifamily Affordable category.

MATHER VETERAN'S VILLAGE, SACRAMENTO, CA

50 affordable permanent supportive residences for Veterans, with full Solar PV, Solar Thermal and Greywater System. Phase II renovates a 20,000 sf infirmary building to include community space and senior services. Building is designed to be net zero.

MARINA VISTA / ALDER GROVE VISION PLAN, SACRAMENTO, CA

Architectural Vision Plan for the redevelopment of 719 public housing residential units. Extensive public outreach and visioning process for development.

SIERRA VILLAGE PHASES I & II, DINUBA, CA

Solar-powered community for Self-Help Enterprises with 100 affordable family residences and a community building.

ZETTIE MILLER'S HAVEN, STOCKTON, CA

Solar-powered special needs community for people with disabilities, with 82 elevator-accessible affordable residences.

PALM TERRACE, LINDSAY, CA

50-unit affordable community includes sustainability greywater recycling and water conservation measures. The extensive solar arrays make it a virtual Net Zero Energy project.

CORNET BUILDING RENOVATION & RESIDENCES AT OLD TOWN KERN, BAKERSFIELD, CA

Renovation for the Housing Authority of a mid-century modern history building as a community center with residences on upper floor. Project included five 3-story buildings with affordable residences.

UC DAVIS CUARTO DINING HALL, UC DAVIS CAMPUS, CA

Design-Build and complete renovation. Completed in Spring 2010 with LEED-Silver.

MATHER CAMPUS VISION PLAN, SACRAMENTO, CA

Developed design concepts for a 31 acre campus for SHRA and the Federal Department of Health Administration.

SMUD PV & HYDROGEN FACILITIES, SACRAMENTO, CA

Design of a solar-powered hydrogen refueling facility, and public education area for learning about hydrogen and fuel cell vehicles.

COLONIA SAN MARTIN, SACRAMENTO, CA

60 units of affordable apartments for Mercy Housing and the AIDS Housing Alliance that feature many green components: Solar PV and Solar Thermal, day-lighting, 25% better than California energy code. Nominated for California Stormwater Quality award.

PROJECT EXPERIENCE (CONTINUED)

THE GALLERY, DAVIS, CA

A mixed-use, residential over café demonstration project for LJ Urban to showcase green design and technology.

LIBRARY LOFTS, DOWNTOWN SACRAMENTO, CA

21 stories, including 295 condos, 35,000 sf office and 15,000 sf retail, and 450-space garage. Concept design for D.R. Horton.

CORDOVA CITY CENTER, RANCHO CORDOVA, CA

206 family townhouse units and 75 independent living senior units with a mixed-use component of 11,000 sf retail and 30,000 sf office.

ALMADEN CAMPUS SOLAR PROJECT, SANTA CLARA, CA

200-KW solar panel administration building addition and solar shelter project. Designed as a showpiece to highlight the District's commitment to sustainable energy.

GRASS VALLEY WORKFORCE HOUSING, GRASS VALLEY, CA

Developed a series of prototype housing designs for three infill sites with difficult terrain.

DESIGN CHARRETTE FOR BAECHTEL ROAD, WILLITS, CA

Week-long Charrette to develop a series of development options along a new road alignment for the City of Willits.

ALBERTSON'S LAKE SHORE AVENUE, OAKLAND, CA

Concept design for renovation of a complex infill site and parking structure expansion.

LAVE RESIDENCE, PAJARO DUNES, SANTA CRUZ COUNTY, CA

3-story Beach House, including Coastal Commission review.

LEXINGTON APARTMENTS, DAVIS, CA

$17 million in new construction of a 3-story, 120-unit apartment building above 3,100 sf of retail and commercial space. Winner of Gold Nugget Award, PCBC.

FAIRFIELD TRANSIT PROJECTS, FAIRFIELD, CA

3 multi-modal transit facilities on infill sites. Prepared designs for the City of Fairfield Park & Ride Expansions. The Red Top Road and Fairfield Transportation Center expansions were constructed.

CASCADE APARTMENTS, SACRAMENTO, CA

74-unit apartment complex renovation and addition of a new solar-powered community building.

CARRINGTON CIRCLE APARTMENTS, SACRAMENTO, CA

78-unit apartment complex renovation totaling 43,800 sf with a 2,000 sf community building.

EDUCATION

- Masters in Architecture, University of Oregon 1996
- Architecture & Drawing Courses, Fachochschule, Vochshochschule & Goethe Institute, Dusseldorf & Duisburg, Germany 1991-92
- BA, Philosophy with Honors, Connecticut College 1989
- University of Edinburgh, Edinburgh, Scotland 1987-88 Year Abroad

PROFESSIONAL CERTIFICATION & MEMBERSHIPS

- Architect, California, C28934
- AIA Member
- LEED Accredited Professional
- Prequalified Architectural Submittal System (PASS) Certified
- Environmental Council of Sacramento, Former Board Member
- GOETHE INSTITUTE - Duisburg, Germany, Certificate 1991
- Fluent in spoken German

LECTURES & PUBLICATIONS

- "Greywater in Multi-Family," Housing California 2016
- "Navigating the New T-24," Housing California 2014
- "Seniors in the City," Leading Age 2013
- "Doing it Without RDA," CALFHA 2012
- "Building 7th & H," AIACV 2012
- "Green Architecture," Lecturer, UC Davis Extension 2006 - 2013
- "Community By Design," Speaker, Housing California 2009 & CRA 2009
- "A Ray of Light: Using MHSA Funding" Speaker, CRA Conference 2008
- "Measuring Green" Speaker Lorman Seminars, Stockton, CA 2008
- "Architecture and Green Business Practices," UC Davis Graduate School of Management 2008
- "LEED-Existing Buildings," Speaker, Institute for Real Estate Management 2008
- "Green Building Climate Action Team," Advisory Group for the State of California 2008

PROFESSIONAL AND COMMUNITY ACTIVITIES

- U.S. Green Building Council NCC, Former Chair, Sacramento Branch
- Green Architecture Instructor, UC Davis Extension Program 2015-17

CONTACT

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mogavero ARCHITECTS

MATTHEW WIETRICK

ARCHITECTURAL DESIGNER

As an architectural designer, Matthew is involved in early design phase through production of final construction documents, design detailing, and construction administration services. His 30 years of professional experience has spanned creative residential, commercial and community projects. While previously employed with Piches Architecture, Matthew worked with the City of Roseville on the "revitalization" of Downtown Roseville, including the design of architectural features for the Historic District and a series of monuments and signboards which depict places and events in the City's history.

Matthew has been with Mogavero Architects since 2015 and has worked on numerous affordable housing projects throughout Central and Northern California.

PROJECT EXPERIENCE

SEQUOIA COMMONS PHASES 1 & 2 GOSHEN, CA
Solar-powered community with 128 affordable family residences and community building.

MAGIL TERRACE, FOWLER, CA
Solar-powered net zero community with 60 affordable family residences and community building.

SIERRA VILLAGE PHASES 1 & 2, DINUBA, CA
Solar-powered community with 100 affordable family residences and a community building.

THE LOHSE APARTMENTS, ROSEVILLE, CA
A mixed-use 5-story concrete podium structure in Downtown Roseville with 58 units of affordable family housing, retail, common facilities, and underground parking.

PALM TERRACE, LINDSAY, CA PHASES 1 & 2
New 50 unit affordable community including sustainability features including graywater recycling and water conservation measures. The extensive solar arrays on each building make Palm Terrace a virtual Net Zero Energy project.

UNIVERSITY CALIFORNIA, WEBSTER HALL REDEVELOPMENT, DAVIS, CA
This 367-bed Student Housing Project is comprised of 7 floor communities in a four story building in the Cuarto neighborhood.

CALIFORNIA STATE UNIVERSITY, SACRAMENTO DINING COMMONS, SACRAMENTO, CA
Design and construction documentation for the $1.3M dining hall renovation on the CSUS Campus.

CALIFORNIA STATE UNIVERSITY, SACRAMENTO RIVERFRONT CENTER, SACRAMENTO, CA
This is the first phase of construction as a part of a multi-phase master planned conversion from a traditional cafeteria style facility to a contemporary thematic platform dining commons and the retail dining court.

LAND ARCHITECTURE BUILDING, SACRAMENTO, CA
Conversion of a popular dining establishment into an office for a landscape architectural firm. AIA Award Winner.

STORYBOOK COTTAGE DAYCARE, WEST SACRAMENTO, CA
Repurposing a 3000 square foot building into a cottage style facility for children and their teachers.

EDUCATION
California State University, Sacramento
BA, Education
Teacher Credential Program

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AFFORDABLE HOUSING EXPERIENCE

Over the firm's thirty year history, Mogavero Architects has designed over 4,000 high quality affordable housing units with Housing Authorities and affordable housing developers throughout California. We have completed numerous projects utilizing HUD funding, LIHTC, CalHFA, HUD Rural Development/USDA, AHSC, and other state and federal sources. Often, our projects have half a dozen funding sources, each with its own design requirements.

CLIENT LIST IN THE PAST 5 YEARS

- CFY Development, Inc.
- Community HousingWorks
- Eden Housing
- Fresno Housing Authority
- Mercy Housing California
- Meta Housing Corporation
- MidPen Housing
- Mutual Housing California
- Neighborhood Partners, LLC
- Palm Communities
- The Related Companies of California
- Sacramento Housing and Redevelopment Agency
- Self Help Enterprises
- Services First (Stockton)
- Volunteers of America National Services (VOANS)
- Yolo County Housing Authority

BARTLETT COMMONS, DAVIS

THE LOHSE APARTMENTS, ROSEVILLE

7TH & H STREETS, SACRAMENTO

CITY VIEW @ VAN NESS, FRESNO

PROJECTS

- Bartlett Commons, Davis - LIHTC
- Circle S Project, San Pablo
- Coldstream Commons, Truckee - HUD, AHSC
- Fontana Avenue, Stockton - LIHTC
- Gateway Village, Fairfield
- Goshen Village, Visalia - State & Fed Tax, HOME Fund
- The Lohse Apartments, Roseville - LIHTC
- Magill Terrace, Fowler - HUD
- Main Street Plaza, Roseville - HUD
- Maple Park Seniors, Live Oak
- Meadow View Place, Truckee - AHSC
- Palm Terrace, Lindsay - LIHTC, AHSC
- Renaissance at Parc Grove, Fresno - HUD
- Sierra Village, Dinuba - LIHTC, AHSC
- Sierra Vista, Stockton - LIHTC, HUD
- Sonora Street, Stockton - LIHTC
- Southside Park Cohousing, Sacramento
- Vietnam Veterans, Sacramento
- Village One, Modesto
- West Beamer Place, Woodland
- The Woodlands, Redding
- Zettie Miller's Haven, Stockton - LIHTC

1200 PARK AVENUE, CHICO

SIERRA VILLAGE, DINUBA

ZETTIE MILLER'S HAVEN, STOCKTON

CESAR CHAVEZ PLAZA, DAVIS

MAPLE PARK

LIVE OAK, CALIFORNIA

Agricultural vernacular is expressed in the 3 story buildings.

AFFORDABLE FAMILY HOUSING

Tucked away in rural Live Oak in Sutter County, 30 wartime-era affordable housing units were falling apart and slowly being abandoned. Once determined that rehabilitation was unfeasible, the site was transformed, providing 56 units of affordable family housing in 3 story buildings surrounded by a pedestrian friendly loop road, complemented by central open space and a community building.

An agricultural vernacular is expressed in the buildings with expansive shed roofs, citrus accent colors and a playful mix of siding patterns. Garden areas and courtyards allow residents to grow their own food, socialize and build community.

The project consists of 2, 3, and 4 bedroom units with a central community building that contains a daycare facility for preschoolers. Each unit has storage, a private patio or balcony, and a washer/dryer. The buildings face narrow, pedestrian friendly streets and create park-like courts of various sizes. Parking is tucked under the buildings and does not dominate the site.

Given the lack of municipal storm drainage, all runoff is retained and allowed to infiltrate the site, and numerous green features are incorporated into the design.

The site plan was designed to create a centrally located community space with a new community building as the focal point. Outdoor open spaces located near existing trees have become small courts that subdivide the site into smaller communities.

Gum Street, previously a dead end, has been extended through the site to create a stronger connection with the surrounding neighborhood. The private narrow driveway-like loop slows cars and creates a safe pedestrian oriented space. All unit entries are visible from the street and create focal points for informal interaction and gathering.

SPECIALIZED APPROACHES

- Energy efficient design - exceeds California's Title 24 requirements by 26 to 30 percent
- Designed as a Net Zero Community with future solar hot water and photovoltaic for residential and common buildings
- Build it Green - Green Point Rated at 118 pts.
- Infill site
- Natural daylighting & ventilation features
- Formaldehyde free recycled content insulation
- 40% recycled content, low VOC, formaldehyde, programs implemented throughout the project
- High mass floor design with resilient flooring over concrete or gypcrete
- 100% storm water retention on-site
- Recycled content, CRI carpet, green labeled for indoor air quality

RECOGNITION

AIA Central Valley Design Honor Award, 2013

Gold Nugget Award of Merit, PCBC, 2014

Builder's Choice Award, Hanley Wood, 2014

OWNER/DEVELOPER:
Regional Housing Authority of Sutter and Nevade Counties in Collaboration with CHIP

ARCHITECT:
Mogavero Architects

CONSULTANTS:
Civil: Northstar Engineering
Structural: Miyamoto International
MEP: Peters Engineering
Landscape: Quadriga
Geotech: Holdrege & Kull

GENERAL CONTRACTOR:
Sunseri Construction

SITE DATA:
Acres: 3.33
Square Feet: 77,993
56 Units
Density: 23 Units/acre

PREVIOUS USE OF SITE:
Affordable Apartments

AMENITIES:
Private patios/balconies/storage, Washer/dryer, basketball court, play structure, raised garden beds, tuck-under parking

CONSTRUCTION START DATE:
November 2011

DATE OF COMPLETION
February 2013

PROJECT REFERENCE:
Gustavo Becerra
Manager - Planning and Community Development Department Regional Housing Authority of Sutter and Nevada County
1445 Butte House Road
Yuba City, CA 95993
(530) 671-0220

mogavero
ARCHITECTS

BARTLETT COMMONS

THE CANNERY, DAVIS, CALIFORNIA

A focus on an ecological and bicycle friendly environment.

BEST IN AMERICAN LIVING AWARDS
2018 WINNER GOLD
NAHB

AFFORDABLE LIVING IN A SUSTAINABLE COMMUNITY

As part of California's first farm-to-table community in Davis, residents benefit from the amenities in the immediate area. Public parks, bike and walking pathways, and a working 7-acre farm are available to tenants; and the adjacent market and Town Center are easily accessible for restaurants and shopping.

The Bartlett Commons' affordable one, two and three bedroom apartments, feature 62 rental units. The 2,000 square foot community building with on-site property management, fitness room, classroom and laundry facilities opens to a central courtyard with a playground for children.

In line with Davis' sustainability and environmental focus, The Cannery community began with low-impact land use. The site is the former home of the Hunt-Wesson Tomato Cannery, and its central location is just minutes from UC Davis and downtown.

The urban farm surrounding the neighborhood provides residents and local restaurants with fresh seasonal produce, and with help from the Center for Land Based Learning, provides agriculture classes to beginning farmers.

Half the units in the project are accessible by applying Universal Design principles and installing an elevator and breezeways between buildings.

The proximity to the City of Davis' network of bicycle and pedestrian paths make it easy for residents to maneuver through the area, providing for less vehicle use. The project exceeds the requirement of one bicycle parking space per bedroom, and provides a variety of parking options for bikes with carts.

The buildings are designed with tuck-under parking that shield the view of parking from the surrounding neighborhood.

SPECIALIZED APPROACHES

- Dense urban development at 36 units/acre
- 138 Bicycle parking spaces with 24 additional at vehicle parking area
- Electric vehicle charging stations
- 126 Kwh PV solar system providing for 50% of total yearly energy demand
- High performance envelope
- 23 - 26% better than 2013 T24
- CAL GREEN TIER 1
- GreenPoint Rated at 163 PLATINUM
- Offsite stormwater quality mitigation
- Universal Design features for accessibility and visitablity
- Heat island effect with covered parking, pervious pavement and tree planting

OWNER/BUILDER:
Ali Youssefi
CFY Development, Inc.

ARCHITECT:
Mogavero Architects

CIVIL ENGINEER:
Carlson, Barbee & Gibson

LANDSCAPE ARCHITECT:
Siegfried Engineering

GEOTECHNICAL ENGINEER:
Wallace-Kuhl & Associates

STRUCTURAL ENGINEER:
Meridian Structural Engineers

MECHANICAL ENGINEER:
Alexander Scheflo & Associates

ELECTRICAL ENGINEER:
HCS Engineering

SITE AREA/UNIT COUNT:
1.69 Acres/62 Units

COMMUNITY BUILDING:
2000 Square Feet

PROJECT COST:
$12 Million

COMPLETED:
January 2018

AWARDS:
2019 Gold Nugget Grand Award
Best Affordable Housing Community
(30 - 60 du/acre)
Pacific Coast Builders Conference

2018 Best Real Estate Project
Sacramento Business Journal

2018 Best in American Living
GOLD Affordable, Multifamily
National Association of Home Builders

SIERRA VILLAGE PHASE I

DINUBA, CALIFORNIA

Energy and transportation friendly community for area farmworkers and their families.

SOLAR POWERED

Sierra Village is a highly energy-efficient and transit-friendly project in the farmworker community of Dinuba, California. The 44 affordable apartment rental housing includes one, two and three bedroom units, with a 3,000 sq. ft. community building, playground, and open space for residents.

Sustainable features include solar PV, water conservation measures, and a vanpool program in partnership with the California Vanpool Authority that will transport residents from Sierra Village and the surrounding community to and from work.

The project's solar panel system will offset the power used in the common area, residential loads, and community center, making Sierra Village a grid neutral Zero Net Energy project. This results in reduced utility bills for residents and the property, while also reducing greenhouse gas emissions and air pollution.

The community building features a computer lab, which will be available to adults and children for schoolwork and educational activities. Resident service programs are also offered to enhance the everyday lives and futures of the residents. These programs include financial fitness classes, computer literacy classes, nutrition classes, English as a second language (ESL) classes, and adult fitness classes

(CONTINUED FROM FRONT)

Sierra Village was financed through a combination of HOME funds, Affordable Housing and Sustainable Communities (AHSC) program funds, and low-income housing tax credits.

The second phase of the project will include an additional 60 units of affordable rental housing expected to be completed in the summer of 2019.

SPECIALIZED APPROACHES

- Infill Development
- Solar PV
- Net Zero Energy
- Tuck under parking
- GreenPoint Rated
- Low water landscape
- Vanpool program for residents

OWNER/DEVELOPER:
Self-Help Enterprises

ARCHITECT:
Mogavero Architects

LANDSCAPE ARCHITECT:
Urban Tree Foundation

CIVIL ENGINEER:
Civil Design Studio

STRUCTURAL ENGINEER:
Harris & Sloan Consulting Group

MECHANICAL, ELECTRICAL & PLUMBING ENGINEER:
Stanton Engineering

UNITS/MIX:
44 Affordable rental apartments
1, 2, and 3 bedroom

COST:
9.5 Million

COMPLETED:
Summer 2018

THE WOODLANDS

REDDING, CALIFORNIA

Nearby wetland and wooded areas provide scenic elements for this 55 unit apartment community in Redding.

NATURE AS A BACKDROP

Nestled between an established neighborhood, the ACID canal and a light industrial area the infill site between Grange and Ellis provides a great location for family housing.

The naturally wooded site, with adjacent wetland area offers a scenic backdrop. Working from vernacular building designs, the homes seek to fit comfortably in this natural setting using using colors and materials which blend with the surroundings.

In an effort to appear more like a residential neighborhood the apartment units are clustered together to form a “Big House” as seen from Polk Street. A single entry on the ground floor, with a generous front porch engages the community promoting activity on the street. The porch is big enough for chairs and tables or even a porch swing.

Fences are set back in between the buildings with side entries to units similar to larger homes. Amenities include a pool, recreation area and picnic space. The outdoor park and play areas in front of the community center are open to the public and encourage informal gatherings between friends and neighbors.

SPECIALIZED APPROACHES

- Energy Efficient Design exceeds CA Title 24 2008 by 40%
- LEED for Homes Gold
- Natural daylighting and ventilation features
- Low-E dual pane glazed windows
- Formaldehyde free recycled content insulation
- Low VOC flooring and paint
- Construction and demolition waste program
- High Mass floor design

OWNER/DEVELOPER:
Palm Communities

ARCHITECT:
Mogavero Architects

CONSULTANTS:
Civil: Northstar Engineering
Structural: Harris & Sloan Consulting
Mechanical/Plumbing/Electrical: Stanton Engineering
Landscape: Melton Design Group

GENERAL CONTRACTOR:
Gifford Construction

SITE DATA:
55 Units
5.92 Acres
11.8 Units/acre

PREVIOUS USE OF SITE:
Undeveloped

CONSTRUCTION START:
December 2013

PROJECT COMPLETED:
March 2017

LEED FOR HOMES
Gold Certified

ZETTIE MILLER'S HAVEN

STOCKTON, CALIFORNIA

Permanent housing for people with developmental disabilities, mental illness, or long term chronic illness.

CARE FOR SENIORS

Zettie Miller's Haven is a special needs housing development located on appoximately 2.15 acres behind the Union Southern Baptist Church at 1545 Rosemarie Lane in Stockton, California. The project provides permanent housing for people with a disability.

The resident mix includes three special needs populations: people with developmental disabilities, people with mental illness, and people with long term chronic illnesses with an emphasis on seniors.

The buildings are generally three stories with "tuck-under" parking at the ground floor of the western and southern buildings. Tuck-under vehicle parking allows the site to be less dominated by parking, and shades many of the parking spaces.

The buildings are oriented around a common green that serves as a central focus for the entire community. A south facing terrace that is slightly elevated, looks over the green and provide for a tranquil sitting area.

SPECIALIZED APPROACHES

- Energy efficient design exceeds California's Title 24 requirements by 15 percent
- GreenPoint Rated Gold
- Under-utilized infill location with existing transportation and services
- Uses landscaped bio-swales to reduce and improve quality of storm water run off
- Uses "parking-sharing" by taking advantage of the staggered schedules of the adjacent church and management staff
- Energy Star appliances
- Building geometry allows most of the units to have natural ventilation
- Provides natural daylight on 2 sides of more than 75% of the residences
- Careful placement of shading devices to minimize heat gain from sunlight
- Roof geometry allows for solar PV panels
- 225 KW PV system generates most resident needs
- Low VOC finishes

OWNER/DEVELOPER:
Community Housing Development Group, LLC

ARCHITECT:
Mogavero Architects

CONSULTANTS:
Civil: Baumbach & Piazza

GENERAL CONTRACTOR:
Sunseri Construction

TOTAL SITE AREA:
Acres: 2.15
Square Feet: 93,500

PREVIOUS USE OF SITE:
Vacant Infill Site

RESIDENT PROFILE:
Seniors and Special Needs

 # OF UNITS / DENSITY:
38 Units/Acre
Parking: .25 Spaces/Unit

UNIT SIZE:
(78) 1 Bedroom/1 Bath
(4) 2 Bedroom/1 Bath
Square Feet: 650-850

CONSTRUCTION DETAILS:
Type V, 1 HR

PROJECT BUDGET:
$9.2 Million

DATE OF COMPLETION:
Spring 2016

Brown Construction
Construction Management

Brown Construction, Inc. was founded by William (Bill) T. Brown in 1964, primarily to construct multifamily housing. The company officially incorporated in the State of California in 1971. In 1988, Ron T. Brown joined in partnership with his father to expand into commercial construction. Bill and Ron co-owned Brown Construction, Inc. until 2002, at which time Bill retired his ownership in the company and sold his interest to Ron.

Ron Brown is a Licensed General Contractor in the States of California, Arizona, Nevada, Washington, Colorado, Texas, Idaho, and Montana. With his extensive background in multifamily, commercial, and industrial projects, he has nurtured the growth of Brown Construction into a large company. Brown Construction has two executive vice presidents who oversee our projects and hold a minority share of company – Matt DeFazio and Liz McCapes. Liz has been with Brown for 29 years, Matt for 21 years. They are both hands-on with their respective projects, taking an active role in overseeing both the preconstruction and construction processes.

Brown Construction has a broad portfolio of experience spanning the commercial, multifamily, academic, and civic market sectors. Their current roster of projects includes mixed-use facilities, market rate and affordable multifamily housing, senior communities, student housing, commercial office buildings, retail developments, and government facilities. They dedicate themselves to approximately 20 projects per year and are fortunate to able to be selective in the mix of projects they build at any given time. They maintain diversity in their workload which has contributed to the success and stability of the company over the last 54 years. Their expert staff are nurtured through continued education and training, and the highest safety standards in the industry, which is why many of their staff have spent decades with Brown Construction.

Brown's involvement in construction goes beyond the structures they build. They care deeply about the neighborhoods and the environment in which they build, about enhancing communities, and about adding buildings with a purpose. Part of their design process for each project is understanding the dynamics of the community and what will help it to thrive after construction crews are gone.

Brown Construction has been building affordable multifamily housing, both publicly- and privately-funded – as a primary line of business in California for more than 55 years. Their projects range in size from eight to 360 living units, and most involve multi-layered government financing. Their staff are highly experienced with the unique requirements of these types of financing, and have decades of experience managing the reporting, target participation outreach, and wages oversight necessary. Their portfolio includes nearly 8,000 units of affordable housing.

Key Staff

Liz McCapes, Executive Vice President
West Sacramento, CA
lmccapes@brown-construction.com | 916-373-9300
Years in Construction: 31

Collin Nichols, Director of Preconstruction
West Sacramento, CA
cnichols@brown-construction.com | 916-373-9300
Years in Construction: 36

Steve Neiswonger, Project Manager
West Sacramento, CA
sneiswonger@brown-construction.com | 916-373-9300
Years in Construction: 43

BROWN
CONSTRUCTION
INCORPORATED

FIRM PROFILE & EXPERIENCE

CORNERSTONE VILLAGE

FIRM PROFILE

HISTORY

Brown Construction was founded by William (Bill) T. Brown in 1964, constructing primarily multifamily housing. The company officially incorporated in the State of California in 1971. In 1988, Ron T. Brown joined in partnership with his father to expand into commercial construction. Bill and Ron co-owned Brown Construction, Inc. until 2002 at which time Bill retired his ownership in the company and sold his interest to Ron.

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Brown Construction, Inc. has two executive vice presidents who oversee our projects and hold a minority share of the company—Matt DeFazio and Liz McCapes. Liz has been with Brown for 31 years, Matt for 23 years. They are both hands-on with their respective projects, taking an active role in overseeing both the preconstruction and construction processes.

Brown Construction, Inc. has a broad portfolio of experience—spanning commercial, multifamily, academic, and civic market sectors—for both public and private owners. The majority of our work has been construction of multifamily housing and office/administrative buildings. We also have a strong portfolio of civic projects, industrial facilities and retail developments.

AS A COMPANY, BROWN SPECIALIZES IN PROJECT DELIVERY WHERE WE ARE INVOLVED FROM THE DESIGN STAGE, WITH APPROXIMATELY 85% OF OUR PROJECTS BEING DESIGN-BUILD/DESIGN-ASSIST, NEGOTIATED PROJECTS.

PHILOSOPHY

Brown Construction, Inc. is built on values. Under the leadership of Ron Brown, the entire team at Brown Construction focuses on client needs and resources every bit as much as designs and materials. From start to finish, our projects move forward in our clients' best interests.

WE BUILD ON OVER 56 YEARS OF INDUSTRY EXPERTISE EVERY TIME WE BREAK GROUND. BUT OUR REAL FOUNDATION IS IN THE TRUST WE DEVELOP THROUGH RESPECT AND PARTNERSHIP WITH OUR CLIENTS.

Our involvement in construction goes beyond the structures we build. We care deeply about the neighborhoods and the environment in which we build, about enhancing communities, and about adding buildings with a purpose. Part of our design process for each project is understanding the dynamics of the community and what will help it to thrive after construction crews are gone.

Communication with our clients is a top priority—not only will you be kept informed, but your active involvement is welcomed. Throughout all project phases, team members participate in

NAME
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ADDRESS
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WEBSITE
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EXECUTIVE OFFICERS
Ron Brown, President & CEO
Matt DeFazio, Executive VP
Liz McCapes, Executive VP

YEAR ESTABLISHED
1964

LICENSE
Contractor Class B
no. 396120

CONTINUED: PHILOSOPHY

meetings, progress reviews, subcontract administration, and quality control. After our buildings are occupied, we stay involved and available to resolve any issues and questions that may arise.

Brown Construction builds both negotiated and hard-bid projects for public and private sector clients. Our current roster of projects includes mixed-use facilities, market rate and affordable multifamily housing, senior communities, student housing, commercial office buildings, retail developments, and government facilities. We dedicate ourselves to approximately 20 projects per year, and we are fortunate to be able to be selective in the mix of projects we build at any given time. We maintain diversity in our workload which has contributed to the success and stability of the company over the last 56 years.

OUR EXPERT STAFF ARE NURTURED THROUGH CONTINUED EDUCATION AND TRAINING, AND THE HIGHEST SAFETY STANDARDS IN THE INDUSTRY, WHICH IS WHY MANY OF OUR STAFF HAVE SPENT DECADES WITH BROWN CONSTRUCTION.

Our company culture is highly collaborative, transparent, and honest; and as such, our staff gain knowledge of best practices from a variety of project types through regular all-team meetings.

SERVICES
General Contracting
Construction Management
CM/GC
Design-build
Design-assist

EXPERTISE
Housing
- Multifamily
- Market-rate
- Affordable
- Student
- Senior
- Mixed-use

Commercial
- Office
- Retail
- Industrial
- Community

Academic
- K-12
- Higher Education

Civic
- Government
- Public Spaces

AFFORDABLE HOUSING EXPERIENCE

Brown Construction has been building affordable multifamily housing—publicly- and privately-funded—as a primary line of business in California for more than 56 years. Projects have ranged in size from eight to 360 living units, and most have involved multi-layered government financing. Our staff are highly experienced with the unique requirements of projects with these types of financing, and have decades of experience managing the reporting, target participation outreach, and wages oversight required.

OUR PORTFOLIO INCLUDES OVER 8,000 UNITS OF AFFORDABLE HOUSING FOR CLIENTS SUCH AS EDEN HOUSING, MERCY HOUSING, NEIGHBORHOOD PARTNERS, SELF-HELP ENTERPRISES, DOMUS DEVELOPMENT, AND NUMEROUS LOCAL HOUSING AUTHORITIES.

To better demonstrate our experience, the following pages provide highlights of some of our more recent affordable housing projects.

RELEVANT EXPERIENCE

AFFORDABLE HOUSING PROJECTS LAST 5 YEARS

JSC *John Stewart Co. involved as client or partner*

MA *Mogavero Architects involved as architect*

Coral Gables | Sacramento, California JSC MA
Client: John Stewart Co.
33,000 SF; construction of three new 3-story walk-up buildings, one with tuck-under parking, housing 38 units, plus a single-story clubhouse; currently in preconstruction

Villa Jardin | Sacramento, California JSC MA
Client: John Stewart Co.
31,000 SF; complete interior, exterior, and site renovation of eleven 2-story buildings built in the 1960s comprising 44 units; currently in preconstruction

Heritage Commons Phase 3 | Dixon, California JSC
Client: Neighborhood Partners, LLC
29,000 square feet; 44 affordable units for seniors in four 3-story Type V slab-on-grade garden-style walk-up buildings plus carports on a 1.14-acre site; Brown built phases I and II previously which include 114 units, a community building, pool, courtyard, and community gardens on a 4-acre site; currently under construction

Veterans Square | Pittsburg, California
Client: Satellite Affordable Housing Associates
30,000-SF, 3-story, Type VB, urban infill apartment building with 30 affordable units for veterans; 5,600 SF of community space including a community room with kitchen, lounge, and offices; project includes off-site surface parking lot with 30 spaces and landscaping; project targeting GreenPoint Rating with rooftop solar; currently under construction

Meadow View Place | Truckee, California JSC MA
Client: Neighborhood Partners, LLC
54,000-SF, Type V garden-style walk-up affordable housing community consisting of 56 units across seven 2-story buildings, plus a single-story community building; 3.2 acres of site development including surface parking; currently under construction

Coldstream Commons | Truckee, California JSC MA
Client: Neighborhood Partners, LLC
51,000-SF, Type V garden-style walk-up affordable housing community of 48 units across five 3-story buildings plus a single-story community building; 1.2 acres of site development including surface parking; currently under construction

Bay Point Family Apartments | Bay Point, California
Client: Meta Housing Corporation
223,000 SF; 193 affordable apartments across eight three-story garden-style buildings, with a community building, pool and pool facilities structure, covered and individual garage parking, playground, and barbecue areas, Green Point rating targeted with features including solar preheat for water; currently under construction

Solivita Commons | Clovis, California MA
Client: Fresno Housing Authority
64,000-SF Type V garden-style walk-up affordable apartment community of 60 units across six 2-story buildings including a community building; the 4-acre site includes community gardens, a playground, and carports with solar panels

Creekside Apartments | Davis, California JSC
Client: Neighborhood Partners, LLC
61,000 SF; 90 affordable housing units in 4 wood-framed buildings of 2, 3, and 4 stories, including a community center with kitchen and co-op store. The units—most of which are 1-bedroom—are targeted toward workforce and special needs tenants; with extensive rooftop solar and energy-efficient design, the development is targeting net-zero energy rating

RELEVANT EXPERIENCE

CONTINUED: AFFORDABLE HOUSING PROJECTS, LAST 5 YEARS

Villas on the Park | San Jose, California
Client: Affirmed Housing
62,000-SF affordable, single-resident occupancy (transitional housing) urban infill building with 84 units on a 0.4-acre site; 6 stories: 5 stories of Type IIIA over 1 story of Type IA; includes a rooftop deck and garden, and ground-floor garage

Renaissance at Parc Grove | Fresno, California MA
Client: Fresno Housing Authority
28,000 SF; Five 2-story wood-framed buildings including 40 one- and 2-bedroom apartments for homeless and disabled veterans; with a 4,000-SF community and social services center; site improvements including on-grade parking with site amenities

Littlejohn Commons | Alameda, California
Client: Housing Authority of the City of Alameda
29,000sf; 3-story urban-infill building housing 31 affordable apartments for seniors, plus a community room and kitchen; features a 600 kw/hr solar package.

Cranes Landing | Lodi, California
Client: Eden Housing, Inc.
60,000sf; senior apartment community with two 2-story buildings, 80 senior apartments and a community room; each building has a landscaped courtyard; site work includes a 40' pedestrian bridge connecting the community to a neighboring park; both buildings feature rooftop PV solar panels and solar hot water panels; targeting GreenPoint Rating

Cueva de Oso | Selma, California MA
Client: Fresno Housing Authority
Demolition of existing 25 units and construction of 5 new 2-story residential buildings housing 48 affordable 1-, 2-, 3-, and 4-bedroom apartments and a 3,000sf community building which includes a gym and computer lab; all living units include amenities comparable to market rate units in the community, including dishwashers and in-unit washers & dryers; 4.5-acre site includes a large play structure and picnic/barbecue area

March Veterans Village | Riverside, California
Client: Coachella Valley Housing Coalition
96,000 SF; two 3- and 4-story buildings housing 138 living units for veterans including transitional housing units for previously homeless veterans; community center on first floor features a community café, offices, and community flex-space; extensive site development includes a large, hardscaped, trellis-covered courtyard with multiuse areas, basketball courts, and a playground; street and surface lot

541 @ South Tower | Fresno, California
Client: Fresno Housing Authority
24,000 SF; six 2-story Type V buildings housing 31 affordable apartments, ground-floor live/work units, and a 1,000-SF community room with community kitchen and office; in-unit amenities comparable to market rate units, including dishwashers and clothes washers and dryers

Heritage Commons Phase 2 | Dixon, California JSC
Client: Neighborhood Partners, LLC
40,000sf, five 3-story buildings with 54 affordable senior living units plus parking lot with carports (all amenities are in Phase I, also built by Brown Construction); Build It Green certified

TEAM RESUMES

LIZ MCCAPES | EXECUTIVE VICE PRESIDENT & PROJECT EXECUTIVE

Liz is executive vice president and a minority shareholder of the corporation. She has been with Brown Construction since 1989 and became part of the executive team in 2002. Liz has a deep portfolio of successful experience across a wide range of project types—from multifamily housing to large commercial projects and institutional developments, including schools. In the past ten years, she has specialized in multifamily projects including mixed use, market rate, affordable and senior living developments.

In her role as project executive, Liz's responsibilities include:

- Ensuring client satisfaction with the team's services, personnel, quality and contractual obligations
- Overseeing the project's progress and status
- Committing appropriate resources to meet project objectives
- Working with our estimating team to ensure the project incorporates effective and cost efficient means and methods
- Attending key meetings
- Being available to any member of the project team throughout the project and the warranty period, including owner representatives and project architect

31 YEARS
experience in construction

18 YEARS
experience in current role

31 YEARS
experience with Brown

EDUCATION

Bachelor of Arts, University of California, Davis, Davis, CA

RELEVANT EXPERIENCE

Liz has served as the project executive on all of the firm's affordable housing projects for over 25 years. As such, she has overseen and managed over 8,300 housing units, including the projects below.

Coral Gables | Sacramento, California JSC MA
33,000 SF; construction of three new 3-story walk-up buildings, one with tuck-under parking, housing 38 units, plus a single-story clubhouse; currently in preconstruction

Villa Jardin | Sacramento, California JSC MA
31,000 SF; complete interior, exterior, and site renovation of eleven 2-story buildings built in the 1960s comprising 44 units; currently in preconstruction

Coldstream Commons | Truckee, California JSC MA
51,000-SF, Type V garden-style walk-up affordable housing community of 48 units across five 3-story buildings plus a single-story community building; 1.2 acres of site development including surface parking

Meadow View Place | Truckee, California JSC MA
54,000-SF, Type V garden-style walk-up affordable housing community consisting of 56 units across seven 2-story buildings, plus a single-story community building; 3.2 acres of site development including surface parking

LOCATION
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TEAM RESUMES

36 YEARS
experience in construction

9 YEARS
experience in current role

12 YEARS
experience with Brown

COLLIN NICHOLS | DIRECTOR OF PRECONSTRUCTION

Collin has over 36 years of construction experience, including 28 years at the management level, and nine years as director of preconstruction. He has worked many sides of the construction industry, including work as a general contractor, subcontractor, and owner's representative. Collin has hands-on experience with both multifamily and commercial construction, including extensive preconstruction work with owners and architects. His multifamily projects include developments up to 652 units. Collin is highly detailed and organized, and an excellent communicator and liaison between our clients, our estimating department, design consultants, and subcontractors.

As director of preconstruction, Collin Nichols' responsibilities include:

- Management of estimating team, including MEP (mechanical/electrical/plumbing) design-build subcontractors through preconstruction
- Attending all design meetings and working with the design team to keep the project design within budget
- Evaluating cost-effective products and manufacturers
- Identifying cost-effective building systems
- Performing constructability reviews of construction drawings
- Working with the project manager throughout preconstruction to ensure smooth transition to construction phase

EDUCATION

Bachelor of Science, Construction Management; Minor in Business Administration
Sacramento State University, Sacramento, CA

RELEVANT EXPERIENCE

Coral Gables | Sacramento, California JSC MA
33,000 SF; construction of three new 3-story walk-up buildings, one with tuck-under parking, housing 38 units, plus a single-story clubhouse; currently in preconstruction

Villa Jardin | Sacramento, California JSC MA
31,000 SF; complete interior, exterior, and site renovation of eleven 2-story buildings built in the 1960s comprising 44 units; currently in preconstruction

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LOCATION
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cnichols@brown-construction.com

TEAM RESUMES

STEVE NEISWONGER | PROJECT MANAGER

Steve has over four decades of experience in the construction industry, including over 20 years with Brown Construction. He has had a strong focus on affordable multifamily housing throughout his career. His architectural background is a tremendous asset on his projects, given our project approach that emphasizes teaming with the owner and architect. Steve has had great success managing a wide range of multi-family housing projects, focusing on controlling budget and schedule, while meeting the project's functional and aesthetic goals. He would be committed to your project 100% of his time for the entire duration of construction.

As project manager, Steve Neiswonger's responsibilities include:

- Working with the director of preconstruction as needed throughout preconstruction to ensure clear understanding of project
- Overseeing the construction project from start to finish
- Project planning, budgeting & identification of resources needed
- Accounting functions including managing the budget and minimizing exposure and risk in the project
- Ensuring construction activities progress according to the construction schedule
- Coordinating the efforts of all parties involved in the project including the architects, consultants, contractors, subcontractors and labor.

EDUCATION

Bachelor of Arts, Architecture, University of Arizona, Tucson, Arizona

RELEVANT EXPERIENCE

Solivita Commons | Clovis, California MA
64,000-SF Type V garden-style walk-up affordable apartment community of 60 units across six 2-story buildings including a community building; the 4-acre site includes community gardens, a playground, and carports with solar panels

Renaissance at Parc Grove | Fresno, California MA
28,000 SF; Five 2-story wood-framed buildings including 40 one- and 2-bedroom apartments for homeless and disabled veterans; with a 4,000-SF community and social services center; site improvements including on-grade parking with site amenities

Heritage Commons, Phases 1 and 2 | Dixon, California JSC
81,000 SF, eight 2- and 3- story buildings, includes 114 affordable living units and a 3,100-SF community building with kitchen, dining/gathering area, offices & co-op store

Creekside Apartments | Davis, California JSC
61,000 SF; 90 affordable housing units in 4 wood-framed buildings of 2, 3, and 4 stories, including a community center with kitchen and co-op store. The units—most of which are 1-bedroom—are targeted toward workforce and special needs tenants; with extensive rooftop solar and energy-efficient design, the development is targeting net-zero energy rating

43 YEARS
experience in construction

15 YEARS
experience in current role

22 YEARS
experience with Brown

LOCATION
Brown Construction, Inc.
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Founded in 1985, DGI has more than one hundred years of collective experience in the affordable housing industry. We specialize in using financial and development tools to finance and structure the development and preservation of affordable housing for low and very low-income households. Since our inception, DGI has been engaged in over 50 projects in the Greater Bay Area representing over 5,500 units of affordable housing.

Underwriting and financial feasibility analysis is core to who we are at DGI. Since our founding, we have underwritten over 200 developments. We have modeled a variety of project types, including most low-income housing subsidy programs overlaid with one another, as well as projects that include permanent supportive housing, commercial, market-rate and moderate-income rental and home ownership. Our extensive modeling experience allows us to evaluate risk, identify underlying vulnerabilities, and translate our findings into clear written recommendations. In addition to providing underwriting analysis, we also review environmental reports, evaluate property management plans, and analyze partnership agreements, audit reports, and operating proformas.

At DGI, we tailor our services to the varying needs of our clients, which include local government agencies and housing authorities, who rely on our expertise to determine financial feasibility for a variety of new construction and acquisition/rehab projects. We work closely with these clients to understand agency goals and directives so that we can ensure comprehensive analysis of submitted applications. In reviewing projects, we analyze options for alternative funding, identify any financial gap, evaluate affordability and determine whether the project is sufficiently leveraged. As a firm we have submitted over 60 TCAC and CDLAC applications, along with numerous other requests for local, state and federal financing, so we are familiar with the characteristics that make a strong and competitive application. Key to our analysis is understanding the regulatory requirements of each funding entity and the levers that can impact the development schedule. We are particularly adept at reconciling the underwriting requirements of private debt and equity financing with the limitations of state and federal regulations.

We also have a deep base of knowledge and experience with the State of California funding programs for affordable housing, as well as the local housing development resources. We have been in the forefront of nearly all Federal and state affordable housing program opportunities and has been able to structure hundreds of affordable housing projects to ensure their long-term viability. DGI has successful and long-standing working relationships with private equity and debt providers and we are current on all pricing, terms, and structuring concerns. We understand the unique challenges inherent in developing and financing housing in the San Francisco Bay Area with the high land, labor, and material costs, and the skyrocketing rents.

Devine & Gong - List of Affordable Housing Consulting Projects

Client	Property	Units	Location
Alternative Building Concepts	Sunny Manor	29	Phoenix, AZ
Asian Neighborhood Design	Connecticut Street Court	10	San Francisco, CA
Asian Neighborhood Design	555 Ellis Street	38	San Francisco, CA
Asian Neighborhood Design	Minna Street	22	San Francisco, CA
Bernal Heights Neighborhood Association	Coleridge Park	49	San Francisco, CA
Bernal Heights Neighborhood Association	Bernal Heights Gateway	55	San Francisco, CA
Bernal Heights Neighborhood Association	Market Heights	46	San Francisco, CA
Bethel A.M.E. Church	Thomas Paine Apts.	98	San Francisco, CA
Carlson Boulevard L.P.	Pullman Point	200	Richmond, CA
Catellus Development Corp.	East Bay Bridge	220	Emeryville, CA
Ecumenical Association of Housing	Cecilia Place	16	Tiburon, CA
Ecumenical Association of Housing	Morgan Hill Ranch Family Housing	80	Morgan Hill, CA
Ecumenical Association of Housing	Midtown Family	90	San Jose, CA
Ecumenical Association of Housing	Midtown Senior	141	San Jose, CA
Ecumenical Association of Housing	Winery	248	Fresno, CA
Ecumenical Association of Housing	Don de Dios	70	San Jose, CA
Ecumenical Association of Housing	Cochran Village	91	Fresno, CA
Ecumenical Association of Housing	Anise Turina	28	San Rafael, CA
Ecumenical Association of Housing	Riviera Apts.	27	San Rafael, CA
Ecumenical Association of Housing	Village Avante	113	Morgan Hill, CA
Episcopal Homes Foundation	Oak Center Towers	196	Oakland, CA
Housing Conservation & Development Corp.	Britton Street	91	San Francisco, CA
Hunters View	Phase I	101	San Francisco, CA
Hunters View	Phase II	107	San Francisco, CA
Hunters View	Block 10	72	San Francisco, CA
Japanese American Religious Federation, Inc.	Nihonmachi Terrace	245	San Francisco, CA
Kukui EAH/DGI Associates L.P.	Kukui Gardens	389	Honolulu, HI
Mission Housing Development Corp.	Mission Capp Apts.	47	San Francisco, CA
National Farm Workers Service Center	Cedar Road	40	Vista, CA
National Farm Workers Service Center	Mountain View I	316	Albuquerque, NM
National Farm Workers Service Center	Sunny Acres Apts.	75	Albuquerque, NM
National Farm Workers Service Center	Sandia Vista Apts.	138	Albuquerque, NM
National Farm Workers Service Center	King Arthurs Court Apts.	28	Lordsburg, NM
National Farm Workers Service Center	Deming Manor Apts.	52	Deming, NM
National Farm Workers Service Center	Tradewinds Carriage Apts.	32	Truth or Consequences, NM
National Farm Workers Service Center	Vista del Monte Apts.	104	San Francisco, CA
Normont Terrace Residents Council	Harbor Village	400	Harbor City, CA
Omni Development Corp.	Olney Towers Apts.	154	Providence, RI
Omni Development Corp.	Spring Villa Apts.	100	Providence, RI
Omni Development Corp.	Waterview Apts.	100	Providence, RI
Pittsburg Sr. & Residential Community	Stoneman Village	145	Pittsburg, CA
Prototypes	Prototypes Pomona Apts.	32	Pomona, CA
Robinson Affordable Housing, Inc.	Jackie Robinson Apts.	131	San Francisco, CA
Rubicon Programs, Inc.	Idaho Motel	22	El Cerrito, CA
Rubicon Programs, Inc.	Church Lane	20	San Pablo, CA
Sacramento Housing & Redevelopment Agenc	Shasta Hoel	80	Sacramento, CA
Stonebridge Housing Associates	Stonebridge Apts.	79	St. Helena, CA
The Nicolson Company	Borregas Court	193	Sunnyvale, CA
The Salvation Army	Westwood Transitional Village	41	Los Angeles, CA
The Salvation Army	St. Louis Veteran's Housing	49	St. Louis, MO
The Salvation Army	Silvercrest	257	San Francisco, CA
The Salvation Army	Turk St.	113	San Francisco, CA
The Salvation Army	Railton Place	110	San Francisco, CA
The Salvation Army	Booth Residence	150	Cincinnati, OH
The Salvation Army	Catherine Booth Residence	96	Cincinnati, OH

Devine & Gong, Inc.
Financial Consultant

Devine & Gong, Inc. (DGI) has more than one hundred years of collective experience in the affordable housing industry. This experience in a variety of relevant positions, from HUD employee, tenant organizer, non-profit developer, and syndicator, to lender, not-for-profit intermediary, insurer, and consultant. The firm is comprised entirely of individuals who have specialized in affordable housing finance and community development work. This is not a sideline or part-time pursuit of DGI, but rather its reason for existence and the sole focus of its staff.

DGI's experience dates back to their formation in the early 1980s. DGI's involvement varies with each project. While some engagements require only financial structuring services, other require step-by-step support and guidance from the initial feasibility study through construction and completion of the project. We will in the gaps and provide the expertise and guidance to successfully complete the project.

DGI has extensive experience with the vast majority of affordable housing financing programs and understand the interplay between programs and project programming required of each, whether at the feasibility, application, or implementation stage. DGI also provides underwriting analysis, reviews environmental reports, evaluates property management plans, and analyzes partnership agreements and operating proformas. In its relationships with clients the firm emphasizes integrity, candor, and the highest possible standards of performance. DGI's commitment to quality, and the effort takes to produce it, has never been and never will be compromised.

Key Staff

Candy Rupp, Senior Project Associate
San Francisco, CA
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Years in Real Estate & Community Development: 37

Paul Carney, Senior Project Associate
San Francisco, CA
paulc@devinegong.com | 510.925.3998
Years in Real Estate & Community Development: 10

CANDY RUPP

PROFESSIONAL EXPERIENCE

2000-Present	**Devine & Gong, Inc.,** Oakland, CA Senior Project Associate
1996-2000	**Local Initiatives Support Corporation,** San Francisco, CA Program Director
1989-1996	**Skid Row Housing Trust,** Los Angeles, CA Executive Director
1984-1989	**City of Santa Monica, Department of Community and Economic Development,** Santa Monica, California Housing Program Manager & Senior Development Analyst

EDUCATION

University of California at Berkeley, Graduate School of City and Regional Planning
Masters in City and Regional Planning, 1984

California State University at Fullerton
B.A. Degree Political Science with emphasis on Urban Studies and Law, 1978

RELEVANT SKILLS

Ms. Rupp has almost thirty years of experience working in nonprofit and public agencies in the field of affordable housing development and financing. Throughout her career, Ms. Rupp has demonstrated her skills in developing, financing, and managing complex, multi-layered affordable housing developments and community facility projects for diverse populations.

- In Santa Monica, Ms. Rupp underwrote the financing for more than 500 units of rental housing for seniors, special needs populations, and families; in addition, Ms. Rupp facilitated the implementation of the successful organization of the City's Housing Authority Section 8 program.
- At Skid Row Housing Trust, Ms. Rupp managed the organization's growth and development of over 1000 Single Room Occupancy Hotels (SRO) units for homeless persons utilizing a web of public and private funding sources including, LIHTC, City RDA funds, State HCD CHRP and SHRP funds, Section 8 Mod Rehabilitation Vouchers, HUD McKinney Supportive Housing Assistance, HOPWA, and private financing.
- At LISC, Ms. Rupp was involved in developing, financing, and capacity-building programs to assist non-profit organizations in their efforts to revitalize their communities and develop affordable housing.
- At Devine & Gong, Inc. Ms. Rupp has been the lead on developing and financing supportive homeless housing projects, senior housing, expiring HUD projects, community facilities, affordable housing development transactions nationally, and 15 year resyndication projects.

PAUL CARNEY

PROFESSIONAL EXPERIENCE

2020-Present
2002-2011 **Devine & Gong, Inc.,** Oakland, CA
Senior Project Associate

2017-2020 **Tenderloin Neighborhood Development Corp.,** San Francisco, CA
Chief Financial Officer

2015-2017 **MUFG Union Bank,** Walnut Creek, CA
Director

2014-2015 **JP Morgan Chase,** San Francisco, CA
Senior Commercial Banker

2015-2017 **CBRE Capital Markets,** San Francisco, CA
Vice President

2011-2013 **US Dept. of Housing & Urban Development,** San Francisco, California
Chief of Production, San Francisco Multifamily HUB

EDUCATION

Harvard Kennedy School, Graduate School of City and Regional Planning
Master in Public Policy, 2002

Stanford University
B.A. Degree Communication, 1996

RELEVANT SKILLS

Mr. Carney has worked in affordable housing for more than 20 years in a variety of roles, including as a developer, consultant, lender, and tax credit investor. He specializes in the financing of affordable housing with expertise in portfolio recapitalization and a commitment to equitable development. At Devine & Gong, Mr. Carney has focused on acquisition and rehabilitation projects and public housing revitalization.

- At HUD, Mr. Carney managed the FHA Insured Production team for Northern California, Hawaii, and Nevada.
- At CBRE, JP Morgan Chase, and MUFG Union Bank, Mr. Carney provided financing for affordable housing projects as an originator, underwriter, and tax credit investor.
- At TNDC, Mr. Carney served as CFO for a San Francisco-based affordable housing organization with a portfolio of 40+ properties. Mr. Carney was responsible for accounting, asset management, IT, and operations and had organization-wide responsibility for impact and organizational sustainability.

Lubin Olson LLP
Legal Counsel

In the nearly four decades since its founding, Lubin Olson & Niewiadomski LLP (formerly Stein & Lubin LLP) has developed a reputation as one of California's leading mid-size law firms. Lubin Olson offers an extensive complement of legal services relating to real estate, business, land use, litigation, finance and workouts, bankruptcy and creditor's rights, construction law, and affordable housing matters.

Lubin Olson's Affordable Housing Practice Group has extensive experience in affordable housing transactions, normally representing the owners or developers, many of which are nonprofit public benefit corporations acting either as the property owner or as the managing general partner of tax credit limited partnerships. They have represented clients in the acquisition, rehabilitation, financing, and development of thousands of affordable housing units using tax-exempt bonds and low-income housing tax credit financing, as well as financing insured by the United States Department of Housing and Urban Development (HUD). They work closely with attorneys and program staff at a variety of public agencies, including HUD, the California Department of Housing and Community Development (HCD), the Housing Authority of the City and County of San Francisco, and San Francisco's Mayor's Office of Housing and Community Development, among others. They have handled affordable housing transactions throughout California, Arizona, New Mexico, and Hawaii, and assist their clients in navigating the intricacies of HUD program requirements, including programs such as HOME, HOPE VI, Section 8 Certificates and Vouchers, FHA insurance, Section 223(a)(7), Section 236, Section 202, and Rental Assistance Demonstration (RAD).

Lubin Olson's Affordable Housing Practice Group regularly advises its clients in the review of ground leases, loan documents, bond documents, partnership agreements, operating agreements, development agreements, regulatory agreements, due diligence materials, architect and construction agreements, title policies and surveys, covenants and restrictions, easements, and licenses. As their clients' projects often involve multiple layers of financing and a combination of construction debt, permanent debt, tax-credit equity and subordinate debt from various public agencies, they help review, negotiate, and analyze clients' issues relevant to their roles in the housing process to ensure a successful transaction.

Beyond handling complicated financing structures, Lubin Olson's practice areas also encompass all aspects of land use planning, environmental review, and obtaining development entitlements. Lubin Olson's strength as a firm lies in their ability to assist their clients from the beginning of project development through to financing through to day-to-day portfolio management. The firm also has significant experience with advising the board of directors of various nonprofit corporations and membership corporations. Lubin Olson's clients depend on the firm for their thoughtful and carefully crafted advice and ability to answer complex legal questions.

Key Staff

Charles R. Olson, Partner
San Francisco, CA
colson@lubinolson.com | (415) 981-0550
Years in Real Estate Law: 47

Elizabeth S. Anderson, Partner
San Francisco, CA
banderson@lubinolson.com | (415) 981-0550
Years in Real Estate Law: 16

LUBIN | OLSON

Key Staff Resumes

Charles R. Olson
Partner

Charles R. Olson is a Partner in Lubin Olson's Land Use and Real Estate Practice Groups, and he currently serves as the Firm's Managing Partner. He specializes in land use and land use litigation and real estate transactions, including affordable housing. In his land use practice, Mr. Olson represents developers, institutions, and other property owners in obtaining entitlements and permits for use of their property. He has represented clients with complex development projects in San Francisco, throughout the Bay Area and Northern California, including entitling multiple corporate campuses, large residential subdivisions, and complex mixed-use projects. Mr. Olson has extensive experience advising clients concerning the California Environmental Quality Act, the National Environmental Policy Act, general plans, the Subdivision Map Act, and local planning codes and zoning ordinances. He has successfully represented clients throughout California in dozens of land use and CEQA cases at both the Superior Court and Court of Appeals levels.

In real estate, Mr. Olson represents property owners, developers, and investors in all aspects of real estate, including acquisitions and sales, leasing, financing and construction, and architect and contractor agreements. He has extensive experience in affordable housing transactions and has represented clients in the acquisition, financing, and development of thousands of affordable housing units using tax-exempt bond and low-income housing tax credit financing, as well as HUD-insured financing. Mr. Olson has been honored by Thompson Reuters as a Northern California Super Lawyer from 2008-2012, and 2016-2018. He holds Bachelor of Arts, Cum Laude, from Harvard University, and a Juris Doctor, Cum Laude, from the University of California Hastings College of the Law.

Elizabeth S. Anderson
Partner

Beth Anderson is a Partner in Lubin Olson's Real Estate Practice Group. Beth represents clients in complex commercial real estate transactions, including affordable housing development, and assists clients with all aspects of the acquisition, rehabilitation, financing, and sale of commercial properties. Her practice focuses on developer clients, including work with developers of multifamily affordable housing projects involving low-income housing tax credits, tax-exempt bonds, loans from the California Department of Housing and Community Development and other public sources, and HUD financing, subsidy, and insurance programs.

Before rejoining Lubin Olson, Ms. Anderson was a Deputy City Attorney in the Office of the City Attorney in San Francisco. She previously practiced with Cox, Castle & Nicholson LLP in San Francisco and Troutman Sanders LLP in Richmond, Virginia. Ms. Anderson holds a Bachelor of Arts and a Master of Fine Arts from Brown University and a Juris Doctor from the University of Virginia.

Carolyn J. Lee
Associate

Carolyn J. Lee is an Associate in Lubin Olson's Real Estate, Land Use, Affordable Housing, and Natural Resources Practice Groups. She specializes in affordable housing transactions and commercial real estate transactions. Ms. Lee represents clients in a broad range of matters, including acquisitions and dispositions, leasing, financing, entity formation, development, title and real estate due diligence, and land use and environmental matters. She also has significant experience representing clients in the acquisition, financing, and development of affordable housing projects using tax-exempt bond and low-income housing tax credit financing, as well as HUD's financing and subsidy programs.

In her land use practice, Ms. Lee represents developers, institutions, and other property owners in obtaining entitlements and permits for use of their property. She advises her clients on the preparation of environmental review documents under CEQA and the preparation of entitlement documents under the Subdivision Map Act, general plans, and local planning codes and zoning ordinances. She has represented clients with complex development projects throughout the Bay Area and Northern California, which involve entitling large multifamily residential projects and mixed-use office, commercial, and residential projects. Ms. Lee holds a Bachelor of Arts from Brown University and a Juris Doctor from the University of California Hastings College of the Law.

CohnReznick
Audit and Tax Accounting

Established in 1919 CohnReznick is a national firm with over 3,000 professionals in 25 cities serving a variety of industries including Real Estate and specializing in Affordable Housing.

Community development

Making a difference in distressed communities, CohnReznick has been on the cutting edge of innovative community development for over 40 years. Whether it is working within tax credit programs, helping shape policy at Federal and state levels, or collaborating with state and local economic development programs, we have helped lead the growth and sophistication of the community development industry. Since the implementation of tax credits and now through the unique approach of Opportunity Zones, CohnReznick has served investors, developers, governmental entities and other stakeholders to help communities reach their full potential.

The affordable housing leader

There at the inception of LIHTC and on through today's evolving needs and challenges, CohnReznick has the nation's most experienced, well-versed and well-connected team in the nation. Through our foundational experience, we know where challenges exist and how to overcome them, how to keep your business running smoothly and, we help to lead advocacy for affordable housing in America. With more than 75 dedicated partners, we offer clients tailored, industry relevant solutions across the country serving developers, syndicators/investors, and public entities.

Key Staff

Sean Holloway, Audit Partner
Sacramento, CA
Sean.Holloway@CohnReznick.com | (916) 930-5768
Years of audit experience: 18 years with CohnReznick and over 20 years professionally

Eric Jones, Tax Partner
Sacramento, CA
Eric.Jones@CohnReznick.com | (916) 442-9100
Years of tax experience: 18 years with CohnReznick and over 20 years professionally

CohnReznick
ADVISORY • ASSURANCE • TAX

Key Staff Resumes

Sean Holloway
CPA, Audit Partner
Sacramento, CA

Sean Holloway, CPA, is a partner in CohnReznick's Sacramento office and a member of the Firm's Assurance practice. He has over 15 years of audit, finance, tax, and accounting experience in public accounting. Sean's industry experience includes serving not-for-profit organizations; commercial and residential real estate owners and developers; and multifamily properties. He has worked with projects involving Low Income Housing Tax Credits (LIHTC), federal and state historic tax credits; the federal New Markets Tax Credit Program, and energy tax credits. He provides these clients with a variety of services, such as financial statement audits and tax return preparation, assessments of organizational structures and recommendations to strengthen their internal control and revenue recognition procedures, and government contract and regulation compliance.

Sean's responsibilities at CohnReznick include planning and audit program development of all assigned audit engagements, the direct supervision of all audit field work, workpaper reviews, review of compliance with laws and contracts, and the preparation of financial statements. Sean's real estate and Not-for-Profit industry experience includes those in accordance with GAGAS, HUD audit guidelines, and Uniform Guidance. Sean also works extensively on cost certification engagements for LIHTC and historic tax credits projects. These duties involve analyzing client transactions, making constructive suggestions to improve client operations, auditing federal assistance programs for compliance, proactively managing the engagements to meet client deadlines and expectations, and training and supervising audit managers, seniors, and associates.

Education
B.S., Business Administration with a Concentration in Accounting, San Jose State University

Professional Affiliations
American Institute of Certified Public Accountants
California Society of Certified Public Accountants

Eric Jones
CPA, MST, Office Managing Partner - Sacramento
Sacramento, CA

Eric Jones is a tax partner and serves as Office Managing Partner - Sacramento. He has more than 13 years of public accounting experience including more than four years with a Big 4 public accounting firm. Eric has broad tax experience in a variety of industries including manufacturing and distribution, wholesaling, and real estate. His primary focus is on the real estate industry and his clients include residential real estate developers, real estate syndicators, and not-for-profit organizations.

Eric concentrates much of his time on issues involving Section 42 low-income housing credits and Section 47 rehabilitation tax credits. He is also responsible for the planning and supervision of tax engagements, including multi-tiered partnerships and funds, and has experience in performing cost segregation studies for the Firm's real estate clients.

Education

B.S., Business Management Accountancy, California State University, Sacramento
Masters of Tax, Golden Gate University

PSI-Intertek
Environmental Consultant

For more than 135 years, companies around the world have depended on Intertek to help ensure the quality and safety of their products, processes and systems. PSI-Intertek has extensive experience working throughout Northern California.

Our team provides clients with a single source for assessing, evaluating, consulting, designing, reporting, and managing data and project information. With a constant focus on safety, our Northern California Group offers a full range of environmental engineering and consulting services ranging from ASTM compliant Phase I ESAs to designing, installing, and operating complex multi-aquifer dual phase remediation systems. PSI saves our clients time and money by focusing on innovative and value-based efforts that balance regulatory requirements with cost effectiveness and practicality.

PSI's Northern California operation typically completes 10 to 15 Phase I ESAs per month. PSI has completed Phase I ESAs on a myriad of different properties from undeveloped land to large industrial/chemical plants. PSI has completed numerous Phase I ESAs on large multi-family residences with services provided beyond the ASTM being asbestos, lead paint, and mold evaluations.

Key Staff

Robert W. White
Principal Consultant / Regional Vice President, Environmental Services – West
Oakland, CA
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Years in Environmental Services: 20+

Project Profiles

PSI-Intertek

JOHN STEWART COMPANY
SACRAMENTO, CA

Phase I ESA, Phase II ESA, Geotechnical Services

Client / Owner:	The John Stewart Company Ms. Julie Mendel 1388 Sutter Street, 11th Floor San Francisco, California 94109
Project Location:	Sacramento, California
Client Type:	Multi-family Residential
Performance Period:	2020 – Ongoing
Key PSI Personnel:	Robert White, Principal Consultant Frank Poss, Principal Consultant

In conjunction with the Housing Authority of the City of Sacramento, PSI completed a multi-task effort for the potential development of a vacant property in the City of Sacramento. Initially, PSI was asked to complete a Phase I Environmental Site Assessment on the property. The Phase I ESA was conducted to search for evidence of recognized environmental conditions in connection with the subject property. PSI performed the Phase I ESA in general accordance with ASTM E 1527-05, Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process (ASTM E 1527-05). The ASTM E 1527-05 standard has been recognized as consistent with the All Appropriate Inquiries (AAI) Rule.

The scope of services included records review, reconnaissance, interviews, and preparation of a report. PSI reviewed environmental regulatory database information regarding environmental conditions on and surrounding the subject property, physical setting sources, and historical information sources regarding the past uses of the property.

The results of the Phase I ESA indicated that properties located approximately 550 to 650 feet southwest of the subject property were identified on the CPS-SLIC, Sacramento Co. CS, Sacramento Co. ML, CERS, and EDR Hist Cleaner databases. An environmental investigation was completed on this property due to the property being a former retail complex with a gas station and adjacent dry cleaners. The result of the investigation indicated that there were dry-cleaner solvents or chlorocarbons (tetrachloroethylene or PCE) and total petroleum hydrocarbons as gasoline (TPH-g) found in the soil and groundwater. The City installed a soil vapor extraction (SVE) system and air sparging system, as well as a groundwater extraction and treatment system to clean up the impacted soil and groundwater. Monitoring wells near the subject property had concentrations of 98 micrograms per liter (µg/L) and 4.7µg/L of PCE, respectively. Based on this information, in addition to assumed depth to groundwater and flow direction is towards the subject property, PSI considered the release to be indicative of a recognized environmental condition and a vapor encroachment condition in connection to the subject's property. After reviewing several investigative options, PSI completed a Phase II ESA Soil-Vapor Survey for the subject property.

The soil-vapor survey entailed collecting eight soil-vapor samples according to DTSC protocol from the area of site development and analyzing them for VOCs. The analytical results indicated numerous VOCs including TCE and PCE, and gasoline related compounds in the soil-vapor samples. Several of them were above regulatory criteria. Based on these results, PSI concluded that a possible vapor-intrusion condition was present at the subject property and that placing a soil-vapor barrier beneath each of the buildings may be needed to mitigate health concerns associated with the soil-vapor intrusion for both the benzene and chlorinated hydrocarbons detected above the DTSC SLs at the subject property.

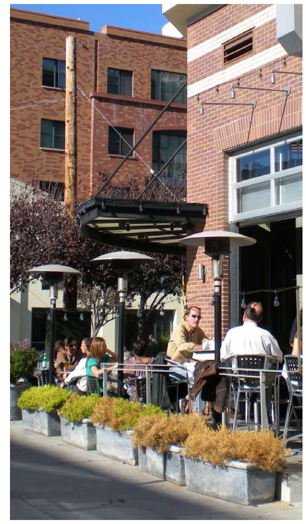
PSI is currently working with The John Stewart Company and the Housing Authority of the City of Sacramento on vapor-extraction design and implementation for the project.

PSI also completed a geotechnical investigation for the subject property. PSIs scope of services included drilling 16 test borings, including 2 infiltration test borings, at the site. The work included appropriate laboratory testing and preparation of a geotechnical report. The report outlined the testing procedures, presents available project information, describes the site and subsurface conditions, and presented recommendations regarding the following:

- Grading procedures for site development;
- Foundation types, depths, allowable bearing capacities, and an estimate of potential settlement;
- Comments regarding factors that will impact construction and performance of the proposed construction
- Seismic Evaluation

PSI determined that the proposed building can be supported on conventional shallow foundations, provided that they are entirely supported by properly compacted fill. Existing near-surface materials would need to be excavated, moisture conditioned, then replaced as uniformly compacted fill to provide for uniform bearing across the building pads. PSI also provided foundation footing design and pavement design as part of the geotechnical evaluation.

PARKMERCED REDVELOPMENT PROJECT
SAN FRANCISCO, CA



Phase I ESA, Phase II ESA, Asbestos/Lead

Client / Owner:	Maximus Real Estate Partners Mr. Logan Daniels Vice President of Construction One Maritime Plaza, Suite 1900 San Francisco, CA 94111
Project Location:	San Francisco, California
Client Type:	Multi-family Residential
Performance Period:	2016 – Ongoing
Key PSI Personnel:	Robert White, Principal Consultant Frank Poss, Principal Consultant

Constructed between 1941 and 1951, the neighborhood currently encompasses 152 acres, approximately 80 percent of the original Parkmerced property and contains 3,221 existing rental apartments in 170 two-story residential buildings (referred to as "garden apartments") and 11 13-story residential mid-rise buildings. The property also contains associated parking, building services, a leasing/operations office, and a recently constructed private pre-school/day care facility. The project is a long-term (approximately 20-30 years) mixed-use development program to increase the residential density, provide new commercial and retail services, provide new transit facilities, and improve existing utilities within the development site. Of the existing residential units that exist on the site, approximately 1,683 units located within the 11 existing towers would remain and approximately 1,538 existing apartments would be demolished and replaced in a phased work program. An additional 5,679 new units would also be added to the Site for a project total of 8,900 units.

Project construction is managed by Maximus Real Estate Partners. Phase 1 is divided into four discrete sub-phases (1A-1D). In total, the Phase will construct a total of 1,668 housing units, of which 222 of these will be replacement units for units demolished during the Phase. Phase 1 will also include up to 3,500 square feet of retail space.

PSI was initially retained to provide a Phase I Environmental Site Assessment (ESA) to support project financing. The Phase I ESA did not identify any recognized environmental conditions but did identify historical recognized environmental conditions associated with historic underground storage tanks on the property. Related to the initial phase of construction and as the property was deemed to be part of the Maher Ordinance, a detailed Workplan was developed for the first phase of the redevelopment for the property. The Workplan was submitted to the San Francisco Department of Public Works Environmental Health Division (SFDPH) for their approval. Approval was granted and PSI performed a soil characterization study.

The Soil Characterization Study included drilling over 25 boring on four locations at the site and completing pothole sampling of over 30 additional locations. The borings were drilled to approximately 30 feet below ground surface with soil samples collected at 1, 2.5, 5 and 5-foot intervals thereafter to the depth explored. Groundwater was not encountered during the soil investigation. Over 200 soil samples were submitted to an EPA certified laboratory and analyzed for volatile organic compounds, semi-volatile organic compounds, pesticides, polychlorinated biphenyls, metals, and asbestos.

Although environmental contamination was not identified during the soil characterization study, SFDPH required development of a project Soil Management Plan (SMP) and a Dust Control Plan (DCP). Related to the SMP, PSI assisted in evaluating requirements for offsite disposal of surplus soil including meeting with representative of potential receiver sites. The SMP detailed health and safety, soil management, stockpile management, dust control, odor control, and contingency procedures for the site development. For the DCP, PSI developed air monitoring strategies using Particulate Matter 10 micron (PM^{10}) direct reading instrumentation, accompanied with periodic quality control site inspections.

As part of Phase 1A and 1B, two parking structures will be demolished. In preparation for demolition, PSI conducted hazardous material surveys of each structure to identify Asbestos-Containing Materials (ACM) and Lead-Based Paint (LBP) for incorporation into bid documents. PSI further assisted the redevelopment project by providing technical input at regulatory meetings with SFDPH as well as presenting investigation findings and a summary of the SMP and DCP at a community informational meeting.

SAN LEANDRO REDVELOPMENT PROJECT
San Leandro, CA

Phase I ESA, Phase II ESA, Asbestos/Lead, Geotechnical

Client / Owner: Maximus Real Estate Partners
Mr. Seth Mallen
Principal
One Maritime Plaza, Suite 1900
San Francisco, CA 94111

Project Location: San Leandro, California
Client Type: Multi-family Residential
Performance Period: 2018 – Ongoing
Key PSI Personnel: Robert White, Principal Consultant
Frank Poss, Principal Consultant

As part of the redevelopment of a primarily undeveloped piece of land in San Leandro, California, PSI completed a Phase I ESA, Phase II ESA, Asbestos/Lead, and Geotechnical investigations at the subject property.

The Phase I ESA included the review of six parcels in San Leandro that totaled approximately six acres. The result of the Phase I ESA indicated that the property was part of the former Caterpillar Site that was an active EnviroStor site with the DTSC. PSI completed subsequent investigations that included the collection of over 20 groundwater samples, 100s of soil samples, and 30 soil-vapor samples under the oversight of the DTSC. PSI was able to determine that the only impact to the subject property was from an off-site source that would require vapor-mitigative measures. PSI worked with the DTSC, City of San Leandro, and Maximus to come up with a passive vapor mitigation system for the property.

PSI also contracted to complete a geotechnical investigation to explore the subsurface conditions at the site to enable an evaluation of potential acceptable foundation systems for the proposed development of the site. To provide the necessary information for the evaluation of the property, PSI used both Cone Penetrometer and Hollow-Stem Auger drilling with a total of 25 borings drilled at the property that went as deep as 100 feet bgs.

PSI completed a detailed liquefaction analyses that indicated that the liquefaction potential of this site is negligible (between 0.14 to 0.89 inches) upon application of the design peak ground acceleration of 0.8g, in the locations tested. Most of the calculated liquefaction is anticipated to be thin layers of sandy soils below 18 feet. PSI was able to make the opinion that the existing near-surface soil conditions at the site are considered suitable for the use of shallow foundations for the support of the proposed improvements. This potentially will save our client considerable development dollars for this project.

As there were several small structures on the subject property, PSI has also completed asbestos/lead demolition level sampling to determine the protocols necessary for demolition of the structures.

Project Approach to Site Due Diligence

PSI-Intertek

PSI-Intertek has extensive experience working with affordable housing developers, housing authorities and county agencies in Northern California.

Our team provides clients with a single source for assessing, evaluating, consulting, designing, reporting, and managing data and project information. With a constant focus on safety, our Northern California Group offers a full range of environmental engineering and consulting services ranging from ASTM compliant Phase I ESAs to designing, installing, and operating complex multi-aquifer dual phase remediation systems. PSI saves our clients time and money by focusing on innovative and value-based efforts that balance regulatory requirements with cost effectiveness and practicality.

PSI's Northern California operation typically completes 10 to 15 Phase I ESAs per month. PSI has completed Phase I ESAs on a myriad of different properties from undeveloped land to large industrial/chemical plants. PSI has completed numerous Phase I ESAs for the San Francisco Housing Authority and for the Richmond Housing Authority on large multi-family residences with services provided beyond the ASTM being asbestos, lead paint, and mold evaluations.

ASTM has a current environmental site assessment standard (ASTM E 1527-13) that defines the minimum standard of practice for performing Phase I ESAs. As part of the new ASTM, vapor intrusion has been added as a specific topic to be addressed. PSI has been evaluating vapor intrusion concerns as part of our Phase I ESA process for decades. Determination of whether a VEC exists is not a new concern to PSI.

A general scope of work for PSI for Phase I ESAs is as follows:

Phase I Environmental Site Assessments – Scope of Work

PSI performs the Phase I ESA to search for evidence of recognized environmental conditions in connection with the subject property. PSI proposes to perform the Phase I ESA in general accordance with Standard Practice ASTM E 1527-13 for Environmental Site Assessments. PSI performs the assessment under the supervision of an environmental professional (EP) as defined in 40 CFR 312.10. The scope of services will include:

- Environmental records review,
- Reconnaissance,
- Interviews,
- A Tier 1 Vapor Encroachment Screen (VES) and,
- Preparation of a written report.

PSI reviews environmental regulatory database information regarding environmental conditions on and surrounding the subject property, physical setting sources, and historical information sources regarding the past uses of the property.

Reconnaissance of the subject property consists of observing the periphery of the property, the periphery of structures, if any, on the property, and interior portions of the property. If buildings are present, PSI observes, where possible, accessible interior common areas, maintenance and repair areas, and a representative number of occupied spaces. Adjoining properties are observed from the perimeter of the subject property and from public thoroughfares during the site reconnaissance. PSI also observes current and past uses and conditions, wherever apparent, indicating the likelihood of recognized environmental conditions (RECs). PSI makes reasonable attempts to conduct interviews required in E1527. PSI conducts the interviews by phone, in writing, or in person. Parties that PSI interviews include:

- You or your designated representative as the "User" of the Phase I ESA,
- The current property owner,
- The key site manager (if any is identified),
- A representative number of nonresidential occupants (if any), and
- One or more representatives of state and/or local government agencies.

Past owners, operators, occupants, and neighboring property owners or occupants may also be interviewed.

TIER 1 VES

Subsurface vapor migration is an evolving matter associated with the potential for chemicals of concern (COC) to migrate as vapors as a result of contaminated soil and groundwater. E1527 requires the EP to evaluate:

> "…the movement of hazardous substances or petroleum products in any form, including, for example, solid and liquid at the surface or subsurface, and vapor in the subsurface."

Tier 1 of the E2600 VES uses information collected as a normal part of the E1527 ESA. PSI proposes to:

- Establish a nominal Area of Concern (AoC) using E2600 Approximate Minimum Search Distances (AMSD)
- Reduce or expand the distances based on known or inferred groundwater flow directions and other information regarding the subsurface conditions in the area
- Identify potential vapors source sites within the AoC using:
  - Environmental records
  - Historical records and
  - Other provided information

PSI will evaluate the identified potential sources and determine for each if:

- A VEC exists or likely exists;
- A VEC cannot be ruled out; or
- A VEC can be ruled out because a VEC does not or is not likely to exist.

For those sites PSI where PSI determines that a VEC exists or likely exists, PSI will determine whether or not the condition represents a REC.

E1527 §8.2.2 provides that if the subject property or an adjoining property is identified in the regulatory database reports, pertinent regulatory files should be reviewed subject to the discretion of the EP. The purpose of this addition was to cause review effort appropriate to evaluate the actual conditions at adjoining listed sites rather than inferring them from regulatory status. The effort was also intended to be used in support of VEC determinations when database listings were insufficient to evaluate if the adjoining property might be subject to regulatory "re-opener," "re-visiter" and "re-prioritization" efforts, especially in light of emerging vapor regulation.

The effort contemplated in that section is subject to the constraints on reasonable cost and time contained in E1527 and E2600. Therefore, this section could cause a need for review effort beyond that contemplated under E1527. PSI considers the following effort to be beyond the scope of our proposed E1527 ESA:

- Review requiring travel to a regulatory agency or depository of information that is not local to the PSI assessor's office or the subject property
- Review of voluminous documents, whether they may be relevant or not
- Payment of fees charged by regulatory agencies or file-duplication services

PSI prepares a final report that includes a summary section at the beginning that contains the identified on-site or off-site, historical or current recognized environmental conditions, any data gaps encountered, and the impact of those data gaps on the assessment. The remainder of the report includes the methodology and resources used and the data gathered.

Phase II Environmental Site Assessments – General

If the Phase I ESA identifies actual or suspected recognized environmental conditions (REC), then further investigation is typically recommended in the Phase I ESA report. The purpose of a Phase II ESA is to determine whether contamination is actually associated with evidence of recognized environmental conditions – is it there or is it not, and if it is, do the concentrations exceed a regulatory action level. This is accomplished by a carefully designed limited sampling plan that may include intrusive sampling of surface water, groundwater, and soil, or special sampling of on-site materials such as drums, stockpiles, etc. The Phase II ESA study is deliberately limited to only confirm or refute the presence of the suspected contaminant(s) in the areas sampled. It is not generally intended to fully delineate the extent of the contamination, nor address remedial remedies or costs. The scope of the Phase II ESA will typically be dependent on the information generated in the Phase I ESA study, and therefore it is site specific. There is no generic scope of work for a Phase II ESA study. The use of common procedures and practices is important, and ASTM E 1903 provides a standard guide used in the industry for this purpose.

If the Phase II ESA confirms the presence of a contaminant that exceeds the State or Federal threshold, then more in-depth environmental activities have to be conducted to fully delineate the nature and extent of the contamination. When such findings arise, the client or property owner may also have an obligation to report the information to a regulatory agency. It is at this point that a full contaminant assessment, risk assessment or remedial action may be undertaken.

Phase II Environmental Site Assessments – Scope of Work

As part of the Phase I ESA process, we are always cognizant of the potential for the need for a Phase II ESA. Our extensive experience with local and State organizations for site investigations and remedial programs aids us in determining whether a Phase II ESA is actually necessary or if observed conditions are de minimus or whether historical use is a recognized environmental condition. As soon as PSI determines that an issue is a recognized environmental condition, PSI alerts our clients of the issue or potential issue and discusses options. This is completed prior to the issuance of a report, as often a tight time frame are associated with Phase I and Phase II work.

The results of our Phase I ESA are utilized to determine the most cost effective and time efficient Phase II. Deciding factors for determining the Phase II scope of work include:

- Contaminant of Concern
- Historical Use
- Previous Studies
- Soil Conditions
- Depth to Groundwater
- Site Logistics and Access
- Regulatory Agency potentially overseeing work

Following completion of our evaluation, PSI then selects the most appropriate investigative tool, which may include one or many of the following:

- Soil and/or Groundwater Investigations using hand auger
- Soil and/or Groundwater Investigations using hollow stem auger
- Soil and/or Groundwater Investigations using Geoprobe
- Monitoring Well Installation
- Soil-Vapor Survey
- Geophysical Survey and Investigation

PSI has completed Phase II ESAs using all of these methods in Alameda County. Phase II ESAs have been completed for the following clients in Alameda County: ACGSA, McDonalds, Wells Fargo, 366 Development, Oakland Unified School District. They have been completed on contaminants of concern that include metals, pesticides & herbicides, volatile organic compounds, petroleum hydrocarbons, and polynuclear aromatics. Beyond the completion of Phase II ESAs, PSI has completed numerous investigations and remedial activities for sites. These include the following services:

Performing Vapor Intrusion Assessments

For petroleum hydrocarbon sites, vapor intrusion has become the number one driver of regulatory compliance and evaluation for closure. Although soil and groundwater impact has the potential for impacting human health and the environment, it is rare that sensitive receptors have actually been impacted by petroleum hydrocarbons. However, vapor intrusion into existing or proposed structures has increasingly become the focus of regulatory agencies.

PSI has completed numerous Phase II investigations for possible soil-vapor intrusion from on and off-site sources. Typical contaminants of concern are petroleum hydrocarbons and their related volatile organic compounds and for dry cleaning solvents, primarily perchloroethylene. PSI has completed soil-vapor assessment along property boundaries to determine possible impact from off-site sources and also below existing buildings to determine whether on-site impact has created a threat of vapor-intrusion to the existing structure.

Development of Regulatory Strategy for Site Closures

The State of California has made a decision to shift from clean-up of petroleum hydrocarbon sites to evaluation of the site for possible environmental impairment and then development of Site Conceptual Models (SCM), which evaluate the current investigation for data gaps and possible closure. The SCM has become the blueprint for developing and obtaining closure for LUST sites in California. The SCM is a living document that is used as a blueprint for work that needs to be performed prior to achieving closure. The final SCM can then be used as a request for closure.

PSI competed numerous SCMs in 2012 for the purpose of evaluating sites for site closure. The SCM in conjunction with discussions with our client determines potential areas of concern or data that may be missing that is needed for site closure. PSI with consultation with our clients has received four closures on sites in 2012 by preparation of a SCM and requesting closure. PSI is in the process of competing three additional SCMs in which two we will be asking for closure.

Preparation of Corrective Action Plans

Corrective action plans are an integral part of the performance for cost effective and time efficient remedial efforts. PSI with our team of engineers and geologists reviews the pertinent information regarding the contaminant of concern, extent of impact, property use, and hydrogeologic conditions to come up with a corrective action plan that fits the individual situation for each site. The corrective action plan is then presented to our clients so that they have a clear understanding of the different impact to day to day operations and the timing associated with the associated corrective action.

PSI has prepared corrective action plans for numerous sites in Northern California from as simple as soil excavation and disposal projects to more complicated air sparging, vapor extraction, and enhanced biodegredation projects. The corrective action plans have been submitted and approved by the DTSC and the RWQCB

Remediation Design and Permitting

Remedial design provides for the planning and engineering for cleanup of impacted sites. PSI can provide cleanup design for removal actions (e.g., short term removal of contamination by excavation) and remedial actions (e.g., longer term cleanup by pumping and treating). We have experience using a wide number of cleanup technologies. Design projects typically include an engineering feasibility option evaluation, engineering calculations for system components, mathematical modeling of the fate and transport of chemicals and environmental media (e.g., soil gas, groundwater) once the system is in place, design plans and specifications.

PSI has completed numerous remedial and design projects for remedial projects that include pump and treat technology, air sparging, soil-vapor extraction, and soil removal. Permitting included permitting through local counties, RWQCB, and BAAQMD. PSI has also completed other permitting projects, such as AQMD permitting for back-up generators and Hazardous Material Business Plans for all JC Penney stores in California and for the County of Sonoma for all of their maintenance facilities.

Human Health and Ecological Risk Assessments and Risk-Based Evaluations

Risk assessment, which involves calculation of cleanup levels that are specifically applicable to site circumstances (versus using California and Federal “look-up” tables for cleanup criteria). California has a “risk-based” clean up philosophy and has moved away from a “zero tolerance” or “non-detect” regulatory climate. Each site in California is often looked at independently by state agencies. This risk-based approach enables organizations to identify and correct only these significant “problem” areas that pose a significant risk to human health or the environment, thus in many cases greatly reducing the scale and cost of the remediation. This approach has worked particularly well in urban areas, helping to clean up underutilized and abandoned sites with known or suspected environmental contamination and get them back on the tax rolls. Risk-based cleanup is the technical platform underlying Brownfield initiatives.

PSI has completed detailed risk assessment for two dry cleaning establishments to identify and set cleanup criteria. Additionally, PSI has completed numerous SCMs over the past year in which risk-based evaluations are an integral part of the evaluation of the site for closure.

Geotechnical Engineering

PSI-Intertek's geotechnical engineering consulting services provide clients with information concerning subsurface conditions at a project site, and practical recommendations for design and construction of their facility. Geotechnical engineers assist clients, and other design/construction team professionals to reasonably determine the best course of action for design and construction of site preparation earthworks, foundation systems, excavation support requirements, cut and fill slopes, and pavements for building projects of various kinds and application.

PSI maintains geotechnical drill fleets and geotechnical laboratories nationwide, in order to be able to maintain a level of quality throughout the data acquisition phase of a project as well as to limit any potential delays from sub-contractor schedules. Our drill fleet includes auger, hollow stem auger and rotary wash rigs, truck-mounted and ATV-mounted equipment and specialty low head room rigs. Regional geologic conditions and local practice dictate the best equipment for a particular project.

Typical Geotechnical Project Services:

- Conducting preliminary geotechnical investigations of a site to evaluate general subsurface conditions and feasibility for site development.
- Determining the type of foundations for a structure, including depth and dimensions.
- Determining design parameters for the foundation, such as the bearing capacity and allowable soil bearing pressures.
- Estimating potential settlement of the structure.
- Preparing site preparation specifications including and field and laboratory monitoring and testing programs for verification of earthwork and foundation construction.
- Developing design parameters for pavements, such as for roads, parking areas, highways, and airports.
- Investigating the stability of slopes, such as natural slopes, earthen dams, levees, and embankments.
- Evaluating possible soil treatment or subsoil modification to improve certain characteristics of the soil.
- Determining geotechnical design parameters for earth retaining systems, such as retaining walls, bulkheads and sheet piles.
- Providing recommendations for dewatering and drainage of underground structures.
- Investigating groundwater and seepage problems and developing mitigation measures.
- Analyzing sites for effluent disposal, stormwater management and percolation ponds.
- Designing pond and landfill liners. Mathematical modeling of deep foundation systems, dewatering effects, effluent disposal ponds, and groundwater monitoring systems.
- Developing laboratory testing programs to evaluate the characteristics of soils obtained from the site.
- Evaluation of failed foundations and pavements, embankment erosion and collapse, and retaining wall failures.

LEED Indoor Air Quality Support

PSI-Intertek can support attaining LEED certifications through the performance of indoor air quality (IAQ) evaluations as described under LEED v4 and v4.1. The scope of the IAQ evaluations are based on information published by the U.S. Environmental Protection Agency (EPA) and include LEED V4 For New Construction Commissioning – Option 2 – Air Testing and EPA Compendium of Methods for Determination of Air Pollutants in Indoor Air, April 1990. Based on referenced information, the evaluations typically include measurements of selected environmental parameters including formaldehyde, airborne particulate matter (PM) <10 Micron in size (PM10), PM <2.5 micron in size (PM2.5) total volatile organic compounds (TVOCs), ozone, carbon dioxide (CO2), and carbon monoxide (CO).

Per LEED requirements the sampling is performed over a four (4) hour period. The following criteria is typically used for determining the number of sampling points:

- One sample per heating, ventilation and air conditioning (HVAC) zone;
- One per every 5,000 square feet;
- One per contiguous floor; and
- One sample per 7 identical spaces, as determined by the Project Team.

PSI uses UMEX-100 dosimeter badges to measure formaldehyde levels in adherence with EPA compendium Method TO-11. The samples are analyzed by National Institute of Occupational Safety and Health (NIOSH) Method 2016 with laboratory results compared to the published LEED requirement of < 27 parts per billion (ppb).

TVOC levels are measured in accordance with EPA Compendium Method TO-17. Samples are collected using C-300 charcoal sorbent tubes with low-flow air sampling pumps. Samples are analyzed using Gas Chromatography / Mass Spectrometry (GC/MS) with results compared to LEED requirement for Total VOCs of < 500 $\mu g/m^3$. Additionally, results are comparison of the individual VOC compounds with the concentration limits listed in the LEED V4 IAQ testing requirements.

Measurement of ozone are performed in general accordance with ASTM D5149-02 using an Aeroqual Series 500 Portable Ozone Monitor or equivalent. The data is uploaded and averaged for comparison to the published LEED requirement for ozone of 0.07 ppm. Measurement of CO is performed in general accordance with EPA Compendium Method IP-3A using a TSI Model 8762 IAQ Calc monitoring device or equivalent. The data is uploaded and averaged for comparison to the published LEED requirement for CO of < 9 ppm. PM_{10} and $PM_{2.5}$ particulate measurements are performed in accordance with EPA Compendium Method IP-10B. Measurements for both PM_{10} and $PM_{2.5}$ is performed using a TSI Dustrak Aerosol Monitor Model 8530 or equivalent. Following the sampling event, data is uploaded, and averaged for comparison to the published LEED PM_{10} particulate criteria of 50 $\mu g/m^3$ and 15 $\mu g/m^3$ for $PM_{2.5}$.




Background

Founded in 1984, Cunningham Engineering is celebrating 37 years of successful business relationships and completed projects in California. Originally a single discipline civil engineering firm, the company has evolved over the decades into a multi-discipline, client-focused firm with civil engineers and landscape architects collaborating to provide exceptional service and efficient designs to our clients. With office locations in Yolo and Sacramento Counties, we aspire to find solutions that emphasize sustainability and the quality of the built environment.

Commitment to Client Goals

Clients describe their experience with Cunningham as a partnership that goes beyond mere contract fulfillment and consistently helps them to meet their objectives. The relationships that develop are based on a commitment to thoroughly understand each project, its requirements, and our Clients' expectations.

> "At Cunningham, it's about the culture - an environment that allows our clients and employees to succeed."
>
> ***- Chuck Cunningham***
> ***CEO***

Affordable Housing Experience

Cunningham has successfully completed many affordable housing projects in the Sacramento region in recent years. This experience has enabled their team to become well versed in the challenges and opportunities associated with multi-family design. Areas in which they routinely make significant contributions to projects include: efficient stormwater quality designs, ADA site accessibility design, and construction detailing to support fast-paced construction sequencing.

Below is a sampling of Cunningham's recent affordable housing projects:

- Colonia San Martin | Sacramento
- Creekside Court | Davis
- Marina Del Vista Apartments | Vallejo
- Marina Village | Suisun City
- Mirasol Village | Sacramento
- Mercy Housing 4995 Stockton Boulevard | Sacramento
- Mercy Housing 7th & H | Sacramento
- Mercy Housing Frederic Lohse Apartments | Roseville
- Mercy Housing Pleasant Grove | Roseville
- Mercy Housing West Sacramento | West Sacramento
- Mercy Housing Woodland | Woodland
- Mutual Housing 46th Street | Sacramento
- Mutual Housing at the Greenway | Sacramento
- Mutual Housing Lavender Courtyard | Sacramento
- Mutual Housing at North Highlands | Sacramento
- Mutual Housing at Sky Park (Los Robles) | Sacramento
- Mutual Housing on Stockton Boulevard | Sacramento
- Mutual Housing San Juan Motel | Sacramento
- New Harmony Mutual Housing | Davis
- Solano Housing Rio Linda Boulevard | Sacramento
- St. Anton | Various Locations

RESUME

Dan Fenocchio, PE
Civil Engineering Project Manager

With a comprehensive understanding of engineering principles and construction practices, Dan Fenocchio is able to readily achieve client goals by providing cost effective, practical designs and by thoroughly responding to construction issues as they arise. He is a strong proponent of the Green Movement and has extensive affordable housing experience.

As President, he is highly involved in Cunningham's strategic business planning and implementation. In the capacity of Project Manager, he directs the design and plan production efforts of the Cunningham team, while interacting with clients, contractors, and local, state and federal agencies during project approvals and construction. Dan is known by clients for his responsiveness, positive communication skills and commitment to both project and client objectives.

Dan's extensive knowledge of the design and construction process allows his team to proactively address civil engineering challenges. He is experienced with Stormwater Best Management Practices and the implementation of LEED concepts and has successfully coordinated with design teams to incorporate sustainable initiatives on numerous projects.

Education
- B.S. Civil Engineering
  University of California, Davis

Licenses / Certifications
- Civil Engineer California, C-51484
- Qualified SWPPP Developer (QSD) / Qualified SWPPP Practitioner (QSP)
- National Ready Mix Concrete Association, Former Pervious Concrete Technician

Professional Affiliations
- American Council of Engineering Companies, Sierra Chapter
- American Institute of Architects, Central Valley Chapter, Former Board Member
- City of Davis Safety and Parking Advisory Commission, Former
- Habitat for Humanity of Greater Sacramento, Board Member
- Sacramento Planning and Development Code User Advisory Group, Former
- Urban Land Institute

Presentations
- Low Impact Development Expert
  Presented to over 20 local agencies
- Green Streets Workshop Presenter, Sacramento County
- LEED-ND Overview, U.S. Green Building Council, Northern California Chapter

Selected Experience

Marisol Village, Sacramento *(formerly Twin Rivers)*
Dan served as Principal-in-Charge for this $291M project. Plans included demolition of the existing 215 units on a 24-acre site. Located in Sacramento's River District, the 468-unit residential development features a pool, open common-space areas, a fitness center and lounge space. The rental units include a combination of town homes and three- and four-story apartments.

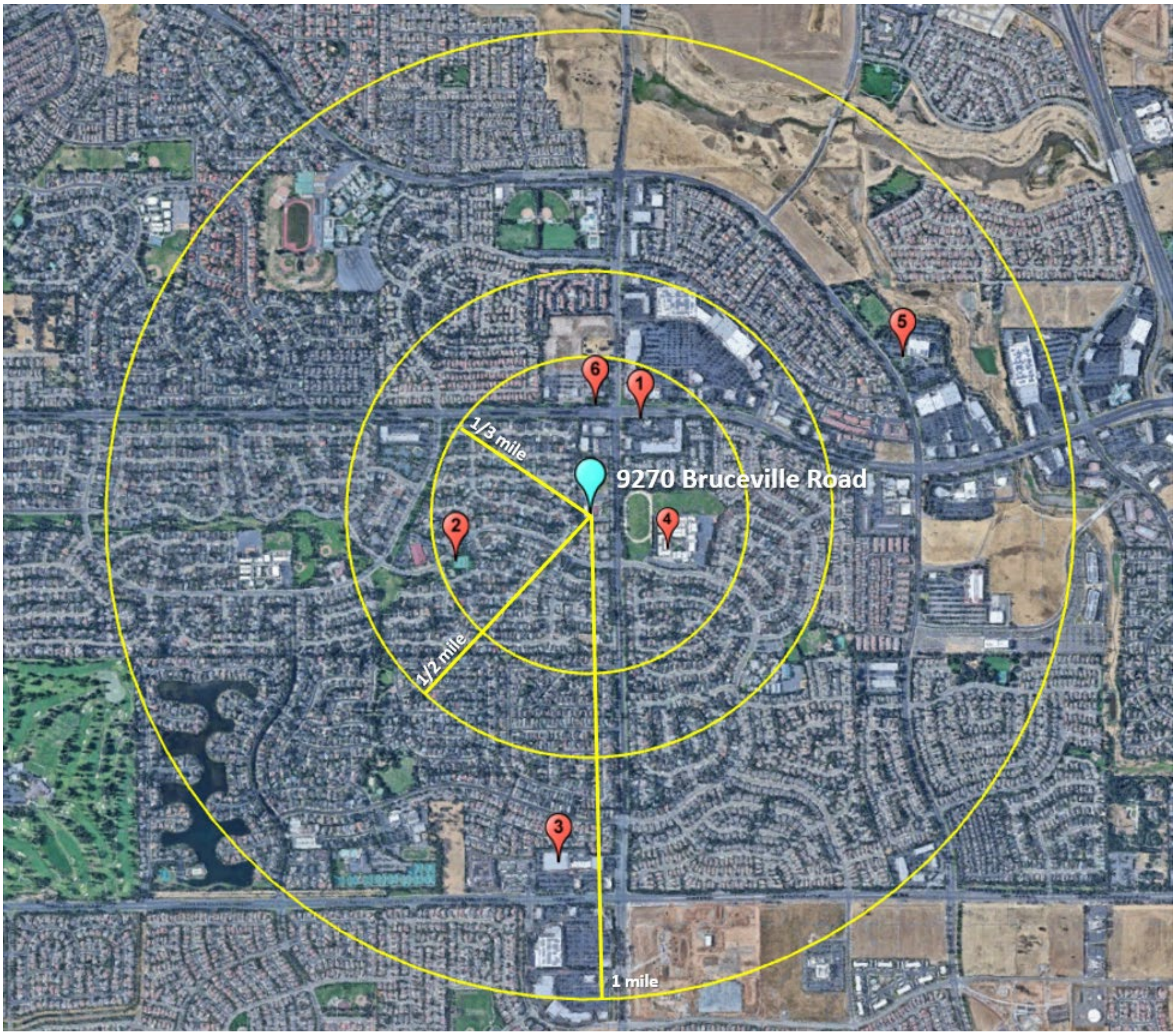
Mercy Housing 7th & H Streets, Sacramento
Dan served as project manager for the redevelopment of this approximate half-acre site with a new mixed-use, mid-rise sustainable building. The general development building scheme consists of ground floor clinic and retail/commercial space, 150 single room occupancy (SRO) affordable residential units, parking garage, large outdoor landscaped terraces and roof top solar panel array.

Multi-Family Housing - Various Projects
As a project manager, Dan has performed civil engineering services on over three dozen multi-family projects. This experience has enabled Cunningham Engineering to become very well versed in the challenges and opportunities associated with multi-family design. Areas in which we routinely make significant contributions to projects include: efficient stormwater quality designs, ADA site accessibility design, and construction detailing to support fast-paced construction sequencing.

- Colonia San Martin | Sacramento
- Creekside Court | Davis
- Marina Del Vista Apartments | Vallejo
- Marina Village | Suisun City
- Mercy Housing | Various Locations
- Mutual Housing | Various Locations
- Solano Housing Rio Linda Boulevard | Sacramento
- St. Anton | Various Locations

Site Amenities Map

Amenity Type	# on Map	Name	Address	Distance from Site*	TCAC Score
Transit	1	E-Tran Bus Stops 85145 (Eastbound) and 95094 (Westbound) (lines 19 and 113)	Laguna Blvd at Bruceville Rd	0.2 mi	4 points
Park	2	Batey Park	6800 Seasons Dr	0.3 mi	3 points
Grocery Store	3	Nugget Market	7101 Elk Grove Blvd	0.7 mi	4 points
School	4	Harriet Eddy Middle School	9329 Soaring Oaks Dr	0.2 mi	3 points
Medical Clinic	5	Kaiser Permanente Elk Grove Medical Offices	9201 Big Horn Blvd	0.8 mi	2 points
Pharmacy	6	Walgreens	7299 Laguna Blvd	0.3 mi	2 points
*Distance = "as the crow flies"				**TOTAL**	**18 points**
				TCAC Max	**10 points**



REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (the "**Agreement**") is entered into effective as of the 27___ day of May, 2020 (the "**Execution Date**") by and between **Light of the Valley Church** ("**Seller**") and **Bethesda Cornerstone Village, LLC**, a Wisconsin limited liability company ("**Purchaser**").

RECITALS:

A. Seller is the owner in fee simple of the Property (as hereinafter defined) comprised of land and improvements located at 9270 Bruceville Road, Elk Grove, California.

B. Seller desires to sell the Property to Purchaser and Purchaser desires to purchase the Property from Seller subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Seller hereby agree as follows:

1. Purchase and Sale. Upon and subject to the terms and conditions set forth in this Agreement, Purchaser shall purchase from Seller, and Seller shall sell to Purchaser good, indefeasible, fee simple and marketable title in and to 4.09 acres of real property and improvements located at 9270 Bruceville Road, Elk Grove, California which is legally described and graphically depicted in Exhibit A which is attached hereto and incorporated herein by reference (the "**Property**"). The Property includes all rights appurtenant to the Property, easements, licenses, and the Cell Tower Lease. Seller's personal property is specifically excluded from this Agreement and is not considered a part of the Property.

2. Purchase Price. The purchase price for the Property shall be Two Million Four-Hundred Forty Thousand and 00/100 Dollars ($2,440,000.00) (the "**Purchase Price**"). The Purchase Price shall be payable to Seller at Closing by wire transfer, subject to the prorations and adjustments set forth herein.

3. Earnest Money.

A. Deposit with Escrow Agent. Concurrent with the execution of this Agreement, Seller and Purchaser shall execute the escrow agreement with First American Title Insurance Company (the "**Escrow Agent**") in substantially the form attached as Exhibit B, as security for Purchaser's faithful performance of its obligations hereunder, and within three (3) business days of the Effective Date, Purchaser shall deposit into the escrow account the sum of Five Thousand and 00/100 Dollars ($5,000.00) as earnest money (the "**Earnest Money**"). The Earnest Money shall become nonrefundable upon expiration of the Due Diligence Period (as defined herein) except in the event of Seller's breach of this Agreement. The Earnest Money shall be held and disbursed by Escrow Agent in accordance with the terms hereof.

B. Release of Earnest Money. In the event this transaction is consummated pursuant to the terms hereof, Escrow Agent shall pay the Earnest Money to Seller at Closing and Purchaser shall receive a credit against the Purchase Price in the amount of the Earnest Money. If this transaction is not consummated pursuant to the terms hereof, then the Earnest Money shall be disposed of by Escrow Agent pursuant to the provisions of the escrow agreement.

C. Disputes. In the event of any dispute arising under this Agreement with respect to disposition of the Earnest Money or the entitlement of any party to the Earnest Money, Escrow Agent shall not be required to determine the resolution of any such dispute and Escrow Agent shall not be obligated to make any delivery of the Earnest Money, but in such event, Escrow Agent may hold the Earnest Money until receipt by Escrow Agent of an authorization in writing signed by both Seller and Purchaser directing the disposition of same. In the absence of such authorization, Escrow Agent may hold the Earnest Money until the final determination of the rights of the parties in an appropriate action or proceeding. If such written authorization is not given, or if proceedings for such determination are not commenced and diligently continued to a resolution of such dispute, Escrow Agent may, but is not required to, bring an appropriate action for leave to deposit the Earnest Money in any court of competent jurisdiction in the state in which the Property is located pending such determination and to submit resolution of such dispute to a court of competent jurisdiction by action of interpleader. Escrow Agent shall not be responsible for any acts or omissions unless the same constitute willful misconduct or gross negligence, and upon delivery of the Earnest Money in accordance with the terms of this Agreement, Escrow Agent shall have no further obligations or liabilities to the parties hereunder or in connection herewith in Escrow Agent's capacity as escrow agent, except for any obligations or liabilities arising from Escrow Agent's gross negligence or willful misconduct.

4. Purchaser's Due Diligence.

A. Access. Purchaser, its representatives and agents shall, at all reasonable times prior to Closing and in each instance upon not less than twenty-four (24) hours' prior notice to Seller, have the right during regular business hours to go upon the Property to inspect, examine, test, appraise and survey the Property, including, but not limited to, investigations of the zoning and physical status thereof and verification of information made available to Purchaser with respect to the Property. This shall include the right to make surveys, examinations, appraisals and other tests to obtain any relevant information, all of which tests, studies and reviews shall be performed at Purchaser's sole cost and expense. In addition, Purchaser shall have the right to obtain such letters, certificates or statements from appropriate governmental officials or other experts concerning zoning, permitting and other matters related to the Property. Purchaser shall promptly repair any damage to the Property relating to Purchaser's inspection of the Property to its original condition. Purchaser shall defend, indemnify and hold Seller harmless for any claims for personal injury or property damage to the extent caused by Purchaser's access and from claims for construction liens filed by vendors hired by Purchaser to perform services. Purchaser's indemnification obligation shall survive the termination of this Agreement. Notwithstanding the foregoing, Purchaser's indemnification obligation shall not apply to the remediation of any Hazardous Substances that may be discovered as part of Purchaser's due diligence.

B. Due Diligence Termination Right. In the event that Purchaser determines that the Property is not acceptable to Purchaser or is otherwise not suitable for Purchaser's proposed use or Purchaser desires to terminate this Agreement for any other reason whatsoever, Purchaser shall have the right to terminate this Agreement by written notice to Seller on or before June 30, 2022 (the "**Due Diligence Period**"), whereupon Escrow Agent shall immediately refund the Earnest Money to Purchaser, and neither party shall have any further rights, duties or obligations hereunder except as are specifically provided in this Agreement to survive the termination thereof. Notwithstanding the foregoing, Purchaser shall have the one-time right to extend the expiration of the Due Diligence Period to December 31, 2022, upon written notice to Seller on or before June 30, 2022. If Purchaser exercises its right to extend the Due Diligence Period, the Earnest Money shall become non-refundable and shall be immediately released to Seller except in the event of a Seller breach of this Agreement. In the event the Closing does not occur, then Purchaser shall provide Seller copies of all inspections, test results, reports, surveys, and appraisals that were prepared by Purchaser during the Due Diligence Period and any government approvals derived therefrom, together with an assignment, without warranty, of Purchaser's rights to use the same.

5. Title. Within fifteen (15) days after the Execution Date, Seller shall, at Seller's cost, provide to Purchaser a preliminary report of title for the Property (the "**Title Commitment**") from First American Title Insurance Company (the "**Title Company**"). Purchaser shall be responsible for the cost of any endorsements to the Title Commitment or the charges for the deletion of any standard exceptions to the Title Commitment. On or prior to Due Diligence Period, Purchaser shall have the right to object to the state of title to the Property disclosed in the Title Commitment or in any survey obtained by Purchaser (the "**Survey**"). If Purchaser fails to deliver written objection to Seller within said period, Purchaser shall be deemed to have accepted all matters disclosed in the Title Commitment , the Survey, if any, and in the exception documents provided therewith or referenced therein, except as to objections properly and timely made by Purchaser as to matters disclosed on the Title Commitment or Survey ("**Objections**"). At Closing, Purchaser shall obtain a policy of title insurance (the "**Title Policy**") from the Title Company. Provided Purchaser provides timely written notice to Seller of Objections, Seller shall, within ten (10) days of receipt of the Objections, either (i) agree in writing to cure such matters to Purchaser's reasonable satisfaction prior to Closing or (ii) notify Purchaser that it will not cure such matters in whole or in part. If Seller notifies Purchaser that it will not cure an Objection, then Purchaser is entitled to terminate this Agreement within ten (10) days of receipt of Seller's notice that it will not cure an Objection and Purchaser shall receive a refund of all Earnest Money. If Purchaser does not terminate the Agreement, then any Objection that Seller will not cure shall be a Permitted Title Exception.

6. Conveyance of Title. At Closing, Seller shall convey and transfer to Purchaser good, indefeasible, fee simple and marketable title to the Property free and clear of all liens and encumbrances except municipal and zoning ordinances and agreements entered under them, recorded easements, recorded building and use restrictions and covenants, and ad valorem or real property taxes for the year of Closing which are not yet due and payable, special assessments payable following the year of Closing, and any lien or encumbrance consented to or arising out of the actions of Purchaser (hereinafter collectively referred to as the "**Permitted Title Exceptions**"). Such conveyance and transfer by Seller to Purchaser shall also be sufficient to enable the Title

Company to issue its full extended coverage CLTA Owner's Policy of Title Insurance with the standard exceptions therein deleted (the "**Title Policy**") in the amount of the Purchase Price, subject only to the Permitted Title Exceptions. Purchaser may obtain an ALTA policy by paying for the difference between an ALTA policy and a CLTA policy. The term "Permitted Title Exceptions" shall not include and Seller's conveyance of title to the Property shall not be subject to mechanics', materialmen's or other similar liens and shall be free and clear of all judgments, liens, pledges, mortgages, deeds of trust (except with respect to the Cell Tower Lease), security deeds, conditional sales contracts, security interests and assignments, financing statements and other encumbrances capable of being satisfied by the payment of a specified sum or otherwise of a monetary nature (collectively, "**Monetary Defects**"). From and after the Execution Date, Seller shall not further encumber or restrict the title to the Property, permit any leases, liens, mortgages, deeds of trust, easements or other encumbrances to be placed against the Property or any part thereof without Purchaser's consent, which consent may be withheld in Purchaser's sole discretion.

7. Closing. The closing of the transaction contemplated herein (the "**Closing**") shall, subject to the satisfaction of the conditions precedent provided herein, occur on or before forty-five (45) days following the Due Diligence Period (the "**Closing Date**") or such other date as the parties shall mutually agree. The Closing shall take place in escrow at the offices of the Title Company during normal business hours, or at another location mutually acceptable to the parties. Seller or Purchaser, at their option, shall deposit the respective closing documents with the Title Company with appropriate instructions for recording and disbursement consistent with this Agreement.

8. Prorations and Adjustments at Closing. Real estate, ad valorem and similar taxes assessed against the Property, if any, shall be prorated between Seller and Purchaser based upon the last known bill at the time of Closing on the basis of a 365-day year, with the Purchaser liable for real estate, ad valorem and similar taxes assessed against the Property from and after the day of Closing, or if assessed in advance, for periods after the day of Closing. Any then due ad valorem taxes for prior years are the responsibility of Seller, and unpaid special assessments, special improvement district or taxing district levies, shall be prorated in the same manner as ad valorem taxes with Purchaser assuming any special assessments, special improvement district or taxing district levies payable after the year of Closing. Seller and Purchaser shall also prorate at the time of Closing utility charges, rents (including the Cell Tower Lease), and any other operating expenses pertaining to the Property that are customarily prorated between sellers and purchasers in commercial real property sales. The foregoing obligations shall survive the Closing.

9. Transaction Costs. Seller shall pay the cost of: (i) preparing the Deed; (ii) any transfer taxes; (iii) the Title Commitment and the premium for the issuance of the Title Policy; (iv) recording fees and deed taxes for documents necessary to establish good and marketable title in Seller; (v) fees and costs to establish the authority of the person acting on behalf of Seller; and (vi) one-half of any closing fee charged by the Title Company. Purchaser shall pay the cost of: (i) the state and local recording fees required to be paid for the Deed; (ii) fees and costs in connection with Purchaser's financing including premium for the issuance of the lender's Title Policy and any difference between the ALTA policy and the CLTA policy; and (iii) one-half of any closing fee charged by the Title Company. All other escrow fees and Closing Costs not specifically referenced shall be apportioned between the Buyer and Seller in the manner which is customary for Sacramento County. Each party shall pay its own attorneys', brokers' and consultants' fees.

10. Documents and Deliveries Required for Closing.

A. Seller's Deliveries. At the Closing, Seller shall, as applicable, execute and deliver the following:

(i) A Grant Deed (the "**Deed**") to the Property which satisfies the terms of this Agreement and is acceptable to Purchaser;

(ii) Any required transfer tax returns pursuant to any requirements of California law;

(iii) Such documents as reasonably required by Purchaser as evidence that all Tenant Leases (excluding the cell tower lease) have been terminated on or before Closing and that all tenants have vacated the Property;

(iv) Such documents evidencing the legal status, good standing and authority of Seller that are required by the Title Company for issuance of the Title Policy;

(v) An affidavit of Non-Foreign Status (FIRPTA) duly executed by Seller;

(vi) An affidavit of title with respect to the Property in a form satisfactory to Purchaser and to the Title Company so as to enable the Title Company to issue the Title Policy subject only to the Permitted Title Exceptions;

(vii) A "Closing Statement" which shall, among other items, set forth the Purchase Price, all credits against the Purchase Price, the amounts of all prorations and other adjustments to the Purchase Price and all disbursements made at Closing;

(viii) The Commercial Lease;

(ix) The Assignment of Cell Tower Lease in form and substance satisfactory to Purchaser assigning Seller's rights in the Cell Tower Lease including the assignment and transfer of all security deposits and prepaid rents; and

(x) Such other documents as may be reasonably required to complete the transaction as set forth in this Agreement.

B. Purchaser's Deliveries. At the Closing, Purchaser shall, as applicable, execute and/or deliver the following:

(i) The Purchase Price payable in cash or cash equivalent at Closing;

(ii) Such documents evidencing the legal status, good standing and authority of Purchaser that may be required by the Title Company for issuance of the Title Policy;

(iii) The Closing Statement;

(iv) The Commercial Lease;

(v) The Assumption of Cell Tower Lease; and

(vi) Such other documents as may be reasonably required to complete the transaction as set forth in this Agreement.

11. **Possession**. Possession of the Property shall be delivered to Purchaser by Seller upon Closing only subject to the Cell Tower Lease. All other leases shall be terminated as of Closing. Seller shall remove all personal property, debris, trash, rubbish, garbage, rubble, and waste from the Property before the Closing Date.

12. **Seller's Representations and Warranties.** Seller represents and warrants to Purchaser as of the Execution Date and as of Closing as follows:

A. Seller has fee simple title to the Property and Seller will convey the same to Purchaser at Closing subject only to those matters and exceptions specified herein.

B. Seller has all requisite power and authority to execute and deliver this Agreement, the Deed and all instruments and documents required to consummate the transactions contemplated herein, and to deliver title to Purchaser upon Closing in the form and condition required by this Agreement.

C. This Agreement does not, and will not, conflict with or violate a judgment of any court or arbitrator or any agreement to which the Seller or the Property is bound or subject.

D. Seller is not a "foreign person," "foreign partnership," "foreign trust," or "foreign estate" as those terms are defined in Section 1445 of the Internal Revenue Code.

E. Seller has received no written notice of any special assessment against the Property that is not now a lien or shown on the taxing authority's records, and no improvements have been installed, the full cost of which is to be assessed against the Property in the future.

F. There exist no (i) orders from or agreements with any governmental authority or private party or any judicial or administrative proceedings or investigations, whether pending or threatened, respecting any environmental, health or safety requirements under federal, state or local laws or regulations relating to the Property, or (ii) pending, asserted or threatened claims or matters involving liabilities, obligations or costs arising from the existence, release or threatened or alleged release of any Hazardous Substances at, on, beneath or from the Property.

G. To the best of Seller's actual knowledge without any investigation or study: (i) the Property has at all times been operated in accordance with all Environmental Laws; (ii) no Hazardous Substances have been treated, recycled, transported, stored or disposed of (intentionally or unintentionally) on, under or at the Property; (iii) the Property has never appeared on any federal or state registry of active or inactive hazardous waste sites; (iv) there has been no release or threatened release of any Hazardous Substances from, at or to the Property; (v) there have not been nor are there now any Hazardous Substances present on, at, in, upon or migrating to or from the Property; (vi) there have been no activities on the Property that would subject Purchaser to damages, penalties, injunctive relief or cleanup costs under any Environmental Laws or common law theory of liability; and (vii) there are no, and have not ever been any, underground storage tanks or wells on, at or beneath the Property. "Environmental Laws" shall mean any past, present or future international, federal, state or local statute, law, regulation, order, consent, decree, judgment, permit, license, code, covenant, deed restriction, ordinance or other requirement relating to public health, safety or the environment, including, without limitation, those relating to releases, discharges or emissions to air, water, land or groundwater, to the withdrawal or use of groundwater, or to the use and handling of Hazardous Substances. "Hazardous Substances" shall mean any hazardous or toxic material, substance or waste, pollutant or contaminant which is defined as a hazardous substance or hazardous waste under any Environmental Laws, excluding materials used for agricultural practices.

H. The Property is not in violation of any law or any building, zoning, environmental, health or other ordinance, code, rule or regulation. No notice from any governmental body or other person has been served upon Seller or upon the Property claiming the violation of any such law, ordinance, code, rule or regulation. There are no legal actions, suits or administrative proceedings, including condemnation cases, eminent domain proceedings, historic designations or rezoning of all or any portion of the Property commenced, pending or threatened against the Property or any portion thereof. Seller has not received notice of any contemplated condemnation relating to the Property or any portion thereof.

I. To Seller's knowledge, there is no litigation or claim pending or threatened against or involving the Seller or the Property which would prevent Seller in the performance of Seller's obligations to sell the Property in accordance with the terms of this Agreement.

J. To Seller's knowledge, no condemnation or public appropriation action against the Property is pending, nor has Seller received written notice of any contemplated condemnation or appropriation action against the Property.

K. Other than the Cell Tower Lease and the Tenant Leases that will be terminated prior to Closing, the Property is not subject to any options, purchase or sale contracts, leases, licenses, or other rights of occupancy or agreements. From the Execution Date and until the Closing Date, Seller will neither do, commit or suffer to be done any act or thing or enter into any agreement, lease, or grant any encumbrance which would adversely affect Seller's present title to the Property.

L. Seller shall maintain the Property in its present condition, ordinary wear and tear excepted, if and until possession is delivered to Purchaser at Closing.

M. That there is access to the Property from a public right of way.

N. That there are no wetlands, flood plain, or shoreland on or affecting the Property.

O. To Seller's knowledge, there are no conditions that are protected by federal or state law (such as American Indian burial grounds, other human burial grounds, ceremonial earthworks, historical structures or materials, or archeological sites).

P. There are no assessments or charges currently due and outstanding for the installation of utilities serving the Property that have not been paid.

The representations and warranties of the Seller in this Section 12 shall survive the Closing and delivery of the Deed. Seller and Purchaser shall notify the other party in writing immediately if it learns that any of the foregoing representations and warranties becomes untrue or misleading in light of information obtained by Seller or Purchaser after the Execution Date including in such writing information that is required to correct such representation or warranty (a "Correction Notice") and the representation and warranty shall be deemed amended to include the updated information. In the event that any aforesaid representation is amended as herein provided on or ,before the Closing Date, Purchaser may, in Purchaser's sole discretion, at its option and by notice to Seller delivered within five (5) business days after the Correction Notice (and the Closing Date postponed if necessary), either (i) terminate this Agreement, and upon said termination, Purchaser shall receive an immediate refund of all Earnest Money, or (ii) accept the representation as amended by the Correction Notice and close the sale and purchase hereof. If a claim for breach of a representation in this Section 12 is made within twenty-four (24) months after the Closing, Seller agrees to reimburse and indemnify, defend and hold harmless the Purchaser, from and against all liability, damages and losses whatsoever, including reasonable attorneys' fees, resulting from any breach of the representations and warranties, provided that in no event shall Seller be liable for consequential, special or punitive damages. The Purchaser acknowledges and agrees that the representations and warranties contained in this Section 12 are the sole representations and warranties made by Seller in connection with respect to the condition of the Property. This indemnification is in addition to any remedies otherwise provided for herein.

13. Purchaser's Representations and Warranties. Purchaser represents and warrants to Seller as of the Execution Date and as of Closing as follows:

A. Purchaser and the person or entity signing on behalf of Purchaser, has all requisite power and authority to execute and deliver this Agreement and all instruments and documents required to consummate the transactions contemplated herein.

B. There is no litigation or claim pending or threatened against or involving Purchaser which would impair Purchaser in the performance of Purchaser's obligations or purchase the Property in accordance with the terms of this Agreement.

14. Seller's Ongoing Interests and Conditions Precedent. Seller and Purchaser acknowledge and agree that Seller's obligation to consummate the Closing hereunder is expressly subject to and conditioned upon the satisfaction of the following conditions by the deadlines stated. Seller shall be entitled, at Seller's option, and in Seller's sole discretion, to (a) waive any and all of such conditions in whole or in part and proceed with Closing, or (b) terminate this Agreement by written notice to Seller by the deadline stated in which event Escrow Agent shall promptly refund the Earnest Money to Purchaser.

A. Approval of Preliminary Programming. On or before July 31, 2020, Seller shall approve the "Programming Plan" that will be prepared by Purchaser in coordination with the Seller. The Programming Plan shall detail worship and ministry space requirements. If Seller does not approve the Programming Plan, then it shall have the right to terminate this Agreement upon written notice to Purchaser on or before July 31, 2020.

B. Approval of Site Plan. On or before September 15, 2020, Purchaser shall prepare a conceptual site plan (the "Site Plan") for Seller's review and approval. During this period the parties shall work collaboratively to design a mutually agreeable Site Plan. Seller shall have until September 22, 2020, to terminate this Agreement by written notice to Purchaser. If Seller does not terminate the Agreement by September 22, 2020, then this contingency shall lapse and shall be of no further force or effect. The Site Plan shall include, at a minimum, the following: (i) gross square feet of space that will be available for Seller's worship and ministry spaces; (ii) approximate location of the worship and ministry spaces; (iii) the parking that will be available to the Seller for its worship and ministry purposes.

C. Negotiation of Commercial Lease Term Sheet. On or before July 31, 2020, Seller shall approve a term sheet for a commercial lease that will be prepared by Purchaser in coordination with the Seller. If Seller does not approve the term sheet, then it shall have the right to terminate this Agreement upon written notice to Purchaser on or before July 31, 2020.

D. Approval of Commercial Lease. On or before September 1, 2020, Purchaser shall prepare a commercial lease (the "Commercial Lease") for Seller's review and approval. The parties anticipate that they will meet and negotiate the terms and conditions of this Commercial Lease during this period of time. Seller shall have until September 22, 2020, to terminate this Agreement by written notice to Purchaser. If Seller does not terminate the Agreement by September 22, 2020, then this contingency shall lapse and shall be of no further force or effect.

15. Assignment. Purchaser may assign Purchaser's interest in this Agreement without Seller's written consent to a subsidiary established by Purchaser where Purchaser retains controlling decision making authority upon written notice to Seller and the assignee shall become the Purchaser under this Agreement upon such written notice.

16. Default. In the event that Purchaser defaults in the observance or performance of its covenants and obligations hereunder, Seller agrees that Seller's sole remedy at law or in equity shall be to retain the Earnest Money. Such Earnest Money shall constitute liquidated damages due and payable to Seller, the amount thereof being the parties' good faith and reasonable estimate of the damages which Seller would suffer in the event of the termination of this Agreement by reason of Purchaser's fault. Seller shall have no right to any other remedies at law or in equity, including the right to specific performance. Seller acknowledges Purchaser will spend substantial sums of money in reliance on the enforceability of this Agreement and Seller waives the right to assert the defense of lack of mutuality in any action for specific performance instituted by Purchaser. The foregoing shall not apply to claims for breach of representations as provided in Section 13, breach of covenants that will occur only after the Closing or indemnification, including claims that survive the termination of this Agreement.

If Seller defaults under this Agreement, Purchaser shall have any and all remedies available to it under this Agreement and otherwise at law or in equity including, without limitation: (i) the right of specific performance; and (ii) the right to terminate this Agreement at any time after such default by delivering written notice of termination to Seller and/or sue for damages. In the event of any such termination, all Earnest Money shall be immediately returned to Purchaser. All of Purchaser's remedies shall be cumulative and not exclusive. The foregoing shall not apply to claims for breach of representations and warranties as provided in Section 12, breach of covenants that will occur only after the Closing or indemnification, including claims that survive the termination of this Agreement.

17. Purchaser Conditions to Closing. The obligation of Purchaser to consummate the Closing hereunder is expressly subject to and conditioned upon the satisfaction of the following conditions by the deadline stated. Purchaser shall be entitled, at Purchaser's option, and in Purchaser's sole discretion, to (a) waive any and all of such conditions in whole or in part and proceed with Closing, or (b) terminate this Agreement by written notice to Seller by the deadline stated in which event Escrow Agent shall promptly refund the Earnest Money to Purchaser. Purchaser's failure to provide timely notice shall be deemed notice of termination of this Agreement.

A. **Document Review Contingency.** Seller delivering to Purchaser, to the extent that such documents exist and are within Seller's possession or control, within fifteen (15) days of the Execution Date, true and correct copies of the following documents, if such documents currently exist, which shall be subject to Purchaser's review and approval during the Due Diligence Period:

(i) A copy of the last two (2) years' property tax bills;

(ii) All easements and building and use restrictions and covenants applicable to the Property;

(iii) Copies of all surveys which describe the Property;

(iv) Copies of the Tenant Leases and the Cell Tower Lease; and

(v) Copies of all environmental reports and soil reports on the Property.

B. **Financing Contingency.** Purchaser obtaining financing that is satisfactory to Purchaser during the Due Diligence Period. Purchaser's financing may include conventional financing in amounts and with rates and terms that are acceptable to Purchaser and receipt of Low-Income Housing Tax Credits. Purchaser shall make timely application for financing and diligently pursue the same.

C. **Zoning and Permits Contingency.** Purchaser obtaining any and all approvals and permits necessary for the construction of the Purchaser's development project at the Property including, but not limited to, any governmental agency approvals, permits, and zoning changes necessary during the Due Diligence Period. Time is of the essence in performing this task and Purchaser shall promptly and timely apply for and diligently pursue all approvals and permits

Purchaser deems necessary. At the reasonable request of Purchaser, Seller, at no cost to Seller, shall reasonably cooperate with Purchaser in its efforts to obtain special use or other required permits or authorizations allowing Purchaser to utilize the Property for its business including, but not limited to, executing petitions or applications to promote the development process. Purchaser shall provide Seller with regular written reports on the progress of processing the land use entitlements, Such reports shall be at least monthly.

D. **Board of Director Approval Contingency**. Purchaser obtaining the approval of its Board of Directors on or before sixty (60) days following the Execution Date.

18. Additional Covenants of Seller. Seller covenants and agrees as follows:

A. **Cell Tower Lease.** Seller is a party to that certain Building and Rooftop Lease Agreement dated December 28, 2001, by and between Seller as successor in interest to Laguna Baptist Church and Sacramento-Valley Limited Partnership d/b/a Verizon Wireless as amended by that certain First Amendment to Building and Rooftop Lease Agreement dated December 28, 2001 and that certain Second Amendment to Building and Rooftop Lease Agreement dated August 27, 2002 (collectively the "Cell Tower Lease"). Seller shall assign and Purchaser shall assume the Cell Tower Lease at Closing.

B. **Termination of Tenant Leases**. Seller shall not enter into any new lease or license, submit or consider any proposal for a new lease or license, or extend any current lease or license without the Purchaser's prior written consent, which consent may be withheld in Purchaser's sole judgment. Further, Seller shall terminate any and all leases with tenants of the Property (the "Tenant Leases") prior to Closing and all tenants shall have surrendered the Property prior to Closing.

C. **Service Contracts.** Seller shall not enter into any new service contract which is not terminable on thirty (30) days prior notice without Purchaser's prior written consent, which may be withheld in Purchaser's sole discretion. On or before Closing, Seller shall, at its sole cost and expense, terminate all service contracts.

19. Property Damage Between Acceptance and Closing. Seller shall maintain the Property until Closing in materially the same condition as of the Execution Date, except for ordinary wear and tear. If, prior to Closing, the Property is damaged in an amount of not more than five percent (5%) of the Purchase Price, Seller shall be obligated to repair the Property and restore it to the same condition that it was on the Execution Date. If the damage shall exceed such sum, Seller shall promptly notify Purchaser in writing of the damage and this Agreement may be canceled at the option of Purchaser. Should Purchaser elect to carry out this Agreement despite such damage, Purchaser shall be entitled to the insurance proceeds relating to the damage to the Property, plus a credit towards the Purchase Price equal to the amount of Seller's deductible on such policy.

20. Binding Effect. This Agreement is not binding until original or PDF counterparts of this Agreement have been executed and exchanged by Seller and Purchaser and shall thereafter be binding upon the parties and their respective successor and assigns.

21. **Notices**. All notices and other communications hereunder shall be in writing and shall be delivered personally, by email with an open receipt, or shall be sent by certified United States Mail service, postage prepaid and return receipt requested, or by nationally recognized overnight delivery service, addressed to the parties as follows:

As to Seller:	Light of the Valley Church c/o Pastor James Reed 9270 Bruceville Road Elk Grove, CA 95758 Email: pastor@lightofthevalley.net
With a copy to:	Steve Herum 5757 Pacific Avenue, Suite 222 Stockton, CA 95207 Email: sherum@herumcrabtree.com
As to Purchaser:	Bethesda Cornerstone Village, LLC c/o Tom Campbell 600 Hoffmann Drive Watertown, WI 53094 Email: tom.campbell@bethesdalc.org
With a copy to:	Chris A. Jenny von Briesen & Roper, s.c. 10 East Doty Street, Suite 900 Madison, WI 53703 Email: cjenny@vonbriesen.com

Any notice in accordance herewith shall be deemed received when personal, nationally recognized overnight delivery service, or courier delivery is received or refused. Additionally, notices may be given by email of a pdf copy of said notice, provided that an original copy of said emailed notice shall be sent to the addressee by nationally recognized overnight delivery service for overnight delivery on the day following such email.

22. **Brokers**. Seller represents and warrants that no real estate broker has been involved in this transaction on its behalf. Purchaser represents and warrants that no real estate broker has been involved in this transaction on its behalf. If any broker should make a claim for a commission based upon the actions of Seller, Seller shall indemnify, defend and hold Purchaser harmless from such claim. If any broker should make a claim for a commission based upon the actions of Purchaser, Purchaser shall indemnify, defend and hold Seller harmless from such claim. The provisions of this Section shall survive the closing and delivery of the Deed.

23. **Multiple Counterparts**. This Agreement may be executed in a number of identical counterparts. If so executed, each of such counterparts shall, collectively, constitute one agreement. Neither this Agreement nor any memorandum thereof shall be recorded.

24. **Time of the Essence**. The parties hereto expressly agree that time is of the essence with respect to this Agreement.

25. **Entire Agreement**. This Agreement embodies the entire agreement of the parties with respect to the transaction herein contemplated, superseding all prior agreements and communications whether oral or written. Any amendments hereto shall be in writing and executed by the party against whom enforcement of the modification is sought.

26. **Severability**. If any provision of this Agreement or application to any party or circumstances shall be determined to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

27. **Waiver**. The failure of a party to insist in any one or more instance upon the strict performance of any one or more of the obligations under this Agreement, or to exercise any election herein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such one or more obligations of this Agreement or of the right to exercise such election, but the same shall continue and remain in full force and effect with respect to any subsequent breach or omission.

28. **Governing Law; Jurisdiction; Construction; Miscellaneous**. The captions are used only as a matter of convenience and are not to be considered a part of this Agreement or to be used in determining the intent of the parties to it. This Agreement and all transactions contemplated by this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of California without regard to principles of conflicts of laws.

29. **Costs of Enforcement.** If any suit or action arising out of or related to this Agreement is brought by any party, the prevailing party shall be entitled to recover the costs and fees (including without limitation reasonable attorney fees and costs) incurred by such party in such suit or action.

30. **Exclusivity.** Seller agrees not to offer to sell or otherwise dispose of the Property and not to discuss, negotiate or accept any agreement for the sale or disposition of the Property to any third party from the Execution Date until the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have, by their duly authorized representatives, executed this Agreement as of the date indicated above.

SELLER:

LIGHT OF THE VALLEY CHURCH

By: [signature]
Name: DAVID PENNEY

Title: ____________________

Date: ____________________

PURCHASER:

BETHESDA CORNERSTONE VILLAGE, LLC

DocuSigned by:

By: Jeff Kaczmarski

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Name: Jeff Kaczmarski

Title: Executive Vice President & Chief Legal Officer

Date: 5/27/2020

EXHIBIT A

PROPERTY LEGAL DESCRIPTION

Legal Description:

Real property in the City of Elk Grove, County of Sacramento, State of California, described as follows:

ALL THAT PORTION OF THE NORTHWEST ONE-QUARTER OF SECTION 34, TOWNSHIP 7 NORTH, RANGE 5 EAST, M.D.B.&M, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EAST LINE OF THAT CERTAIN PARCEL OF LAND AS DESCRIBED IN A DECREE QUIETING TITLE ENTERED BY SUPERIOR COURT FOR SACRAMENTO COUNTY IN SUIT NO. 85570, ENTITLED THEODORE EHNISZ ET AL, VS. FRED C. DICKSON, ET AL, A CERTIFIED COPY OF WHICH WAS RECORDED MARCH 26, 1951 IN BOOK 2012 PAGE 208, OFFICIAL RECORDS; FROM WHICH A 1 ¼ INCH IRON PIPE MARKING THE NORTHWEST CORNER OF SAID SECTION 34 BEARS NORTH 01° 28’ 16” WEST 256.85 FEET, SOUTH 89° 12’ 01” WEST 2549.25 FEET AND NORTH 00° 07’ 56” WEST 446.30 FEET; THENCE FROM SAID POINT OF BEGINNING ALONG SAID EAST LINE SOUTH 01° 28’ 16” EAST 500.00 FEET; THENCE SOUTH 88° 41’ 32” WEST 356.96 FEET; THENCE NORTH 00° 43’ 30” WEST 500.00 FEET; THENCE NORTH 88° 41’ 32” EAST 355.54 FEET TO THE POINT OF BEGINNING.

Parcel ID: 11600610110000

EXHIBIT B

ESCROW AGREEMENT

Light of the Valley Church ("Seller") and Bethesda Cornerstone Village, LLC, a Wisconsin limited liability company ("Purchaser") are parties to the purchase and sale of certain real estate ("Property") described in that certain Real Estate Purchase and Sale Agreement dated May 27, 2020 ("Purchase Agreement"). As provided in the Purchase Agreement, Purchaser has deposited the sum of $5,000 ("Earnest Money") with First American Title Insurance Company ("Title Company"). Title Company is holding the Earnest Money in a non-interest bearing account with an institution whose accounts are insured by a governmental agency or instrumentality.

Upon notification by either party in writing that a closing with respect to the Property has occurred, Title Company must pay the Earnest Money to the Seller to be applied against the Purchase Price. If either party notifies Title Company that the Property will not be purchased by Purchaser, Title Company must pay the Earnest Money as follows:

1. Upon receipt of instruments regarding the release of the Earnest Money executed by both parties Title Company must deliver the Earnest Money pursuant to such instructions.

2. If Seller produces an affidavit signed by Seller stating that Purchaser has not elected to purchase the Property and Purchaser confirms that fact in writing, Title Company must deliver the Earnest Money to Purchaser.

3. If Purchaser produces an affidavit signed by Purchaser stating that Purchaser elects not to purchase the Property or that Purchaser has terminated the Purchase Agreement and Seller confirms that fact in writing, Title Company must deliver the Earnest Money to Seller.

Title Company has no responsibility for any decision concerning performance or effectiveness of the Purchase Agreement and is only responsible to act pursuant to the procedures set forth above. In the event of any dispute arising under this Agreement with respect to disposition of the Earnest Money or the entitlement of any party to the Earnest Money, Escrow Agent shall not be required to determine the resolution of any such dispute and Escrow Agent shall not be obligated to make any delivery of the Earnest Money, but in such event, Escrow Agent may hold the Earnest Money until receipt by Escrow Agent of an authorization in writing signed by both Seller and Purchaser directing the disposition of same. In the absence of such authorization, Escrow Agent may hold the Earnest Money until the final determination of the rights of the parties in an appropriate action or proceeding. If such written authorization is not given, or if proceedings for such determination are not commenced and diligently continued to a resolution of such dispute, Escrow Agent may, but is not required to, bring an appropriate action for leave to deposit the Earnest Money in any court of competent jurisdiction in the state in which the Property is located pending such determination and to submit resolution of such dispute to a court of competent jurisdiction by action of interpleader. Escrow Agent shall not be responsible for any acts or omissions unless the same constitute willful misconduct or gross negligence, and upon delivery of the Earnest Money in accordance with the terms of this Agreement, Escrow Agent shall have no further obligations or liabilities to the parties hereunder or in connection herewith in Escrow Agent's capacity as escrow agent, except for any obligations or

liabilities arising from Escrow Agent's gross negligence or willful misconduct. Purchaser and Seller agree to hold Title Company harmless from any claims or defenses arising out of this Escrow Agreement and indemnify Title Company for all costs and expenses in connection with this escrow, including court costs, attorney's fees, except for claims arising out of Title Company's failure to account for the funds held and costs and expenses incurred by the parties in connection with such a claim.

To the extent the provisions of this Escrow Agreement are inconsistent with the provisions of the Purchase Agreement, the provisions of the Escrow Agreement shall prevail.

Escrow Agent's fee for acting as escrow agent is $0.00.

Seller:
LIGHT OF THE VALLEY CHURCH

By: ___________________________
Its: ___________________________

Purchaser:
BETHESDA CORNERSTONE VILLAGE, LLC

DocuSigned by:
By: Jeff Kaczmarski
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Its: Executive Vice President & Chief Legal Officer

Escrow Agent acknowledges receipt of this Escrow Agreement and the Earnest Money and agrees to hold the Earnest Money as above specified.

Dated this ____ day of ________________, 2020

FIRST AMERICAN TITLE INSURANCE COMPANY

By: _________________________________
Its: __________________________ _______

liabilities arising from Escrow Agent's gross negligence or willful misconduct. Purchaser and Seller agree to hold Title Company harmless from any claims or defenses arising out of this Escrow Agreement and indemnify Title Company for all costs and expenses in connection with this escrow, including court costs, attorney's fees, except for claims arising out of Title Company's failure to account for the funds held and costs and expenses incurred by the parties in connection with such a claim.

To the extent the provisions of this Escrow Agreement are inconsistent with the provisions of the Purchase Agreement, the provisions of the Escrow Agreement shall prevail.

Escrow Agent's fee for acting as escrow agent is $0.00.

Seller:	Purchaser:
LIGHT OF THE VALLEY CHURCH	BETHESDA CORNERSTONE VILLAGE, LLC
	DocuSigned by:
By: ______________________	By: Jeff Kaczmarski
	CF2539D9FA7842C...
Its: ______________________	Its: Executive Vice President & Chief Legal Officer

Escrow Agent acknowledges receipt of this Escrow Agreement and the Earnest Money and agrees to hold the Earnest Money as above specified.

Dated this 1st day of June, 2020

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________

Its: escrow officer

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liabilities arising from Escrow Agent's gross negligence or willful misconduct. Purchaser and Seller agree to hold Title Company harmless from any claims or defenses arising out of this Escrow Agreement and indemnify Title Company for all costs and expenses in connection with this escrow, including court costs, attorney's fees, except for claims arising out of Title Company's failure to account for the funds held and costs and expenses incurred by the parties in connection with such a claim.

To the extent the provisions of this Escrow Agreement are inconsistent with the provisions of the Purchase Agreement, the provisions of the Escrow Agreement shall prevail.

Escrow Agent's fee for acting as escrow agent is $0.00.

Seller:
LIGHT OF THE VALLEY CHURCH

By: ______________________
Its: PASTOR

Purchaser:
BETHESDA CORNERSTONE VILLAGE, LLC

DocuSigned by:
By: Jeff Kaczmarski
CF2539D9FA7842C...
Its: Executive Vice President & Chief Legal Officer

Escrow Agent acknowledges receipt of this Escrow Agreement and the Earnest Money and agrees to hold the Earnest Money as above specified.

Dated this 1st day of June, 2020

FIRST AMERICAN TITLE INSURANCE COMPANY

By: ______________________
Its: escrow officer

FIRST AMENDMENT TO
REAL ESTATE PURCHASE AND SALE AGREEMENT

This First Amendment to Real Estate Purchase and Sale Agreement ("Amendment") entered into this ___30th_ day of July, 2020, by and between Light of the Valley Church ("Seller") and Bethesda Cornerstone Village, LLC, a Wisconsin limited liability company ("Purchaser").

RECITALS

A. Seller and Purchaser are parties to a certain Real Estate Purchase and Sale Agreement with an Execution Date of May 27, 2020 (the "Agreement"), for the purchase of certain real estate (the "Property"), comprised of land and improvements located at 9270 Bruceville Road, Elk Grove, California, and described more fully in the Agreement (capitalized terms used but not otherwise defined herein shall have the meaning ascribed in the Agreement).

B. Seller and Purchaser desire to amend the terms of the Agreement as set forth herein.

C.

D. Section 14(A) of the Agreement entitled "Approval of Preliminary Programming" provides that Purchaser shall provide a Programming Plan on or before July 31, 2020. If Purchaser fails to provide a Programming Plan on or before July 31, 2020, Seller shall have the right to terminate the Agreement upon written notice.

E. Section 14(D) of the Agreement entitled "Negotiation of Commercial Lease Term Sheet" provides that Purchaser shall provide a term sheet for a commercial lease. If Seller does not approve the term sheet on or before July 31, 2020, Seller shall have a right to terminate the Agreement upon written notice.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants, and conditions contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which each party hereby acknowledges, Seller and Purchaser agree to the foregoing recitals and hereby agree and amend the Agreement as follows:

1. Approval of Preliminary Programming. In Section 14(A) of the Agreement, "July 31, 2020" is replaced with "September 30, 2020".

2. Approval of Site Plan. In Section 14(B) of the Agreement, "September 15, 2020" is replaced with "October 15, 2020" and "September 22, 2020" is replaced with "October 22, 2020".

3. Negotiation of Commercial Lease Term Sheet. In Section 14(C) of the Agreement, "July 31, 2020" is replaced with "September 30, 2020".

4. Approval of Commercial Lease. In Section 14(D) of the Agreement, "September 1, 2020" is replaced with "November 1, 2020" and "September 22, 2020" is replaced with "November 20, 2020".

5. Counterparts. This Amendment may be executed in any number of counterparts, but all of which, when taken together, shall constitute one and the same instrument.

6. Electronic Execution. This Amendment may be signed and transmitted electronically, and the signature of any person on an electronically transmitted copy hereof shall be considered an original signature; and an electronically transmitted copy hereof shall have the same binding effect as an original signature on an original document. At the request of any party hereto, any electronic copy of this Amendment shall be re-executed in original form. No party hereto may raise the use of electronic transmission or the fact that any signature was transmitted through the use of electronic transmission as a defense to the enforcement of this Amendment.

7. Authority. Each of the persons signing below in a representative capacity warrants and represents that he or she is duly authorized to execute this Amendment by and on behalf of the party for which each person is signing and that the terms of this Amendment and execution thereof have been duly authorized as required by the party for whom it is signing.

8. Effect on Agreement. Except as hereby amended, all other terms, conditions and provisions of the Agreement shall remain in full force and effect, and shall be binding and enforceable in accordance with their terms except as hereby expressly amended.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Real Estate Purchase and Sale Agreement as of the date first above written.

SELLER:	PURCHASER:
LIGHT OF THE VALLEY CHURCH	**BETHESDA CORNERSTONE VILLAGE, LLC**
By:	By:
Its: PASTOR	Its: Second Vice President

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SECOND AMENDMENT TO
REAL ESTATE PURCHASE AND SALE AGREEMENT

This Second Amendment to Real Estate Purchase and Sale Agreement ("Amendment") entered into this 7 day of November, 2020, by and between Light of the Valley Church ("Seller") and Bethesda Cornerstone Village, LLC, a Wisconsin limited liability company ("Purchaser").

RECITALS

A. Seller and Purchaser are parties to a certain Real Estate Purchase and Sale Agreement with an Execution Date of May 27, 2020, as amended by that certain First Amendment to Real Estate Purchase and Sale Agreement dated July 30, 2020 (collectively the "Agreement"), for the purchase of certain real estate (the "Property"), comprised of land and improvements located at 9270 Bruceville Road, Elk Grove, California, and described more fully in the Agreement (capitalized terms used but not otherwise defined herein shall have the meaning ascribed in the Agreement).

B. Seller and Purchaser desire to amend the terms of the Agreement as set forth herein.

C. Section 14(A) of the Agreement entitled "Approval of Preliminary Programming," currently provides that Purchaser shall provide a Programming Plan on or before September 30, 2020. If Purchaser fails to provide a Programming Plan on or before September 30, 2020, Seller shall have the right to terminate the Agreement upon written notice.

D. Section 14(B) of the Agreement entitled "Approval of Site Plan" currently provides that Purchaser shall provide a Site Plan on or before October 15, 2020 for Seller's review and approval. Seller shall have until October 22, 2020, to terminate the Agreement upon written notice.

E. Section 14(C) of the Agreement entitled "Negotiation of Commercial Lease Term Sheet," currently provides that Seller shall approve a term sheet for the Commercial Lease that will be prepared by Purchaser in coordination with Seller on or before September 30, 2020.

F. Section 14(D) of the Agreement entitled "Approval of Commercial Lease" currently provides that Purchaser shall prepare a Commercial Lease for Seller's review and approval on or before November 1, 2020, and Seller shall have until November 20, 2020, to terminate the Agreement upon written notice.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the mutual promises, covenants, and conditions contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which each party hereby acknowledges, Seller and Purchaser agree to the foregoing recitals and hereby agree and amend the Agreement as follows:

1. Approval of Preliminary Programming. In Section 14(A) of the Agreement, "September 30, 2020" is replaced with "February 15, 2021".

2. Approval of Site Plan. In Section 14(B) of the Agreement, "October 15, 2020" is replaced with "March 15, 2021" and "October 22, 2020" is replaced with "March 31, 2021".

3. Negotiation of Commercial Lease Term Sheet. In Section 14(C) of the Agreement, "September 30, 2020" is replaced with "March 15, 2021".

4. Approval of Commercial Lease. In Section 14(D) of the Agreement, "November 1, 2020" is replaced with "April 15, 2021" and "November 20, 2020" is replaced with "May 15, 2021".

5. Counterparts. This Amendment may be executed in any number of counterparts, but all of which, when taken together, shall constitute one and the same instrument.

6. Electronic Execution. This Amendment may be signed and transmitted electronically, and the signature of any person on an electronically transmitted copy hereof shall be considered an original signature; and an electronically transmitted copy hereof shall have the same binding effect as an original signature on an original document. At the request of any party hereto, any electronic copy of this Amendment shall be re-executed in original form. No party hereto may raise the use of electronic transmission or the fact that any signature was transmitted through the use of electronic transmission as a defense to the enforcement of this Amendment.

7. Authority. Each of the persons signing below in a representative capacity warrants and represents that he or she is duly authorized to execute this Amendment by and on behalf of the party for which each person is signing and that the terms of this Amendment and execution thereof have been duly authorized as required by the party for whom it is signing.

8. Effect on Agreement. Except as hereby amended, all other terms, conditions and provisions of the Agreement shall remain in full force and effect, and shall be binding and enforceable in accordance with their terms except as hereby expressly amended.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Real Estate Purchase and Sale Agreement as of the date first above written.

SELLER:

LIGHT OF THE VALLEY CHURCH

By: ______________________________

Its: PASTOR

PURCHASER:

BETHESDA CORNERSTONE VILLAGE, LLC

By: ______________________________

Its: ______________________________

35515037_1

First American Title

First American Title Company

9381 East Stockton Blvd, Suite 122
Elk Grove, CA 95624

Escrow Officer:	Ginger Briggs
Phone:	(916)691-6820
Fax No.:	(866)343-4566
E-Mail:	gbriggs@firstam.com
Title Officer:	Ginger Briggs
Phone:	(916)691-6820
Fax No.:	(866)343-4566
E-Mail:	gbriggs@firstam.com
E-Mail Loan Documents to:	Lenders please contact the Escrow Officer for email address for sending loan documents.
Buyer:	Bethesda Cornerstone Village, LLC
Owner:	Light of the Valley Church
Property:	9270 Bruceville Road Elk Grove, CA 95758

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of May 20, 2020 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

LIGHT OF THE VALLEY, A CALIFORNIA NON-PROFIT CORPORATION

The estate or interest in the land hereinafter described or referred to covered by this Report is:

FEE

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2020-2021, a lien not yet due or payable.

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

3. Any unpaid amounts for delinquent utilities owed to, or resultant liens in favor of, the County of Sacramento and/or any incorporated Cities within the County of Sacramento.

   Contact the City of Elk Grove at (916) 478-3642, the City of Folsom at (916) 355-7200, the City of Galt at (209) 366-7150, or the City of Sacramento at (916) 264-5454 for information on amounts due to those cities for properties within those locations. Contact the County of Sacramento at (916) 875-5555 for information on amounts due to any other incorporated cities, and also for information on amounts due to the County.

4. An easement for ELECTRICAL FACILITIES and incidental purposes, recorded January 20, 1988 as BOOK 880120, PAGE 866 of Official Records.
   In Favor of: SACRAMENTO MUNICIPAL UTILITY DISTRICT
   Affects: AS DESCRIBED THEREIN

5. An unrecorded lease dated April 27, 2001, executed by LAGUNA BAPTIST CHURCH, A CALIFORNIA NON-PROFIT CORPORATION as lessor and AT AND T WIRELESS SERVICES OF CALIFORNIA, A DELAWARE CORPORATION as lessee, as disclosed by a MEMORANDUM OF LEASE recorded June 07, 2001 as BOOK 20010607, PAGE 1287 of Official Records.

   Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

6. An unrecorded lease dated December 28, 2001, executed by LAGUNA CREEK COMMUNITY CHURCH, A CALIFORNIA NON-PROFIT CORPORATION as lessor and SACRAMENTO-VALLEY LIMITED PARTNERSHIP DBA VERIZON WIRELESS as lessee, as disclosed by a MEMORANDUM OF LEASE recorded February 01, 2002 as BOOK 20020201, PAGE 1660 of Official Records.

   Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

7. An easement for WATER PIPELINE and incidental purposes, recorded December 01, 2005 as BOOK 20051201, PAGE 0307 of Official Records.
   In Favor of: SACRAMENTO COUNTY WATER AGENCY
   Affects: AS DESCRIBED THEREIN

8. An easement for LANDSCAPE PLANTINGS, AUTOMATIC IRRIGATION SYSTEM AND BARRIERS and incidental purposes, recorded October 25, 2006 as BOOK 20061025, PAGE 0642 of Official Records.
   In Favor of: ELK GROVE COMMUNITY SERVICES DISTRICT, A POLITICAL SUBDIVISION OF THE STATE OF CALIFORNIA
   Affects: AS DESCRIBED THEREIN

9. A deed of trust to secure an original indebtedness of $662,032.00 recorded May 14, 2007 as BOOK 20070514, PAGE 1378 OF OFFICIAL RECORDS.
   Dated: May 01, 2007
   Trustor: LIGHT OF THE VALLEY, A CALIFORNIA NON-PROFIT CORPORATION
   Trustee: FIRST AMERICAN TITLE INSURANCE COMPANY, A CALIFORNIA CORPORATION
   Beneficiary: CALIFORNIA-NEVADA-HAWAII DISTRICT CHURCH EXTENSION FUND, A CALIFORNIA NON-PROFIT CORPORATION

   The terms and provisions contained in the document entitled "NON-DISTURBANCE AGREEMENT" recorded June 13, 2013 as BOOK 20130613, PAGE 1077 OF OFFICIAL RECORDS.

   According to the public records, the beneficial interest under the deed of trust was assigned to LUTHERAN CHURCH EXTENSION FUND - MISSOURI SYNOD by assignment recorded January 11, 2016 as BOOK 20160111, PAGE 0242 of Official Records.

a. If this deed of trust is to be eliminated in the policy or policies contemplated by this report/commitment, the company will require the following for review prior to the recordation of any documents or the issuance of any policy of title insurance:
    i. Original note and deed of trust.
    ii. Payoff demand statement signed by all present beneficiaries.

iii. Request for reconveyance or substitution of trustee and full reconveyance must be signed by all present beneficiaries and must be notarized by a First American approved notary.

b. If the payoff demand statement or the request for reconveyance is to be signed by a servicer, we will also require a full copy of the loan servicing agreement executed by all present beneficiaries.

c. If any of the beneficial interest is presently held by trustees under a trust agreement, we will require a certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.

10. An unrecorded lease dated March 15, 2013, executed by LIGHT OF THE VALLEY, A CALIFORNIA NON-PROFIT CORPORATION as lessor and VALENTINE CAPITAL, LLC, A DELAWARE LIMITED LIABILITY COMPANY as lessee, as disclosed by a MEMORANDUM OF PURCHASE AND SALE OF LEASE AND SUCCESSOR LEASE recorded June 13, 2013 as BOOK 20130613, PAGE 1073 of Official Records.

Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

11. An unrecorded lease dated March 15, 2013, executed by LIGHT OF THE VALLEY, A CALIFORNIA NON-PROFIT CORPORATION as lessor and VALENTINE CAPITAL, LLC, A DELAWARE LIMITED LIABILITY COMPANY as lessee, as disclosed by a MEMORANDUM OF PURCHASE AND SALE OF LEASE AND SUCCESSOR LEASE recorded June 13, 2013 as BOOK 20130613, PAGE 1075 of Official Records.

Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

12. A deed of trust to secure an original indebtedness of $1,920,469.44 recorded October 02, 2017 as BOOK 20171002, PAGE 1083 OF OFFICIAL RECORDS.

Dated:	August 22, 2017
Trustor:	LIGHT OF THE VALLEY LUTHERAN CHURCH A/K/A LIGHT OF THE VALLEY, A CALIFORNIA CORPORATION
Trustee:	LUTHERAN CHURCH EXTENSION FUND - MISSOURI SYNOD
Beneficiary:	LUTHERAN CHURCH EXTENSION FUND - MISSOURI SYNOD, A MISSOURI NONPROFIT CORPORATION

The above deed of trust states that it secures an equity line/revolving line of credit.

a. If this deed of trust is to be eliminated in the policy or policies contemplated by this report/commitment, the company will require the following for review prior to the recordation of any documents or the issuance of any policy of title insurance:
   i. Original note and deed of trust.
   ii. Payoff demand statement signed by all present beneficiaries.
   iii. Request for reconveyance or substitution of trustee and full reconveyance must be signed by all present beneficiaries and must be notarized by a First American approved notary.

b. If the payoff demand statement or the request for reconveyance is to be signed by a servicer, we will also require a full copy of the loan servicing agreement executed by all present beneficiaries.

c. If any of the beneficial interest is presently held by trustees under a trust agreement, we will require a certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.

A document entitled "ASSIGNMENT OF LEASES AND RENTS" recorded October 02, 2017 as BOOK 20171002, PAGE 1084 OF OFFICIAL RECORDS, as additional security for the payment of the indebtedness secured by the deed of trust.

The terms and provisions contained in the document entitled "SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENT AGREEMENT" recorded October 02, 2017 as BOOK 20171002, PAGE 1085 OF OFFICIAL RECORDS.

13. A financing statement recorded October 02, 2017 as BOOK 20171002, PAGE 1086 OF OFFICIAL RECORDS.

Debtor:	LIGHT OF THE VALLEY LUTHERAN CHURCH A/K/A LIGHT OF THE VALLEY
Secured party:	LUTHERAN CHURCH EXTENSION FUND MISSOURI SYNOD

14. Rights of the public in and to that portion of the Land lying within any Road, Street, Alley or Highway.

15. Water rights, claims or title to water, whether or not shown by the Public Records.

16. The new lender, **if any**, for this transaction may be a Non-Institutional Lender. If so, the Company will require the Deed of Trust to be signed before a First American approved notary.

17. Rights of parties in possession.

Prior to the issuance of any policy of title insurance, the Company will require:

18. With respect to LIGHT OF THE VALLEY, a corporation:
a. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
b. A certified copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
c. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. General and special taxes and assessments for the fiscal year 2019-2020.

First Installment:	$548.05, PAID
Penalty:	$0.00
Second Installment:	$548.05, PAID
Penalty:	$0.00
Tax Rate Area:	07-051
A. P. No.:	116-0061-011

2. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) COMMERCIAL STRUCTURE known as 9270 Bruceville Road, Elk Grove, California.

3. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

   None

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

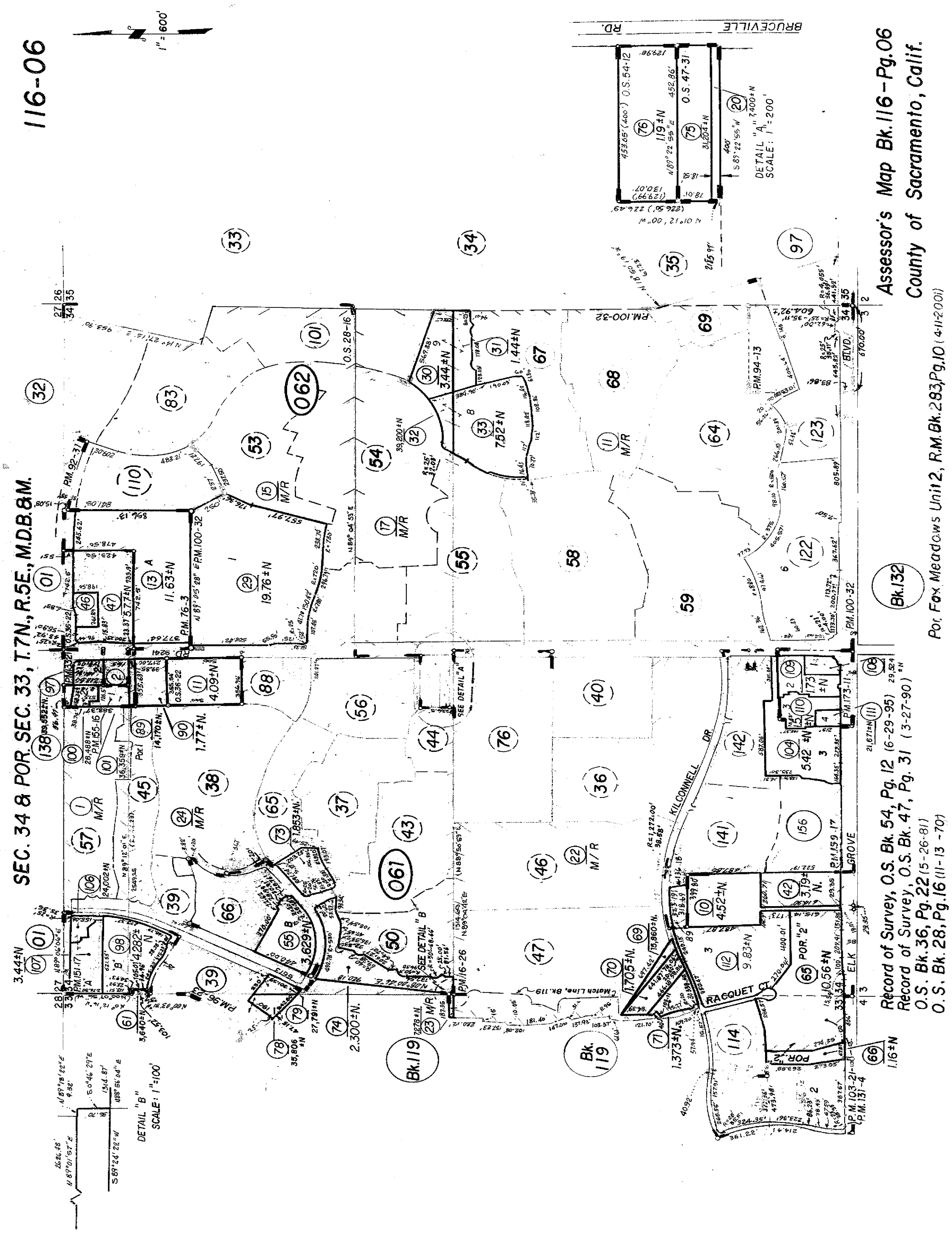
LEGAL DESCRIPTION

Real property in the City of Elk Grove, County of Sacramento, State of California, described as follows:

ALL THAT PORTION OF THE NORTHWEST ONE-QUARTER OF SECTION 34, TOWNSHIP 7 NORTH, RANGE 5 EAST, M.D.B.&M., DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EAST LINE OF THAT CERTAIN PARCEL OF LAND AS DESCRIBED IN A DECREE QUIETING TITLE ENTERED BY SUPERIOR COURT FOR SACRAMENTO COUNTY IN SUIT NO. 85570, ENTITLED THEODORE EHNISZ ET AL, VS. FRED C. DICKSON, ET AL, A CERTIFIED COPY OF WHICH WAS RECORDED MARCH 26, 1951 IN BOOK 2012 PAGE 208, OFFICIAL RECORDS; FROM WHICH A 1 1/4 INCH IRON PIPE MARKING THE NORTHWEST CORNER OF SAID SECTION 34 BEARS NORTH 01 DEGREES 28'16" WEST 256.85 FEET, SOUTH 89 DEGREES 12'01" WEST 2549.25 FEET AND NORTH 00 DEGREES 07'56" WEST 446.30 FEET; THENCE FROM SAID POINT OF BEGINNING ALONG SAID EAST LINE SOUTH 01 DEGREES 28'16" EAST 500.00 FEET; THENCE SOUTH 88 DEGREES 41'32" WEST 356.96 FEET; THENCE NORTH 00 DEGREES 43'30" WEST 500.00 FEET; THENCE NORTH 88 DEGREES 41'32" EAST 355.54 FEET TO THE POINT OF BEGINNING.

APN: 116-0061-011


116-06
1"=600'
SEC. 34 & POR. SEC. 33, T.7N., R.5E., M.D.B.&M.
BRUCEVILLE RD.
KILCONNELL DR.
RACQUET CT.
ELK GROVE BLVD.
DETAIL "A" SCALE: 1"=200'
DETAIL "B" SCALE: 1"=100'
Assessor's Map Bk.116-Pg.06
County of Sacramento, Calif.
Por. Fox Meadows Unit 2, R.M.Bk.283,Pg.10 (4-11-2001)
Record of Survey, O.S. Bk. 54, Pg. 12 (6-29-95)
Record of Survey, O.S. Bk. 47, Pg. 31 (3-27-90)
O.S. Bk. 36, Pg. 22 (5-26-81)
O.S. Bk. 28, Pg. 16 (11-13-70)

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

CLTA STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
   (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
   (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
   (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
   (c) resulting in no loss or damage to the insured claimant;
   (d) attaching or created subsequent to Date of Policy; or
   (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
   Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public, records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the public records at Date of Policy.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)

EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
   a. building;
   b. zoning;
   c. land use;

d. improvements on the Land;
e. land division; and
f. environmental protection.
This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
   a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
   b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
   c. that result in no loss to You; or
   d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
   a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
   b. in streets, alleys, or waterways that touch the Land.
   This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:
For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1% of Policy Amount Shown in Schedule A or $2,500 (whichever is less)	$10,000
Covered Risk 18:	1% of Policy Amount Shown in Schedule A or $5,000 (whichever is less)	$25,000
Covered Risk 19:	1% of Policy Amount Shown in Schedule A or $5,000 (whichever is less)	$25,000
Covered Risk 21:	1% of Policy Amount Shown in Schedule A or $2,500 (whichever is less)	$5,000

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II,[t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

[PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

      (i) the occupancy, use, or enjoyment of the Land;
      (ii) the character, dimensions, or location of any improvement erected on the Land;
      (iii) the subdivision of land; or
      (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
   (a) created, suffered, assumed, or agreed to by the Insured Claimant;
   (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
(a) a fraudulent conveyance or fraudulent transfer, or
(b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:
[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.
7. [Variable exceptions such as taxes, easements, CC&R's, etc. shown here.]

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to

   (i) the occupancy, use, or enjoyment of the Land;
   (ii) the character, dimensions, or location of any improvement erected on the Land;
   (iii) the subdivision of land; or
   (iv) environmental protection;

   or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
   (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
(a) created, suffered, assumed, or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the

Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.

7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
   (a) a fraudulent conveyance or fraudulent transfer, or
   (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

First American Title™

Privacy Notice

Effective: January 1, 2020

Notice Last Updated: January 1, 2020

This Privacy Notice describes how First American Financial Corporation and its subsidiaries and affiliates (together referred to as "First American," "we," "us," or "our") collect, use, store, and share your information. This Privacy Notice applies to information we receive from you offline only, as well as from third parties. For more information about our privacy practices, please visit https://www.firstam.com/privacy-policy/index.html. The practices described in this Privacy Notice are subject to applicable laws in the places in which we operate.

What Type Of Information Do We Collect About You? We collect both **personal** and **non-personal information** about and from you. **Personal information** is non-public information that can be used to directly or indirectly identify or contact you. **Non-personal information** is any other type of information.

How Do We Collect Your Information? We collect your **personal** and **non-personal information:** (1) directly from you; (2) automatically when you interact with us; and (3) from third parties, including business parties and affiliates.

How Do We Use Your Information? We may use your personal information in a variety of ways, including but not limited to providing the services you have requested, fulfilling your transactions, comply with relevant laws and our policies, and handling a claim. We may use your **non-personal information** for any purpose.

How Do We Share Your Personal Information? We do not sell your **personal information** to nonaffiliated third parties. We will only share your **personal information**, including to subsidiaries, affiliates, and to unaffiliated third parties: (1) with your consent; (2) in a business transfer; (3) to service providers; and (4) for legal process and protection. If you have any questions about how First American shares your **personal information**, you may contact us at dataprivacy@firstam.com or toll free at 1-866-718-0097.

How Do We Secure Your Personal Information? The security of your **personal information** is important to us. That is why we take commercially reasonable steps to make sure your **personal information** is protected. We use our best efforts to maintain commercially reasonable technical, organizational, and physical safeguards, consistent with applicable law, to protect your **personal information**.

How Long Do We Keep Your Personal Information? We keep your **personal information** for as long as necessary in accordance with the purpose for which it was collected, our business needs, and our legal and regulatory obligations.

Your Choices We provide you the ability to exercise certain controls and choices regarding our collection, use, storage, and sharing of your **personal information**. In accordance with applicable law, your controls and choices. You can learn more about your choices, and exercise these controls and choices, by sending an email to dataprivacy@firstam.com or toll free at 1-866-718-0097.

International Jurisdictions: Our Products are hosted and offered in the United States of America (US), and are subject to US federal, state, and local law. If you are accessing the Products from another country, please be advised that you may be transferring your **personal information** to us in the US, and you consent to that transfer and use of your **personal information** in accordance with this Privacy Notice. You also agree to abide by the applicable laws of applicable US federal, state, and local laws concerning your use of the Products, and your agreements with us.

We may change this Privacy Notice from time to time. Any and all changes to this Privacy Notice will be reflected on this page, and where appropriate provided in person or by another electronic method. **YOUR CONTINUED USE, ACCESS, OR INTERACTION WITH OUR PRODUCTS OR YOUR CONTINUED COMMUNICATIONS WITH US AFTER THIS NOTICE HAS BEEN PROVIDED TO YOU WILL REPRESENT THAT YOU HAVE READ AND UNDERSTOOD THIS PRIVACY NOTICE.**

Contact Us dataprivacy@firstam.com or toll free at 1-866-718-0097.

For California Residents

If you are a California resident, you may have certain rights under California law, including but not limited to the California Consumer Privacy Act of 2018 ("CCPA"). All phrases used in this section shall have the same meaning as those phrases are used under California law, including the CCPA.

Right to Know. You have a right to request that we disclose the following information to you: (1) the categories of **personal information** we have collected about or from you; (2) the categories of sources from which the **personal information** was collected; (3) the business or commercial purpose for such collection and/or disclosure of your personal information; (4) the categories of third parties with whom we have shared your **personal information**; and (5) the specific pieces of your **personal information** we have collected. To submit a verified request for this information, go to our online privacy policy at www.firstam.com/privacy-policy to submit your request or call toll-free at 1-866-718-0097. You may also designate an authorized agent to submit a request on your behalf by going to our online privacy policy at www.firstam.com/privacy-policy to submit your request or by calling toll-free at 1-866-718-0097 and submitting written proof of such authorization to dataprivacy@firstam.com.

Right of Deletion. You also have a right to request that we delete the **personal information** we have collected from you. This right is subject to certain exceptions available under the CCPA and other applicable law. To submit a verified request for deletion, go to our online privacy policy at www.firstam.com/privacy-policy to submit your request or call toll-free at 1-866-718-0097. You may also designate an authorized agent to submit a request on your behalf by going to our online privacy policy at www.firstam.com/privacy-policy to submit your request or by calling toll-free at 1-866-718-0097 and submitting written proof of such authorization to dataprivacy@firstam.com.

Verification Process. For either a request to know or delete, we will verify your identity before responding to your request. To verify your identity, we will generally match the identifying information provided in your request with the information we have on file about you. Depending on the sensitivity of the personal information requested, we may also utilize more stringent verification methods to verify your identity, including but not limited to requesting additional information from you and/or requiring you to sign a declaration under penalty of perjury.

Right to Opt-Out. We do not sell your personal information to third parties, and do not plan to do so in the future.

Right of Non-Discrimination. You have a right to exercise your rights under California law, including under the CCPA, without suffering discrimination. Accordingly, First American will not discriminate against you in any way if you choose to exercise your rights under the CCPA.

Collection Notice. The following is a list of the categories of personal information we may have collected about California residents in the twelve months preceding the date this Privacy Notice was last updated, including the business or commercial purpose for said collection, the categories of sources from which we may have collected the personal information, and the categories of third parties with whom we may have shared the personal information:

Categories of Personal Information Collected	The categories of personal information we have collected include, but may not be limited to: real name; signature; alias; SSN; physical characteristics or description, including protected characteristics under federal or state law; address; telephone number; passport number; driver's license number; state identification card number; IP address; policy number; file number; employment history; bank account number; credit card number; debit card number; financial account numbers; commercial information; internet or other electronic network activity; geolocation data; audio and visual information; professional or employment information; and inferences drawn from the above categories to create a profile about a consumer.
Categories of Sources	Categories of sources from which we've collected **personal information** include, but may not be limited to: the consumer directly; public records; governmental entities; non-affiliated third parties; social media networks; affiliated third parties
Business Purpose for Collection	The business purposes for which we've collected **personal information** include, but may not be limited to: completing a transaction for our Products; verifying eligibility for employment; facilitating employment; performing services on behalf of affiliated and non-affiliated third parties; debugging to identify and repair errors that impair existing intended functionality on our Websites, Applications, or Products; protecting against malicious, deceptive, fraudulent, or illegal activity

Categories of Third Parties Shared	The categories of third parties with whom we've shared **personal information** include, but may not be limited to: advertising networks; internet service providers; data analytics providers; service providers; government entities; operating systems and platforms; social media networks; non-affiliated third parties; affiliated third parties

Categories of Personal Information We Have Sold In The Past Year. We have not sold any personal information of California residents to any third party in the twelve months preceding the date this Privacy Notice was last updated.

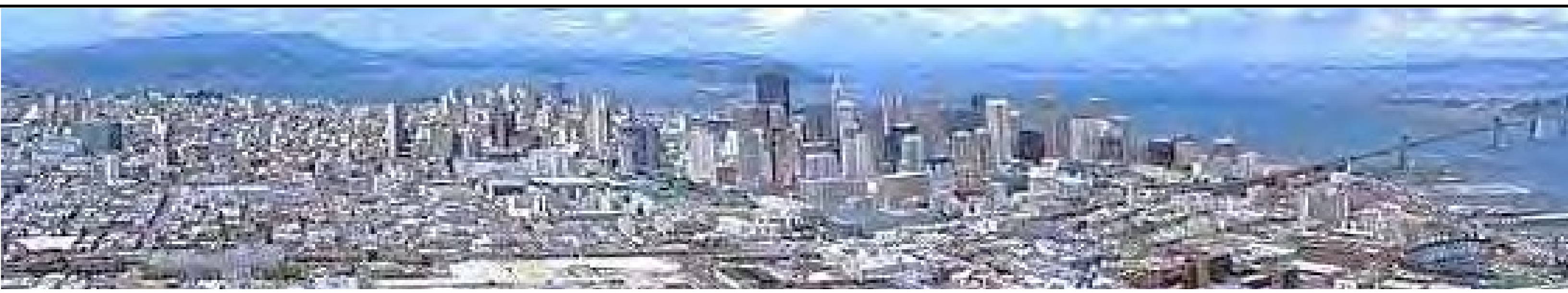
Categories of Personal Information Disclosed For A Business Purpose In The Past Year. The following is a list of the categories of **personal information** of California residents we may have disclosed for a business purpose in the 12 months preceding the date this Privacy Notice was last updated: The categories of personal information we have collected include, but may not be limited to: real name; signature; alias; SSN; physical characteristics or description, including protected characteristics under federal or state law; address; telephone number; passport number; driver's license number; state identification card number; IP address; policy number; file number; employment history; bank account number; credit card number; debit card number; financial account numbers; commercial information; internet or other electronic network activity; geolocation data; audio and visual information; professional or employment information; and inferences drawn from the above categories to create a profile about a consumer.

APPRAISAL OF REAL PROPERTY
IN A RESTRICTED APPRAISAL REPORT

9270 BRUCEVILLE CHURCH PROPERY
Church of the Light & Fortune Early College High School
Appraisal of Fee Simple Real Estate
9270 Bruceville Road
Elk Grove, Sacramento County, California 95758

DATE OF VALUE:
"As If Vacant": April 14, 2020
"As Is": April 14, 2020

PREPARED FOR:
Natasha Valvo
Service 1st LLC
For
BETHESDA LUTHERAN COMMUNITIES
600 Hoffman Drive
Watertown, Wisconsin 53094



PREPARED BY:

Roger McDonald Hodge, MAI
REAL ESTATE VALUATION & ADVISORY SERVICES
2370 Market Street #200
San Francisco, California 94114

RMH File No. 20-105

ROGER MCDONALD HODGE, MAI
REAL ESTATE VALUATION & ADVISORY SERVICES
2370 Market Street #200
San Francisco, CA 94114
T (972) 201-6191
Roger_Hodge@live.com

April 20, 2020

Natasha Valvo
Service 1st LLC
For
BETHESDA LUTHERAN COMMUNITIES
600 Hoffman Drive
Watertown, Wisconsin 53094

Appraisal of **9270 Bruceville Church Property**
Church of the Light & Fortune Early College High School
Appraisal of Fee Simple Real Estate
9270 Bruceville Road
Elk Grove, Sacramento County, California 95758
Loan #: 11111

In fulfillment of our agreement as outlined in the Letter of Engagement, Roger McDonald Hodge, MAI has prepared an appraisal of the market value of the above referenced property. Our analysis is presented in the following Restricted Appraisal Report.

The subject of this appraisal is the church and school property located at 9270 Bruceville Road in Elk Grove, in southern Sacramento County, California. The Church of the Light has a 3,710 square foot church /sanctuary facility built in 2002, located in the southern portion of the site. There are two rows of newer modular classroom buildings for Fortune Early College High School located in the southwestern portion of the site. The classrooms were added in 2017 and contain a total of 8,870 square feet in three buildings. The total net rentable and gross building area of the subject buildings is 12,580 square feet.

The total site area is 4.09 acres, of which 2.34 acres are improved with the church and school and parking lot. The remaining 1.75 acres are located in the northern portion of the site, and the southeast portion, and are considered excess land, available to redevelop with multi-family uses. The subject's Sacramento County Assessor's parcel number is 116-0061-011-0000.

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The subject's zoning is RD-15 – Medium Density Residential which allows 15 units per acre development of multi-family project types. With the inclusion of affordable housing units, there is a 35% bonus applicable to the base allowable units. For redevelopment of the entire 4.09 acre site, 82 units are allowed, which is the Highest & Best Use, as if vacant. For redevelopment of the 1.75 acre excess land site, a total of 35 units would be allowed on the excess land area. The Highest & Best Use of the subject, as improved, is for continued use of the church and school facility, and redevelopment of the 1.75 acres of vacant land with allowed multi-family units.

The intended user of this appraisal report is the client, Bethesda Lutheran Communities. This appraisal report is intended to be used by the client for loan underwriting and-or financial planning, and potential future redevelopment.

Data, information, and calculations leading to the value conclusions are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. In addition, this appraisal has been prepared in conformance with our interpretation of the appropriate regulations and guidelines set forth by the client, Bethesda Lutheran Communities.

Based on the analysis contained in the following report, the market value of the subject land "as if vacant", and the improved subject property "as is", i.e. both as if fee simple interest, have been concluded as follows:

MARKET VALUE CONCLUSIONS

Appraisal Premise	Interest Appraised	Date of Value	Market Value
Market Value - Land "As If Vacant"	As If Fee Simple Interest	April 14, 2020	$2,440,000
Market Value - Improved "As Is"	As If Fee Simple Interest	April 14, 2020	$2,680,000
Estimated by RMH			

Extraordinary Assumption: *The tower building on the subject's Assessor Parcel does not benefit the current church ownership and they may not sell it. Consequently, the tower building is excluded from being in the subject property appraised in this appraisal report.*

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if we can be of further service, please contact us.

Respectfully submitted,

ROGER MCDONALD HODGE – VALUATION SERVICES

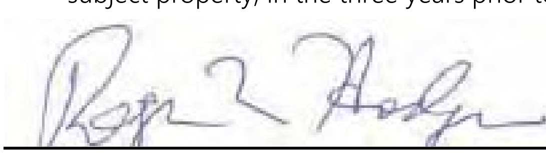
Roger McDonald Hodge, MAI
Real Estate Valuation & Advisory Services
Certified General Real Estate Appraiser – CA & TX
CA Certification No. AG021679
Expiration: June 12, 2021

Phone: (972)-201-6191
Email: Roger_Hodge@live.com

CERTIFICATION OF THE APPRAISAL

We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions set forth, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and have no personal interest with respect to the parties involved with this assignment.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal, such as the approval of a loan.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, as well as the requirements of the State of California.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. Roger M. Hodge, MAI has extensive professional experience in the appraisal/review of similar property types.
11. Roger M. Hodge, MAI is currently certified in the state where the subject is located.
12. Roger M. Hodge, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
13. Roger M. Hodge, MAI has made a personal inspection of the property that is the subject of this report.
14. No one provided significant real property appraisal assistance to the persons signing this report.
15. The appraisers have not provided any services, as appraisers or in any other capacity, regarding the subject property, in the three years prior to accepting this assignment.



Roger McDonald Hodge, MAI
Real Estate Valuation & Advisory Services
Certified General Real Estate Appraiser – CA & TX
CA Certification No. AG021679
Expiration: June 12, 2021

SUBJECT PHOTOGRAPHS

Light of the Valley Church – south view

Classrooms and Church – south side

Looking north at west side of parking

Looking north at parking and land

West view of the fire lane on south side

Looking west across the north side

SUBJECT PHOTOGRAPHS

Light of the Valley Church – front entry

Front elevation of church

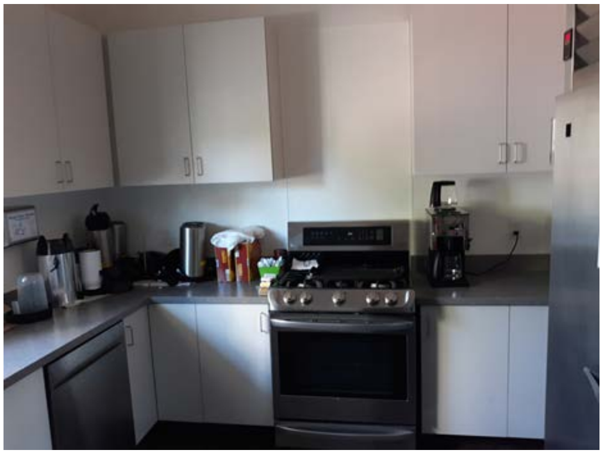
Looking north at rear elevation of church

Church Sanctuary

Rear view of the Sanctuary

Front entry 'Nathex' to the Sanctuary

SUBJECT PHOTOGRAPHS



Church kitchen

40’x10’ Container Buildings

North side of the Classroom Buildings

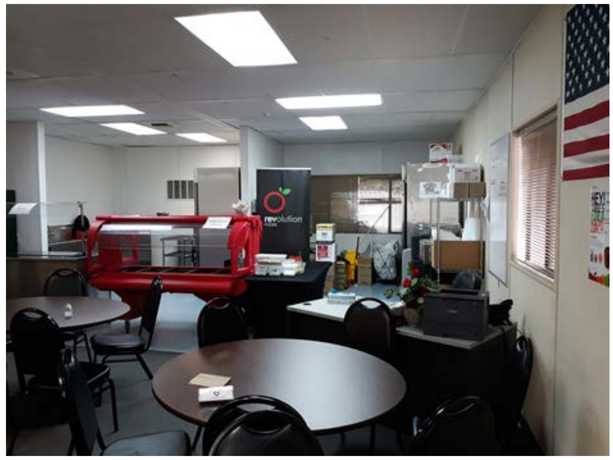
View between rows of classrooms

Southwest view of the west classrooms

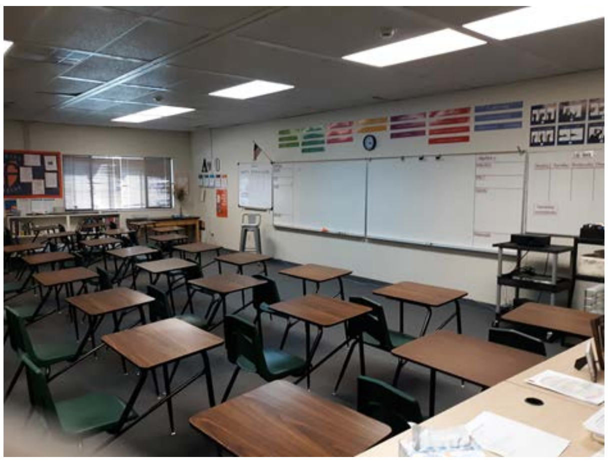
Covered walk and lockers

SUBJECT PHOTOGRAPHS

Classroom building offices



Classroom building lunch room



Typical classroom

Typical classroom

Playground equipment – tower beyond

Tower building fronting Bruceville Road

SUMMARY OF SALIENT FACTS

Property Name — **9270 Bruceville Church Property**
Church of the Light & Fortune Early College High School

Location — 9270 Bruceville Road, Elk Grove
Sacramento County, CA 95758

Client Loan Number — 11111

Assessor's Parcel Number — 116-0061-011-0000

Highest and Best Use

As Vacant — Multi-Family development with affordable component

As Improved — Church & School; for excess land - develop with multi-family with affordable component

Property Rights Appraised — As If Fee Simple Interest

Please refer to the Tower Analysis section of this appraisal report - leased tower not included in subject.

Land Area			*Allowable Units*
Improved Land Area (Church & School)	2.34 AC	101,860 SF	*47 Units*
Excess Land Area	1.75 AC	76,200 SF	*35 Units*
Entire Subject Land Area	4.09 AC	178,160 SF	*82 Units*

Improvements

Property Type	Church and School - plus 1.75 Acres of Excess Land
Number of Buildings	Nine (Church and Eight Interconnected Classrooms)
Number of Stories	One Story
Gross Building Area	12,580 SF
Net Rentable Area:	
Church of the Light Building	3,710 SF
School Classrooms - East Row	4,170 SF
School Classrooms - West Row	4,700 SF
Total Net Rentable Area	12,580 SF
Current Occupancy	100.0%
Year Originally Built	2002 for church / 2017 for classrooms
Remaining Economic Life	25 Years
Exterior Condition	Very Good
Interior Condition	Very Good
Estimated Exposure Time	12 Months

VALUATION - MULTI-FAMILY LAND "AS IF VACANT"	***Total***	***Per Allowable Unit***
Cost Approach	Not Utilized	-----
Sales Comparison Approach	$2,440,000	$29,756
Income Capitalization Approach	Not Utilized	-----

VALUATION - IMPROVED "AS IS"	*Total*		*Per SF of NRA*
Cost Approach	Not Utilized		-----
Sales Comparison Approach:			
Sales Comparison Approach - Church & School Portion	*$1,640,000*	*2.34 Acres*	*$130.37*
Sales Comparison Approach - Excess Land Portion	*$1,040,000*	*1.75 Acres*	-----
Sales Comparison Approach - Entire Subject	$2,680,000	4.09 Acres	-----
Income Capitalization Approach	Not Utilized		-----

CONCLUDED MARKET VALUES

Appraisal Premise	Interest Appraised	Date of Value	Exposure	Market Value
Market Value - Land "As If Vacant"	As If Fee Simple Interest	April 14, 2020	12 Months	$2,440,000
Market Value - Improved "As Is"	As If Fee Simple Interest	April 14, 2020	12 Months	$2,680,000

Estimated by RMH

TABLE OF CONTENTS

INTRODUCTION

PROPERTY CHARACTERISTICS

The subject of this appraisal is the church and school property located at 9270 Bruceville Road in Elk Grove, in southern Sacramento County, California. The Church of the Light has a 3,710 square foot church /sanctuary facility built in 2002, located in the southern portion of the site. There are two rows of newer modular classroom buildings for Fortune Early College High School located in the southwestern portion of the site. The classrooms were added in 2017 and contain a total of 8,870 square feet in three buildings. The total net rentable and gross building area of the subject buildings is 12,580 square feet.

The total site area is 4.09 acres, of which 2.34 acres are improved with the church and school and parking lot. The remaining 1.75 acres are located in the northern portion of the site, and the southeast portion, and are considered excess land, available to redevelop with multi-family uses. The subject's Sacramento County Assessor's parcel number is 116-0061-011-0000. The floor area ratio based on the 4.09 acre site is 0.07:1. Based on the 2.34 acre improved portion of the site, the floor area ratio is 0.12:1, which is in line with the comparable improved church/school sales utilized in the Sales Comparison Approach.

The subject's zoning is RD-15 – Medium Density Residential which allows 15 units per acre development of multi-family project types. With the inclusion of affordable housing units, there is a 35% bonus applicable to the base allowable units. For redevelopment of the entire 4.09 acre site, 82 units are allowed, which is the Highest & Best Use, as if vacant. For redevelopment of the 1.75 acre excess land site, a total of 35 units would be allowed on the excess land area. The Highest & Best Use of the subject, as improved, is for continued use of the church and school facility, and redevelopment of the 1.75 acres of vacant land with allowed multi-family units.

TOWER ANALYSIS

The subject Assessor Parcel also has a tower building located on the east side on Bruceville Road, which has been long term leased prior to the current church ownership. It has little if any benefit to the current church operation, as there reportedly is no income received, the building is maintained for 99 years, and use is prohibited from the church operation. The tower has significant cell antennae and other rooftop antennae installed, and does not benefit the church ownership. Furthermore, the tower may not be sold by the subject parcel ownership. The tower building contains 340 square feet on the ground floor, and is roughly 40 feet or so high. Consequently, the tower building has been excluded as a part of the subject property in this appraisal report.

Extraordinary Assumption: *The tower building on the subject's Assessor Parcel does not benefit the current church ownership and they may not sell it. Consequently, the tower building is excluded from being in the subject property appraised in this appraisal report.*

EXTRAORDINARY ASSUMPTION

USPAP defines an ***Extraordinary Assumption*** as "an **assumption**, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions."

PROPERTY HISTORY

The subject property is owned by Light of the Valley Church. There have been no transfers of the subject property within the last three years; the Assessor's records show the last transfer was in 2004.

The classroom buildings were reportedly installed in 2017 for use by the Fortune Early College High School. Fortune has a one year NNN lease with the initial term expiring July 31, 2018, and three one-year options to extend available, which were exercised. In addition, the tenant is going to lease the property on a month-to-month basis until their new school is completed in latter 2021. At that time, the subject ownership can re-lease the classrooms to another entity such as a charter school, and reportedly are actively seeking a replacement tenant.

INTENDED USE AND USER OF REPORT

The intended user of this appraisal report is the client, Bethesda Lutheran Communities, and no other users.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property. The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. buyer and seller are typically motivated;
> 2. both parties are well informed or well advised, and acting in what they consider their own best interests;
> 3. a reasonable time is allowed for exposure in the open market;
> 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
> 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [3]

PROPERTY RIGHTS APPRAISED

The subject property is appraised as if fee simple estate interest. The leased tower building is excluded from the subject property in this appraisal report. Also, the classrooms have a short term lease remaining which goes to month-to-month as of August 1, 2021. Consequently, the fee simple interest is the basis of valuation for the subject property.

PREMISE OF THE APPRAISAL / RELEVANT DATES

The following table illustrates the various dates associated with the valuation of the subject and the valuation premise(s):

PREMISE OF THE APPRAISAL / RELEVANT DATES	
Date of Report:	April 20, 2020
Dates of Inspection:	April 3 and 14, 2020
Date of Value	
Market Value - Land "As If Vacant":	April 14, 2020
Market Value - Improved "As Is"	April 14, 2020
Compiled by RMH	

The appraiser inspected the interior and exterior of the subject property, and noted the current status and condition of the property.

TERMS AND DEFINITIONS

The Glossary of Terms in the addenda provides definitions for additional terms that are, and may be used in this appraisal.

SCOPE OF WORK

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied, all based upon the following problem-identifying factors stated elsewhere in this report:

- Client
- Intended use
- Intended user
- Type of opinion
- Effective date of opinion
- Relevant characteristics about the subject
- Assignment conditions

This appraisal of the subject has been presented in the form of an Appraisal Report, and is intended to comply with the Uniform Standards of Professional Appraisal Practice (USPAP), current edition as published by the Appraisal Foundation, Washington DC.

This is a Restricted Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Standards of Professional Appraisal Practice (reference the reporting requirements set forth under Standards Rule 2- 2(b) of USPAP). The appraiser considers all known applicable approaches to value and has utilized only the most applicable approaches. The value conclusion reflects all known information about the subject property, market conditions, and available data. The appraisers completed the following steps for this assignment:

Extent to Which the Property is Identified

The appraisers collected the relevant information about the subject from the owner (or representatives), public records and through an inspection of the subject property. The property was legally identified through its postal address and assessor's records.

Extent to Which the Property is Inspected

The appraisers inspected both the interior and exterior of the subject, as well as its surrounding environs on the effective date of appraisal.

Type and Extent of the Data Researched

The appraisers reviewed the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process. This process included interviews with regional and/or local market participants, available published data, and other various resources. The appraisers also conducted regional and/or local research with respect to applicable tax data, zoning requirements, demographics, income and expense data, and comparable sale, listing and rental information.

Type and Extent of Analysis Applied

The appraisers analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. Approaches to value used include the sales comparison approach. The steps required to complete each approach are discussed in the methodology section. The appraisers then correlated and reconciled the results into reasonable and defensible value conclusions, as defined herein. A reasonable exposure time and marketing time associated with the value estimate presented have also been concluded.

SPECIAL APPRAISAL INSTRUCTIONS

The appraiser recommended, and the client authorized, use of the sales comparison approach for valuation, and the cost approach and income capitalization approach were not required, and were not utilized in this restricted appraisal report.

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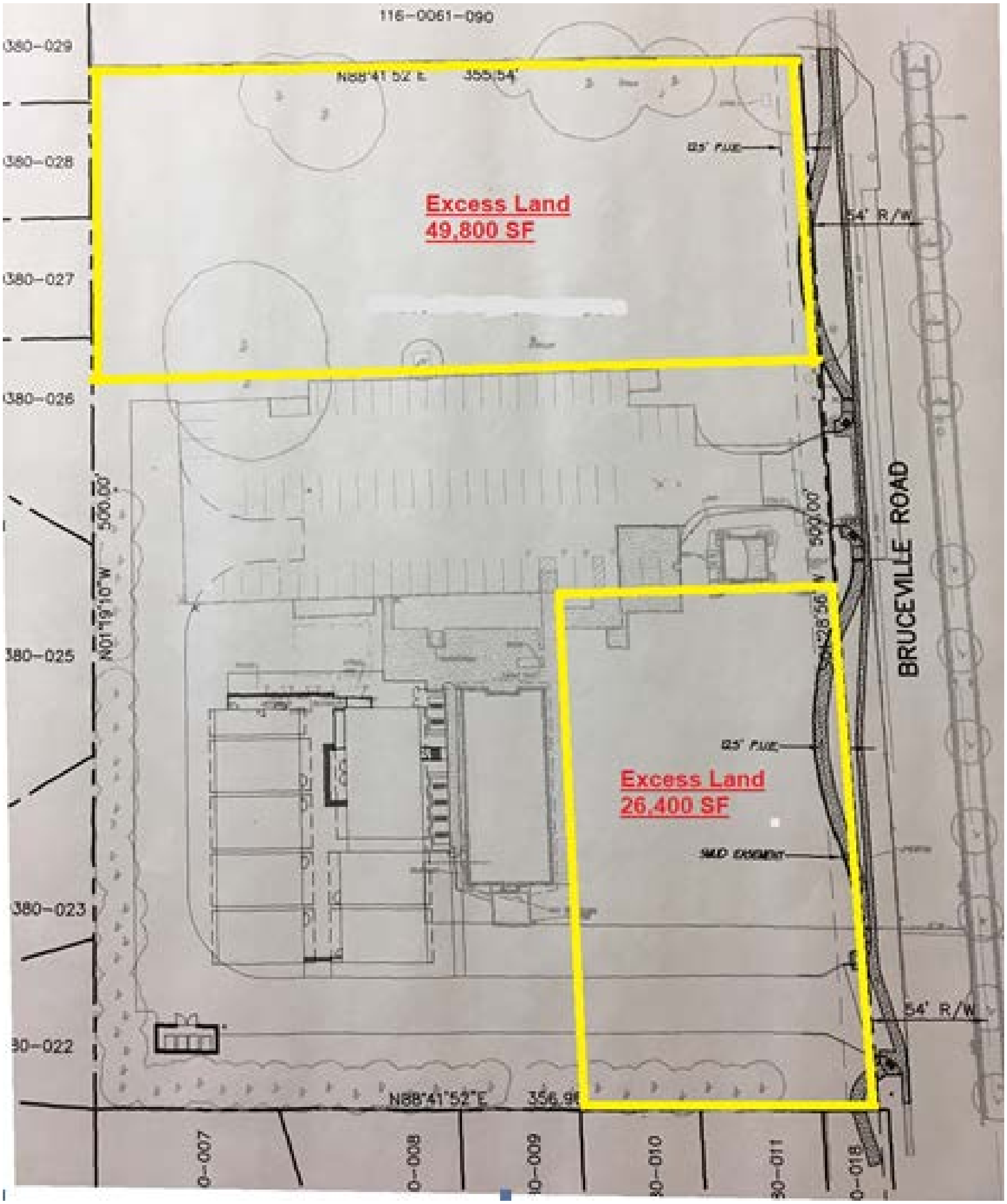
SITE INFORMATION

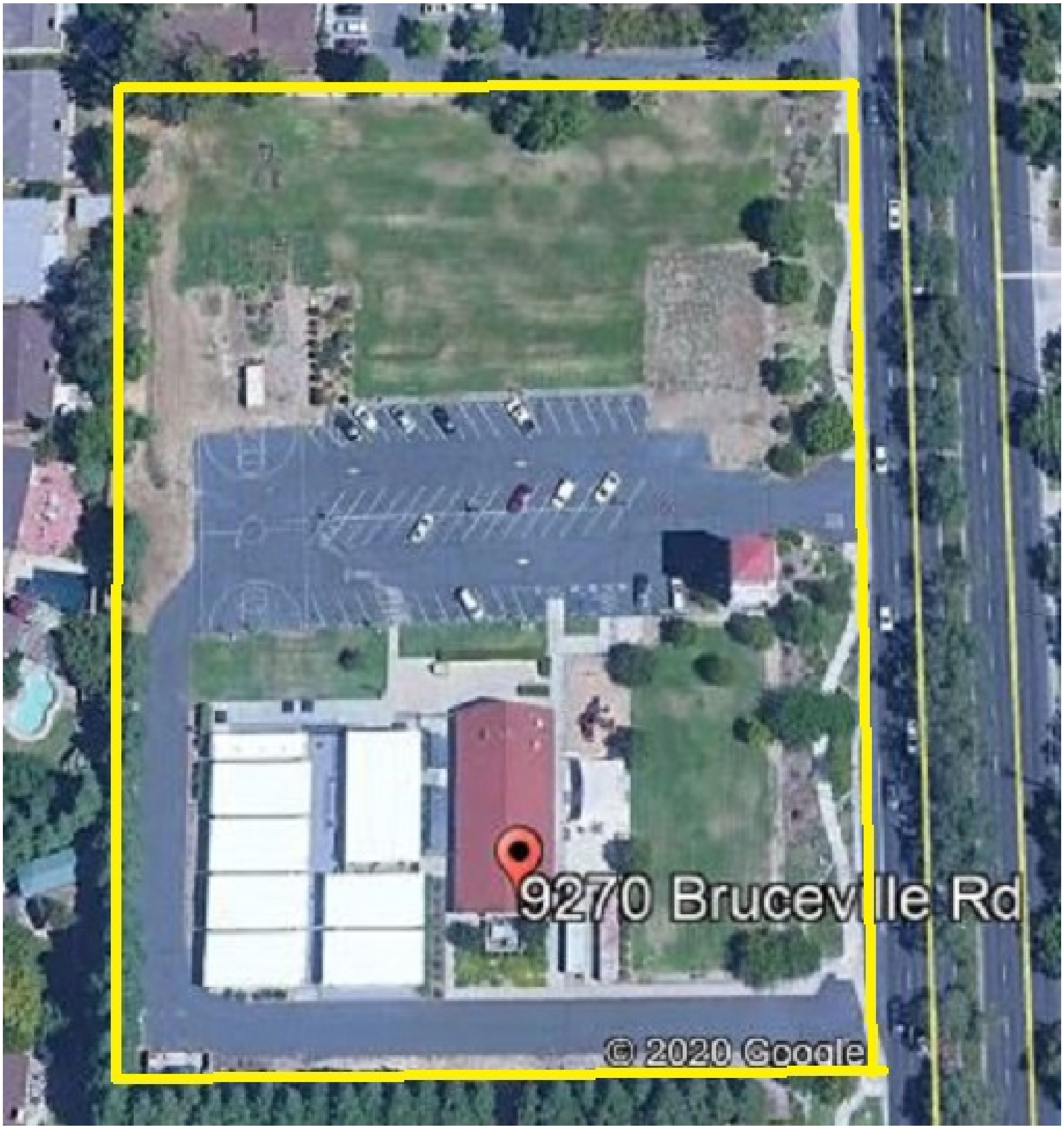
ASSESSOR'S SITE PLAT MAP

EXCESS LAND AREA

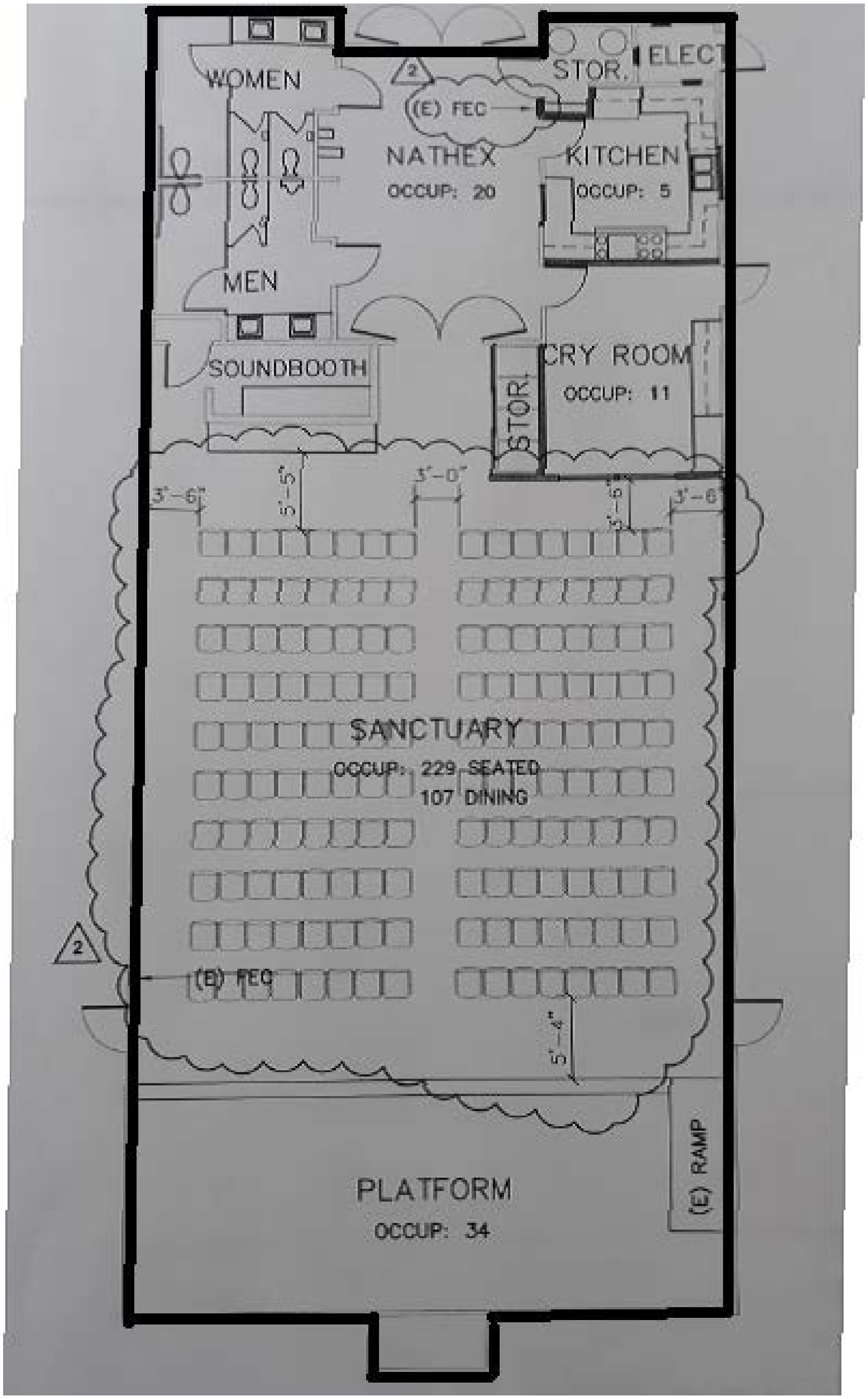


Northern Excess Land Area:	49,800 SF
Southern Excess Land Area:	26,400 SF
Total Excess Land Area:	76,200 SF or 1.75 Acres

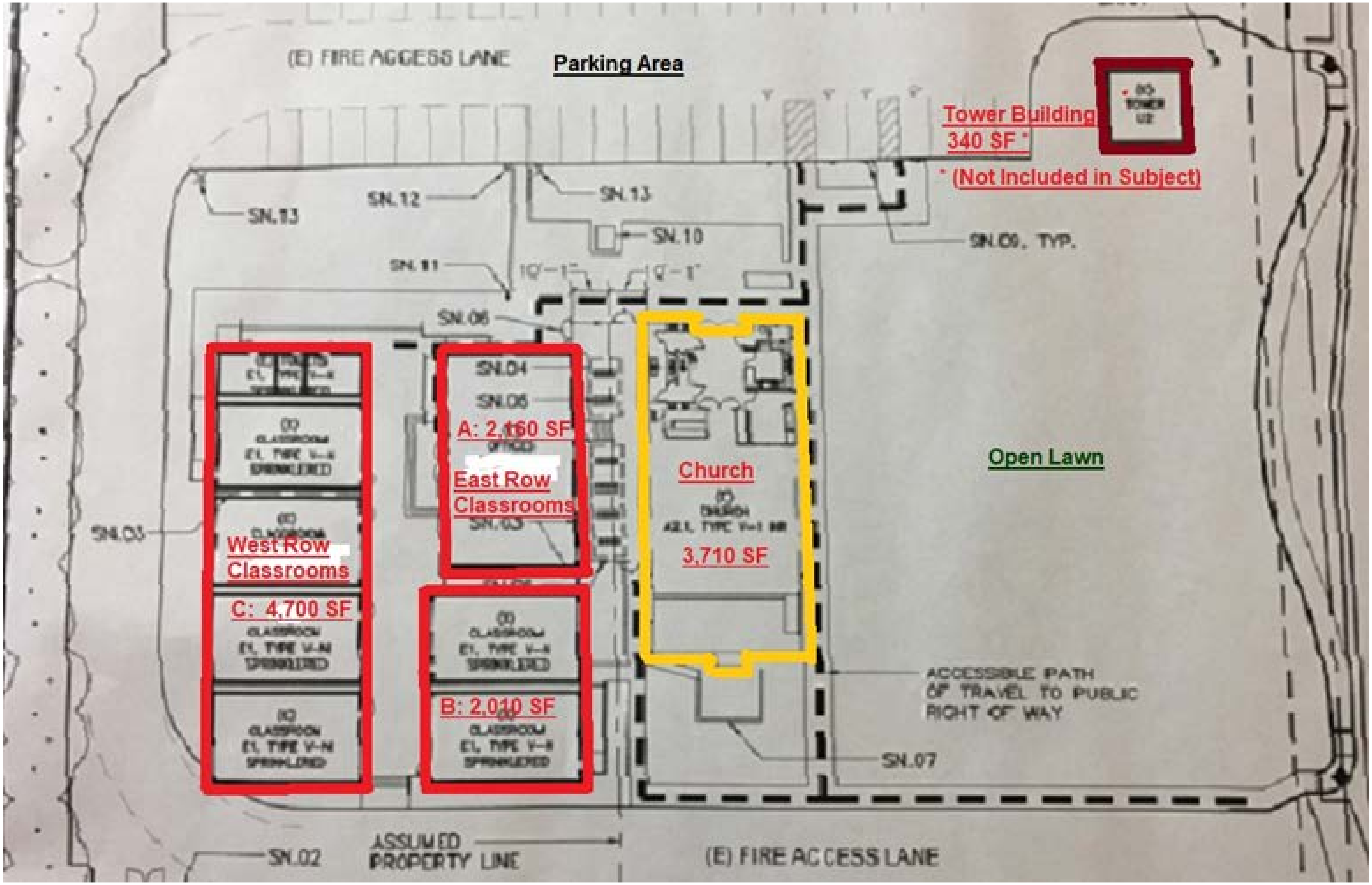
IMPROVEMENTS INFORMATION



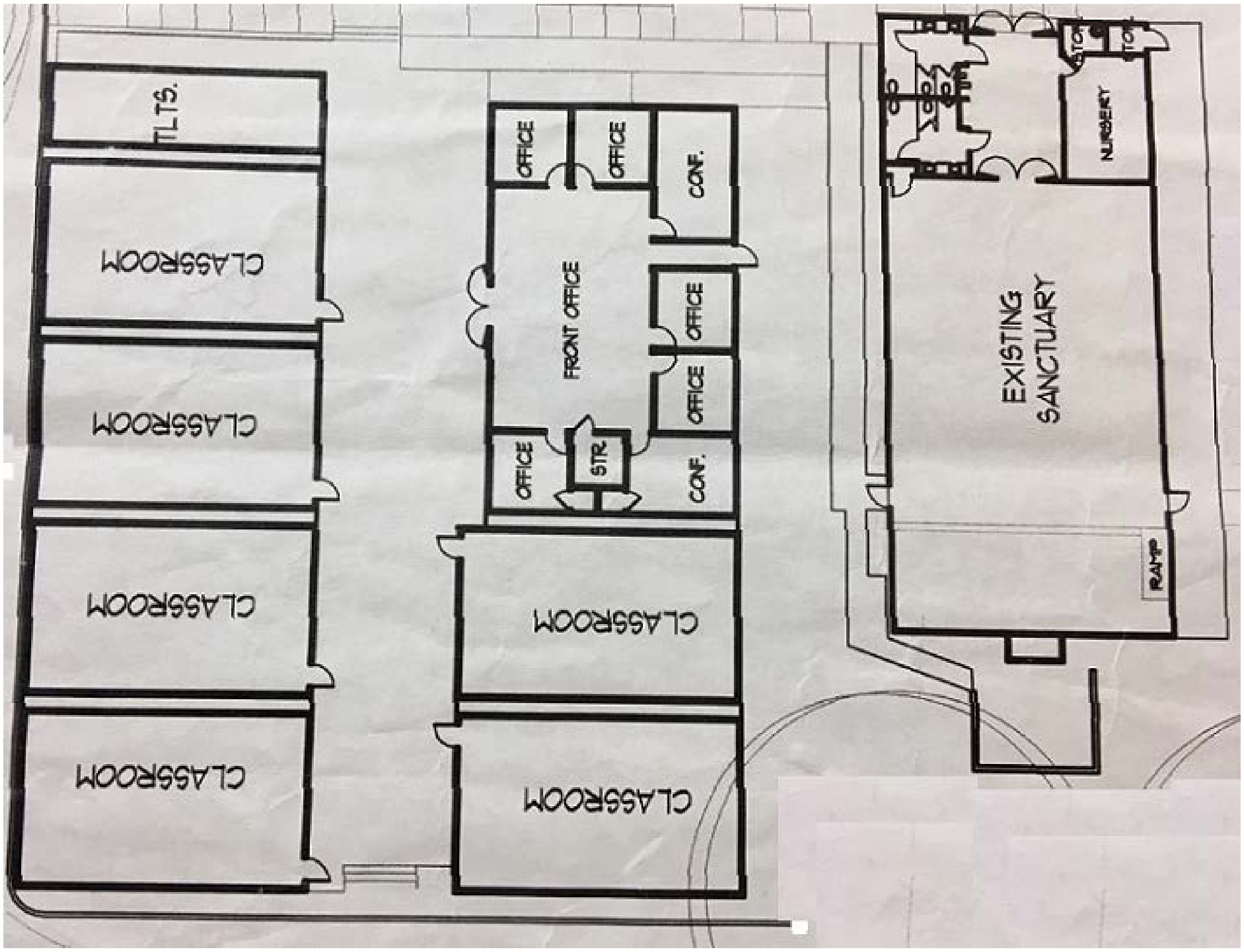
SITE LAYOUT OF IMPROVEMENTS



CHURCH / SANCTUARY FLOOR PLAN



BUILDING LAYOUT ON SOUTHWESTERN PORTION OF THE SITE



SUBJECT BUILDING FLOOR PLANS

ZONING / HIGHEST & BEST USE ANALYSIS

The subject's zoning is RD-15 – Medium Density Residential which allows 15 units per acre development of multi-family project types. With the inclusion of affordable housing units, there is a 35% bonus applicable to the base allowable units. For redevelopment of the entire 4.09 acre site, 82 units are allowed, which is the **Highest & Best Use, as if vacant**. For redevelopment of the 1.75 acre excess land site, a total of 35 units would be allowed on the excess land area. The **Highest & Best Use of the subject, as improved**, is for continued use of the church and school facility, and redevelopment of the 1.75 acres of vacant land with allowed multi-family units.

RD-15 – MEDIUM DENSITY RESIDENTIAL

The RD-15 district may include single-family, two-family, and/or multifamily residential use within a maximum density of fifteen (15) dwelling units per acre. Development may include both for-sale and for-lease products, such as small-lot single-family attached or detached homes, townhomes, condominiums, row houses, and garden apartments. Residential structures are typically one (1) and two (2) stories in height (three (3) stories in some cases) with greater lot coverage than the low density single-family residential districts.

MAXIMUM ALLOWABLE DENSITY – ENTIRE 4.09 ACRE SITE

Please refer to the Addenda of this report for additional information regarding affordable housing types and the applicable density bonuses available. The subject site is considered to qualify for a 35% density bonus:

Assessor: 178,160 sq. ft. / 4.09 acres

4.09 acres x 15 U.P.A. = 61 units

61 units x 1.35 (35% density bonus) = 82 allowable units

Or if all affordable (lower income households), no maximum density

Plus 3 story height addition possible

Normally height is limited to 35 feet.

It is recommended that local planning and zoning personnel be contacted regarding more specific information that might be applicable to the subject.

APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

In valuing the subject, the sales comparison approach is applicable and has been used.
The subject has significant incurable physical depreciation, primarily due to its age, which limits the reliability of the Cost Approach. Also, participants in the subject's competitive market do not typically rely on the Cost Approach. Furthermore, the Cost Approach was not required by the client.

The Income Capitalization Approach measures value of the subject by capitalization of the net income that might be derived. The subject church is not leased and is owner-occupied, which is typical of church facilities. The classrooms are leased fairly short term and are going to be on a month-to-month basis on August 1, 2021; their tenancy will end in 2021 or whenever their new school is completed. In addition, 1.75 acres, or 42.8% of the entire 4.09 acre site is excess land, available for multi-family redevelopment, which does not imply use of the Income Capitalization Approach. .Furthermore, the Income Capitalization Approach was not required by the client. The Income Capitalization Approach was not utilized for estimation of market value.

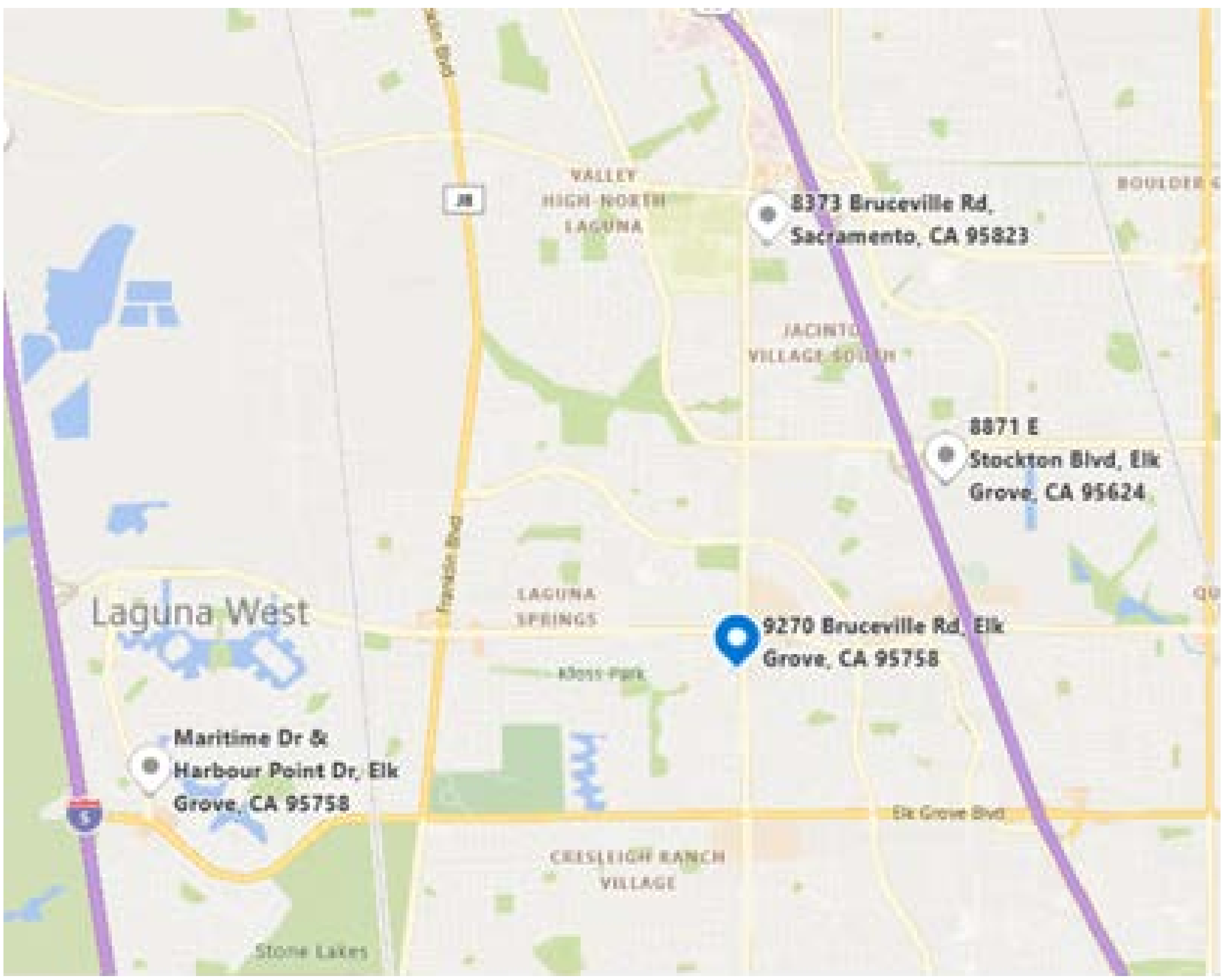
SALES COMPARISON APPROACH – LAND VALUE

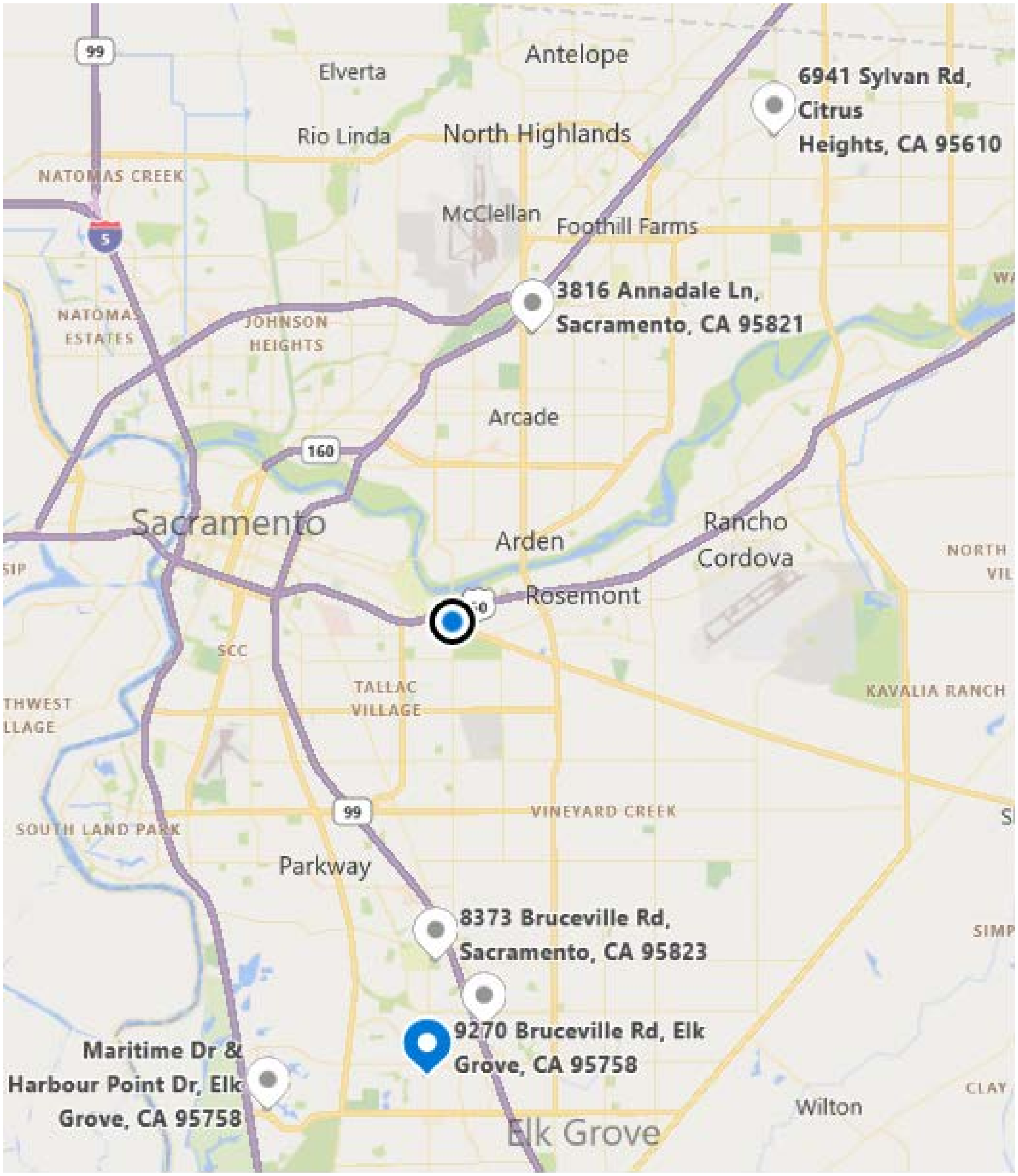
The Market Data or Direct Sales Comparison Approach is a valuation technique based on sales and/or listings of properties similar to the subject. The Market Data Approach is most viable when an adequate number of similar type properties have been sold recently and/or are currently for sale on the open market. In comparing market sales of similar properties, a number of units of comparison are available.

LAND VALUATION – ENTIRE SUBJECT 4.09 ACRES

The following maps and table summarize the comparable data used in the valuation of the entire subject site "as if vacant". A detailed description of each transaction follows.

COMPARABLE LAND SALES MAPS





Antelope
Elverta
Rio Linda
North Highlands
6941 Sylvan Rd, Citrus Heights, CA 95610
NATOMAS CREEK
McClellan
Foothill Farms
3816 Annadale Ln, Sacramento, CA 95821
NATOMAS ESTATES
JOHNSON HEIGHTS
Arcade
Sacramento
Arden
Rancho Cordova
Rosemont
NORTH VIL
SCC
TALLAC VILLAGE
KAVALIA RANCH
VINEYARD CREEK
SOUTH LAND PARK
Parkway
8373 Bruceville Rd, Sacramento, CA 95823
9270 Bruceville Rd, Elk Grove, CA 95758
Maritime Dr & Harbour Point Dr, Elk Grove, CA 95758
Wilton
Elk Grove

SUMMARY OF COMPARABLE MULTI-FAMILY LAND SALES

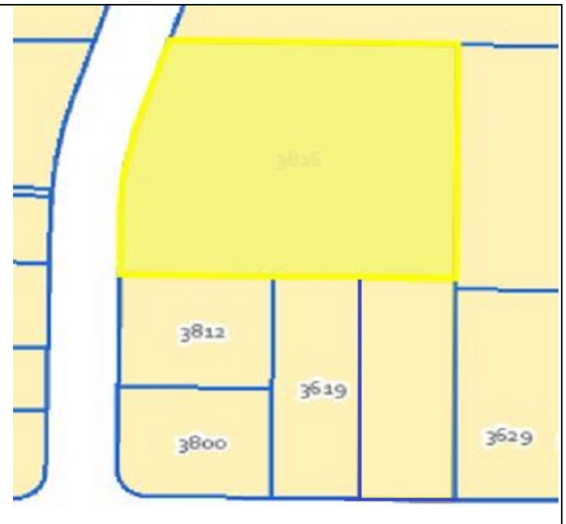
No.	Property Location	Transaction Type	Date	Actual Sale Price	Adjusted Sale Price	Size (Acres)	Size (SF)	Zoning/ Density	No. Units Allowed	Sale Price Per Unit	Sale Price Per SF
1	8373 Bruceville Road Elk Grove, CA	Sale	Oct-19	$5,000,000	$5,000,000	8.67 Acs.	377,665 SF	R-3-PUD Multi-Family 29 U.P.A.	251	$19,920	$13.24
2	3816 Annadale Lane Sacramento, CA	Sale	Oct-19	$400,000	$413,600	0.95 Acs.	41,223 SF	RD-20 Multi-Family 20 U.P.A.	19	$21,768	$10.03
3	Southwest Corner of Harbout Point Dr. And Maritime Drive Elk Grove, CA	Sale	Jun-19	$2,000,000	$2,000,000	3.06 Acs.	133,293 SF	RD-25 Multi-Family 25 U.P.A.	76	$26,316	$15.00
4	8871 E. Stockton Boulevard Elk Grove, CA	Sale	Apr-18	$6,090,000	$6,090,000	10.35 Acs.	450,846 SF	GC / CUP Multi-Family 20 U.P.A.	205	$29,707	$13.51
5	6941 Sylvan Road Citrus Heights, CA	Sale	Nov-16	$215,000	$215,000	0.42 Acs.	18,201 SF	RD-20 Multi-Family 20 U.P.A.	8	$26,875	$11.81
Subject	Entire Church & School Site 9270 Bruceville Road Elk Grove, CA	-----	Apr-20	-----	-----	4.09 Acs.	178,160 SF	RD-15 Multi-Family 20 U.P.A. W/ 35% Density Bonus	82	-----	-----
	Subject Excess Land (Excluding Improved 2.34 Acre Church & School Site)	-----	Apr-20	-----	-----	1.75 Acs.	76,200 SF	RD-15 Multi-Family 20 U.P.A. W/ 35% Density Bonus	35		

Compiled by RMH

LAND SALE COMPARABLE NO. 1

Site/Location:	8373 Bruceville Road, Elk Grove, CA (Fronts Bruceville Rd. on west side, Both Sides of Kastanis Way on east side)
Assessor's Parcel No.:	117-0182-021-0000
Description:	Multi-family site, good access and visibility
Zoning:	R-3-PUD
Units Allowed / Quantity:	29 U.P.A / 251 total units allowed
Site Size:	377,665 SF, or 8.67 acres
Date of Sale:	October 22, 2019
Sale Price:	$5,000,000
Sale Price per Square Foot:	$13.24
Sale Price per Allowed Unit:	$19,920
Buyer:	Majority Investment Inc.
Seller:	TENIR, LLC
Document No.:	Book 20191029, Page 931
Sale Terms:	All Cash to Seller
Comments	Generally level,
Sources	Costar, Assessor’s Records, MLS, Inspection

LAND SALE COMPARABLE NO. 2



Site/Location:	3816 Annadale Lane, Sacramento, CA (East Side of Annadale, North of Edison Ave.)
Assessor's Parcel No.:	255-0032-005-0000
Description:	Multi-family site, good access, tear-down house
Zoning:	RD-20
Units Allowed / Quantity:	20 U.P.A / 19 total units allowed
Site Size:	41,223 SF, or 0.94 acres
Date of Sale:	October 31, 2019
Sale Price:	$400,000 (All cash to seller)
Cost to Acquire Vacant Site:	$ 13,600 (Add demolition: 1,700 SF x $8.00/SF) $413,600 Cost to Acquire a Vacant Site
Sale Price per Square Foot:	$10.03
Sale Price per Allowed Unit:	$21,768
Buyer:	PROACT Properties LLC
Seller:	Venture, LLC
Document No.:	Book 20191031, Page 1113
Comments	Level, teardown 1,404 SF house plus a garage, YOC 1949, apartments on north, east, west sides
Sources	Costar, Assessor's Records, MLS, Inspection

LAND SALE COMPARABLE NO. 3

Site/Location:	Southwest Corner of Harbour Point Drive and Maritime Drive, Elk Grove, CA
Assessor's Parcel Nos.:	119-1920-017-000, 119-1920-018-0000
Description:	Multi-family site, excellent access and visibility
Zoning:	RD-25
Units Allowed / Quantity:	25 U.P.A / 76 total units allowed
Site Size:	133,293 SF, or 3.06 acres
Date of Sale:	June 11, 2019
Sale Price:	$2,000,000
Sale Price per Square Foot:	$15.00
Sale Price per Allowed Unit:	$26,316
Buyer:	Maritime Apartments LLC
Seller:	DHIR Capital Inc.
Document No.:	Book 20190611, Page 1098
Sale Terms:	All Cash to Seller
Comments	Level, Holiday Inn Express on west side
Sources	Costar, Assessor’s Records, MLS, Inspection

LAND SALE COMPARABLE NO. 4

Site/Location:	8871 E. Stockton Boulevard, Elk Grove, CA (Southeast Corner of E.Stockton & Cantwell Dr.)
Assessor's Parcel No.:	116-0030-053-0000
Description:	Entitled for The Elk Landing assisted living project – 107 assisted living units for 60+ years, 48 memory care units, 50 independent living cottages for 55+ years / 205 senior units total
Zoning:	GC – General Commercial entitled with CUP – Conditional Use Permit for Elk Landing project
Units Allowed / Quantity:	20 U.P.A / 205 total units allowed
Site Size:	450,846 SF, or 10.35 acres
Date of Sale:	April 20, 2018
Sale Price:	$6,090,000
Sale Price per Square Foot:	$13.51
Sale Price per Allowed Unit:	$29,707
Buyer:	The Landing at Elk Grove, LLC
Seller:	L Street WINN, LP
Document No.:	Book 20180420, Page 877
Sale Terms:	All Cash to Seller
Comments	High profile site, project nearing completion
Sources	Costar, Assessor’s Records, MLS, Inspection

LAND SALE COMPARABLE NO. 5

Site/Location:	6941 Sylvan Road, Citrus Heights, CA
Assessor's Parcel No.:	211-0160-022-0000
Description:	Multi-family site, on the north side is the Kingdom Hall of Jehovah's Witnesses Church, on the south side is All Veteran's Community Center
Zoning:	RD-20 - Medium Density Residential
Units Allowed / Quantity:	20 U.P.A / 8 total units allowed
Site Size:	18,201 SF, or 0.42 acres
Date of Sale:	November 21, 2016
Sale Price:	$215,000
Sale Price per Square Foot:	$11.81
Sale Price per Allowed Unit:	$26,875
Buyer:	Mohammad Javad Fatei
Seller:	Hengameh Nemati-Davarpanah
Document No.:	Book 20161121, Page 1302
Sale Terms:	All Cash to Seller
Comments	Level, residential to west, Walmart beyond
Sources	Costar, Assessor's Records, MLS, Inspection

The sales utilized represent the best data available for comparison with the subject as a multi-family development site. They were selected from our research of comparable improved sales within the subject's area in Elk Grove and surrounding areas of Sacramento County. The five primary land comparables were chosen based upon location, transaction date, size and property type.

SUMMARY OF ADJUSTMENTS – ENTIRE 4.09 ACRES

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID: ENTIRE SUBJECT SITE "AS IF VACANT" - 4.09 ACRES

Comparable Number	1	2	3	4	5	Subject
Location	8373 Bruceville	3816 Annadale	Harbour Point	8871 E. Stockton	6941 Sylvan	9270 Bruceville
Transaction Type	Sale	Sale	Sale	Sale	Sale	-----
Transaction Date	Oct-19	Oct-19	Jun-19	Apr-18	Nov-16	-----
Zoning/Land Use	R-3-PUD	RD-15	RD-25	GC / CUP	RD-20	RD-15
	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family
Density Per Acre	29 U.P.A.	20 U.P.A.	25 U.P.A.	20 U.P.A.	20 U.P.A.	20 U.P.A.
No. of Units Allowed	251	19	76	205	8	82
Topography	Level	Level	Level	Level	Level	Level
Actual Sale Price	$5,000,000	$400,000	$2,000,000	$6,090,000	$215,000	-----
Adjusted Sale Price	$5,000,000	$413,600	$2,000,000	$6,090,000	$215,000	-----
Size (Acres)	8.67 Acs.	0.95 Acs.	3.06 Acs.	10.35 Acs.	0.42 Acs.	4.09 Acs.
Size (SF)	377,665 SF	41,223 SF	133,293 SF	450,846 SF	18,201 SF	178,160 SF
Adj. Price Per SF	$13.24	$10.03	$15.00	$13.51	$11.81	-----
Adj. Price Per Unit	$19,920	$21,768	$26,316	$29,707	$26,875	-----
Property Rights Conveyed	0%	0%	0%	0%	0%	
Financing Terms	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	
Market Conditions (Time):						
Thru March 15, 2020	1%	1%	2%	3%	10%	
After Pandemic/Lockdown	-5%	-5%	-5%	-5%	-5%	
Subtotal - Price Per Unit	$19,124	$20,898	$25,526	$29,113	$28,219	
Size	10%	-7%	-3%	15%	-10%	
Shape	20%	0%	15%	5%	0%	
Frontage / Access	0%	0%	-10%	-5%	0%	
Topography	0%	0%	0%	0%	0%	
Location	15%	40%	10%	10%	15%	
Zoning/Density	10%	0%	5%	0%	0%	
Entitlements	0%	0%	0%	-15%	0%	
Utilities	0%	0%	0%	0%	0%	
Highest & Best Use	0%	0%	0%	0%	0%	
Public/Bond/Financing	0%	0%	0%	0%	0%	
Total Other Adjustments	55%	33%	17%	10%	5%	
Value Indication Per Unit	$29,641	$27,794	$29,866	$32,024	$29,630	
Range (Min. - Max.)	**$27,794**	**$32,024**				
Average	**$29,791**					

Estimated by RMH

COMPARABLE LAND SALE VALUATION COMMENTS – ENTIRE 4.09 ACRES

The five comparable land sales are considered to offer very good comparison with the subject multi-family land, as if vacant. The comparable improved sales have an unadjusted range of price from $19,920 to $29,707 per unit of land area.

Market Conditions (Time) Adjustment

The comparable land sales required adjustments for comparison with the subject property. Market conditions have improved in the subject's competitive market, resulting in slightly increased sale prices, i.e. up through March 15, 2020. Afterwards, the pandemic in California and subsequent lockdown have negatively influenced the market, although the scant evidence so far is that fewer properties are being offered for sale right now, but prices have not been lowered substantially in the last month.

Physical Adjustments

Upward adjustments were made for inferior locations as compared to the subject. The five comparables with inferior locations with less direct traffic flow and resultant inferior economics. Land sizes that were larger were given fairly small upward adjustments. All things being equal, larger properties typically sell for a lower price per square foot than smaller properties. The three comparables with inferior shapes were adjusted upward. The land sales are considered on a per unit basis, so the comparables with a higher unit per acre typically result in less land per unit. The two comparables with higher unit per acre zoning (Sale 1 with 29 u.p.a. and Sale 3 with 25 u.p.a.) are adjusted upward for this salient feature.

SALE PRICE PER UNIT CONCLUSION – ENTIRE 4.09 ACRES

In our analysis of the land comparable Sales One through Five, we have made adjustments in comparison with the subject property, which have adjusted sale prices from 27,794 to $32,024 per unit, with an average of $29,791 per unit. Consideration was given to all of the comparables; the value indication for the subject land "as if vacant" is concluded at $29,600 to $30,000 per unit, resolved to $29,800 via the Sales Comparison Approach, which is presented as follows:

CONCLUDED LAND VALUE: ENTIRE 4.09 ACRE SITE				
Estimated Land Value $ Per Unit		Number of Allowable Units		Total
$29,600	x	82	=	$2,427,200
$30,000	x	82	=	$2,460,000
Indicated Land Value "As If Vacant" - 4.09 Acres				**$2,440,000**
Land Value Per Unit				**$29,756**
Land Value Per SF				**$13.70**
Estimated by RMH				

VALUE OF THE 1.75 ACRES OF EXCESS LAND

As previously discussed in this appraisal report, the subject is considered to have excess land as currently improved. The site area attributed to the church and school plus parking lot is estimated to be 2.34 acres. The remaining site area is considered to be excess land, available for additional multi-family development. The excess land area is estimated to be 76,200 square feet, or 1.75 acres.

The subject's excess land area has the same RD-15 zoning with a density bonus of 35%, resulting in an allowable 35 multi-family units to be constructed on the excess land area.

SUMMARY OF ADJUSTMENTS – 1.75 ACRES OF EXCESS LAND

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable. The value of the 1.75 acres of vacant land is estimated as follows:

LAND SALES ADJUSTMENT GRID: EXCESS LAND "AS IF VACANT" - 1.75 ACRES

Comparable Number	1	2	3	4	5	Subject
Location	8373 Bruceville	3816 Annadale	Harbour Point	8871 E. Stockton	6941 Sylvan	9270 Bruceville
Transaction Type	Sale	Sale	Sale	Sale	Sale	Excess Land
Transaction Date	Oct-19	Oct-19	Jun-19	Apr-18	Nov-16	-----
Zoning/Land Use	R-3-PUD	RD-15	RD-25	GC / CUP	RD-20	RD-15
	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family	Multi-Family
Density Per Acre	29 U.P.A.	20 U.P.A.	25 U.P.A.	20 U.P.A.	20 U.P.A.	20 U.P.A.
No. of Units Allowed	251	19	76	205	8	35
Topography	Level	Level	Level	Level	Level	Level
Actual Sale Price	$5,000,000	$400,000	$2,000,000	$6,090,000	$215,000	-----
Adjusted Sale Price	$5,000,000	$413,600	$2,000,000	$6,090,000	$215,000	-----
Size (Acres)	8.67 Acs.	0.95 Acs.	3.06 Acs.	10.35 Acs.	0.42 Acs.	1.75 Acs.
Size (SF)	377,665 SF	41,223 SF	133,293 SF	450,846 SF	18,201 SF	76,200 SF
Adj. Price Per SF	$13.24	$10.03	$15.00	$13.51	$11.81	-----
Adj. Price Per Unit	$19,920	$21,768	$26,316	$29,707	$26,875	-----
Property Rights Conveyed	0%	0%	0%	0%	0%	
Financing Terms	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	
Market Conditions (Time):						
Thru March 15, 2020	1%	1%	2%	3%	10%	
After Pandemic/Lockdown	-5%	-5%	-5%	-5%	-5%	
Subtotal - Price Per Unit	$19,124	$20,898	$25,526	$29,113	$28,219	
Size	15%	-2%	3%	18%	-4%	
Shape	15%	-5%	10%	0%	-5%	
Frontage / Access	0%	0%	-10%	-5%	0%	
Topography	0%	0%	0%	0%	0%	
Location	15%	40%	10%	10%	15%	
Zoning/Density	10%	0%	5%	0%	0%	
Entitlements	0%	0%	0%	-15%	0%	
Utilities	0%	0%	0%	0%	0%	
Highest & Best Use	0%	0%	0%	0%	0%	
Public/Bond/Financing	0%	0%	0%	0%	0%	
Total Other Adjustments	55%	33%	18%	8%	6%	
Value Indication Per Unit	$29,641	$27,794	$30,121	$31,442	$29,912	
Range (Min. - Max.)	**$27,794**	**$31,442**				
Average	**$29,782**					

Estimated by RMH

SALE PRICE PER UNIT CONCLUSION – 1.75 ACRES OF EXCESS LAND

The rationale for adjustment follows closely to the discussion for adjustments to the entire site, as previously presented.

In our analysis of the land comparable Sales One through Five, we have made adjustments in comparison with the subject property, which have adjusted sale prices from $27,794 to $31,442 per unit, with an average of $29,782 per unit. Consideration was given to all of the comparables; the value indication for the subject excess land "as if vacant" is concluded at $29,600 to $30,000 per unit via the Sales Comparison Approach, which is presented as follows:

CONCLUDED LAND VALUE: 1.75 ACRES OF EXCESS LAND				
Estimated Land Value $ Per Unit		Number of Allowable Units		Total
$29,600	x	35	=	$1,036,000
$30,000	x	35	=	$1,050,000
Indicated Excess Land Value "As If Vacant" - 1.75 Acres				**$1,040,000**
Land Value Per Unit				**$29,714**
Land Value Per SF				**$13.65**
Estimated by RMH				

SALES COMPARISON APPROACH – IMPROVED VALUE

The Market Data or Direct Sales Comparison Approach is a valuation technique based on sales and/or listings of properties similar to the subject. The Market Data Approach is most viable when an adequate number of similar type properties have been sold recently and/or are currently for sale on the open market. In comparing market sales of similar properties, a number of units of comparison are available. The analysis will focus on the price per square foot of building area method as the value indicator most relevant to the subject property. To derive the unit value applicable to the subject property, the price per SF of each comparable is adjusted to reflect differences in time of sale, location, physical attributes, and other relevant property characteristics.

Market Sales Survey

An investigation was made of sales and offerings of comparable properties in the relative market area of the subject property. The approach is based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing property with the same utility. This approach is applicable when an active market provides sufficient quantity of reliable data that can be verified from authoritative sources. The sales summarized in the following pages were selected as the most meaningful and relevant to the valuation of the subject. A map indicating the location of each comparable sale relative to the subject property is also presented below. The comparables are described in further detail below.

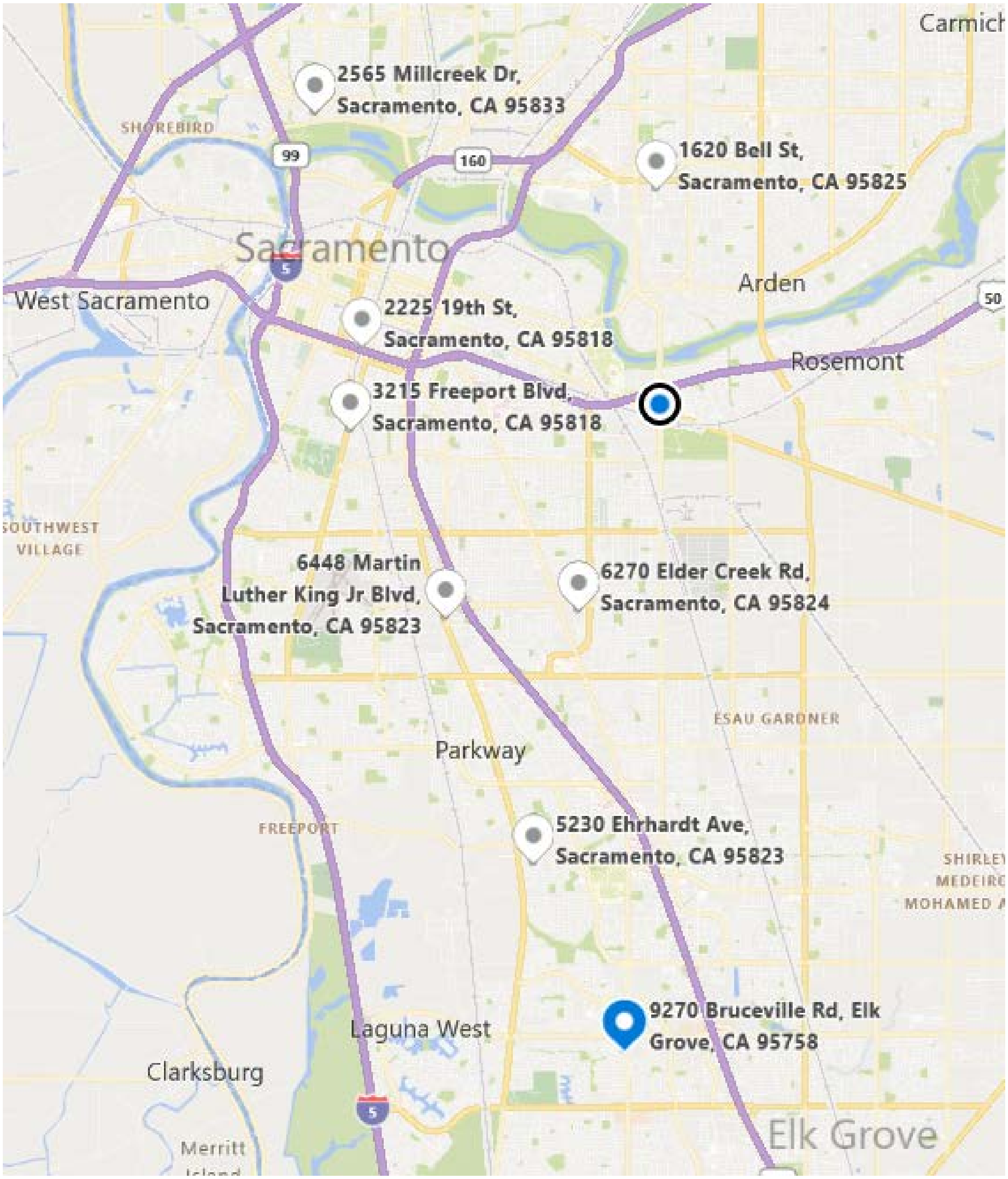
Adjustments to the per unit sale prices of the comparable properties are made in recognition of their relative differences in terms of dates of sale, locational, and physical characteristic differences.

Various adjustments are applied to the comparable data in correlating it to the subject property. An adjustment grid is presented below. It should be noted that the adjustment process is not intended to be a scientific approach in valuing the property but, rather, a clarification of the adjustment process. The mathematics do not control the final value conclusion, but they do provide guidance as to a range of value within which the value of the subject property would most likely fall.

The transactions cited in the analysis-closed escrow at various dates ranging from August 2018 to March 2020. All of the sales were confirmed and verified with parties to the transactions. The price per square foot of building area is the value indicator used in the analysis.

The following map and tables summarize the comparable data used in the valuation of the subject, i.e. the portion improved with the church and school containing 2.34 acres “as is”, but excluding the 1.75 acres of excess land, which is considered next in the Sales Comparison Approach.

COMPARABLE CHURCH / SCHOOL SALES MAP

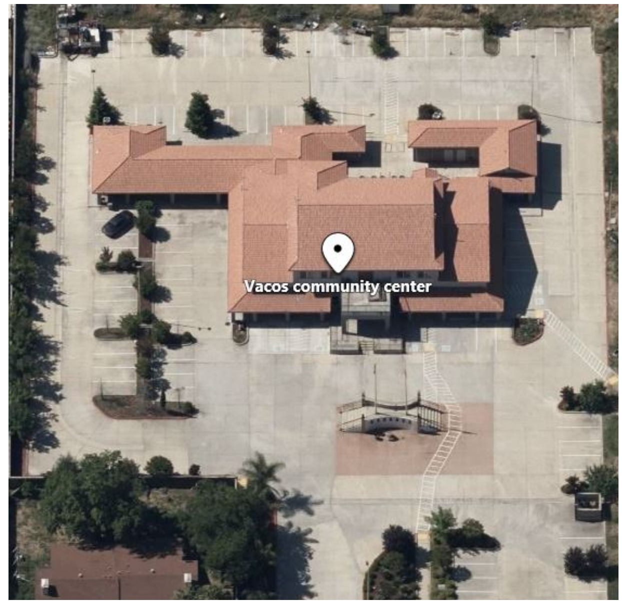


SUMMARY OF COMPARABLE CHURCH / SCHOOL SALES

No.	Property Location	Transaction Type	Transaction Date	Year Built	Building Type	NRA (SF) No. Floors	Site Area Flr. Area Ratio	Actual Sale Price	Price Per SF of NRA	Occ.	NOI Per SF	OAR
1	6270 Elder Creek Boulevard Sacramento, CA	Sale	Mar-20	2013	Vietnamese School & Vacos Community Center	12,524 SF 1-2 Floors	2.25 Ac. 0.13 :1 FAR	$2,500,000	$199.62	100%	N/A: Owner-User	
2	2565 Millcreek Drive Sacramento, CA	Sale	Dec-19	1997	Merryhill Private Elementary School	12,414 SF 1 Floor	2.00 Ac. 0.14 :1 FAR	$1,549,000	$124.78	100%	N/A: Owner-User	
3	1620 Bell Street Sacramento, CA	Sale	Oct-19	1956	St. George Melkite Church (Brighter Star Church now)	5,458 SF 1 Floor	0.92 Ac. 0.14 :1 FAR	$843,000	$154.45	100%	N/A: Owner-User	
4	5230 Ehrhardt Drive Sacramento, CA	Sale	Aug-19	1985	'The Avenue' Church & Day Care / School	21,733 SF 1 Floor	3.76 Ac. 0.13 :1 FAR	$2,000,000	$92.03	100%	N/A: Owner-User	
5	6448 Martin Luther King Blvd. Sacramento, CA	Sale	Aug-19	1950	Ebenezar Christ. Church Eternal Life Church now	15,078 SF 1-2 Floors	1.90 Ac. 0.18 :1 FAR	$1,400,000	$92.85	100%	N/A: Owner-User	
6	2225 19th Street Sacramento, CA	Sale	Aug-18	1977	Bayside Church Midtown Campus	17,200 SF 1 Floor	0.67 Ac. 0.59 :1 FAR	$3,753,000	$218.20	100%	N/A: Owner-User	
7	3215-3217 Freeport Blvd. Sacramento, CA	Listing	Apr-20	1943/ 1956	'The Door Christian Fellowship' Church	7,928 SF 1 Floor	0.35 Ac. 0.52 :1 FAR	$899,000	$113.40	100%	N/A: Owner-User	
Subj.	Light of the Valley Church & Fortune Early Coll. High School 9270 Bruceville Road Elk Grove, CA	----	---- School Add'n 2017	2002 /	Church - 29.5% School - 70.5% + Excess Land	12,580 SF 1 Floor	2.34 Ac. 0.12 :1 FAR 1.75 Ac. 4.09 Ac. 0.07 :1 FAR	Improved Site Excess Land Entire Site	----	100%	----	----

[1] *Transaction amount adjusted for cash equivalency and/or deferred maintenance (where applicable)*
Compiled by RMH

IMPROVED SALE COMPARABLE NO. 1



Building/Location:	6270 Elder Creek Boulevard, Sacramento, CA
Assessor's Parcel No.:	040-0021-051-0000
Description:	Vietnamese American Community of Sacramento - community center and school
Building Size:	12,524 SF
Year Built:	2013
Site Size:	98,010 SF, or 2.25 acres
Date of Sale:	March 13, 2020
Sale Price:	$2,500,000
Sale Price per Square Foot:	$199.62
Buyer:	Asian Resources, Inc.
Seller:	Thinh Thaen Do, Trust
Document No.:	Book 20200313, Page 534
Sale Terms:	All Cash to Seller
Occupancy:	100%
Comments	1 to 2 story stucco building with tile roof, on-site parking, fenced and gated site
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED SALE COMPARABLE NO. 2

Building/Location:	2565 Millcreek Drive, Sacramento, CA
Assessor's Parcel No.:	274-0410-023-0000
Description:	Merryhill private school
Building Size:	12,414 SF
Year Built:	1997
Site Size:	87,120 SF, or 2.00 acres
Date of Sale:	December 13, 2019
Sale Price:	$1,549,000
Sale Price per Square Foot:	$124.78
Buyer:	Chawla Ventures
Seller:	William C. Bayley, Trustee of W.C.B. 1994 Trust
Document No.:	Book 20190813, Page 379
Sale Terms:	All Cash to Seller
Occupancy:	100%
Capitalization Rate:	N/A – Owner/User
Comments	School now closed; 4.2/1,000 parking ratio
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED SALE COMPARABLE NO. 3

Building/Location:	1620 Bell Street, Sacramento, CA
Assessor's Parcel No.:	285-0031-003-0000
Description:	Church and school classrooms; was St. George Melkite Church, now Brighter Star Church
Building Size:	5,458 SF
Year Built:	1956
Site Size:	39,949 SF, or 0.92 acres
Date of Sale:	October 15, 2019
Sale Price:	$843,000
Sale Price per Square Foot:	$154.45
Buyer:	Brighter Star Inc.
Seller:	Diocese of Newton for Melkites in United States, St. George Melkite Church
Document No.:	Book 20191015, Page 1670
Sale Terms:	All Cash to Seller
Occupancy:	100%
Capitalization Rate:	N/A – Owner/User
Comments	1-story, with open surface parking
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED SALE COMPARABLE NO. 4

Building/Location:	5230 Ehrhardt Drive, Sacramento, CA
Assessor's Parcel No.:	117-0132-032-0000
Description:	'The Avenue' Church and school and daycare buildings, with freestanding bell tower
Building Size:	21,733 SF
Year Built:	1985
Site Size:	163,786 SF, or 3.76 acres
Date of Sale:	August 13, 2019
Sale Price:	$2,000,000
Sale Price per Square Foot:	$92.03
Buyer:	'The Avenue' of The Assemblies of God
Seller:	5230 Ehrhardt LLC
Document Number:	Book 20190813, Page 1255
Occupancy:	100%
Capitalization Rate:	N/A – Owner/User (single occupant at sale)
Comments	1-story wood frame and stucco, on-site parking.
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED SALE COMPARABLE NO. 5

Building/Location:	6448 Martin Luther King Jr Blvd, Sacramento, CA
Assessor's Parcel No.:	038-0021-031-0000
Description:	Was Ebenezer Christian Center (Assembly of God Church), is now Eternal Life Church
Building Size:	15,078 SF
Year Built:	1950
Site Size:	82,764 SF, or 1.90 acres
Date of Sale:	August 12, 2019
Sale Price:	$1,400,000
Sale Price per Square Foot:	$92.85
Buyer:	Eternal Life Church Christian Missionary…
Seller:	Northern Pacific Latin American District council, Assemblies of God, a non-profit
Document No.:	Book 20190812, Page 671
Sale Terms:	All Cash to Seller
Occupancy:	100%
Capitalization Rate:	N/A – Owner/User
Comments	1- to 2-story, open surface parking, fenced, gated
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED SALE COMPARABLE NO. 6

Building/Location:	2225 19th Street, Sacramento, CA
Assessor's Parcel No.:	010-0155-035-0000
Description:	Baytown Church – Midtown Campus
Building Size:	17,200 SF
Year Built:	1977
Site Size:	29,316 SF, or 0.67 acres
Date of Sale:	August 9, 2018
Sale Price:	$3,753,000
Sale Price per Square Foot:	$218.20
Buyer:	National Covenant Properties Land Co., LLC
Seller:	Sandra Buchanan, a single woman
Document Number:	Book 20180809, Page 892
Occupancy:	N/A
Capitalization Rate:	N/A – Owner/User
Comments	Brick exterior, sanctuary, meeting rooms, limited on-site parking, street parking
Sources	Costar, Loopnet, Assessor, MLS, Inspection

IMPROVED LISTING COMPARABLE NO. 7

Building/Location:	3215-3217 Freeport Blvd., Sacramento, CA
Assessor's Parcel No.:	013-0181-067-0000
Description:	The Door Christian Fellowship Church
Building Size:	7,928 SF
Year Built:	1943/1956
Site Size:	15,246 SF, or 0.35 acres
Current Listing:	April 2020
Listing Price:	$899,000
Sale Price per Square Foot:	$113.40
Buyer:	N/A
Seller:	The Door Christian Outreach
Document Number:	Current Listing
Occupancy:	100%
Capitalization Rate:	N/A – Owner/User
Comments	1-story wood frame, open surface parking
Sources	Loopnet, Assessor's records, MLS, Inspection

The sales utilized represent the best data available for comparison with the subject church and school facility. They were selected from our research of comparable improved sales within the subject's area of Elk Grove and Sacramento County. The seven primary comparables were chosen based upon location, transaction date, size and property type.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

COMPARABLE IMPROVED CHURCH / SCHOOL SALES ADJUSTMENT GRID

Comparable Number	1	2	3	4	5	6	7	Subject
Location	6270 Elder Creek	2565 Millcreek	1620 Bell St.	5230 Ehrhart	6448 MLK Jr. Blvd.	2225 19th St.	3215 Freeport	9270 Bruceville
	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Elk Grove
Transaction Type	Sale	Sale	Sale	Sale	Sale	Sale	Listing	----
Transaction Date	Mar-20	Dec-19	Oct-19	Aug-19	Aug-19	Aug-18	Apr-20	----
Type of Building	School & Comm. Ctr.	School	Church/Sun.Schl.	Church & School	Church/Sun.Schl.	Church & Meeting	Church/Sun.Schl.	Church & School
Year Built	2013	1997	1956	1985	1950	1977	1943 / 1956	2002 / 2017
Total NRA (SF)	12,524 SF	12,414 SF	5,458 SF	21,733 SF	15,078 SF	17,200 SF	7,928 SF	12,580 SF
Floor Area Ratio	0.13:1 FAR	1.14:1 FAR	0.14:1 FAR	0.13 FAR	0.18 FAR	0.59:1 FAR	0.52:1 FAR	0.12:1 FAR
Actual Sale Price	$2,500,000	$1,549,000	$843,000	$2,000,000	$1,400,000	$3,753,000	$899,000	----
Adjusted Sale Price [1]	$2,500,000	$1,549,000	$843,000	$2,000,000	$1,400,000	$3,753,000	$899,000	----
Price Per SF of NRA [1]	$199.62	$124.78	$154.45	$92.03	$92.85	$218.20	$113.40	----
Occupancy	100%	100%	100%	100%	100%	100%	100%	100%
NOI Per SF	Owner-User	Owner-User	Owner-User	Owner-User	Owner-User	Owner-User	Owner-User	Owner-User
OAR	-----	-----	-----	-----	-----	-----	-----	----
Adj. Price Per SF	$199.62	$124.78	$154.45	$92.03	$92.85	$218.20	$113.40	
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	0%	
Financing Terms [1]	0%	0%	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	0%	-5%	
Market Conditions (Time):								
Thru March 15, 2020	0%	1%	2%	2%	2%	3%	0%	
After Pandemic/Lockdown	-5%	-5%	-5%	-5%	-5%	-5%	-5%	
Subtotal - Price Per SF	$189.64	$119.79	$149.82	$89.27	$90.06	$213.83	$102.34	
Location	-15%	10%	0%	10%	15%	-30%	-10%	
Size	0%	0%	-5%	5%	2%	3%	-3%	
Age/Condition	-5%	7%	10%	20%	20%	0%	20%	
Quality of Construction	-15%	-15%	-10%	10%	10%	-20%	10%	
Building Type	0%	0%	0%	0%	0%	0%	0%	
F.A.R./Parking	0%	0%	0%	0%	-3%	10%	10%	
Tenancy/Economics	0%	0%	0%	0%	0%	0%	0%	
Other	0%	0%	0%	0%	0%	0%	0%	
Total Other Adjustments	-35%	2%	-5%	45%	44%	-37%	27%	
Indicated Value Per SF	**$123.26**	**$122.18**	**$142.33**	**$129.43**	**$129.69**	**$134.72**	**$129.97**	
Range (Min. - Max.)	**$122.18**	**$142.33**						
Average	**$130.23**							

[1] *Transaction amount adjusted for cash equivalency and/or deferred maintenance (where applicable)*
Estimated by RMH

COMPARABLE IMPROVED SALE VALUATION COMMENTS

The seven comparable improved sales are considered to offer excellent comparison with the subject property. The comparable improved sales have an unadjusted range of price from $92.03 to $218.20 per square foot of building area.

Market Conditions (Time) Adjustment

The comparable improved sales required adjustments for comparison with the subject property. Market conditions have improved in the subject's competitive market, resulting in slightly increased sale prices, i.e. up through March 15, 2020. Afterwards, the pandemic in California and subsequent lockdown have negatively influenced the market, although the scant evidence so far is that fewer properties are being offered for sale right now, but prices have not been lowered substantially in the last month.

Conditions of Sale Adjustment

Comparable Seven is for a listing, which is adjusted downward because actual sale prices are frequently lower than asking prices.

Physical Adjustments

Downward adjustments were made for superior locations as compared to the subject; upward adjustments were made for inferior locations. The subject has a good downtown location in Elk Grove. The three comparables with superior locations are located in more densely developed areas with higher traffic flow. The three inferior comparables have inferior locations with less traffic flow and resultant inferior economics. Building sizes that were significantly larger were given fairly small upward adjustments. All things being equal, larger properties typically sell for a lower price per square foot than smaller properties. Similarly, smaller sizes were given downward adjustment. In addition, age/conditions that were superior to the subject "as is" were given downward adjustment; inferior age/conditions were adjusted upward. For floor area ratios (FAR) that were lower than for the subject (superior) were given downward adjustment; considering parking, conversely higher FAR's were adjusted upward.

SALE PRICE PER SQUARE FOOT CONCLUSION – CHURCH & SCHOOL

In our analysis of the primary comparable Sales One through Seven, we have made adjustments in comparison with the improved portion of the subject property (i.e. church and school) which have adjusted sale prices from $122.18 to $142.33 per square foot, with an average of $130.23 per square foot. Consideration was given to all of the comparables; the value indication for the subject "as is" is concluded at $129.00 to $131.00 per square foot, resolved to $130.00 per square foot via the Sales Comparison Approach, which is presented as follows:

SALES COMPARISON APPROACH - CHURCH & SCHOOL

NRA (SF)	X	Value Per SF	=	Value
12,580	X	$129.00	=	$1,622,820
12,580	X	$131.00	=	$1,647,980

VALUE CONCLUSION - IMPROVED 2.34 ACRES

Indicated Stabilized Value	**$1,635,400**
Less: Deferred Maintenance	$0
Value Indication - Fee Simple "As-Is"	**$1,635,400**
Rounded	**$1,640,000**
Value Per SF of NRA	**$130.37**

Estimated by RMH

ADDITIONAL VALUE OF THE 1.75 ACRES OF EXCESS LAND

As previously discussed in this appraisal report, the subject is considered to have excess land as currently improved. The site area attributed to the church and school plus parking lot is estimated to be 2.34 acres. The remaining site area is considered to be excess land, available for additional multi-family development. The excess land area is estimated to be 76,200 square feet, or 1.75 acres.

The subject's excess land area has the same RD-15 zoning with a density bonus of 35%, resulting in an allowable 35 multi-family units to be constructed on the excess land area.

SALES COMPARISON APPROACH VALUE – ENTIRE 4.09-ACRE SUBJECT

The value of the excess land was estimated in the land valuation section of this appraisal.

We have estimated the value for the entire subject in the following chart, which adds the excess land value (1.75 acres) to the underlying improved portion of the site (2.34 acres) with the church and school.

SALES COMPARISON APPROACH - ENTIRE SUBJECT	
VALUE CONCLUSION - ENTIRE 4.09 ACRE SUBJECT PROPERTY	
Sales Comparison Approach Value - Improved 2.34 Acres with Church & School	**$1,640,000**
Sales Comparison Approach Value - 1.75 Acres of Excess Land	**$1,040,000**
SALES COMPARISON APPROACH VALUE - ENTIRE SUBJECT	**$2,680,000**
Estimated by RMH	

RECONCILIATION OF VALUE

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS		
	Market Value As If Fee Simple Interest Land "As If Vacant" April 14, 2020	Market Value As If Fee Simple Interest Improved Property "As Is" April 14, 2020
Cost Approach	Not Utilized	Not Utilized
Sales Comparison Approach	$2,440,000	$2,680,000
Income Capitalization Approach	Not Utilized	Not Utilized
Reconciled Value	**$2,440,000**	**$2,680,000**
Estimated by RMH		

The Cost Approach typically gives a reliable value indication when there is evidence for the replacement cost estimate and when there is minimal depreciation contributing to a loss in value, which must be estimated. The Cost Approach is not as reliable in the estimation of market value due to the depreciation associated with the older age of the church improvements. In addition, investors active in the subject's market typically do not rely on the Cost Approach for estimating value. Furthermore, the Cost Approach was not required by the client. The Cost Approach was not utilized for estimation of market value.

In the Sales Comparison Approach, the subject property is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered good comparability to the subject, and the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. The subject's most probable buyer is both an owner user and investor. Therefore, the Sales Comparison Approach is considered to provide the strongest indication of values for the subject, i.e. as if a vacant land site, and as currently improved, in the final value reconciliations.

The Income Capitalization Approach measures value of the subject by capitalization of the net income that might be derived. The subject church is not leased and is owner-occupied, which is typical of church facilities. The classrooms are leased fairly short term and are going to be on a month-to-month basis on August 1, 2021; their tenancy will end in 2021 or when their new school is completed. In addition, 1.75 acres, or 42.8% of the entire 4.09 acre site is excess land, available for multi-family redevelopment, which does not imply use of the Income

Capitalization Approach. .Furthermore, the Income Capitalization Approach was not required by the client. The Income Capitalization Approach was not utilized for estimation of market value.

Based on the foregoing, the market value of the subject land “as if vacant”, and the improved subject property “as is”, i.e. both as if fee simple interest, have been concluded as follows:

MARKET VALUE CONCLUSIONS			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Market Value**
Market Value - Land "As If Vacant"	As If Fee Simple Interest	April 14, 2020	$2,440,000
Market Value - Improved "As Is"	As If Fee Simple Interest	April 14, 2020	$2,680,000
Estimated by RMH			

Extraordinary Assumption: *The tower building on the subject’s Assessor Parcel does not benefit the current church ownership and they may not sell it. Consequently, the tower building is excluded from being in the subject property appraised in this appraisal report.*

ASSUMPTIONS AND LIMITING CONDITIONS

1. References to 'the appraisers', 'the appraiser', or 'Appraiser' refers to Roger M. Hodge, MAI and any other signatories to this appraisal report, if any, unless otherwise noted.
2. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. The appraisers are not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. The appraisers, have not examined title and make no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
3. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. The appraisers are not engineers and are not competent to judge matters of an engineering nature. The appraisers have not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of the appraisers by ownership or management; the appraisers inspected less than 100% of the entire interior and exterior portions of the improvements; and the appraisers were not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, the appraisers reserve the right to amend the appraisal conclusions reported herein.
4. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
5. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to the appraisers. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.

6. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, the appraisers have no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, the appraisers reserve the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify the appraisers of any questions or errors.
7. The date of value to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, the appraisers will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
8. The appraisers assume no private deed restrictions, limiting the use of the subject in any way.
9. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
10. The appraisers are not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
11. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
12. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. The appraisers do not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of the appraisers.
13. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of the appraisers to buy, sell, or hold the properties at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
14. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
15. This study may not be duplicated in whole or in part without the specific written consent of the appraisers nor may this report or copies hereof be transmitted to third parties without said consent, which consent the appraisers reserve the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction

is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of the appraisers which consent the appraisers reserve the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. The appraisers shall have no accountability or responsibility to any such third party.

16. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
17. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
18. The maps, plats, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
19. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to the appraisers unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. The appraisers assume no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
20. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. The appraisers do not assume responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
21. The appraisers assume that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.
22. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
23. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
24. The *Americans with Disabilities Act* (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, the appraisers have not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since the appraisers have no specific information relating to this issue, nor are the appraisers qualified to make such an

assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered in estimating the value of the subject.

25. Client shall not indemnify Appraiser or hold Appraiser harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client proximately result in damage to Appraiser. The Client shall indemnify and hold Appraiser harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover from the other reasonable attorney fees and costs.
26. The report is for the sole use of the client; however, client may provide only complete, final copies of the appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Appraiser is not required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. Please note that our consent to allow an appraisal report prepared by the appraisers or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.
27. As part of the client's requested scope of work, an estimate of insurable value is provided herein. The appraisers have followed traditional appraisal standards to develop a reasonable calculation based upon industry practices and industry accepted publications such as the Marshal Valuation Service handbook. The methodology employed is a derivation of the cost approach which is primarily used as an academic exercise to help support the market value estimate and therefore is not reliable for Insurable Value estimates. Actual construction costs and related estimates can vary greatly from this estimate.

    This analysis should not be relied upon to determine proper insurance coverage which can only be properly estimated by consultants considered experts in cost estimation and insurance underwriting. It is provided to aid the client/reader/user as part of their overall decision making process and no representations or warranties are made by the appraisers regarding the accuracy of this estimate and it is strongly recommend that other sources be utilized to develop any estimate of insurable value.

ADDENDA

ADDENDUM A

GLOSSARY OF TERMS

assessed value Assessed value applies in ad valorem taxation and refers to the value of a property according to the tax rolls. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base. †

cash equivalency The procedure in which the sale prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.

contract rent The actual rental income specified in a lease. ‡

effective rent The rental rate net of financial concessions such as periods of no rent during the lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. ‡

excess land In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land no needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. *See also* surplus land. ‡

extraordinary assumption An assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. *See also* hypothetical condition. ‡

fee simple estate Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. ‡

floor area ratio (FAR) The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called *building-to-land ratio*. ‡

full service lease A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense pass-throughs*.

going concern value Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value. †

gross building area (GBA) The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded. ‡

hypothetical condition That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *See also* extraordinary assumption. ‡

insurable value Insurable Value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. Insurable value is that portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. This value is often controlled by state law and varies from state to state. †

investment value Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value, that is, an appraiser. †

leased fee
See leased fee estate

leased fee estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.‡

leasehold
See leasehold estate

leasehold estate The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.‡

market rent The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations. ‡

market value Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.§

marketing period The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. ‡

net lease Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease* all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

net rentable area (NRA) 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor. *

occupancy rate The relationship or ratio between the income received from the rented units in a property and the income that would be received if all the units were occupied.‡

prospective value opinion A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new us, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. ‡

reasonable exposure time The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market. ††

rent
See
full service lease
net lease
market rent
contract, coupon, face, or nominal rent
effective rent

shell rent The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called plain vanilla finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes; mechanical systems, interior electric, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses. ‡

surplus land Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. *See also* excess land. ‡

usable area 1) The area actually used by individual tenants. 2) The Usable Area of an office building is computed by measuring to the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor. *

use value Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. †

value indication An opinion of value derived through application of the appraisal process. ‡

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† *The Appraisal of Real Estate*, Twelfth Edition, Appraisal Institute, 2001.

‡ *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, 2002.

§ Office of Comptroller of the Currency (OCC), 12 CFR Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 177-178. This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value as well as the example referenced in the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

* 2000 BOMA Experience Exchange Report, Income/Expense Analysis for Office Buildings (Building Owners and Managers Association, 2000)

†† *Statement on Appraisal Standard No. 6*, Appraisal Standards Board of The Appraisal Foundation, September 16, 1993, revised June 15, 2004.

ADDENDUM B

SUBJECT INFORMATION

ZONING & DENSITY BONUS CHANGES

ORDINANCE NO. 28-2019

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ELK GROVE FINDING THAT NO FURTHER ENVIRONMENTAL REVIEW IS REQUIRED PURSUANT TO STATE CEQA GUIDELINES SECTION 15162 AND ADOPTING AMENDMENTS TO THE ELK GROVE MUNICIPAL CODE (TEXT AMENDMENTS) GENERAL PLAN-ZONING CONSISTENCY PROGRAM, PHASE 2 FILE NO: PL0022

23.50.040 Number and types of density bonuses and incentives and concessions allowed.

A. Density Bonus. A housing development that satisfies the eligibility requirements in EGMC Section 23.50.020 (Eligibility for density bonus and incentives and concessions) shall be entitled to the following density bonus:

1. For developments providing ten (10%) percent lower-income target units, the City shall provide a twenty (20%) percent increase above the otherwise maximum allowable residential density as of the date of application, plus a oneand-one-half (1.5%) percent supplemental increase over that base for every one (1%) percent increase in low-income target units above ten (10%) percent. The maximum density bonus allowed including supplemental increases is thirty-five (35%) percent.

2. For developments providing five (5%) percent very low-income target units, the City shall provide a twenty (20%) percent increase above the otherwise maximum allowable residential density as of the date of application, plus a twoand-one-half (2.5%) percent supplemental increase over that base for every one (1%) percent increase in very low-income target units above five (5%) percent. The maximum density bonus allowed including supplemental increases is thirtyfive (35%) percent.

3. For senior citizen housing developments, a flat twenty (20%) percent of the number of senior units.

4. For common interest developments providing ten (10%) percent moderate income target units, the City shall provide a five (5%) percent increase above the otherwise maximum allowable residential density as of the date of application, plus a one (1%) percent increase in moderate-income units above ten (10%) percent. The maximum density bonus allowed including supplemental increases is thirty-five (35%) percent.

5. For developments providing ten percent (10%) of the total units for transitional foster youth, disable veterans, or homeless persons, a flat twenty percent (20%) of the number of the type of units giving rise to a density bonus.

6. For development providing twenty percent (20%) of the total units for lower income students in a student housing development, a flat thirty five percent (35%) of the student housing units.

7. For developments providing one hundred percent (100%) of the units for lower income households as provided in EGMC 23.50.020.G, a flat eighty percent (80%) of the number of units for lower income households; except that if the development is located within one-half (1/2) mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the California Public Resources Code, there shall be no maximum density.

B. Number of Incentives or Concessions. In addition to the density bonus described in this section, an applicant may request specific incentives or concessions. The applicant shall receive the following number of incentives or concessions.

1. One (1) incentive or concession for projects that include at least ten (10%) percent of the total units for lower-income households, at least five (5%) percent for very low-income households, or at least ten (10%) percent for persons and families of moderate income in a common interest development.

2. Two (2) incentives or concessions for projects that include at least twenty (20%) percent of the total units for lower-income households, at least ten (10%) percent for very low-income households, or at least twenty (20%) percent for persons and families of moderate income in a common interest development.

3. Three (3) incentives or concessions for projects that include at least thirty (30%) percent of the total units for lower-income households, at least fifteen (15%) percent for very low-income households, or at least thirty (30%) percent for persons and families of moderate income in a common interest development.

4. Four (4) incentives or concessions for projects meeting the criteria of EGMC 23.50.020.G. If the project is located within one-half mile of a major transit stop, as defined in subdivision (b) of Section 21155 of the Public Resources Code, the applicant shall also receive a height increase of up to three additional stories, or 33 feet.

ASSESSED VALUES
2019-2020

ASSESSOR'S ROLL VALUES

as of September 17, 2019

Tax Roll Year	2019
Land Value	$1,960,000
Improvement Value	$1,280,000
Personal Property Value	$0
Fixtures	$0
Homeowner's Exemption	-$0
Other Exemption	-$3,142,000
Net Assessed Value	$98,000

Information for Parcel:
116-0061-011-0000

Read Our Data Disclaimer

PROPERTY INFORMATION

Assessor Parcel #	11600610110000
Address	9270 BRUCEVILLE RD
Postal City, Zip	ELK GROVE 95758
Jurisdiction	City of Elk Grove
County Supervisor District	Don Nottoli - District 5 (http://www.bos.saccounty.net/district5)
Assessor Roll Status	ACTIVE
Assessor's Map	Assessor's Map Book 116, Page 006 (https://apps.gis.saccounty.net/documents/Assessor/116-006.TIF)

PROPERTY TAX BILL

A summary of the most recent property tax bill is available on the e-PropTax (https://eproptax.saccounty.net/#secured/BillSummary/11600610110000) site.

Tax Rate Area Code	07-051 (http://www.finance.saccounty.net/AuditorController/Pages/TaxAcctRpts.aspx)
Jurisdiction Used on Most Recent Tax Roll	ELK GROVE
Last Roll Year	2018

ASSESSOR'S ROLL VALUES

as of September 17, 2019

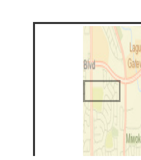
Tax Roll Year	2019
Land Value	$1,960,000
Improvement Value	$1,280,000
Personal Property Value	$0
Fixtures	$0
Homeowner's Exemption	-$0
Other Exemption	-$3,142,000
Net Assessed Value	$98,000
Property tax bill information	Link to ePropTax (https://eproptax.saccounty.net/#secured/BillSummary/11600610110000)

Additional information regarding Assessor's roll values can be obtained by contacting the Assessor's Office at 916-875-0700 (tel:9168750700) or assessor@saccounty.net (mailto:assessor@saccounty.net).

LAND INFORMATION

Thomas Brothers Map	358 B 4
Assessor Land Use Code	EEB0EA
Assessor's Property Description	POR NW 1/4 SEC 34 T 7 N R 5 E MDB&M DESC AS BEG AT A PT LOC S 00%07'56" 446.30 FT N 89%12'01"E 2 ,549.25 FT AND S 01%28'16"E 256.85 FT FROM NW CO R OF SD SEC 34 TH FROM SD POB S 01%28'16"E 500 F T TH S 88%41'37"W 356.96 FT TH N 00%43'30"W 500 FT TH N 88%41'32"E 355.54 FT TO POB CONTG 4.09 A C M/L
Approx. Parcel Area	178160 sq ft / 4.09 acres

ZONING



ADDENDUM C

SUBJECT DOCUMENTS

Requested by:
Simplifile

PREPARED BY and UPON RECORDATION RETURN TO:

Wireless Capital Partners, LLC
11900 West Olympic Boulevard, Suite 400
Los Angeles, CA 90064
Attn: Joshua Wade, Esq.
16088156

Sacramento County Recorder
Craig A. Kramer, Clerk/Recorder
BOOK 20130613 PAGE 1076
Acct 1003-SIMPLIFILE
Thursday, JUN 13, 2013 12:36:28 PM
Ttl Pd $117.00 Nbr-0007829303
JLW/14/3-19

APN: 116-0061-011-0000 SPACE ABOVE THIS LINE FOR RECORDER'S USE

VALENTINE CAPITAL, LLC, as trustor
(Trustor)

To

CHICAGO TITLE COMPANY, as trustee

for the benefit of

DEUTSCHE BANK TRUST COMPANY AMERICAS, A NEW YORK BANKING CORPORATION, acting in its capacity as Indenture Trustee under the Indenture referred to below, as beneficiary
(Beneficiary)

DEED OF TRUST AND ASSIGNMENT OF LEASES AND RENTS

Dated : As of June 5, 2013

Location : 9270 Bruceville Rd., Elk Grove, CA 95758

County : Sacramento

State : California

WCP# : 300018

RECEIVED JUN 10 2013

Lease recorded simultaneously herewith.
Lease terminates 3/31/2112

THIS DEED OF TRUST AND ASSIGNMENT OF LEASES AND RENTS (this "**Security Instrument**") is made as of this 5th day of June, 2013 by **VALENTINE CAPITAL, LLC**, a Delaware limited liability company, having its principal place of business at 11900 W. Olympic Blvd., Ste. 400, Los Angeles, California 90064, as trustor ("**Trustor**") to **CHICAGO TITLE COMPANY**, a California corporation, having an address at 700 S. Flower, Los Angeles, CA 90017, as trustee ("**Trustee**") for the benefit of **DEUTSCHE BANK TRUST COMPANY AMERICAS, A NEW YORK BANKING CORPORATION**, having an address at c/o Deutsche Bank National Trust Company, 100 Plaza One, Jersey City, New Jersey 07311-3901, Attention: Trust & Securities Services, acting in its capacity as indenture trustee for the benefit of the Noteholders under the Indenture referred to below (together with its successors and assigns, the "**Beneficiary**").

RECITALS:

The Trustor, Beneficiary and certain other parties are entering or have entered into an Indenture, dated as of November 27, 2012 (as amended, restated or supplemented from time to time in accordance with its terms, the "**Indenture**"), pursuant to which affiliates of Trustor will from time to time issue notes; and

This Security Instrument is given pursuant to the Indenture, and payment, fulfillment, and performance by Trustor of its obligations thereunder and under the other documents and instruments executed in connection with the Indenture (the Indenture, the notes issued thereunder and the other documents executed in connections therewith, as the same may be amended, modified, restated, replaced, substituted, or otherwise supplemented from time to time, are collectively referred to as the "**Financing Documents**") are secured hereby. All capitalized terms not defined herein shall have the respective meanings set forth in the Indenture.

Article 1 - GRANTS OF SECURITY

Section 1.1 PROPERTY MORTGAGED. Trustor does hereby irrevocably mortgage, grant, bargain, sell, pledge, assign, warrant, transfer, convey and grant a security interest to Trustee and to Beneficiary and its successors and assigns all of its right, title and interest in and to that certain Purchase and Sale of Lease and Successor Lease agreement described in Exhibit A attached hereto (the "**Purchase Agreements**") and, in addition thereto, or deriving from or relating thereto, the following property, rights, interests and estates now owned, or hereafter acquired by Trustor (collectively, the "**Property**"):

(a) Lease. The landlord's interest in the lease described in Exhibit B attached hereto (the "**Existing Lease**") affecting the Premises (as defined in the Purchase Agreements) (such Premises forming a part of the real property described on Exhibit C attached hereto (the "**Land**")) and assigned to Trustor pursuant to the Purchase Agreement, and the tenant's interest in any Successor Lease (as defined in the Purchase Agreement) entered into following the date hereof (a "**Successor Lease**"; the Existing Lease and any Successor Lease hereinafter collectively referred to as a "**Lease**"), including all assignments, modifications, extensions and renewals of each Lease and all credits, deposits, options, privileges and rights of Trustor as landlord or tenant, as applicable, under each Lease, including, but not limited to, the right, if any, to renew or extend each Lease for a succeeding term or terms, and also including all the right, title, claim or demand whatsoever of Trustor either in law or in equity, in possession or expectancy, of, in and to Trustor's right, as landlord or tenant, as applicable, under each Mortgaged Lease pursuant to Section 365 of the Bankruptcy Code, Title 11 U.S.C.A. §101 *et seq.* (the **"Bankruptcy Code"**);

(b) Improvements. The buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter erected or located on the Land in which Trustor may have an interest pursuant to the Purchase Agreement (collectively, the **"Improvements"**);

(c) Fixtures and Personal Property. All machinery, equipment, fixtures and other property of every kind and nature whatsoever in which Trustor may now or hereafter have an interest pursuant to the Purchase Agreement (collectively, the **"Personal Property"**), and all proceeds and products of the above;

(d) Rents. All rents, additional rents, rent equivalents, moneys payable as damages or in lieu of rent or rent equivalents, deposits (including, without limitation, security, utility and other deposits) and other consideration of whatever form or nature received by or paid to or for the account of or benefit of Trustor or its agents or employees from any and all sources arising from or attributable to the Property now existing or hereafter arising (collectively, the **"Rents"**) and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(e) Insurance Proceeds. All insurance proceeds in which Trustor may have an interest pursuant to the Purchase Agreement;

(f) Condemnation Awards. All of Trustor's interests in any awards, including interest thereon, which may heretofore and hereafter be made with respect to the Property by reason of condemnation, whether from the exercise of the right of eminent domain (including, but not limited to, any transfer made in lieu of or in anticipation of the exercise of the right), or for any other injury to or decrease in the value of the Property;

(g) Rights. The right, in the name and on behalf of Trustor, to appear in and defend any action or proceeding brought with respect to the Property and to commence any action or proceeding to protect the interest of Beneficiary in the Property;

(h) Conversion. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing items set forth in subsections (a) through (h) including, without limitation, Insurance Proceeds and Awards, into cash or liquidation claims; and

(i) Other Rights. Any and all other rights of Trustor in and to the items set forth in subsections (a) through (i) above.

Section 1.2 ASSIGNMENT OF RENTS. Trustor hereby absolutely and unconditionally assigns to Trustee, and to Beneficiary all of Trustor's right, title and interest in and to all current and future Leases and Rents; it being intended by Trustor that this assignment constitutes a present, absolute assignment and not an assignment for additional security only. Nevertheless, subject to the terms of the Indenture, this Section 1.2 and Section 7.1 of this Security Instrument, Beneficiary grants to Trustor a revocable license to collect, receive, use and enjoy the Rents.

CONDITIONS TO GRANT

TO HAVE AND TO HOLD the above granted and described Property unto and to the use and benefit of Beneficiary and Trustee, and their respective successors and assigns, forever;

IN TRUST, WITH POWER OF SALE, to secure payment to Beneficiary at the time and in the manner provided for its payment in the Indenture;

PROVIDED, HOWEVER, with respect to any Lease and the Land subject to such Lease, that the lien of this Security Instrument does not encumber such Land;

PROVIDED FURTHER, HOWEVER, these presents are upon the express condition that, if Trustor shall well and truly pay to Beneficiary the Debt (defined below) at the time and in the manner provided in the Indenture, shall well and truly perform the Other Obligations (defined below) as set forth in this Security Instrument and shall well and truly abide by and comply with each and every covenant and condition set forth in the Indenture, these presents and the estate hereby granted shall cease, terminate and be void.

Article 2 - DEBT AND OBLIGATIONS SECURED

Section 2.1 DEBT. This Security Instrument and the grants, assignments and transfers made in Article 1 are given for the purpose of securing each promissory note issued pursuant to the Financing Documents and all other notes given in substitution therefor or in modification, renewal, extension, increase, or consolidation thereof, in whole or in part, as set forth in the Financing Documents (the "**Debt**").

Section 2.2 OTHER OBLIGATIONS. This Security Instrument and the grants, assignments and transfers made in Article 1 are also given for the purpose of securing the performance of the following (the "**Other Obligations**"): (a) all other obligations of Trustor contained herein; (b) each obligation of Trustor contained in the Indenture and any other Financing Document; and (c) each obligation of Trustor contained in any renewal, extension, amendment, modification, consolidation, change of, or substitution or replacement for, all or any part of the Indenture or any other Financing Document.

Section 2.3 DEBT AND OTHER OBLIGATIONS. Trustor's obligations for the payment of the Debt and the performance of the Other Obligations shall be referred to collectively herein as the "**Obligations**."

Section 2.4 PAYMENT OF DEBT. Trustor will pay the Debt at the time and in the manner provided in the Indenture.

Section 2.5 INCORPORATION BY REFERENCE. All of the rights, remedies, obligations, covenants, conditions, agreements, indemnities, representations and warranties contained in (a) the Indenture, and (b) all and any of the other Financing Documents, are hereby made a part of this Security Instrument to the same extent and with the same force as if fully set forth herein.

Article 3 - PROPERTY COVENANTS

Trustor covenants and agrees that:

Section 3.1 LEASES. Trustor shall not enter in any leases or sublease for all or any portion of the Property unless in accordance with the provisions of the Indenture.

Section 3.2 WARRANTY OF TITLE. Trustor has good, marketable and insurable title to the Property, free and clear of all Liens whatsoever except as may be expressly permitted under the Financing Documents (the "**Permitted Encumbrances**") and the Liens created by the Financing Documents. This Security Instrument, when properly recorded in the appropriate records will create a valid, perfected first priority lien on the Property, subject only to Permitted Encumbrances and the Liens created by the Financing Documents. Trustor shall forever warrant, defend and preserve the title and the validity and priority of the Lien of this Security Instrument and shall forever warrant and defend the same to Beneficiary and/or Trustee against the claims of all Persons whomsoever (other than holders of the Permitted Encumbrances).

Article 4 - DUE ON SALE/ENCUMBRANCE

Section 4.1 NO SALE/ENCUMBRANCE. Trustor shall not cause or permit a sale, conveyance, mortgage, grant, bargain, encumbrance, pledge, assignment, lease, sublease, grant of any options with respect to, or any other transfer or disposition (directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, and whether or not for consideration or of record) of a legal or beneficial interest in the Property or any part thereof, other than in accordance with the provisions of the Indenture, without the prior written consent of Beneficiary.

Article 5 RELEASE OF PROPERTY

Section 5.1 RELEASE OF PROPERTY. Trustor shall not be entitled to a release of any portion of the Property from the lien of this Security Instrument except in accordance with terms and conditions of the Indenture.

Article 6 - DEFAULT

Section 6.1 EVENT OF DEFAULT. The term "**Event of Default**" as used in this Security Instrument shall have the meaning assigned to such term in the Indenture.

Article 7 - RIGHTS AND REMEDIES UPON DEFAULT

Section 7.1 REMEDIES. Upon the occurrence and during the continuance of any Event of Default, Trustor agrees that Beneficiary may, or acting through Trustee may, take such action or actions as may be provided in the Indenture and the other Financing Documents, and, in addition thereto, shall have the right to take the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies of

Beneficiary or Trustee:

(a) institute proceedings, judicial or otherwise, for the complete foreclosure of this Security Instrument under any applicable provision of law, in which case the Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner;

(b) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Security Instrument for the portion of the Debt then due and payable, subject to the continuing lien and security interest of this Security Instrument for the balance of the Debt not then due, unimpaired and without loss of priority;

(c) sell for cash or upon credit the Property or any part thereof and all estate, claim, demand, right, title and interest of Trustor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law;

(d) the license granted to Trustor under Section 1.2 hereof shall automatically be revoked; and

(e) in the event that Trustor is the tenant under any Successor Lease, Beneficiary may enter into or upon the Property, either personally or by its agents, nominees or attorneys and dispossess Trustor and its agents and servants therefrom, without liability for trespass, damages or otherwise and exclude Trustor and its agents or servants wholly therefrom, and Trustor agrees to surrender possession of the Property to Beneficiary upon demand, and thereupon Beneficiary may (i) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Property and conduct the business thereat; (ii) complete any construction on the Property in such manner and form as Beneficiary deems advisable; (iii) make alterations, additions, renewals, replacements and improvements to or on the Property; (iv) exercise all rights and powers of Trustor with respect to the Property, whether in the name of Trustor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases; and (v) require Trustor to vacate and surrender possession of the Property to Beneficiary and, in default thereof, Trustor may be evicted by summary proceedings or otherwise.

In the event of a sale, by foreclosure, power of sale or otherwise, of less than all of Property, this Security Instrument shall continue as a lien and security interest on the remaining portion of the Property unimpaired and without loss of priority.

Article 8 FURTHER ASSURANCES

Section 8.1 <u>RECORDING OF SECURITY INSTRUMENT, ETC</u>. Trustor forthwith upon the execution and delivery of this Security Instrument and thereafter, from time to time, will cause this Security Instrument and any of the other Financing Documents creating a lien or security interest or evidencing the lien hereof upon the Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect and perfect the lien or security interest hereof upon, and the interest of Beneficiary in, the Property. Trustor will pay all taxes, filing, registration or recording fees, and all expenses incident to the preparation, execution, acknowledgment and/or recording of this Security Instrument, the other Financing Documents, and any instrument of further assurance, and any modification or amendment of the foregoing documents, and all federal, state, county and municipal taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Security Instrument, the other Financing Documents, or any instrument of further assurance, and any modification or amendment of the foregoing documents, except where prohibited by law so to do.

Section 8.2 LEGAL FEES FOR ENFORCEMENT. After the occurrence and during the continuance of an Event of Default, Trustor shall pay to Beneficiary on demand any and all reasonable out-of-pocket expenses, including legal expenses and attorneys' fees, incurred or paid by Beneficiary in protecting its interest in the Property or in collecting any amount payable hereunder or in enforcing its rights hereunder with respect to the Property (including commencing any foreclosure action), whether or not any legal proceeding is commenced hereunder or thereunder, together with interest thereon at the Default Rate from the date paid or incurred by Beneficiary until such expenses are paid by Trustor. The phrases "legal expenses" and "attorneys' fees" shall include any and all reasonable attorneys', paralegal and law clerk fees and disbursements, including, but not limited to, fees and disbursements at the pre-trial, trial and appellate levels incurred or paid by Beneficiary in protecting its interest in the Property, the Leases and the Rents and enforcing its rights hereunder after the occurrence and during the continuance of an Event of Default.

Article 9 - ENVIRONMENTAL HAZARDS

Section 9.1 ENVIRONMENTAL COVENANTS. Trustor has provided representations, warranties and covenants regarding environmental matters set forth in the Indenture.

Article 10 - WAIVERS

Section 10.1 WAIVER OF FORECLOSURE DEFENSE. Trustor hereby waives any defense Trustor might assert or have by reason of Beneficiary's failure to make any tenant or lessee of the Property a party defendant in any foreclosure proceeding or action instituted by Beneficiary.

Article 11 - NOTICES

Section 11.1 NOTICES. All notices or other written communications hereunder shall be delivered in accordance with the notice provisions of the Indenture.

Article 12 - APPLICABLE LAW

Section 12.1 GOVERNING LAW. This Security Instrument shall be governed, construed, applied and enforced in accordance with the laws of the state in which the Property is located and applicable laws of the United States of America.

Section 12.2 PROVISIONS SUBJECT TO APPLICABLE LAW. All rights, powers and remedies provided in this Security Instrument may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law and are intended to be limited to the extent necessary so that they will not render this Security Instrument invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Security Instrument or any application thereof shall be invalid or unenforceable, the remainder of this Security Instrument and any other application of the term shall not be affected thereby.

Article 13 - MISCELLANEOUS PROVISIONS

Section 13.1 NO ORAL CHANGE. This Security Instrument, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Trustor or Beneficiary, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

Section 13.2 SUCCESSORS AND ASSIGNS. This Security Instrument shall be binding upon and inure to the benefit of Trustor and Beneficiary and their respective successors and assigns forever.

Section 13.3 INAPPLICABLE PROVISIONS. If any term, covenant or condition of the Indenture, the Security Agreement or this Security Instrument is held to be invalid, illegal or unenforceable in any respect, the Indenture, the Security Agreement and this Security Instrument shall be construed without such provision.

Section 13.4 HEADINGS, ETC. The headings and captions of various Sections of this Security Instrument are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

Section 13.5 NUMBER AND GENDER. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

Section 13.6 ENTIRE AGREEMENT. This Security Instrument and the other Financing Documents contain the entire agreement of the parties hereto and thereto in respect of the transactions contemplated hereby and thereby, and all prior agreements among or between such parties, whether oral or written between Trustor and Beneficiary are superseded by the terms of this Security Instrument and the other Financing Documents.

Section 13.7 LIMITATION ON BENEFICIARY'S RESPONSIBILITY. No provision of this Security Instrument shall operate to place any obligation or liability for the control, care, management or repair of the Property upon Beneficiary, nor shall it operate to make Beneficiary responsible or liable for any waste committed on the Property by the tenants or any other Person, or for any dangerous or defective condition of the Property, or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any tenant, licensee, employee or stranger. Nothing herein contained shall be construed as constituting Beneficiary a "mortgagee in possession."

Section 13.8 DEFINITIONS. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Security Instrument may be used interchangeably in singular or plural form. The word "Trustee" shall mean "Trustee and any substitute Trustee of the estates, properties, powers, trusts and rights conferred upon Trustee pursuant to this Security Instrument."

Article 14 - CROSS-COLLATERALIZATION

Section 14.1 Trustor acknowledges that the Debt is secured by this Security Instrument together with those additional mortgages, deeds of trust or deeds to secure debt (the "**Additional Security Instruments**") given by Trustor to Beneficiary and other Financing Documents securing or evidencing the Debt, and encumbering other properties, all as more specifically set forth in the Indenture. Upon the occurrence and during the continuance of an Event of Default, Beneficiary shall have the right to institute a proceeding or proceedings for the total or partial foreclosure of this Security Instrument and any or all of the Additional Security Instruments whether by court action, power of sale or otherwise, under any applicable provision of law, for all of the Debt or the portion of the Debt allocated to the Property in this Security Instrument, and the lien and the security interest created by the Additional Security Instruments shall continue in full force and effect without loss of priority as a lien and security interest securing the payment of that portion of the Debt then due and payable but still outstanding. Trustor acknowledges and agrees that the Property and the other properties are located in one or more States, Commonwealths and counties, and therefore Beneficiary shall be permitted upon the occurrence and during the continuance of an Event of Default to enforce payment of the Debt and the performance of any term, covenant or condition of this Security Instrument or the Additional Security Instruments and exercise any and all rights and remedies under this Security Instrument, the other Financing Documents, or the Additional Security Instruments or as provided by law or at equity, by one or more proceedings, whether contemporaneous, consecutive or both, to be determined by Beneficiary, in its sole discretion, in any one or more of the States, Commonwealths or counties in which the Property or any of the other properties is located. Neither the acceptance of this Security Instrument, the other Financing Documents nor the enforcement thereof in any one State, Commonwealth or county, whether by court action, foreclosure, power of sale or otherwise, shall prejudice or in any way limit or preclude enforcement by court action, foreclosure, power of sale or otherwise, of this Security Instrument, the other Financing Documents, or any Additional Security Instruments through one or more additional proceedings in that State, Commonwealth or county or in any other State, Commonwealth or county.

Article 15 - DEED OF TRUST PROVISIONS

Section 15.1 CONCERNING THE TRUSTEE. Trustee shall be under no duty to take any action hereunder except as expressly required hereunder or by law, or to perform any act which would involve Trustee in any expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to Trustee's reasonable satisfaction. Trustee, by acceptance of this Security Instrument, covenants to perform and fulfill the trusts herein created, being liable, however, only for gross negligence or willful misconduct, and hereby waives any statutory fee and agrees to accept reasonable compensation, in lieu thereof, for any services rendered by Trustee in accordance with the terms hereof. Trustee may resign at any time upon giving thirty (30) days' notice to Trustor and to Beneficiary. Beneficiary may remove Trustee at any time or from time to time and select a successor trustee. In the event of the death, removal, resignation, refusal to act, or inability to act of Trustee, or in its sole discretion for any reason whatsoever Beneficiary may, without notice and without specifying any reason therefor and without applying to any court, select and appoint a successor trustee, by an instrument recorded wherever this Security Instrument is recorded and all powers, rights, duties and authority of Trustee, as aforesaid, shall thereupon become vested in such successor. Such substitute trustee shall not be required to give bond for the faithful performance of the duties of Trustee hereunder unless required by Beneficiary. The procedure provided for in this Section 15.1 for substitution of Trustee shall be in addition to and not in exclusion of any other provisions for substitution, by law or otherwise.

Section 15.2 TRUSTEE'S FEES. Trustor shall pay all reasonable costs, fees and expenses incurred by Trustee and Trustee's agents and counsel in connection with the performance by Trustee of Trustee's duties hereunder and all such costs, fees and expenses shall be secured by this Security Instrument.

Section 15.3 CERTAIN RIGHTS. With the approval of Beneficiary and Trustor (provided that no approval shall be required from Trustor during the continuance of any Event of Default), Trustee shall have the right to take any and all of the following actions: (i) to select, employ, and advise with counsel (who may be, but need not be, counsel for Beneficiary) upon any matters arising hereunder, including the preparation, execution, and interpretation of this Security Instrument or the other Financing Documents, and shall be fully protected in relying as to legal matters on the advice of counsel, (ii) to execute any of the trusts and powers hereof and to perform any duty hereunder either directly or through his/her agents or attorneys, (iii) to select and employ, in and about the execution of his/her duties hereunder, suitable accountants, engineers and other experts, agents and attorneys-in-fact, either corporate or individual, not regularly in the employ of Trustee, and Trustee shall not be answerable for any act, default, negligence, or misconduct of any such accountant, engineer or other expert, agent or attorney-in-fact, if selected with reasonable care, or for any error of judgment or act done by Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatsoever, except for Trustee's gross negligence or willful misconduct, and (iv) any and all other lawful action as Beneficiary may instruct Trustee to take to protect or enforce Beneficiary's rights hereunder. Trustee shall not be personally liable in case of entry by Trustee, or anyone entering by virtue of the powers herein granted to Trustee, upon the Property for debts contracted for or liability or damages incurred in the management or operation of the Property. Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting an action taken or proposed to be taken by Trustee hereunder, believed by Trustee in good faith to be genuine. Trustee shall be entitled to reimbursement for reasonable expenses actually incurred by Trustee in the performance of Trustee's duties hereunder and to reasonable compensation for such of Trustee's services hereunder as shall be rendered.

Section 15.4 RETENTION OF MONEY. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by applicable law) and Trustee shall be under no liability for interest on any moneys received by

Trustee hereunder.

Section 15.5 Perfection of Appointment. Should any deed, conveyance, or instrument of any nature be required from Trustor by any Trustee or substitute trustee to more fully and certainly vest in and confirm to the Trustee or substitute trustee such estates, rights, powers, and duties, then, upon request by the Trustee or substitute trustee, any and all such deeds, conveyances and instruments shall be made, executed, acknowledged, and delivered and shall be caused to be recorded and/or filed by Trustor.

Section 15.6 Succession Instruments. Any substitute trustee appointed pursuant to any of the provisions hereof shall, without any further act, deed, or conveyance, become vested with all the estates, properties, rights, powers, and trusts of its or his/her predecessor in the rights hereunder with like effect as if originally named as Trustee herein; but nevertheless, upon the written request of Beneficiary or of the substitute trustee, the Trustee ceasing to act shall execute and deliver any instrument transferring to such substitute trustee, upon the trusts herein expressed, all the estates, properties, rights, powers, and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and moneys held by such Trustee to the substitute trustee so appointed in the Trustee's place.

Article 16 - State Specific Provisions

Section 16.1 Principles of Construction. In the event of any inconsistencies between the terms and conditions of this Article 16 and the terms and conditions of this Security Instrument, the terms and conditions of this Article 16 shall control and be binding.

Section 16.2 Trustor. The word "grantor" is hereby deleted wherever it appears in this Security Instrument and the word "Trustor" is substituted therefor.

Section 16.3 Assignment of Leases and Rents. Section 1.2 of this Security Instrument entitled "Assignment of Rents" is hereby deleted in its entirety and the following is substituted therefor:

> This Security Instrument constitutes a present, absolute assignment of the Leases and Rents from Trustor to Beneficiary. The Leases and Rents are hereby absolutely and irrevocably assigned by Trustor to Beneficiary. Subject to the terms of the Indenture, Beneficiary is hereby granted and assigned by Trustor the right to enter the Property for the purpose of enforcing its right in the Leases and Rents. Nevertheless, subject to the terms of this Section 1.2 and Section 7.1(d) of this Security Agreement and the terms of the Indenture, Beneficiary grants to Trustor a revocable license to collect Rents. Upon or at any time after the occurrence and during the continuance of an Event of Default, the license granted to Trustor herein may be revoked by Beneficiary, and Beneficiary may enter upon the Property, and collect, retain and apply the Rents toward payment of the Debt in accordance with the Indenture. The foregoing assignment shall be fully operative without any further action on the part of either party and Beneficiary shall be entitled to the Leases and Rents whether or not Beneficiary takes

possession of the Property or any part thereof.

Section 16.4 <u>Conditions to Grant</u>. The portion of the paragraph beginning "PROVIDED, HOWEVER" appearing in this Security Instrument under the provisions entitled "Conditions to Grant" is hereby deleted in its entirety and the following language is substituted therefor:

> PROVIDED FURTHER, HOWEVER, upon written request of Beneficiary stating that all sums secured hereby have been paid, that Trustor has well and truly abided by and complied with each and every covenant and condition set forth herein and in the Indenture, and upon the surrendering of this Security Instrument to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees, Trustee shall re-convey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the estate hereby granted and then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto".

Section 16.5 <u>Due on Sale/Encumbrance</u>. Trustor expressly agrees that upon a violation of Article 4 of this Security Instrument by Trustor and acceleration of the principal balance of the Loan because of such violation, Trustor will pay all sums required to be paid in connection with a prepayment, if any, as described in the Indenture or any other Loan Document, herein imposed on prepayment after an Event of Default and acceleration of the principal balance. Trustor expressly acknowledges that Trustor has received adequate consideration for the foregoing agreement.

Section 16.6 <u>Power of Sale</u>. Upon the occurrence and during the continuance of an Event of Default, Beneficiary, its successors and assigns, may elect to cause the Property or any part thereof to be sold as follows:

(a) Beneficiary may proceed as if all of the Property were real property, in accordance with subparagraph (d) below, or Beneficiary may elect to treat any of the Property which consists of a right in action or which is property that can be severed from the Land without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with the Security Agreement, separate and apart from the sale of real property, the remainder of the Property being treated as real property.

(b) Beneficiary may cause any such sale or other disposition to be conducted immediately following the expiration of any grace period, if any, herein provided (or immediately upon the expiration of any redemption period required by law) or Beneficiary may delay any such sale or other disposition for such period of time as Beneficiary deems to be in its best interest. Should Beneficiary desire that more than one such sale or other disposition be conducted, Beneficiary may at its option, cause the same to be conducted simultaneously, or successively on the same day, or at such different days or times and in such order as Beneficiary may deem to be in its best interest.

(c) Intentionally Omitted.

(d) Should Beneficiary elect to sell the Property which is real property or which Beneficiary has elected to treat as real property, upon such election Beneficiary or Trustee shall give such Notice of Default and Election to Sell as may then be required by law. Thereafter, upon the expiration of such time and the giving of such Notice of Sale as may then be required by law, Trustee, at the time and place specified in the Notice of Sale, shall sell such Property, or any portion thereof specified by Beneficiary, at public auction to the highest bidder for cash in lawful money of the United States, subject, however, to the provisions of subparagraph (i) hereof. Trustee for good cause may, and upon request of Beneficiary shall, from time to time, postpone the sale by public announcement thereof at the time and place noticed therefor. If the Property consists of several lots or parcels, Beneficiary may designate the order in which such lots or parcels shall be offered for sale or sold. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Upon any sale Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the property so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession.

(e) In the event of a sale or other disposition of any such property, or any part thereof, and the execution of a deed or other conveyance, pursuant thereto, the recitals therein of facts, such as a default, the giving of notice of default and notice of sale, demand that such sale should be made, postponement of sale, terms of sale, sale, purchaser, payment of purchase money, and any other fact affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts; and any such deed of conveyance shall be conclusive against all persons as to such facts recited therein.

(f) Beneficiary and/or Trustee shall apply the proceeds of any sale or disposition hereunder to payment of the following: (1) the expenses of such sale or disposition together with Trustee's fees and reasonable attorneys' fees, and the actual cost of publishing, recording, mailing and posting notice; (2) the cost of any search and/or other evidence of title procured in connection therewith and transfer tax on any deed or conveyance; (3) all sums expended under the terms hereof, not then repaid, with accrued interest in the amount provided herein; (4) all other sums secured hereby; and (5) the remainder if any to the person or persons legally entitled thereto.

(g) The acknowledgment of the receipt of the purchase money, contained in any deed or conveyance executed as aforesaid, shall be sufficient discharge from all obligations to see to the proper application of the consideration therefor.

(h) Trustor hereby expressly waives any right which it may have to direct the order in which any of the Property shall be sold in the event of any sale or sales pursuant hereto.

(i) Upon any sale of the Property, whether made under a power of sale herein granted or pursuant to judicial proceedings, if the holder of the Loan is a purchaser at such sale, it shall be entitled to use and apply all or any portion of the indebtedness then secured hereby for or in settlement or payment of all or any portion of the purchase price of the property purchased, and, in such case, this Security Instrument and documents evidencing expenditures secured hereby shall be presented to the person conducting the sale in order that the amount of said indebtedness so used or applied may be credited thereon as having been paid.

(j) No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by this instrument to Trustee or Beneficiary, or to which either of them may be otherwise entitled, may be exercised from time to time and as often as may be deemed expedient by Trustee or Beneficiary, and either of them may pursue inconsistent remedies. If there exists additional security for the performance of the obligations secured hereby, the holder of the Loan, at its sole option and without limiting or affecting any rights or remedies hereunder, may exercise any of the rights and remedies to which it may be entitled hereunder either concurrently with whatever other rights it may have in connection with such other security or in such order as it may determine.

(k) Trustor hereby requests that every notice of default and every notice of sale be given in accordance with the provisions of Article 11 hereof except as otherwise required by statute. Trustor may, from time to time, change the address to which notice of default and sale hereunder shall be sent by both filing a request therefor, in the manner provided by the California Civil Code, Section 2924b, and sending a copy of such request to Beneficiary, its successors or assigns in accordance with the provisions of Article 11 hereof.

Section 16.7 <u>CONCERNING THE TRUSTEE</u>:

(a) Trustee accepts the trust created by this Security Instrument when this Security Instrument, duly executed and acknowledged, is made a public record as provided by law.

(b) Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party, unless brought by Trustee.

[NO FURTHER TEXT ON THIS PAGE]

In witness whereof:

The undersigned, pursuant to proper authority of its operating agreement and/or bylaws, has duly executed, acknowledged and delivered this instrument as of the day and year first above written.

VALENTINE CAPITAL, LLC,
a Delaware limited liability company

SEAL

By: ______________________________
Name: Bradley D. Knyal
Title: Authorized Signatory

Witness #1 as to Premises in CT, DE, FL, GA, LA, PA & SC:

____
Name: ______________________________

Witness #2 as to Premises in CT, DE, FL, GA, LA, PA & SC:

____
Name: ______________________________

Notary Public as to Premises in GA & LA:

____
Notary Public

The following acknowledgment page, including notary execution, is hereby incorporated by reference into this page as if set forth hereon in its entirety.

County of Los Angeles, State of California:

Multi-State LLC (by Individual) Acknowledgment:

On 06/05/2013, before me, the undersigned officer, personally appeared **Bradley D. Knyal**, who acknowledged himself / herself to me (or proved to me on the basis of satisfactory evidence) to be the President of the limited liability company (hereinafter, the "LLC"); and that as such Managing Member, being duly authorized to do so pursuant to its bylaws or operating agreement, executed, subscribed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of the LLC by himself / herself in his / her authorized capacity as such Managing Member as his / her free and voluntary act and deed and the free and voluntary act and deed of said LLC. Witness my hand and official seal.

Uniform Acknowledgment which is supplemental to the foregoing acknowledgment:

On 06/05/2013, before me, the undersigned, a Notary Public in and for said State, personally appeared **Bradley D. Knyal**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he / she / they executed the same in his / her / their authorized capacity(ies), and that by his / her / their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument. *** Witness my hand and official seal.

CA Acknowledgment for use by CA Notaries only acting in CA which supersedes and replaces the foregoing acknowledgments:

On 06/05/2013, before me, Jennifer Pouliot, a Notary Public in and for the State of California, personally appeared Bradley D. Knyal who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity, and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument. *** I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct. *** Witness my hand and official seal.

Notary Public

JENNIFER POULIOT
COMM. 1982931
NOTARY PUBLIC CALIFORNIA
LOS ANGELES COUNTY
My Comm. Expires July 20, 2016
ORS-1

EXHIBIT A

(Description of Purchase and Sale of Lease and Successor Lease)

That certain Purchase and Sale of Lease and Successor Lease dated 03/15/2013, between LIGHT OF THE VALLEY, a California non-profit corporation, whose address is 9270 Bruceville Rd., Elk Grove, CA 95758, and Valentine Capital, LLC, whose address is 11900 W. Olympic Blvd., Ste. 400, Los Angeles, CA 90064, for the property located at 9270 Bruceville Rd., Elk Grove, CA 95758, for which a memorandum was recorded concurrently herewith in the County Recorder's Office Sacramento, State of California, as assigned to Trustor by mesne assignments.

EXHIBIT B

(DESCRIPTION OF EXISTING LEASES)

That certain Building and Rooftop Lease Agreement dated December 28, 2001, by and between LIGHT OF THE VALLEY, a California non-profit corporation, as successor in interest to Laguna Baptist Church, a California non-profit corporation whose address is 9270 BRUCEVILLE RD, ELK GROVE, CA 95758 ("Landlord") and Sacramento-Valley Limited Partnership d/b/a Verizon Wireless, ("Tenant"), whose address is 180 Washington Valley Road, Bedminster, NJ 07921, Attention: Network Real Estate, as amended by that certain First Amendment to Building and Rooftop lease Agreement dated December 28, 2001 and that certain Second Amendment to Building and Rooftop Lease Agreement dated August 27, 2002, for the property located at 9270 BRUCEVILLE RD, ELK GROVE, CA 95758.

EXHIBIT C

(LEGAL DESCRIPTION OF LAND)

An interest in land, said interest being over a portion of the following described parent parcel:

All that portion of the Northwest one-quarter of Section 34, Township 7 North, Range 5 East, M.D.B.&M., described as follows:

Beginning at a point in the East line of that certain parcel of land as described in a Decree Quieting Title entered by Superior Court for Sacramento County in Suit No. 85570, entitled Theodore Ehnisz et al, vs. Fred C. Dickson, et al, a certified copy of which was recorded March 26, 1951 in Book 2012, Page 208, Official Records; from which a 1 1/4 inch iron pipe marking the Northwest corner of said Section 34 bears North 01 degrees 28'16" West 256.85 feet, South 89 degrees 12'01" West 2549.25 feet and North 00 degrees 07'56" West 446.30 feet; thence from said point of beginning along said East line South 01 degrees 28'16" East 500.00 feet; thence South 88 degrees 41'32" West 356.96 feet; thence North 00 degrees 43'30" West 500.00 feet; thence North 88 degrees 41'32" East 355.54 feet to the point of beginning.

AND BEING the same property conveyed to Light of the Valley, a California non-profit corporation from Laguna Creek Community Church, a California non-profit corporation by Grant Deed dated April 16, 2004 and recorded April 20, 2004 in Deed Book 20040420, Page 0828.

Parcel No. 116-0061-011-0000

AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- NET

(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease (**"Lease"**), dated for reference purposes only June 5, 2017, is made by and between Light of the Valley Church (**"Lessor"**) and Fortune School of Education (**"Lessee"**), (collectively the **"Parties,"** or individually a **"Party"**).

1.2 **Premises:** That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 9270 Bruceville Road, Elk Grove, located in the County of Sacramento, State of California, and generally described as (describe briefly the nature of the property and, if applicable, the **"Project"**, if the property is located within a Project) a 7,000 square foot educational facility (**"Premises"**). (See also Paragraph 2)

1.3 **Term:** 1 years and 0 months (**"Original Term"**) commencing August 1, 2017 (**"Commencement Date"**) and ending July 31, 2018 (**"Expiration Date"**). (See also Paragraph 3)

1.4 **Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing July 1, 2017 (**"Early Possession Date"**). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $8,500.00 per month (**"Base Rent"**), payable on the First day of each month commencing August 1, 2017. (See also Paragraph 4)

☑ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 52 & 55

1.6 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $8,500.00 for the period of August 1, 2017 through July 31, 2018.

(b) **Security Deposit:** $8,500.00 (**"Security Deposit"**). (See also Paragraph 5)

~~(c) Association Fees: $ for the period~~

~~(d) Other: $ for~~.

(e) **Total Due Upon Execution of this Lease:** $17,000.00.

1.7 **Agreed Use:** 9-12 grade school and associated uses. (See also Paragraph 6)

1.8 **Insuring Party:** Lessor is the **"Insuring Party"** unless otherwise stated herein. (See also Paragraph 8)

1.9 **Real Estate Brokers:** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate brokers (the **"Brokers"**) and brokerage relationships exist in this transaction (check applicable boxes):

☑ Chris Bury / Foundry Commercial, Inc represents Lessor exclusively (**"Lessor's Broker"**);

☑ Dave Smith / Cresa Sacramento represents Lessee exclusively (**"Lessee's Broker"**); or

~~☐ represents both Lessor and Lessee ("Dual Agency").~~

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers the brokerage fee agreed to in a separate written agreement ~~(or if there is no such agreement, the sum of or % of the total Base Rent)~~

JR INITIALS

M7 INITIALS

for the brokerage services rendered by the Brokers.

~~1.10 **Guarantor.** The obligations of the Lessee under this Lease are to be guaranteed by ("Guarantor"). (See also Paragraph 37)~~

1.11 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

☑ an Addendum consisting of Paragraphs 51 through 57 ;

~~☐ a plot plan depicting the Premises;~~

~~☐ a current set of the Rules and Regulations;~~

~~☐ a Work Letter;~~

~~☐ other (specify):~~

2. Premises.

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date ~~or the Early Possession Date, whichever first occurs~~ (**"Start Date"**), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee and in effect within thirty days following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems (**"HVAC"**), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the **"Building"**) shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law. If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense. Lessor also warrants, that unless otherwise specified in writing, Lessor is unaware of (i) any recorded Notices of Default affecting the Premise; (ii) any delinquent amounts due under any loan secured by the Premises; and (iii) any bankruptcy proceeding affecting the Premises.

2.3 **Compliance.** Lessor warrants that to the best of its knowledge the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances (**"Applicable Requirements"**) that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** ~~If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.~~ If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Unit, Premises and/or Building (**"Capital Expenditure"**), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if ~~such Capital Expenditure is required during the last 2 years of this Lease and~~ the cost thereof exceeds ~~6~~ 3 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to ~~6~~ 3 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least ~~90~~ 30 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. ~~If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure.~~ If Lessor ~~does not elect to terminate, and~~ fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession.** Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1. **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent (**"Rent"**).

4.2 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of $25 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent, Insurance and Real Property Taxes, and any remaining amount to any other outstanding charges or costs.

~~4.3 **Association Fees.** In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.~~

5. **Security Deposit**. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor ~~may suffer or incur~~ has suffered or incurred by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within ~~90~~ 30 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. Lessor shall upon written request provide Lessee with an accounting showing how that portion of the Security Deposit that was not returned was applied. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease. THE SECURITY DEPOSIT SHALL NOT BE USED BY LESSEE IN LIEU OF PAYMENT OF THE LAST MONTH'S RENT.

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles; except however, Lessee shall be able to keep and use animals for educational purposes, including science classes, particularly preserved animals used for the purpose of dissection. Lessor shall not unreasonably withhold or delay its consent to any request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

(a) **Reportable Uses Require Consent.** The term **"Hazardous Substance"** as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor.** If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation.** Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee~~, or any third party~~.

(d) **Lessee Indemnification.** Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee~~, or any third party~~ (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. **No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.** Duty to Inform Lessee: Lessor shall advise weather to the best of the Lessors knowledge there are any Hazardous Materials in the Building and represents to the best of their knowledge that there are no Hazardous Materials in the Building.

(e) **Lessor Indemnification.** Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which occurred during Lessee's occupancy but was not caused by Lessee or anyone acting on Lessee's behalf, or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. Lessee shall have the right to immediately terminate the Lease if Hazardous Materials are discovered on the premises during the Lease Term, including Option Terms, that pose a threat to the health or safety of employees or students , unless Lessee is responsible for introducing Hazardous Materials to the Property.

(f) **Investigations and Remediations.** Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises ~~prior to Lessee's~~

~~occupancy~~, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option.** If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said Applicable Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor"s written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefor. In addition, Lessee shall provide Lessor with copies of its business license, certificate of occupancy and/or any similar document within 10 days of the receipt of a written request therefor.

6.4 **Inspection; Compliance.** Lessor and Lessor"s **"Lender"** (as defined in Paragraph 30) and consultants authorized by Lessor shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting and/or testing the condition of the Premises and/or for verifying compliance by Lessee with this Lease. *A reasonable time shall be presumed to be at least 24 hours written notice, and, to the best, of the Lessor's ability, inspections and testing shall occur when school is not in session. Any person who shall come to the school shall check in at the front office before entering any other area of campus.* The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of a written request therefore. Lessee acknowledges that any failure on its part to allow such inspections or testing will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to allow such inspections and/or testing in a timely fashion the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for the remainder to the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to allow such inspection and/or testing. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to such failure nor prevent the exercise of any of the other rights and remedies granted hereunder.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), ~~and~~ 14 (Condemnation), *and 54 (Lease Type)* Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior)~~, foundations~~, ceilings~~, roofs, roof drainage systems~~, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, ~~retaining walls~~, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building.

(b) **Service Contracts.** Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, and (vi) clarifiers. However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay Interest on the unamortized balance but may prepay its obligation at any time.

7.2 **Lessor's Obligations.** Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "**Utility Installations**" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Lessee Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, do not trigger the requirement for additional modifications and/or improvements to the Premises resulting from Applicable Requirements, such as compliance with Title 24, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished ~~or alleged to have been furnished~~ to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal.** By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. ~~Notwithstanding the foregoing, if the Lessee occupies the Premises for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear.~~ Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, ~~or any third party~~ (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) to the level specified in Applicable Requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.**

8.1 **Payment For Insurance.** Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of $2,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ~~10~~15 business days following receipt of an invoice.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "**insured contract**" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full insurable replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("Rental Value insurance"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.

(b) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a 'Waiver of Subrogation' endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.

(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. Lessee shall, at least 10 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may increase his liability insurance coverage and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified. In the event of Lessor's gross negligence or willful misconduct, Lessor agrees to indemnify and hold Lessee harmless, and shall also be responsible for any attorney's fees and costs incurred by Lessee relating to any such manner.

8.8 **Exemption of Lessor and its Agents from Liability**. Notwithstanding the negligence or breach of this Lease by Lessor or its agents, Execpting gross negligence or willful misconduct of Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) **"Premises Partial Damage"** shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) **"Premises Total Destruction"** shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date of the damage or destruction. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) **"Insured Loss"** shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) **"Replacement Cost"** shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) **"Hazardous Substance Condition"** shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance , in, on, or under the Premises which requires remediation.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished. If the damage or destruction was due to Lessor's gross negligence or willful misconduct, Lessee shall have the right to recover from Lessor for any damages from Lessor, except as provided in Paragraph 8.6.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired~~, but not to exceed the proceeds received from the Rental Value insurance.~~ All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within ~~90~~ 30 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than ~~60~~ 30 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within ~~30~~ 10 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such ~~30~~ 10 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes.**

10.1 **Definition.** As used herein, the term **"Real Property Taxes"** shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises, and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** In addition to Base Rent, Lessee shall pay to Lessor an amount equal to the Real Property Tax installment due at least 20 days prior to the applicable delinquency date. If any such installment shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such installment shall be prorated. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payments shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sum as is necessary. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

10.3 **Joint Assessment.** If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 **Personal Property Taxes.** Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

~~(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.~~

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(d), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. ~~Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.~~

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, ie. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting. A student store shall not be considered assignment or subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A **"Default"** is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A **"Breach"** is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee. In the event that Lessee commits waste, a nuisance or an illegal activity a second time then, the Lessor may elect to treat such conduct as a non-curable Breach rather than a Default.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

~~(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.~~

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to ~~115%~~ 105% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, the cost of tenant improvements for Lessee paid for or performed by Lessor, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as **"Inducement Provisions,"** shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an inducement Provision shall be immediately due and payable by Lessee to Lessor, ~~notwithstanding~~ subject to cure by Lessee any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to ~~10%~~ 5% of each such overdue amount or $100, whichever is greater. The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. Except in the case of an emergency, or as necessary to prevent injury or waste, For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion. In the event of emergency, or to prevent injury or waste, Lessee can take immediate action to protect/preserve the premises if Lessor or Lender fail to take necessary action.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice,or earlier in the event of an emergency or to prevent injury or waste, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided, however, that such offset shall not exceed an amount equal to the ~~greater of one month's Base Rent or the~~ Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively **"Condemnation"**), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed.

15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates.** 15 MT

(a) Each Party (as **"Responding Party"**) shall within ~~10~~ days after written notice from the other Party (the **"Requesting Party"**)

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execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current **"Estoppel Certificate"** form published by the AIR Commercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such ~~10~~ 15 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion, and should Lessor suffer any injury as a result thereof, the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to ~~10%~~ 5% of the then existing Base Rent or $100, whichever is greater. ~~for remainder of the Lease.~~ The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor.** The term **"Lessor"** as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor; except that to the extent Lessee has a claim against Lessor, or to the extent that Lessor is obligated to indemnify Lessee in some manner, Lessor is not relived of liability. ~~Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.~~

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor and Lessee under this Lease shall not constitute personal obligations of Lessor and Lessee or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's and Lessee's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** This Lease, including each addendum thereto, contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, or by email, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, ~~except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice.~~ A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices delivered by hand, or transmitted by facsimile transmission or by email shall be deemed delivered upon actual receipt. If notice is received on a Saturday, Sunday or legal holiday, *or after 5:00p.m.* it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) <u>Lessor's Agent.</u> A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: <u>To the Lessor:</u> A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. <u>To the Lessee and the Lessor:</u> a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) <u>Lessee's Agent.</u> An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. <u>To the Lessee:</u> A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. <u>To the Lessee and the Lessor:</u> a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) <u>Agent Representing Both Lessor and Lessee.</u> A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Holdover Base Rent shall be calculated on monthly basis. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, **"Security Device"**), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as **"Lender"**) shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; ~~(b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.~~

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a **"Non-Disturbance Agreement"**) from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within ~~60~~ 30 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said ~~60~~ 30 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, **"Prevailing Party"** shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting

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Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee. Noticed inspections shall not occur during school hours when children are present. Anyone appearing for work or inspection shall check in at the office prior to entering any part of the school.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessor may place on the Premises ordinary "**For Sale**" signs at any time and ordinary "**For Lease**" signs during the last 6 months of the term hereof. Except for ordinary "for sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** All requests for consent shall be in writing. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. ~~**Guarantor.**~~

~~37.1 **Execution.** The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.~~

~~37.2 **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.~~

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted any Option, as defined below, then the following provisions shall apply:

39.1 **Definition. "Option"** shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid ~~(without regard to whether notice thereof is given Lessee)~~, (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Multiple Buildings.** If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. **Reservations.** Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" with 6 months shall be deemed to have waived its right to protest such payment.

44. **Authority; Multiple Parties; Execution.**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one ~~person or~~ entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

45. **Conflict.** Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. **Offer.** Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. **Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

49. **Arbitration of Disputes.** An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease ☐ **is** ☑ **is not** attached to this Lease.

50. **Accessibility; Americans with Disabilities Act.**

(a) The Premises: ☐ have not undergone an inspection by a Certified Access Specialist (CASp). ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: 9270 BRUCEVILLE, ELK GROVE, CA	Executed at: 2890 Gateway Oaks Dr Ste 100 Sac, CA 95833
On: 7/19/2017	On: 7/17/17
By LESSOR:	**BY LESSEE:**
Light of the Valley Church	Fortune School of Education
By: [signature]	By: Margaret Fortune
Name Printed: JAY REED	Name Printed: Margaret Fortune
Title: PASTOR	Title: President / CEO
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Address:	Address:
Telephone: 916 691 3568	Telephone: (916) 924-8633
Facsimile: ( )	Facsimile: (916) 924-8664
Email: PASTOR@LIGHTOFTHEVALLEY.NET	Email: bbenson@fortuneschool.us
Email:	Email:
Federal ID No.	Federal ID No. 94-3187528
BROKER:	**BROKER:**
Foundry Commercial, Inc	Cresa Sacramento
Attn: Chris Bury	Attn:
Title: Senior Vice President	Title:

Address: 270 Baker Street East, Suite 200,
Costa Mesa, California 92626
Telephone:(949) 939-6238
Facsimile:(___)
Email: chris.bury@foundrycommercial.com
Federal ID No.
Broker/Agent BRE License #: 01470578

Address:
Telephone:(___)
Facsimile:(___)
Email:
Federal ID No.
Broker/Agent BRE License #:

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

Addendum

51. SHARED FACILITY USE:
"Premises" Shall include all modular classrooms, administrative area, kitchen and intermittent use of the church building. Landlord shall maintain all but 3 offices in the modular building and reception area during the Term of the Lease. Tenant will coordinate with the Church for use of the Church building and shared office spaces to avoid conflicts.

52. CONDITIONAL USE PERMIT:
Tenant understands and has confirmed with the City of Elk Grove there is an existing CUP associated with the Premises. Tenant is responsible to preform any improvements to the facility to complete or maintain the CUP in its sole cost and expense. Tenant shall complete these improvements and Landlord shall reimburse Tenant in the form of two and one half (2 1/2) month's free rent. Landlord shall be responsible for relocating or resolving with the city, the metal shipping containers, per the Luther Center CUP Amendment dated February 18, 2016. Because the 2 1/2 months of free rent are for compensation for work preformed by the Lessee, and not an abatement or inducement to rent the premises, Lessor shall not be allowed to recapture the 2 1/2 months of free rent in the event Lessee is in breach of any other provision of this Lease.

53. FURNITURE:
Tenant requests the use of all furniture and shelving in the classrooms, administrative area and kitchen.

54. LEASE TYPE:
Lease shall be a "Triple Net" (NNN) lease arrangement, meaning that the Tenant, as part of the rental and in addition to the Rent, will be paying for all operating expenses including but not limited to, utilities, landscape maintenance, all interior and exterior maintenance, including plumbing, electrical, and HVAC systems and provide its janitorial services to the premises. The Landlord shall only be responsible for all structural integrity of the building including the roof.

55. OPTION TO EXTEND:
Lessee shall have two (2) one (1) year Options to Extend the Lease. In the event Lessee exercises its first or second Option to Extend, Tenant shall have the exclusive right, but not the obligation, to install additional

portable units on the property. The location and improvements shall require Lessor written consent. In the event additional portables are added by Lessee, Lessee shall pay Lessor "Ground Rent" in the amount of $2,000 per month for the first extension and $4,000 per month for the second extension. In the event Lessee exercises its Option(s) to Extend, rent shall increase 3% over the previous (12) month period.

56. CONTINGENCY

Lessee shall have a sixty (60) day Due Diligence Period from the effective date of a fully executed Lease Agreement. During this period, Lessee shall have the right to preform its duties related to improving the Premises, including the painting required as a part of the Conditional Use Permit referenced in Paragraph 52, and seeking the required approvals from the governing Jurisdictions, including the Sacramento County Office of Education (SCOE). In the event, SCOE denies Lessee's use of the Premises, Lessee shall have the right to terminate the Lease. Lessor shall immediately return Lessee's First Month's Rent and Security Deposit amounts.

57. EARLY ACCESS

Lessee shall have early access to the premises thirty (30) days prior to Lease Commencement, for the purposes of completion improvements Lessee wishes to complete, other than the painting set forth in Paragraph 52 required as part of the Conditional Use Permit, as set forth in Paragraph 56. Lessor shall have the right to review and approve any additional improvements. Early access shall not trigger commencement of the Lease.

AIRCRE

1st AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE is made and entered into as of May 1, 2018, by and between Light of the Valley Church ("Lessor") and Fortune School of Education ("Lessee").

WHEREAS, on or about June 5, 2017 a Lease was entered into by and between Lessor and Lessee relating to certain real property commonly known as (street address, city, state, zip): - 9270 Bruceville Road, Elk Grove, CA 95758 (the "Premises"), and

WHEREAS, Lessor and Lessee ☐ have ☑ have not previously amended said Lease, and

WHEREAS, the Lessor and Lessee now desire to amend said Lease,

NOW, THEREFORE, for payment of ~~TEN DOLLARS~~ $0.00 and other good and valuable consideration to Lessor, the receipt and sufficiency of which is hereby acknowledged, the parties mutually agree to make the following additions and modifications to the Lease:

☑ TERM: The Expiration Date is hereby ☐ advanced ☑ extended to July 31, 2019.

☐ AGREED USE: The Agreed Use is hereby modified to: ____.

☑ BASE RENT ADJUSTMENT: Monthly Base Rent shall be as follows: Base Rent shall increase by 3% to $8,755.00 per month.

☐ OTHER: ____.

This Agreement shall not be construed against the party preparing it, but shall be construed as if all parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one party.

All other terms and conditions of this Lease shall remain unchanged and shall continue in full force and effect except as specifically amended herein.

EXECUTED as of the day and year first above written.

By Lessor:
Light of the Valley Church

By: Jay
Name Printed: Jay Reed
Title: Pastor
Phone: 916-691-3568
Fax: ____
Email: pastor@lightofthevalley.net

By: ____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

By Lessee:
Fortune School of Education

By: Margaret Fortune
Name Printed: Margaret Fortune
Title: President/CEO
Phone: 916-924-8633
Fax: 916-924-8664
Email: bbenson@fortuneschool.us

By: ____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

AIRCRE

Second AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE is made and entered into as of August 15, 2018, by and between Light of the Valley Church ("Lessor") and Fortune School of Education ("Lessee").

WHEREAS, on or about June 5, 2017 a Lease was entered into by and between Lessor and Lessee relating to certain real property commonly known as (street address, city, state, zip): 9270 Bruceville Road, Elk Grove, CA 95758 (the "Premises"), and

WHEREAS, Lessor and Lessee ☑ have ☐ have not previously amended said Lease, and

WHEREAS, the Lessor and Lessee now desire to amend said Lease,

NOW, THEREFORE, for payment of ~~TEN DOLLARS~~ $0.00 and other good and valuable consideration to Lessor, the receipt and sufficiency of which is hereby acknowledged, the parties mutually agree to make the following additions and modifications to the Lease:

☐ TERM: The Expiration Date is hereby ☐ advanced ☐ extended to ____.

☐ AGREED USE: The Agreed Use is hereby modified to: ____.

☐ BASE RENT ADJUSTMENT: Monthly Base Rent shall be as follows: ____.

☑ OTHER: The original Lease Section 1.7 "Agreed Use" shall be replaced to read "Exclusively used as a grades 9-12 charter school and associated uses.".

This Agreement shall not be construed against the party preparing it, but shall be construed as if all parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one party.

All other terms and conditions of this Lease shall remain unchanged and shall continue in full force and effect except as specifically amended herein.

EXECUTED as of the day and year first above written.

By Lessor:	By Lessee:
Light of the Valley Church	Fortune School of Education
By: [signature]	By: Margaret Fortune [signature]
Name Printed: JAY REED	Name Printed: Margaret Fortune
Title: PASTOR	Title: President/CEO
Phone: 916 691 3568	Phone: (916) 924-8633
Fax:	Fax: (916) 924-8664
Email: PASTOR@LIGHTOFTHEVALLEY.NET	Email: mfortune@fortuneschool.us
By:	By:
Name Printed:	Name Printed:
Title:	Title:
Phone:	Phone:
Fax:	Fax:
Email:	Email:
Address:	Address:
Federal ID No.:	Federal ID No.:

AIR CRE. 500 North Brand Blvd, Suite 900, Glendale, CA 91203, Tel 213-687-8777, Email contracts@aircre.com
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AIRCRE

Third AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE is made and entered into as of June 13, 2019, by and between Light of the Valley Church ("Lessor") and Fortune School of Education ("Lessee").

WHEREAS, on or about June 5, 2017 a Lease was entered into by and between Lessor and Lessee relating to certain real property commonly known as (street address, city, state, zip): 9270 Bruceville Road, Elk Grove, CA 95758 (the "Premises"), and

WHEREAS, Lessor and Lessee ☑ have ☐ have not previously amended said Lease, and

WHEREAS, the Lessor and Lessee now desire to amend said Lease,

NOW, THEREFORE, for payment of TEN DOLLARS and other good and valuable consideration to Lessor, the receipt and sufficiency of which is hereby acknowledged, the parties mutually agree to make the following additions and modifications to the Lease:

☑ TERM: The Expiration Date is hereby ☐ advanced ☑ extended to July 31, 2020.

☐ AGREED USE: The Agreed Use is hereby modified to: ____.

☑ BASE RENT ADJUSTMENT: Monthly Base Rent shall be as follows: Base Rent shall increase by 3% to $9,017.65.

☐ OTHER: ____.

This Agreement shall not be construed against the party preparing it, but shall be construed as if all parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one party.

All other terms and conditions of this Lease shall remain unchanged and shall continue in full force and effect except as specifically amended herein.

EXECUTED as of the day and year first above written.

By Lessor:
Light of the Valley Church

By: Jay R
Name Printed: JAY REED
Title: PASTOR
Phone: 916 691 3568
Fax: ____
Email: PASTOR@LIGHTOFTHEVALLEY.NET

By: ____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

By Lessee:
Fortune School of Education

By: Bonnie Bensen
Name Printed: Bonnie Bensen
Title: CFO
Phone: (916) 924-8633
Fax: (916) 924-8664
Email: bbensen@fortuneschool.us

By: ____
Name Printed: ____
Title: ____
Phone: ____
Fax: ____
Email: ____

Address: ____
Federal ID No.: ____

AIRCRE

Fourth AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE is made and entered into as of June 13, 2020, by and between Light of the Valley Church ("Lessor") and Fortune School of Education ("Lessee").

WHEREAS, on or about June 5, 2017 a Lease was entered into by and between Lessor and Lessee relating to certain real property commonly known as (street address, city, state, zip): 9270 Bruceville Road, Elk Grove, CA 95758 (the "Premises"), and

WHEREAS, Lessor and Lessee ☑ have ☐ have not previously amended said Lease, and

WHEREAS, the Lessor and Lessee now desire to amend said Lease,

NOW, THEREFORE, for payment of TEN DOLLARS and other good and valuable consideration to Lessor, the receipt and sufficiency of which is hereby acknowledged, the parties mutually agree to make the following additions and modifications to the Lease:

☑ TERM: The Expiration Date is hereby ☐ advanced ☑ extended to July 31, 2021.

☐ AGREED USE: The Agreed Use is hereby modified to: ____.

☑ BASE RENT ADJUSTMENT: Monthly Base Rent shall be as follows: Base Rent shall increase by 3% to $9,288.18. In addition, Lessee shall pay to Lessor $2,000 per month in consideration of "Ground Rent." Total rent due per month shall be $11,288.18.

☐ OTHER: ____.

Per the attached Exhibit A, Lessee shall have the exclusive right to install up to 4 portable units (classrooms) and a restroom portable where indicated.

Lessee shall have the option to extend the lease one additional year. The total "Ground Rent" shall be $4,000 per month and base rent shall increase 3% over the previous 12-month period. Lessee shall inform Lessor at least six (6) months in advance of the expiration date of this Amendment if Lessee chose to extend.

Lessee shall increase the Security Deposit by an additional $10,000, payable to Lessor within 30 days of mutual execution of this agreement.

Lessee shall incur all costs of installing the portables including all costs for infrastructure work, including electrical, sewer, water and internet service. Should the city of Elk Grove require any modifications to the conditional use permit (CUP), Lessee shall incur all such costs.

Lessee shall also pay for any and all ongoing separately metered utilities services, including but not limited to installation, monthly billing, maintenance, and removal.

Lessee shall be responsible for all costs related to the modular buildings referenced in Exhibit A including but not limited to maintenance, utilities, and ongoing operation.

Lessor shall have the right to request the portable units remain on site, by direct interaction with the third-party supplying the portable rentals. In that case, all infrastructure shall remain at the expiration of the lease term. If Lessor chooses not to have the portables remain, Lessee shall restore property to its original condition that shall be limited to all top side improvements including regrading and landscape repair. Any underground improvements installed by Lessee shall be kept as necessary and remain in place.

This Agreement shall not be construed against the party preparing it, but shall be construed as if all parties jointly prepared this Agreement and any uncertainty and ambiguity shall not be interpreted against any one party.

All other terms and conditions of this Lease shall remain unchanged and shall continue in full force and effect except as specifically amended herein.

EXECUTED as of the day and year first above written.

INITIALS JR   INITIALS ____

By Lessor:
Light of the Valley Church

By: Jay [signature]
Name Printed: JAY REZZY
Title: PASTOR
Phone: _____
Fax: _____
Email: _____

By: ______
Name Printed: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

Address: _____
Federal ID No.: _____

By Lessee:
Fortune School of Education

By: ______
Name Printed: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

By: ______
Name Printed: _____
Title: _____
Phone: _____
Fax: _____
Email: _____

Address: _____
Federal ID No.: _____

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ADDENDUM D

HOUSING INFORMATION

Jurisdiction	Elk Grove	
Reporting Year	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
(CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.

Please contact HCD if your data is different than the material supplied here

Table B
Regional Housing Needs Allocation Progress
Permitted Units Issued by Affordability

		1	2									3	4
Income Level		**RHNA Allocation by Income Level**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total Units to Date (all years)**	**Total Remaining RHNA by Income Level**
Very Low	Deed Restricted	2035		49			35		63			147	1888
	Non-Deed Restricted												
Low	Deed Restricted	1427		14			62		32			108	1319
	Non-Deed Restricted												
Moderate	Deed Restricted	1377										271	1106
	Non-Deed Restricted		173	74	23	1							
Above Moderate		2563	196	505	616	453	433	793	1012			4008	
Total RHNA		**7402**											
Total Units			**369**	**642**	**639**	**454**	**530**	**793**	**1107**			**4534**	**4313**

Note: units serving extremely low-income households are included in the very low-income permitted units totals

Cells in grey contain auto-calculation formulas

Jurisdiction	Elk Grove	
Reporting Year	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation

(CCR Title 25 §6202)

Note: "+" indicates an optional field
Cells in grey contain auto-calculation formulas

Table A
Housing Development Applications Submitted

Project Identifier					Unit Types		Date Application Submitted	Proposed Units - Affordability by Household Incomes								Total Approved Units by Project	Total Disapproved Units by Project	Streamlining	Notes
1					2	3	4	5							6	7	8	9	10
Prior APN+	Current APN	Street Address	Project Name+	Local Jurisdiction Tracking ID+	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Date Application Submitted	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total PROPOSED Units by Project	Total APPROVED Units by project	Total DISAPPROVED Units by Project (Auto-calculated Can Be Overwritten)	Was APPLICATION SUBMITTED Pursuant to GC 65913.4(b)? (SB 35 Streamlining)	Notes+
Summary Row: Start Data Entry Below								0	0	0	0	0	0	2092	2092	1696	396	0	
	127-0080-064	10005 Pleasant Grove School Road	Tankersly Parcel Map	PLNG19-006	SFD	O	1/30/2019							2	2	2	0	No	
	132-0050-158	no address	Madeira South Lot A TSM	PLNG19-022	SFD	O	4/15/2019							75	75	75	0	No	
	132-0050-163	7710 Poppy Ridge Rd	McGeary Ranch TSM Extension	PLNG19-027	SFD	O	6/4/2019							227	227	227	0	No	36-month extension of previously approved map
	132-0050-061 132-0050-062	no address	Arbor Ranch TSM Extension	PLNG19-028	SFD	O	6/4/2019							810	810	810	0	No	36-month extension of previously approved map
	119-0151-031 119-0151-032 119-0151-033	5171 Tegan Rd	Tegan Estates	PLNG19-031	SFD	O	6/14/2019							39	39	0	39	No	Pending approval
	127-0070-035 127-0070-036	10049 Bond Rd	Bond Road TPM and Rezone	PLNG19-032	SFD	O	6/25/2019							3	3	0	3	No	Pending approval
	127-0140-019	9291 Waterman Rd	G. K. Waterman TSM Extension	PLNG19-037	SFD	O	7/26/2019							22	22	22	0	No	36-month extension of previously approved map
	132-0050-149 132-0050-150	no address	Maderia South TSM Extension	PLNG19-040	SFD	O	8/21/2019							460	460	460	0	No	36-month extension of previously approved map
	119-1110-089	no address	Toscano Apartments	PLNG19-045	5+	R	10/23/2019							206	206	0	206	No	Pending approval
	119-1110-009 119-1110-010 119-1110-013 119-1110-014	300 Vaux Avenue	Laguna Main Street Apartments	PLNG19-047	5+	R	10/31/2019							148	148	0	148	No	Pending approval
	132-0050-140 132-0050-041	8000 Poppy Ridge Road	Tuscan Village West Extension	PLNG19-002	SFD	O	1/7/2019							100	100	100	0	No	36-month extension of previously approved map

Jurisdiction	Elk Grove	
Reporting Year	2019	(Jan. 1 - Dec. 31)

ANNUAL ELEMENT PROGRESS REPORT
Housing Element Implementation
(CCR Title 25 §6202)

This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.

Please contact HCD if your data is different than the material supplied here

Table B
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Permitted Units Issued by Affordability

		1	2									3	4
Income Level		**RHNA Allocation by Income Level**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total Units to Date (all years)**	**Total Remaining RHNA by Income Level**
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	Non-Deed Restricted												
Low	Deed Restricted	1427		14			62		32			108	1319
	Non-Deed Restricted												
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Above Moderate		2563	196	505	616	453	433	793	1012			4008	
Total RHNA		**7402**											
Total Units			**369**	**642**	**639**	**454**	**530**	**793**	**1107**			**4534**	**4313**

Note: units serving extremely low-income households are included in the very low-income permitted units totals

Cells in grey contain auto-calculation formulas

ADDENDUM E

ENGAGEMENT LETTER

Commercial appraisal Order Details	Tracking #754748-32235933

History (Inspection Complete)

04/21/20 11:04 AM Message from Appraiser (Roger Hodge)
Hello!
The appraisal will be uploaded tomorrow, Wednesday April 22. Thanks for all!
Roger

04/21/20 10:29 AM Message from Client (Natasha Valvo)
Hi Roger

I keep asking this client for extensions and they are getting frustrated. Every day that you say its going to be in and its not I have to email them and give them an explanation and then they have to have a discussion with their superior. Can you please just tell me when we're honestly going to have the report at the very latest so we don't have to keep going back and forth?

Thanks

04/21/20 01:53 AM Message from Appraiser (Roger Hodge)
Hello!
The appraisal is nearing completion and will be uploaded late today (Tuesday). Valuation is complete and issues resolved. Thanks for all! Roger

04/21/20 01:00 AM Past Due Reminder Sent

04/20/20 07:44 PM Message from Appraiser (Roger Hodge)
Hello!
The market value of the entire subject property, i.e. 4.09 acres of multi-family land "as if vacant" is $2,440,000.
The market value of the entire subject property "as is", i.e. with 2.34 acres improved with 12,580 square feet of building improvements and parking lot, plus the excess land value of 1.75 acres of additional developable multi-family land, is $2,680,000.

04/20/20 09:45 AM Message from Client (Natasha Valvo)
Good morning

Please confirm that we're going to receive this report today at the latest.

Thanks!

04/20/20 01:25 AM Message from Appraiser (Roger Hodge)
Hello!
The appraisal is nearing completion. I have additional calls/emails to zoning officials with the City of Elk Grove which should be returned Monday (working remotely). After researching and googling the City's website this weekend additional info was helpful. Basically, zoning changes regarding density were recommended mid-December 2019 to be passed by the city council...and it appears that has happened now. The subject also has 1.75 acres of excess land out of 4.09 acres total, which is included in the valuation analyses. I believe the report will be uploaded late Monday. Thanks for all! Roger

04/19/20 12:31 AM Past Due Reminder Sent

04/17/20 02:30 AM Message from Appraiser (Roger Hodge)
Hello!
After the webinar on Friday afternoon regarding the effects of Civid-19 on the real estate market, additional language language and market conditions discussion will be added...the date of uploading should be Saturday April 18.
Thanks for all!
Roger

04/17/20 12:01 AM Past Due Reminder Sent

04/16/20 11:02 AM Message from Client (Natasha Valvo)
Hi Roger

Thank you for that information. I am looking forward to receiving this report tomorrow.

Thanks!

04/15/20 12:53 PM Message from Appraiser (Roger Hodge)
Hello!
The Appraisal Institute is offering a free Webinar this Friday afternoon...the topic is:
"Valuation Impacts of Covid-19"....with an All-Star panel of leading valuation experts. This is a very timely topic and should provide additional insights into valuation in a pandemic. I would recommend this to anyone concerned about valuation in the new reality we face. Information to sign up for the webinar is available at:
webinars@appraisalinstitute.org

Webinar Time: Fri, Apr 17, 2020 12:00 PM - 2:00 PM CDT

04/15/20 11:59 AM Message from Appraiser (Roger Hodge)
Hello
Thanks for asking....the appraisal report will be uploaded Friday, April 17....
Thanks for all!
Roger

04/15/20 11:36 AM Message from Client (Natasha Valvo)
Good afternoon

Are we going to receive this report tomorrow?

Thanks

04/14/20 08:47 AM Message from Appraiser (Roger Hodge)
Hello!
Yes, the appraisal is being performed. Redevelopment as planned isn't prohibited.
Thanks for asking

04/14/20 07:45 AM Message from Client (Natasha Valvo)
Good morning

Please see below the message I just received from my client. I'm assuming the answer is yes per your previous message. Please confirm that you read this message because there is other information the client provided.

If Light of the Valley cannot locate these documents, can the appraiser proceed? I know these cell tower agreements can be hard to track down, particularly if they have been recorded.

At this point, Bethesda is assuming there is no cash flow or other financial benefit under the lease that would be assumed by the Purchaser. The main question for us is whether there are any prohibitions against redevelopment that would impair the appraised value.

Thanks

04/13/20 08:33 PM Message from Appraiser (Roger Hodge)
Hello!
The document identified as the tower lease, is the same Valentine mortgage financial instrument received previously, it only references the tower lease and rooftop lease, but is not in fact a lease, as you will see when you read it.

I am going to say that the tower and rooftop leases were requested but were not available to the appraisers. The tower involves an extraordinary assumption in the appraisal, and it was more of doing due diligence to read these lease(s).

04/13/20 08:27 PM Document Viewed from Appraiser (Roger Hodge) (doc00189120200402125125.pdf)
04/13/20 08:25 PM Document Viewed from Appraiser (Roger Hodge) (doc00197420200408130031.pdf)
04/09/20 07:29 AM Message from Client (Natasha Valvo)

Attached is the Fortune lease and amendments and the cell tower agreement

04/09/20 07:29 AM Document Uploaded from Client (Natasha Valvo) (doc00189120200402125125.pdf)
04/09/20 07:29 AM Document Uploaded from Client (Natasha Valvo) (doc00197420200408130031.pdf)
04/06/20 08:56 AM Message from Client (Natasha Valvo)

From: Natasha Woods
Sent: Monday, April 6, 2020 9:56 AM
To: Roger Hodge <Roger_Hodge@live.com>
Subject: RE: Elk Grove Property Appraisal

Hi Roger

I was wondering if you spoke with Mark Cassidy and that all of your questions have been answered now.

Thanks

04/03/20 03:00 PM Vendor due date changed by Client (Natasha Valvo)
Notes: Vendor due date changed from 4/6/2020 to 4/16/2020. Reason: Due date changed
04/03/20 02:18 PM Message from Appraiser (Roger Hodge)
Please revise the due date
04/03/20 11:37 AM Appraisal Fee Changed by Client (Natasha Valvo)
Notes: Appraisal fee changed from $1550 to $2600. Reason: .
04/02/20 09:32 AM Message from Client (Natasha Valvo)
One note on the Light of the Valley appraisal is there is a cell tower on the site that the owner has leased.
04/02/20 12:22 AM Message from Appraiser (Roger Hodge)

Hello!
Today I spoke with Kristine Giornalista with the borrower. Some issues have developed regarding the appraisal. As you know, or hope you know, I am contracted to appraise the land only, i.e. no buildings, which could be a hypothetical condition or possibly an extraordinary assumption. Kristine responded with an email this afternoon which follows:

Hi Roger,

It was nice chatting with you this afternoon. Attached is my full contact information. I will get back to you as soon as I can about whether the Buyer and Seller both want an "as-is" appraisal, in addition to the land value that you're working on.

Here are brief responses to your questions:

Purchase sale agreement for the site (showing price, buyer, seller, and the like)
We only have a Letter of Intent at this point. The purchase price is going to be a function of the appraised value. Attached is the LOI. Note that we got the name incorrect on the LOI – it is Light of the Valley Church (no "Lutheran" in the name). Also, note that the church has an agreement with a cellular provider for the decorative cell tower along Bruceville Road. We're waiting to receive a copy of that agreement.

Site plan showing the current building layout and building sizes
I will ask the church if they have anything.

Info about the proposed development...such as how many units, types of units, schedule and the like. Also, are they for-rent units or condos or? And schematic plans for the development, development costs, and development pro forma are requested, if available.
As I mentioned, we haven't gotten far in our due diligence. We're planning on demolishing all the structures and developing an affordable rental community with new sanctuary space for Light of the Valley Church. For the purposes of the appraisal, please assume the existing zoning is what we'd be able to build there (15 units/acre). Their zoning allows for a 35% density bonus for affordable housing. (The summary attached to the LOI contemplates a 3-4 story building with 100-165 units; that would require rezoning and we do not know if this would be approved.)

Info about the status of getting city approval to build the multi-family units
We have not approached the city with our plans yet.

Is this a non-profit or for-profit development, and info about that, and special funding/financing, if any
Bethesda Cornerstone Village will be the development entity. BCV is a wholly-owned subsidiary of Bethesda Lutheran Communities, a 501c3.

Have costs of demolition of the existing improvements been estimated, if so, info about it
We have not determined the demo cost.

Thanks,

Kristine Giornalista
Senior Director of Real Estate Development
Bethesda
600 Hoffmann Dr., Watertown, WI 53094
608.361.8014 cell
BethesdaLC.org

04/01/20 01:53 PM Message from Appraiser (Roger Hodge)

Hello!
I got the contract for this appraisal Monday, and drove to the site Monday afternoon and inspected and photographed it.
Yesterday, Tuesday, I requested materials from the borrower to complete the appraisal. Emails are included in messages.
I haven't received any materials from the borrower as of yet, but anticipate to receive them soon.
If a purchase contract is available also, please send to me ASAP.
This being said, I assume the information requested will be supplied in a timely manner. This would make the delivery for Monday April 6 on schedule. I will keep you posted!
Thanks!
Roger

04/01/20 01:48 PM Message from Appraiser (Roger Hodge)

You replied on Tue 3/31/2020 2:01 PM
CT
Campbell, Tom <Tom.Campbell@bethesdalc.org>
Tue 3/31/2020 1:55 PM
?
?
Message received from Tom Campbell, borrower yesterday:
?
Roger Hodge; Giornalista, Kristine?

Hello Roger.

My colleague Kristine will contact you regarding your email below.

Thanks.

Tom

04/01/20 01:46 PM Message from Appraiser (Roger Hodge)

Messages sent to Borrower Tom Campbell yesterday via email:

First Email:
Hello!
This is Roger M. Hodge, MAI. I have been assigned to do an appraisal of the above property, i.e. as if vacant land; I received a contract yesterday. The client mentioned the property is proposed for multi-family development.

I haven't received any materials regarding the property as of yet. I did drive to the site yesterday and photographed it extensively. The following items are requested to do the appraisal:

1. Purchase sale agreement for the site (showing price, buyer, seller, and the like)
2. Site plan showing the current building layout and building sizes
3. Info about the proposed development...such as how many units, types of units, schedule and the like. Also, are they for-rent units or condos or? And schematic plans for the development, development costs, and development pro forma are requested, if available.
4. Info about the status of getting city approval to build the multi-family units
5. Is this a non-profit or for-profit development, and info about that, and special funding/financing, if any
6. Have costs of demolition of the existing improvements been estimated, if so, info about it

Please send info via email ASAP. I have a short turnaround for this appraisal....its due next Monday.

I thank you very much!

Roger M. Hodge, MAI
972-201-6191

Second Email:
RE: Elk Grove

Also, a site plan or survey showing the site, any easements, etc. is requested if available. If an environmental report has been done that is requested as well.
Thanks!

Roger M. Hodge, MAI

04/01/20 09:56 AM Message from Client (Natasha Valvo)

Please confirm that you are on track to send this report on 4/6.

Thanks!

03/31/20 01:20 PM Inspection Complete by Appraiser (Roger Hodge)

Notes: Inspected on 03/30/2020 2:30 PM
Entire site photographed and inspected. Buildings which are not being appraised were photographed, for information purposes.

03/31/20 09:31 AM Message from Client (Natasha Valvo)

From: Natasha Woods
Sent: Tuesday, March 31, 2020 9:04 AM
To: Roger Hodge <roger_hodge@live.com>
Subject: RE: QUOTE PLEASE RUSH COMMERCIAL APPRAISAL 9270 Bruceville Rd, Elk Grove, CA 95758

Hi Roger
I received the below information from the client:
The plan is to demo all structures on the site and redevelop the site into multifamily housing.

So I believe we will need an appraisal for As is and vacant land if that makes sense.

Thanks

03/30/20 10:43 AM Message from Appraiser (Roger Hodge)

Per the bid request, the property is being appraised as is, but as if vacant land...land valued but no building improvements. Please verify.

03/30/20 10:33 AM Order accepted by Appraiser (Roger Hodge) and In Progress

03/30/20 09:50 AM Message from Client (Natasha Valvo)

Hi Roger

I just sent you this order through the mercury network. Please accept it today so that it doesnt expire.

Thanks

From: Roger Hodge <roger_hodge@live.com>
Sent: Friday, March 13, 2020 2:28 PM
To: Natasha Woods <nvalvo@service1inc.com>; Roger Hodge <roger_hodge@live.com>
Subject: RE: QUOTE PLEASE RUSH COMMERCIAL APPRAISAL 9270 Bruceville Rd, Elk Grove, CA 95758

[External Email] This message originated from outside your organization

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Hello!
Since I have downtime starting today, I have an even better bid: Fee $1,550, 1 week turnaround. Hopefully it would be assigned soon, like today!
Thanks
Rogwr M. Hodge, MAI

03/30/20 09:49 AM Awaiting acceptance by Roger Hodge

Notes: Opportunity expires at 03/31/2020 05:49 PM Pacific time.

Client Information

Name	appraisal desk	**Phone**	412-200-2550
Company	Service 1st LLC	**Fax**	
Address	1000 Cliff Mine Rd Suite 300 Pittsburgh, PA 15275	**E-mail**	notifications@service1inc.com

Vendor Information

Name	Roger Hodge	**Phone**	972-201-6191
Company	Roger M. Hodge, MAI	**Fax**	
Address	2370 Market St #200 San Francisco, CA 94114	**E-mail**	roger_hodge@live.com

Assignment Information

Product	Commercial Appraisal Report		
Order Fee	$2,600	**Payment Method**	Net 30
Trans Fee	$0.00	**Loan #**	11111
Due Date	4/16/2020	**File #**	
Other Ref #		**FHA#**	
Internal Order #		**Sales Price**	
Loan Type		**Lender Name**	Bethesda Lutheran Communities
Loan Purpose			
Ordered By		**Lender Address**	600 Hoffman Dr Watertown, WI 53094
Value method	Sales comparison	**Value conditions**	As is
Types of value	Market		
Vendor Fee Notes	Per Bid		

Note: The total fee above represents the full fee for the order (as agreed). Fee notes at the time of the order are provided for reference only.

Property Information

Address	9270 Bruceville Rd	**Prop Type**	
City	Elk Grove	**Prop Rights**	
State	CA	**Legal Desc**	
Zip Code	95758	**Directions**	
Sq Ft		**Characteristics**	
Site Size			

Contact and Access Information

Borrower:	tom.campbell@bethesdalc.org	Home: 414-828-6697	Mobile: 414-828-6697
Co-Borrower:			
Owner:	pastor@lightofthevalley.net	Mobile: 916-691-3568	
Occupant:			
Agent:			
Other:			
Appt. Contact:	pastor@lightofthevalley.net	Mobile: 916-691-3568	

Additional Comments or Instructions to the Vendor

If you have any questions regarding this assignment please email our chief valuation office Mark Cassidy Mcassidy@service1inc.com The client will not accept any statement of financial limit on appraiser liability added to the appraisal. NOTE: IF YOU HAVE PERFORMED VALUATION SERVICES FOR THE SUBJECT PROPERTY WITHIN THE LAST 3 YEARS THAT WAS NOT FOR THE CLIENT IN THIS ASSIGNMENT PLEASE CONTACT SERVICE 1st BEFORE STARTING ON THE ASSIGNMENT. Appraisers must have access to and use CoStar data in the preparation of the appraisal. The appraiser is not limited to CoStar data only. If the appraiser finds alternate data they feel is more appropriate for the assignment they may substitute, but they need to have checked the CoStar data base completely to insure they are considering all available data for an assignment. PLEASE ADD THE CLIENT ORDER NUMBER TO THE APPRAISAL IN A PROMINENT LOCATION WHERE IT CAN BE EASILY IDENTIFIED BY THE READER. Per client request please provide a copy of the data/listing sheet for all comparable sales utilized in the appraisal **Please do not place additional contingencies on the appraisal without prior consent from Service 1st. **The client requests that recent comparable sales be utilized in the appraisal to reflect current market conditions. EXTERIOR INSPECTIONS ¿ If the client has requested an exterior inspection, please do not contact the subject property owner or occupant as this is a client confidentiality request. Do not trespass on the subject property and do not disclose the client provided information or the client¿s identity. **Please include the estimated value in the letter of transmittal. The client has provided descriptive information about the subject property that was obtained from past valuations. If your research indicates a significant deviation from the client provided data, please provide your data source for that information, or support for your differing interpretation of the physical description or use of the subject property. It is requested that the appraiser provide the current as-is market value of the property and comment on any listing information of the subject within the past year in addition to the sale¿s history within the past 3 years. If the appraiser has ever appraised the subject property it must be noted in the appraisal report. The appraisal must include an adjustment grid, pictures of the comparable sale properties as well as a location map. The comparable sales should ¿bracket¿ the estimated value of the subject on both an unadjusted and adjusted basis. This is a commercial asset and the appraisal must include an Income Approach with an analysis of the anticipated income stream. Using only the GRM Method is not acceptable; the appraisal must include the Direct Capitalization Method. The appraisal must include pictures of the comparable rental properties as well as a location map. reports include an adjustment grid for the comparables used in the Sales Comparison Approach. PLEASE PROVIDE NEW, ORIGINAL, CLEAR PHOTOS OF THE FRONT, ALL SIDES, STREET AND ADDRESS VERIFICATION FOR THE SUBJECT PROPERTY. IF AN INTERIOR INSPECTION IS REQUESTED, PLEASE PROVIDE A MINIMUM OF 6 INTERIOR PHOTOS. **A LOCATION MAP SHOWING THE SUBJECT AND ALL COMPS SHOULD ALSO BE INCLUDED. ***COMP PHOTOS MUST BE ORIGINALS (YOU CANNOT USE MLS)*** Please provide information on the microeconomic influences and trends that affect the subject property. These influences can include nearby competitive properties and developments, REO activity, nearby employment centers, traffic flows and other influences that directly influence the subject property. Provide a summary on the current trends and anticipated near term trends for these microeconomic influences. Please provide information on the macroeconomic influences and trends affecting the subject property. These can include area employment trends, population trends, major road improvements and highway extensions, regional transportation trends including airports and railway hubs. Provide a summary on the current trends and anticipated near term trends for these macroeconomic influences. Do not apply lease up charges if the subject building appears fully occupied. Please make the extraordinary assumption that the tenant will remain in place for an existing lease term or the owner/occupant will remain in the subject building. EXTERIOR INSPECTIONS - The client has provided descriptive information about the subject property that was obtained from past valuations. PLEASE MAKE THE EXTRAORDINARY ASSUMPTION THE CLIENT PROVIDED GLA AND INTERIOR INFORMATION IS CORRECT FOR EXTERIOR INSPECTIONS. If your research indicates a significant deviation from the client provided data, please provide your data source for that information, or support for your differing interpretation of the physical description or use of the subject property. INTERIOR INSPECTIONS ¿ PLEASE MEASURE THE SUBJECT BUILDING AND USE THAT INFORMATION IN YOUR APPRAISAL REPORT. In accepting this order for an appraisal and submitting the requested appraisal, you, as the appraiser, certify that you: (1) are independent of the transaction; (2) have the requisite education, expertise, and experience necessary to competently complete the appraisal assignment; and (3) were not coerced in any way concerning the appraisal that you have submitted. Service 1st operates in 50 states and the District of Columbia. AL #AL0185, AK, AR #AMR-199, AZ #RAMC-40298, CA #3004699, CO #200001092, CT #AMC.0000217, DE #X7-0000131, FL #MC328, GA #257, HI AMC-1210, IA #92, ID AMC-4553, IL #558.000262, IN #AMC1700006, KS #KSP172, KY #176, LA #0229, MA #42, MD #32980, ME #AMC3854, MI #1202000193, MN #40548039, MO #2017019913, MS #AMC-133, MT #REA-AMC-LIC9341, NC #NC-1211, ND AMC-ND-2018-027, NE NE2017007, NH #AMC-161, NJ, NM #AMC1198, NV #AMC.0000912, NY, OH #AMC.2019001807, OK #60197AMC, OR #AM-209, PA #AMC000200, RI #REA.0021-AMC, SC #20, SD #AMC-SD-1148-2017, TN #232, TX #2000244, UT

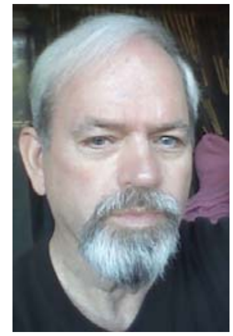
#10504022-AMCO, VA #4009000174, VT #077.0131803.MAIN, WA #3000227, Washington D.C., WI #8-900, WV #WV010121, WY AMC-116
Site will be demolished and redeveloped. Please appraise "As is" and as vacant land. Contact Tom Campbell at (414) 828-6697 with questions.

ADDENDUM F

QUALIFICATIONS

QUALIFICATIONS OF

ROGER McDONALD HODGE, CRE, MAI



REAL ESTATE VALUATION & ADVISORY SERVICES

Master of Business Administration, CRE – The Counselors of Real Estate, FRICS - (Inactive Fellow of Royal Institution of Chartered Surveyors), MAI – Member of Appraisal Institute, Certified General Appraiser in California.

PROFESSIONAL LICENSES AND AFFILIATIONS

R.E. Counseling:	CRE – Member of The Counselors of Real Estate #12281 Inactive
Valuation:	FRICS (Inactive*) – Fellow of the Royal Institution of Chartered Surveyors #1225483 MAI - Member of Appraisal Institute #10017 (MAI since 1993) State Certified General Real Estate Appraiser in CA and TX California #AG021679 (expires June 12, 2021) Texas #TX-1322520-G (expires May 31, 2021)
Real Estate:	CCIM (Inactive*) Former Certified Commercial Investment Member #8347 Institute Affiliate - San Francisco Association of Realtors - #060400960 Former Real Estate Broker - California #01195086 (expired July 2012*)
Architecture:	Former AIA - American Institute of Architects - #30046753 (inactive*) NCARB: National Council of Architectural Registration Boards #29829 Inactive California Licensed Architect - #20841 (expired May 31, 2013*)

Note: * Inactive professional affiliations are available as needed upon payment of current dues.

UNIVERSITY EDUCATION

Master of Business Administration
Finance and Real Estate concentration
University of North Texas, 1989 - AACSB accredited

Bachelor of Science – Finance
University State of New York, 1988

Bachelor of Science - Architecture
University of Texas, Arlington, 1974

PROFESSIONAL EXPERIENCE (35 YEARS)

Roger McDonald Hodge, CRE, MAI — ***Principal Appraiser / Consultant***
Northern California/SF Bay Area — *11/2009-Current*

Real estate appraisal of multiple pro perty types, appraisal review, consulting, site/highest and best use studies, devel opmental feasibility, expert witness, and in-depth analysis. Services offered also include development and redevelopment consulting, and expert witness.

Advisory/Valuation - CB Richard Ellis, Inc. — ***Vice President / Consultant***
Northern California/SF Bay Area — *3/1999-10/2009*

Real estate counseling, appraisal, consulting, market study, site/highest and b est use studies, developmental feasibility, expert witness, and analysis; numerous complex development projects, high-rise and mid-rise office towers, retail centers, condominiums, hotels, apartments, San Francisco Union Square high-end retail, and specialty properties. Also, CBRE's Internation al Valuation Team and National Litigation Support Practice. Notable assignments include The Towers at Capitol Mall – a twin 53-story hotel /residential condo/health spa/retail complex in downtown Sacramento (unbuilt due t o weakened economy); 'The 88' –a 22-story luxury condo tower in do wntown San Jose; redevelopment st rategy for th e Wyse Technolog y Campus; The

Epic – a proposed condo tower for Sacramento by starchitect Daniel Liebeskind; expert witness testimony and ground lease valuation in Santa Clara; Lockheed Martin complex and litigation support (28 properties and communications facilities) in Sunnyvale; Cathedral Hill/Sutter Health hospital redevelopment in San Francisco; the Town Center mixed-use redevelopments for the Cities of Sunnyvale, Redwood City, and Livermore; The Versailles senior housing development in San Mateo; the 1,254- unit Golden Gateway high-rise towers in SF; multiple condo projects for San Francisco, San Jose and the Bay Area; medical arts including oncology and endoscopy; and the entire Town of Scotia including an electrical cogeneration plant in Humboldt County. Other land development projects include the proposed 6,400-acre mixed-use redevelopment of the Aerojet property in Sacramento known as The Boroughs of Easton, plus the 5,700-acre Aerojet Campus and SuperFund lands; the 900-acre Baylands mixed-use redevelopment land in Brisbane adjacent to Candlestick Park in San Francisco; counseling for the Concar urban transit mixed-use residential center in San Mateo; and land for the proposed Condemned Inmate Complex, and alternative land re-use and redevelopment scenarios for the Cal. Dept. of Corrections' San Quentin prison. Also, expert witness preparation, deposition, historical valuation, real estate portfolios; and training for junior colleagues, and report review. Also, donated time as an on-site panelist for studies for The University of Texas' San Antonio and El Paso campuses.

CB Richard Ellis, Inc. — ***Assistant Vice President***
San Francisco CA and Seattle, WA — *9/1993 - 2/1999*

High Profile Assignments including counseling, consultation and valuation of the entire Microsoft Campus in Redmond, WA consisting of 33 buildings plus land parcels, including a model for internal buy-hold-lease scenarios; the Sprint portfolio of N. California cell tower, ground leases, and communications facilities (500+ sites). Advisory/Valuation of the 749-acre Playa Vista mixed use development in El Segundo (i.e. the old Howard Hughes estate) with the City of Los Angeles and The Meyers Group several times; this complex included Dreamworks and huge planned development. Extensive real estate experience includes numerous high-rise office buildings in SF Bay Area and other cities, numerous urban ground leases, SF Union Square high-end retail (Saks, Macy's, Niketown, I Magnin, Bulgari, Brooks, et al), suburban office buildings, power and shopping centers, industrial and business parks, and multi-family apartments and condos. Also, numerous mixed-use properties, hotels in the SF Bay Area and the large DoubleTree at SeaTac, WA; congregate care facilities, subdivisions, new developments, numerous ground leases, arbitration, legal consulting, education and training for junior colleagues, report review.

Alliance Advisory Group, Inc. — ***Senior Real Estate Analyst***
Dallas, TX, Boston, MA and Southern California — *1/1990 - 8/1993*

Extensive valuation experience of: office, shopping center, industrial, multi-family, mixed-use properties, subdivision, land, feasibility and development analysis, building and site design and planning, highest and best use, corporate facilities, residential development, investment studies.

Architectural/Engineering Firms — ***Architecture/Facilities***
Dallas-Fort Worth, Texas — *1974 – 1987*

Architectural practice and training for 12+ years: LTV Corporation plant facilities, U.S. Corps of Engineers – SW U.S. Army Engineer District, L.D. White Architects/ Engineers (building systems and design), Lockwood Greene Engineers, Barge Development Company (specializing in high-rise office and senior residential facilities), and Texas Instruments – Plant Facilities; also the U.S. General Services Administration – Public Building Service work/study program, and over-the-counter retail sales during college. Specialized in office, retail, facilities, large church, luxury residences; also, engineering coordination, project management, planning, construction documents and inspection, contract administration, cost estimation; and leasing assistance.

CONTACT INFORMATION

Address:	Roger M. Hodge, CRE, MAI 2370 Market Street #200 San Francisco, CA 94114
Cell Phone No.:	972-201-6191
Primary E-Mail:	roger_hodge@live.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Roger M. Hodge

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 021679

Effective Date: June 13, 2019
Date Expires: June 12, 2021

Jim Martin, Bureau Chief, BREA

3047707

Cornerstone Villages Elk Grove
Market Survey

Find attached the Market Survey that was undertaken by Raney Planning and Management for the project. We are confident based on the information included in this survey that there is sufficient demand for the project. We will commission a full market study in early 2022 when we are preparing to submit financing applications for HCD, TCAC and CDLAC as we will need a current Market Analysis for those applications.

RENTAL SURVEY

BETHESDA CORNERSTONE

9270 Bruceville Road
Elk Grove, California

WEST ELK GROVE MARKET AREA

SACRAMENTO COUNTY

Prepared for
BETHESDA CORNERSTONE VLLAGE LLC

MAY 2021

RANEY PLANNING & MANAGEMENT, INC. LAURIN ASSOCIATES

BACKGROUND

Bethesda Cornerstone LLC, is planning to develop a new affordable complex, located at 9270 Bruceville Road, Elk Grove, CA.

Laurin Associates, a division of Raney Planning and Management, Inc., received authorization from Bethesda Cornerstone LLC to conduct a Rent Survey in Elk Grove, California to determine the prevailing market rents in the West Elk Grove Market Area.

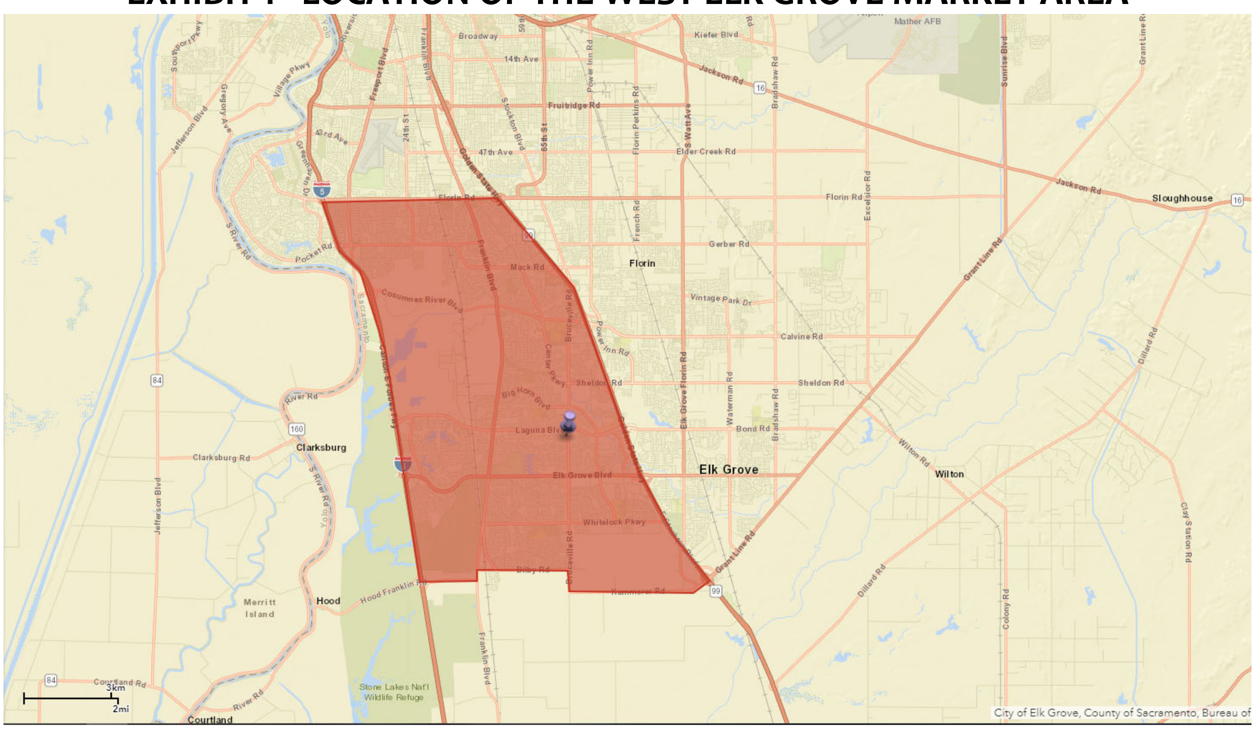
METHODOLOGY

Included in the West West Elk Grove Market Area for this study is the western portion of the City of Elk Grove, and the southwestern portion of the City of Sacramento. This area contains an estimated population of 204,655 and 62,017 households in in 40.71 square miles.

West Elk Grove Market Area boundaries:

North:	Florin Road
South:	Bilby Road
East:	Highway 99
West:	I-5

EXHIBIT 1 - LOCATION OF THE WEST ELK GROVE MARKET AREA



With each complex, a standard questionnaire was used to interview the on-site manager. See Exhibit 5 on page 29 for the interview questionnaire used in the sample survey. In some cases, only certain information was obtained, depending on the cooperation and discretion of the on-site manager.

MARKET AREA RENTS

The survey attempted to ascertain a sample of market rate rentals within the West Elk Grove Market Area. The weighted average rents do not take into account differences in project characteristics (e.g., building age, amenities, appliances, unit size, etc.).

TABLE 1
WEST ELK GROVE MARKET AREA AVERAGE RENTS

UNIT TYPE	CURRENT WEIGHTED AVERAGE RENTS
	MARKET RATE
1BR	$2,589
2BR	$2,931
3BR	$3,298
Source: Laurin Associates, May 2021	

Rents at market rate complexes range from $1,610 to $5,040 for one-bedroom units.

TABLE 2
WEST ELK GROVE MARKET AREA MARKET RENTS

UNIT TYPE	CURRENT MARKET RATE RENTS
	RANGE
1BR	$1,610-$5,040
2BR	$1,820-$4,550
3BR	$2,234-$5,105
Source: Laurin Associates, May 2021	

COMPETITIVE OFFERINGS

The multifamily field study was conducted in May 2021. The survey attempted to ascertain a sample of the properties most representative of the West Elk Grove Market Area. A total of 2,444 apartments were surveyed in 13 properties.

TABLE 3
FIELD STUDY SUMMARY –WEST ELK GROVE MARKET AREA

UNIT TYPE	MARKET	AFFORDABLE	PERCENT
Studio	0	0	0
1BR	287	254	541
2BR	645	564	1,209
3BR	286	394	680
4BR	0	14	14
TOTAL	**1,218**	**1,226**	**2,444**

VACANCY

According to the May 2021 survey, the overall vacancy rate for multifamily housing is 1.4 percent in the West Elk Grove Market Area.

TABLE 4
VACANCY RATE –WEST ELK GROVE MARKET AREA – 2021

UNIT TYPE	MARKET	AFFORDABLE	% OF TOTAL
Studio	0	0	0.0%
1BR	11	0	2.0%
2BR	17	0	1.4%
3BR	5	0	0.7%
4BR	0	0	0.0%
TOTAL	**33**	**0**	**1.4%**

RENT COMP. NO. 1 (See Location on Exhibit 5-1) **FAMILY – LIHTC/MARKET RATE**

NAME	**Village Crossing Family Apts.**	**DATE**	May 17, 2021
ADDRESS	9241 Bruceville Road	**TOTAL UNITS**	198
CITY	Elk Grove, CA	**CONDITION**	Good
MANAGER	Katy	**YEAR BUILT**	2001
TELEPHONE	916-683-8076	**BLDG. STYLE**	2 story

Distance From Site: <0.25 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR—1BA	40	$1,105	704	$1.57	0
2BR—2BA	78	$1,425	1,039	$1.37	0
3BR—2BA	80	$1,550	1,182	$1.31	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa	X	Computer Rm.	X	Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym		Business Cntr	X	TV (C/S)	X
Skylight		Microwave		Picnic Area	X	Car Wash Area		Water	
Storage Closet		Washer/Dryer	X	Playground	X			Sewer	
Coat Closet		W/D Hook-ups	X	Tennis Ct.		Gated		Trash	
Walk-In Closet	X	Parking: Carport, Garage		Basketball	X	Courtesy Patrol			
Fireplace				Volleyball	X	Security Camera			
Patio/Balcony						Elevator			

Remarks: Unknown of how many market rate units at property. Waitlist is about 2 to 4 years long. Turnover is about 4 to 5 units annually.

RENT COMP. NO. 2 (See Location on Exhibit 5-1) **FAMILY – MARKET RATE**

NAME	**Bella Vista Apartments**	**DATE**	May 17, 2021
ADDRESS	6810 Di Lusso Drive	**TOTAL UNITS**	241
CITY	Elk Grove, CA	**CONDITION**	Good
MANAGER	Carla	**YEAR BUILT**	1999
TELEPHONE	916-385-0374	**BLDG. STYLE**	3 story

Distance From Site: 0.47 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	75	$1,853-$5,040	681	$2.72-$7.40	2
2BR – 2BA	90	$2,154-$4,550	1,067	$2.02-$4.26	6
3BR – 2BA	76	$2,234-$5,105	1,232	$1.81-$4.14	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa	X	Computer Rm.	X	Cooking (E/G)	X
Ceiling Fan	X	Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	X
Storage Closet		Washer/Dryer	X	Playground	X			Sewer	X
Coat Closet	X	W/D Hook-ups		Tennis Ct.		Gated	X	Trash	X
Walk-In Closet	X			Basketball		Courtesy Patrol	X		
Fireplace		Parking: Carport	X	Volleyball		Security Camera	X		
Patio/Balcony	X					Elevator			

Remarks: They do not use a Waitlist. The Turnover is unknown.

RENT COMP. NO. 3 (See Location on Exhibit 5-1) FAMILY - LIHTC

NAME	**Avery Gardens**	**DATE**	May 17, 2021
ADDRESS	7015 Elk Grove Boulevard	**TOTAL UNITS**	64
CITY	Elk Grove, CA	**CONDITION**	Very Good
MANAGER	Lori	**YEAR BUILT**	2015
TELEPHONE	916-236-3470	**BLDG. STYLE**	3 story

Distance From Site: 0.80 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR—1BA	24	30% of Income	666	NA	0
2BR—1BA	30		906	NA	0
3BR—2BA	10		1,207	NA	0

UNIT AMENITIES				**PROJECT AMENITIES**				**TENANT PAYS**	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.	X	Heat (G)	X
Carpet		Dishwasher	X	Spa		Computer Rm.		Cooking (E)	X
Ceiling Fan		Garbage Disposal	X	Gym	x	Business Cntr		TV (C/S)	X
Skylight		Microwave		Picnic Area	X	Car Wash Area		Water	
Storage Closet		Washer/Dryer		Playground	X			Sewer	
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated	X	Trash	
Walk-In Closet		Parking: Carport	X	Basketball		Courtesy Patrol			
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do use a Waitlist. Turnover reported as ~1 unit per month. Management unavailable.

RENT COMP. NO. 4 (See Location on Exhibit 5-1) FAMILY - LIHTC

NAME	**Terracina Park Meadows**	**DATE**	May 17, 2021
ADDRESS	8875 Lewis Stein Road	**TOTAL UNITS**	144
CITY	Elk Grove, CA	**CONDITION**	Very Good
MANAGER	Queeny	**YEAR BUILT**	2003
TELEPHONE	916-681-7401	**BLDG. STYLE**	2 story

Distance From Site: 1.15 miles

BR/BA	# UNITS	RENT			SQ. FT.	RENT/SF			VACANT
		50%	60%	MKT		50%	60%	MKT	
1BR—1BA	24	$810	$972	--	700	$1.16	$1.39	--	0
2BR—2BA	96	$971	$1,165	$1,350	885-1,127	$1.10	$1.03	$1.20	0
3BR—2BA	24	$1,122	$1,347	$1,450	1,135-1,145	$0.99	$1.00	$1.27	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.		On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool		Laundry Rm.	X	Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.		Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym		Business Cntr		TV (C/S)	X
Skylight		Microwave		Picnic Area		Car Wash Area		Water	
Storage Closet	X	Washer/Dryer		Playground				Sewer	
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated		Trash	
Walk-In Closet	X	Parking: Carport		Basketball		Courtesy Patrol			
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: The waitlist is reported as 6 months – 1 year in length. Turnover is reported as ~6-8 years in length. Nonresponsive management.

RENT COMP. NO. 5 (See Location on Exhibit 5-1) **FAMILY - LIHTC**

NAME	**The Ridge Apartments**	**DATE**	May 17, 2021
ADDRESS	8151 Civic Center Drive	**TOTAL UNITS**	204
CITY	Elk Grove, CA	**CONDITION**	Excellent
MANAGER	Murah	**YEAR BUILT**	2012
TELEPHONE	916-681-7401	**BLDG. STYLE**	2 story

Distance From Site: 1.20 miles

BR/BA	# UNITS	RENT		SQ. FT.	RENT/SF	VACANT
		50%	60%			
1BR—1BA	60	$850	$1,020	678	$1.25-$1.50	0
2BR—2BA	84	$1,020	$1,224	963	$1.06-$1.27	0
3BR—2BA	60	$1,178	$1,413	1,239	$0.95-$1.14	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.	X	Heat (G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.		Cooking (E)	X
Ceiling Fan		Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave		Picnic Area		Car Wash Area		Water	
Storage Closet		Washer/Dryer		Playground	X			Sewer	
Coat Closet	X	W/D Hook-ups	X	Tennis Ct.		Gated		Trash	
Walk-In Closet	X			Basketball		Courtesy Patrol	X		
Fireplace		Parking: Carport/Garage	x	Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do not have a Waitlist. Turnover is reported as low. Management was unavailable.

RENT COMP. NO. 6 (See Location on Exhibit 5-1) **FAMILY – LIHTC**

NAME	**Terracina at Elk Grove**	**DATE**	May 17, 2021
ADDRESS	9440 W. Stockton Boulevard	**TOTAL UNITS**	124
CITY	Elk Grove, CA	**CONDITION**	Very Good
MANAGER	Britney	**YEAR BUILT**	1991
TELEPHONE	916-684-9222	**BLDG. STYLE**	2 story

Distance From Site: 1.45 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR—1BA	26	$510-$1,020	598	$0.85-$1.71	0
2BR—1BA	72	$612-$1,224	729	$0.84-$1.68	0
3BR—2BA	62	$706-$1,413	986	$0.72-$1.43	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.	X	Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.		Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym		Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	
Storage Closet		Washer/Dryer		Playground	X			Sewer	
Coat Closet	X	W/D Hook-ups		Tennis Ct.		Gated		Trash	
Walk-In Closet				Basketball		Courtesy Patrol			
Fireplace		Parking: Carport	X	Volleyball		Security Camera			
Patio/Balcony						Elevator			

Remarks: They do use a waitlist, which is currently closed. Turnover is unknown.

RENT COMP. NO. 7 (See Location on Exhibit 5-1) **FAMILY - LIHTC**

NAME	**Terracina Apartments at Laguna Creek**	**DATE**	May 17, 2021
ADDRESS	9274 Franklin Boulevard	**TOTAL UNITS**	136
CITY	Elk Grove, CA	**CONDITION**	Very Good
MANAGER	Marie	**YEAR BUILT**	1996 (Rehab. 2021)
TELEPHONE	916-684-6885	**BLDG. STYLE**	2 Story

Distance From Site: 1.63 miles

BR/BA	# UNITS	RENT		SQ. FT.	RENT/SF		VACANT
		50%	60%		50%	60%	
1BR—1BA	44	$850	$1,020	608	$1.40	$1.68	0
2BR—1BA	48	$1,020	$1,224	739	$1.38	$1.66	0
3BR—2BA	42	$1,178	$1,413	986	$1.19	$1.43	0
4BR—1BA	2	$1,313	--	1,100	$1.19	--	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.	X	Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.	X	Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym		Business Cntr		TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	
Storage Closet		Washer/Dryer		Playground	X			Sewer	
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated		Trash	
Walk-In Closet	X			Basketball		Courtesy Patrol			
Fireplace		Parking: Carport	X	Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: The Waitlist is about a yar long. Turnover reported as 0-1 unit per month.

RENT COMP. NO. 8 (See Location on Exhibit 5-1) **FAMILY - LIHTC**

NAME	**Montego Falls Apartments**	**DATE**	May 17, 2021
ADDRESS	9950 Bruceville Road	**TOTAL UNITS**	132
CITY	Elk Grove, CA	**CONDITION**	Excellent
MANAGER	Melina	**YEAR BUILT**	2008
TELEPHONE	916-683-3200	**BLDG. STYLE**	2-3 Story

Distance From Site: 1.73 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	36	$850-$1,020	678	$1.08-$1.31	0
2BR – 2BA	60	$1,020-$1,224	963	$0.91-$1.11	0
3BR – 2BA	36	$1,178-$1,413	1,231-1,304	$0.81-$0.94	0

UNIT AMENITIES				**PROJECT AMENITIES**				**TENANT PAYS**	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool		Laundry Rm.		Heat (E/G)	X
Carpet		Dishwasher	X	Spa		Computer Rm.	X	Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym		Business Cntr		TV (C/S)	X
Skylight		Microwave		Picnic Area		Car Wash Area		Water	
Storage Closet		Washer/Dryer	X	Playground	X			Sewer	
Coat Closet		W/D Hook-ups	X	Tennis Ct.		Gated		Trash	
Walk-In Closet	X	Parking: Carport, Detached Garage	X	Basketball		Courtesy Patrol			
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: Waitlist is closed. Turnover was 2 units per month.

RENT COMP. NO. 9 (See Location on Exhibit 5-1) FAMILY – MARKET RATE

NAME	**Castellino at Laguna West Apartments**	**DATE**	May 17, 2021
ADDRESS	3300 Renwick Avenue	**TOTAL UNITS**	120
CITY	Elk Grove, CA	**CONDITION**	Excellent
MANAGER	Marla	**YEAR BUILT**	2006 (Rehab. 2020)
TELEPHONE	916-683-2943	**BLDG. STYLE**	2 stories

Distance From Site: 2.60 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	30	$1,610-$1,690	729	$2.17-$2.21	2
2BR – 2BA	35	$2,555	919	$2.78	1
2BR – 2BA	30	$2,630-$2,690	1,015	$2.59-$2.65	1
3BR – 2BA	25	$2,730-$2,760	1,232	$2.22-$2.24	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet		Dishwasher	X	Spa	X	Computer Rm.		Cooking (E/G)	X
Ceiling Fan	X	Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	X
Storage Closet	X	Washer/Dryer	X	Playground	X			Sewer	X
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated	X	Trash	X
Walk-In Closet	X			Basketball		Courtesy Patrol			
Fireplace		Parking: Carport, Garage	X	Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do use a Waitlist. Turnover is one per month.

RENT COMP. NO. 10 (See Location on Exhibit 5-1) FAMILY - LIHTC

NAME	**Agave Apartments**	**DATE**	May 17, 2021
ADDRESS	10070 Willard Parkway	**TOTAL UNITS**	188
CITY	Elk Grove, CA	**CONDITION**	Good
MANAGER	Kaila	**YEAR BUILT**	2005 (Rehab. 2021)
TELEPHONE	916-714-2431	**BLDG. STYLE**	3 story

Distance From Site: 2.74 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
2BR—2BA	96	$1,028	919	$1.12	0
3BR—2BA	80	$1,228	1,078	$1.14	0
4BR—2BA	12	$1,185	1,245	$0.95	0

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E)	X
Carpet		Dishwasher	X	Spa		Computer Rm.		Cooking (E)	X
Ceiling Fan		Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	
Storage Closet	X	Washer/Dryer	X	Playground				Sewer	
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated		Trash	
Walk-In Closet		Parking: Carport, Garage	X	Basketball		Courtesy Patrol			
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do use a Waitlist (they have a first come first serve basis). Turnover is about 3 units per year.

RENT COMP. NO. 11 (See Location on Exhibit 5-1) **FAMILY – MARKET RATE**

NAME	**Siena Villas**	**DATE**	May 17, 2021
ADDRESS	9130 Nolan Street	**TOTAL UNITS**	332
CITY	Elk Grove, CA	**CONDITION**	Excellent
MANAGER	Leticia	**YEAR BUILT**	2005
TELEPHONE	916-691-6600	**BLDG. STYLE**	3 story

Distance From Site: 2.88 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	61	$1,735-$2,655	729	$2.38-$3.64	5
2BR – 2BA	103	$1,820-$2,000	1,015	$1.79-$1.97	2
2BR – 2BA	102	$2,119-$3,135	1,015	$2.09-$3.09	2
3BR – 2BA	61	$2,760-$2,885	1,232	$2.24-$2.34	0

UNIT AMENITIES		PROJECT AMENITIES						TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet	X	Dishwasher		Spa	X	Computer Rm.		Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	X
Storage Closet		Washer/Dryer	X	Playground				Sewer	X
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated	X	Trash	X
Walk-In Closet		Parking: Carport, Surface, Garage	X	Basketball		Courtesy Patrol			
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do not use a Waitlist. Turnover is unknown.

RENT COMP. NO. 12 (See Location on Exhibit 5-1) FAMILY – MARKET RATE

NAME	**Stone Lake Apartment Homes**	**DATE**	May 17, 2021
ADDRESS	10270 E. Taron Drive	**TOTAL UNITS**	432
CITY	Elk Grove, CA	**CONDITION**	Excellent
MANAGER	MGMT TEAM	**YEAR BUILT**	2004
TELEPHONE	833-453-9942	**BLDG. STYLE**	2 stories

Distance From Site: 2.89 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	51	$2,200	772	$2.85	1
1BR – 1BA	50	$3,040	772	$3.94	0
2BR – 2BA	58	$2,850	1,136	$2.51	2
2BR – 2BA	57	$4,380	1,136	$3.86	1
2BR – 2BA	115	$2,850-$4,380	1,198	$2.38-$3.66	0
3BR – 2BA	51	$3,000	1,240	$2.42	3
3BR – 2BA	50	$4,110	1,240	$3.31	2

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.		Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym	X	Business Cntr	X	TV (C/S)	X
Skylight		Microwave	X	Picnic Area	X	Car Wash Area		Water	X
Storage Closet	X	Washer/Dryer	X	Playground	X			Sewer	X
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated	X	Trash	X
Walk-In Closet		Parking: Carport, Surface, Garage	X	Basketball	X	Courtesy Patrol	X		
Fireplace				Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do not use a Waitlist. Turnover is about 1-2 units a year.

RENT COMP. NO. 13 (See Location on Exhibit 5-1) **FAMILY – MARKET RATE**

NAME	**Somerfield at Lakeside Apts.**	**DATE**	May 17, 2021
ADDRESS	9444 Harbour Point Drive	**TOTAL UNITS**	98
CITY	Elk Grove, CA	**CONDITION**	Good
MANAGER	Sasha	**YEAR BUILT**	1999
TELEPHONE	916-472-0845	**BLDG. STYLE**	2 story

Distance From Site: 3.37 miles

BR/BA	# UNITS	RENT	SQ. FT.	RENT/SF	VACANT
1BR – 1BA	10	$1,790	767	$2.33	1
1BR – 1BA	10	$1,900	767	$2.48	0
2BR – 2BA	28	$2,200	1,067	$2.06	1
2BR – 2BA	27	$2,309	1,067	$2.16	1
3BR – 2BA	12	$2,390	1,240	$1.93	0
3BR – 2BA	11	$3,300	1,240	$2.66	0

UNIT AMENITIES				**PROJECT AMENITIES**				**TENANT PAYS**	
Central Air/Heat	X	Refrigerator	X	Community Rm.	X	On-Site Mgr.	X	Electricity	X
Blinds	X	Stove/Oven	X	Pool	X	Laundry Rm.		Heat (E/G)	X
Carpet	X	Dishwasher	X	Spa		Computer Rm.		Cooking (E/G)	X
Ceiling Fan		Garbage Disposal	X	Gym	X	Business Cntr		TV (C/S)	X
Skylight		Microwave		Picnic Area		Car Wash Area		Water	X
Storage Closet	X	Washer/Dryer	X	Playground	X			Sewer	X
Coat Closet		W/D Hook-ups		Tennis Ct.		Gated	X	Trash	X
Walk-In Closet	X	Parking: Carport, Surface, detached garage	x	Basketball		Courtesy Patrol			
Fireplace	X			Volleyball		Security Camera			
Patio/Balcony	X					Elevator			

Remarks: They do not use a Waitlist. Turnover is unknown.

LOCATION OF SURVEYED UNITS

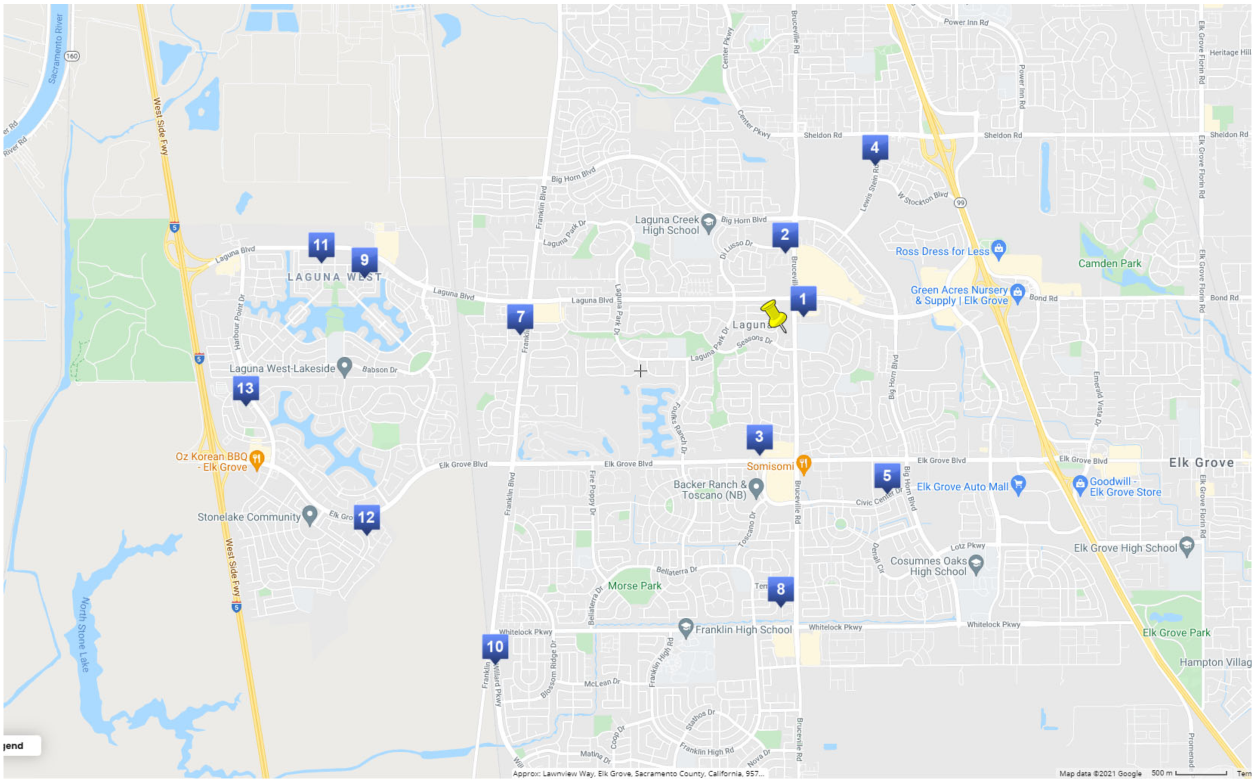


EXHIBIT 4 – SURVEY QUESTIONNAIRE
SAMPLE SURVEY OF APARTMENT COMPLEXES

APARTMENTS FORM

NAME		DATE	
ADDRESS		TOTAL UNITS	
CITY		BLDG. STYLE	
MANAGER		YEAR BUILT	
TELEPHONE		CONDITION	

1. **Market Rate, Subsidized or Rent-Restricted (What Program?)**
2. **Move-In Specials**
3. **Rent Change in recent months or planned?**
4. **Average vacancy last year?**
5. **Waiting list?**
6. **Monthly turnover?**
7. **Tenant profile (single, families, seniors, disabled, farmworkers)?**

BR/BA	#UNITS	RENT	SQ. FT.	RENT/SF	VACANT

UNIT AMENITIES				PROJECT AMENITIES				TENANT PAYS	
Central Heat/Cool		Refrigerator		Carport		Volleyball		Electricity	
Blinds		Stove/Oven		Garage		On-Site Mgr.		Heat	
Carpet		Dishwasher		Community Rm		Laundry Rm.		Hot Water	
Ceiling Fan		Garbage Disposal		Swim Pool		Computer rm		Cooking	
Skylight		Microwave		Spa		Business Cntr		Cable or Satellite	
Storage Closet		Washer/Dryer		Exercise Rm		Car Wash Area		Water	
Coat Closet		Washer/Dryer Hook-ups		Picnic Area		Gated		Sewer	
Walk-In Closet				Playground		Courtesy Patrol		Trash	
Fireplace				Tennis Court		Surveillance Camera			
Patio/Balcony				Basketball		Elevator			
Other services provided:									

Remarks:

CONCLUSIONS – LIHTC - FAMILY

Below is a preliminary demand based on current data, and a proposed mixed income project of LIHTC units. The numbers could vary after doing field work. The overlapping income ranges have been accounted for in the calculation of percent of income eligible households to prevent double counting. Given the proposed income targeting, there is a total demand for 1,764 units.

2021 DEMAND SUMMARY – LIHTC

GENERAL OCCUPANCY	1BR	2BR	3BR	TOTAL
Theoretical Demand (2021)				
25% of AMI	**47**	**110**	**60**	
30% of AMI	**56**	**131**	**71**	
50% of AMI	**99**	**231**	**126**	
70% of AMI	**180**	**422**	**230**	
TOTAL	**382**	**894**	**488**	**1,764**

The following demand formula is based upon the requirements established by the California Tax Credit Allocation Committee. This formula does not take into account all competitive units nor households that are currently unsuitably housed and may not reflect the total demand found within the Market Area.

Demand is established using an analysis of the total number of general households in the Market Area, the percentage of renter households, the percentage of income eligible households, unit type, and turnover.

WEST ELK GROVE MARKET AREA

FACTORS

1. Total Households year of Market Entry (2021): **61,630** total households

2. Renter Rate (2021): **35.2%**

3. Income Eligibility: Based on the unit size, project rents, and 2021 rent levels established by the California Tax Credit Allocation Committee, the following income eligibility range was used to determine the percentage of households with the appropriate income for the subject property: the overlapping income ranges have been accounted for in the calculation of percent of income eligible households to prevent double counting. This range does not reflect the likely changes to the maximum rents that will occur over the next year.

LIHTC:

- 25 percent of AMI ($14,571 - $26,275) = **5.7**%
- 30 percent of AMI ($17,485 - $31,530) = **6.8**%
- 50 percent of AMI ($29,142 - $52,550) = **11.9**%
- 70 percent of AMI ($40,800 - $84,080) = **21.8**%

4. Unit Type: The unit type refers to the ideal proportion of each apartment unit type in the proposed project (i.e., bedrooms per unit) that conforms to renter household size statistics for the Market Area. Depending upon the mix of units being proposed, it is necessary in the context of the market study to determine the approximate number of households that might be appropriate for each bedroom size. Because there is no Census table to refer to, our methodology for this factor is purely logical. Single-persons are obviously most likely to live in studios or one-bedroom units, and larger families with seven or more persons are most likely to need a four-bedroom unit. The demand calculation was prepared using the minimum occupancy requirements required.

   - One-Bedroom = **19.0**%
   - Two-Bedroom = **44.6**%
   - Three-bedroom = **24.3**%

5. Turnover: Laurin Associates used a preliminary turnover rate of 20.0 percent.

DEMAND FORMULA
Total Households x Renter Rate x Income Eligibility x Unit Type x Turnover Rate = Theoretical Net Demand

Theoretical Demand LIHTC Rental Units

One-Bedroom Units

- 25 percent of AMI
  61,630 x 35.2% x 5.7% x 19.0% x 20.0% = 47

- 30 percent of AMI
  61,630 x 35.2% x 6.8% x 19.0% x 20.0% = 56

- 50 percent of AMI
  61,630 x 35.2% x 11.9% x 19.0% x 20.0% = 99

- 70 percent of AMI
  61,630 x 35.2% x 21.8% x 19.0% x 20.0% = 180

TOTAL THEORETICAL ONE-BEDROOM DEMAND = 382 UNITS

Two-Bedroom Units

- 30 percent of AMI
  61,630 x 35.2% x 5.7% x 44.6% x 20.0% = 110
- 40 percent of AMI
  61,630 x 35.2% x 6.8% x 44.6% x 20.0% = 131
- 50 percent of AMI
  61,630 x 35.2% x 11.9% x 44.6% x 20.0% = 231
- 60 percent of AMI
  61,630 x 35.2% x 21.8% x 44.6% x 20.0% = 422

TOTAL THEORETICAL TWO-BEDROOM DEMAND = 894 UNITS

Three-Bedroom Units

- 30 percent of AMI
  61,630 x 35.2% x 5.7% x 24.3% x 20.0% = 60
- 40 percent of AMI
  61,630 x 35.2% x 6.8% x 24.3% x 20.0% = 71
- 50 percent of AMI
  61,630 x 35.2% x 11.9% x 24.3% x 20.0% = 126
- 60 percent of AMI
  61,630 x 35.2% x 21.8% x 24.3% x 20.0% = 230

TOTAL THEORETICAL THREE-BEDROOM DEMAND = 488 UNITS

TOTAL THEORTICAL DEMAND = 1,764 units

1. PROJECT SUMMARY

PROJECT NAME: **Cornerstone Village - Elk Grove**

PROJECT CITY: Elk Grove

PROJECT ADDRESS: 9270 Bruceville Road
PROJECT COUNTY: Sacramento

PROJECT ZIP CODE: 95758
PROJECT CENSUS TRACT: 96.16

UNIT MIX

Unit Type	# of LIHTC Units	# of Section 8 Units	# of Restricted Units
0 BD	0	0	0
1 BD	12	30	42
2 BD	20	0	20
3 BD	21	0	21
4 BD	0	0	0
5 BD	0	0	0
Total	**53**	**30**	**83**
		# of Manager's Units:	1

Affordability Mix

Income Restriction	Restricted Units	%
20% AMI	9	11%
25% AMI	12	14%
30% AMI	35	42%
50% AMI	12	14%
60% AMI	0	0%
70% AMI	15	18%
Total	**83**	**100%**
Average Affordability:		**38.31%**

USES	**Total**	**Per Unit**
Total Acquisition Costs	1,925,000	23,193
Total Hard Costs	33,582,841	404,613
Total Design Costs	2,217,056	26,712
Total Fees & Permits	1,096,657	13,213
Total Financing Costs	2,179,107	26,254
Total Developer Fee	4,858,093	58,531
Total Reserves	383,775	4,624
Total Other Soft Costs	1,146,006	13,807
Total Development Cost	**47,388,535**	**570,946**

CASH FLOW

Effective Gross Income	1,005,021		
Annual Operating Expenses	(523,980)		
Replacement Reserve	(42,000)		
NOI	439,041		
Required Debt Service	(298,226)	DCR	1.15
Net Cash Flow	140,815		
Required Cash Flow Payments	(32,000)		
Residual Receipts	(108,815)		
Cash Flow	0		

SOURCES	**Total**	**Per Unit**
Permanent 1st Mortgage	5,420,000	65,301
HCD MHP Loan	15,000,000	180,723
City of Elk Grove AHP Loan	2,936,000	35,373
HCD HHC	1,924,146	23,182
DDS Multifamily Loan	2,100,000	25,301
AHP	840,000	10,120
Deferred Developer Fee	0	0
Contributed Developer Fee	2,358,093	28,411
GP Capital	100	1
Tax Credit Equity - State	0	0
Tax Credit Equity - Federal	16,810,196	202,532
Total Sources	**47,388,535**	**570,946**

Surplus/(Gap)	**(0)**	**(0)**

PERMANENT 1ST MORTGAGE ASSUMPTIONS

Interest Rate	4.26%
Amortization	35
Term	17
Debt Coverage Ratio	1.15
Annual Debt Service	298,226

TAX CREDIT ANALYSIS

	Acquisition	New Constr./Rehab.
Qualified Basis	0	43,982,789
LIHTC Rate	4.00%	4.00%
Annual LIHTC Allocation	0	1,759,312
Total Annual LIHTC Allocation	1,759,312	
Total LIHTC Allocation	17,591,356	
Total Tax Credit Equity	16,810,196	
Tax Credit Equity Price	0.9556	

PROJECT SCHEDULE	**Date**	**Months**
Closing	October 2022	
Construction Completion	October 2023	16
Lease Up Completion	January 2024	3
Stabilization Completion	May 2024	3
Conversion to Permanent	June 2024	

TAX CREDITY PAY-IN SCHEDULE

Payment Milestones		
Closing	10%	1,681,020
During Construction	0%	0
Constr. Completion/PIS	0%	0
Perm. Conversion	88%	14,792,972
8609	2%	336,204

DEVELOPER FEE PAY-IN SCHEDULE

Capitalized Developer Fee	100%	2,500,000
At Closing	25%	625,000
During Construction	0%	0
At Completion/TCO	0%	0
At Conversion	62%	1,538,796
At 8609	13%	336,204

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	COMMERCIAL	AMORTIZED	EXPENSED
			84		100%	0%		
ACQUISITION COSTS								
Purchase Price	1,910,000							
Land Purchase	100%	1,910,000	22,738	1,910,000				
Title & Recording		15,000	179	15,000	0	0		
Other: Transfer Tax		0	0	0				
Total Acquistion Costs		**1,925,000**	**22,917**	**1,925,000**	**0**	**0**	**0**	**0**
DEVELOPMENT COSTS								
RESIDENTIAL HARD CONSTRUCTION								
Residential Construction		25,366,815	301,986		25,366,815	0		
General Conditions		1,311,002	15,607		1,311,002	0		
Taxes & Insurance		543,243	6,467		543,243	0		
GC Bond		148,471	1,768		148,471	0		
GC Contingency		761,004	9,060		761,004	0		
GC Fee		1,368,477	16,291		1,368,477	0		
Escalation Contingency	5.00%	1,478,671	17,603		1,478,671	0		
Design Contingency	3.00%	1,005,975	11,976		1,005,975	0		
Subtotal Resdiential Hard Construction		**31,983,658**	**380,758**	**0**	**31,983,658**	**0**	**0**	**0**
CONSTRUCTION CONTINGENCY								
Hard Cost Contingency	5%	1,599,183	19,038		1,599,183	0		
Subtotal Construction Contingency		**1,599,183**	**19,038**	**0**	**1,599,183**	**0**	**0**	**0**
DESIGN/ENGINEERING/ENVIRONMENTAL								
Architect	3.50%	1,175,399	13,993		1,175,399	0		
Engineering	2.00%	671,657	7,996		671,657	0		
Soils/Geo-Tech		25,000	298		25,000	0		
Energy Consultant		55,000	655		55,000	0		
Phase 1/Phase 2 Reports/LBP & OCM Reports		50,000	595		50,000	0		
CEQA/NEPA Environmental Review		25,000	298		25,000	0		
Other Environmental Consultants		50,000	595		50,000	0		
Construction Management		75,000	893		75,000	0		
Preconstruction		25,000	298		25,000	0		
Construction Testing/Special Inspections		50,000	595		50,000	0		
Survey		15,000	179		15,000	0		
Subtotal Design/Engineering/Environmental		**2,217,056**	**26,394**	**0**	**2,217,056**	**0**	**0**	**0**
FEES & PERMITS								
Building Permits	2.00%	671,657	7,996		671,657	0		
Planning Fees		100,000	1,190		100,000	0		
Utility Connection Fees		75,000	893		75,000	0		
Local Dev. Impact Fees		250,000	2,976		250,000	0		
Subtotal Fees & Permits		**1,096,657**	**13,055**	**0**	**1,096,657**	**0**	**0**	**0**
CONSTRUCTION PERIOD COSTS								
Insurance, Builder's Risk		200,000	2,381		200,000	0		
Insurance, General Liability		50,000	595		50,000	0		
Real Estate Taxes Due During Construction		7,500	89		7,500	0		
Subtotal Construction Period Costs		**257,500**	**3,065**	**0**	**257,500**	**0**	**0**	**0**

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	COMMERCIAL	AMORTIZED	EXPENSED
			84		100%	0%		
CONSTRUCTION FINANCING								
Origination Fee	1.00%	240,000	2,857		240,000	0		
City Loan Fee	0.00%	0	0		0	0		0
Construction Loan Interest	3.61%	1,188,090	14,144		971,490	0		216,600
Construction Loan Interest - Taxable Tail	4.11%	244,817	2,914		141,784	0		103,033
Construction Lender Legal		65,000	774		65,000	0		
Construction Lender Fees		25,000	298		25,000	0		
Appraisal		10,000	119		10,000	0		
Title & Recording		30,000	357		30,000	0		
Subtotal Construction Financing		**1,802,907**	**21,463**	**0**	**1,483,274**	**0**	**0**	**319,633**
COST OF ISSUANCE								
Bond Counsel		70,000	833				70,000	
Issuer Financial Advisor		35,000	417				35,000	
Trustee Fees		7,000	83				7,000	
Issuer Fees	0.50%	120,000	1,429				120,000	
Issuer Counsel		15,000	179				15,000	
Subtotal Cost of Issuance		**247,000**	**2,940**	**0**	**0**	**0**	**247,000**	**0**
PERMANENT FINANCING COSTS								
Origination Fee	1.00%	54,200	645				54,200	
Lender Fees		25,000	298				25,000	
Lender Legal		35,000	417				35,000	
Title & Recording		15,000	179				15,000	
Subtotal Permanent Financing Costs		**129,200**	**1,538**	**0**	**0**	**0**	**129,200**	**0**
OTHER FEES								
Tax Credit Fees		35,238	420				35,238	
Tax-Exempt Bond Fees		11,400	136				11,400	
Subtotal Other Fees		**46,638**	**555**	**0**	**0**	**0**	**46,638**	**0**
OTHER SOFT COSTS								
Cost Certification		30,000	357					30,000
Accounting		15,000	179					15,000
Financial/Development Consultant		75,000	893		75,000	0		
Legal, Organization		20,000	238				20,000	
Legal, Construction Loan Closing		50,000	595		50,000	0		
Legal, Permanent Loan Closing		25,000	298				25,000	
Legal, Syndication		50,000	595					50,000
Legal, Investor		60,000	714	60,000				
FF&E by Owner		150,000	1,786		150,000	0		
Market Study		7,500	89					7,500
Marketing Rent-Up		147,000	1,750				147,000	
Soft cost contingency	5.00%	212,368	2,528		212,368	0		0
Subtotal Other Soft Costs		**841,868**	**10,022**	**60,000**	**487,368**	**0**	**192,000**	**102,500**

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	COMMERCIAL	AMORTIZED	EXPENSED
			84		100%	0%		
DEVELOPER FEE								
Developer Fee - Capitalized		2,500,000	29,762		2,500,000			
Developer Fee - Deferred		0	0		0			
Developer Fee - Contributed		2,358,093	28,073		2,358,093	0		
Subtotal Developer Fee		**4,858,093**	**57,834**	**0**	**4,858,093**	**0**	**0**	**0**
CAPITALIZED RESERVES								
Operating Reserve (mos)	6	233,818	2,784	233,818				
Debt Service Reserve (mos)	6	149,957	1,785	149,957				
Transition Reserve		0	0	0				
Subtotal Capitalized Reserves		**383,775**	**4,569**	**383,775**	**0**	**0**	**0**	**0**
SUBTOTAL DEVELOPMENT COSTS		**45,463,535**	**541,233**	**443,775**	**43,982,789**	**0**	**614,838**	**422,133**
TOTAL DEVELOPMENT COSTS		**47,388,535**	**564,149**	**2,368,775**	**43,982,789**	**0**	**614,838**	**422,133**

3. DEVELOPMENT SOURCES

PROJECT NAME: **Cornerstone Village - Elk Grove**

CONSTRUCTION SOURCES

	Lien Position	Amount	Interest Rate	Required Payment	Loan Term (months)	Tax-Exempt (Y/N)
Tax-Exempt Construction Loan	1	24,000,000	3.61%	Interest Only	30	Yes
Taxable Tail		11,524,223	4.11%	Interest Only	30	No
City of Elk Grove AHP Loan		2,936,000	4.00%	Deferred Payment	660	Yes
HCD HHC			3.00%	Deferred Payment	660	Yes
DDS Multifamily Loan		2,100,000	3.00%	Deferred Payment	660	Yes
FHLB AHP		0				
Deferred Developer Fee		0	-	-	-	-
Contributed Developer Fee		2,358,093	-	-	-	-
GP Capital		100	-	-	-	-
Deferred Costs		2,790,213	-	-	-	-
Tax Credit Equity (Through Construction)		1,681,020	-	-	-	-
Total Construction Sources		**47,389,649**				

PERMANENT SOURCES

Source	Lien Position	Amount	Interest Rate	Payment Type	Loan Term (months)	Loan Amortization (months)	Interest Type	Tax-Exempt (Y/N)	Federal Financing (Y/N)	Federal Financing	Grant (Y/N)	Grant Amount
Permanent 1st Mortgage	1	5,420,000	4.26%	Required - Fully Amortizing	204	420	-	Yes	No	0	No	0
HCD MHP Loan	2	15,000,000	0.42%	Required - Other	660	660	Simple	Yes	No	0	No	0
City of Elk Grove AHP Loan	3	2,936,000	4.00%	Residual Receipts	660	660	Simple	Yes	No	0	No	0
HCD HHC	3	1,924,146	3.00%	Residual Receipts	660	660	Simple	Yes	No	0	No	0
DDS Multifamily Loan	4	2,100,000	3.00%	Other	660	660	Simple	No	No	0	No	0
AHP	5	840,000								0		0
Deferred Developer Fee		0	-	-	-	-	-	-	-	-	-	-
Contributed Developer Fee		2,358,093	-	-	-	-	-	-	-	-	-	-
GP Capital		100	-	-	-	-	-	-	-	-	-	-
Tax Credit Equity - State		0	-	-	-	-	-	-	-	-	-	-
Tax Credit Equity - Federal		16,810,196	-	-	-	-	-	-	-	-	-	-
Total Permanent Sources		**47,388,535**								0		0

Sources and Uses Summary

Total Development Costs	**47,388,535**
Total Construction Surplus/(Gap)	**1,114**
Total Permanent Surplus/(Gap)	**(0)**

50% Test Analysis

Tax Credit Basis	43,982,789
Land Value (appraised value)	1,910,000
Commercial	0
Total Costs:	45,892,789
Tax Exempt Bond Amount	24,000,000
% of Total Costs/Tax-Exempt Bonds:	52.30%

Interest Rate Assumptions

	Construction	Permanent
Index	30 Day LIBOR	10 Year Treas.
As of:	4/1/2021	5/1/2021
Index (Current)	0.11%	1.66%
Spread	2.50%	1.60%
Underwriting Cushion	1.00%	1.00%
UW Rate	**3.61%**	**4.26%**
Taxable Premium	0.50%	1.00%

May 19, 2021

PRELIMINARY CONSTRUCTION BUDGET
Cornerstone Village

BROWN CONSTRUCTION INCORPORATED

Owner: Bethesda — R1

Project/Location: Cornerstone Village - Elk Grove — **Quote #:** 395-PB-B1

Plan date/version received	4/28/2021	Total Gross SF	78,751	sf
		Unit SF	73,417	sf
Number of buildings	8	Amenity / Common	5,334	sf
Total Living Units	84			
Units: 1 BR / 1 BA	42	Total Surface Parking	126	stalls
2 BR / 2 BA	21	Tuck-Under Stalls	36	stalls
3 BR / 2 BA	21			
		Total Site Area - Approx.	4.12	acres
		Wages	PW	
		Project Duration	14	mnth

BLDG. DESCRIPTION: 7 three story, Type V, walk up buildings, six with tuck under parking. One three story Type V, building with double loaded interior corridors and an elevator. Full site package.

	DESCRIPTION	AMOUNT	Cost Gross BLDG. sqft 78,751	COST PER UNIT 84
1	**SITE DEVELOPMENT:**			
2	Survey & Construction Staking	42,042	$ 0.53	$ 500
3	SWPPP & Erosion Control Allowance	34,200	$ 0.43	$ 407
4	Demolition	70,611	$ 0.90	$ 841
5	Abatement & Hazardous Material Removal Allowance	Excluded	excluded	excluded
6	Earthwork - Grade & Pave	603,971	$ 7.67	$ 7,190
7	Site Utilities - Wet	607,500	$ 7.71	$ 7,232
8	Striping and Signage	5,525	$ 0.07	$ 66
9	Dry Utilities / Joint Trench	400,000	$ 5.08	$ 4,762
10	Landscaping	252,833	$ 3.21	$ 3,010
	Bio Swale / Retention	100,000	$ 1.27	$ 1,190
11	Fencing	25,500	$ 0.32	$ 304
12	Play Equipment and Surfacing	35,000	$ 0.44	$ 417
13	Trash Enclosures	44,700	$ 0.57	$ 532
14	Site Furnishings	25,000	$ 0.32	$ 298
15	Site Concrete	205,593	$ 2.61	$ 2,448
16	**SITE DEVELOPMENT SUB TOTAL**	**$ 2,452,473**	**$ 31.14**	**$ 29,196**
17				
23				
38	**BUILDINGS:**			
39	Building	22,220,382	$ 282.16	$ 264,528
40	Elevator @ Building C	126,000	$ 1.60	$ 1,500
41	Solar Pre-Heat	126,000	$ 1.60	$ 1,500
42	Photovoltaic	300,300	$ 3.81	$ 3,575
43	Amenity Area Upgrade	106,660	$ 1.35	$ 1,270
44	**BUILDING SUB TOTAL**	**$ 22,879,342**	**$ 290.53**	**$ 272,373**
45				
46	**DIRECT COSTS:**			
47	General Conditions	775,418	$ 9.85	$ 9,231
48	General Requirements	402,584	$ 5.11	$ 4,793
49	Insurance	235,992	$ 3.00	$ 2,809
50	SDI	307,251	$ 3.90	$ 3,658

	DESCRIPTION	AMOUNT	Cost Gross BLDG. sqft 78,751	COST PER UNIT 84
51	Security during Construction	133,000	$ 1.69	$ 1,583
52	Payment & Performance Bond	148,471	$ 1.89	$ 1,768
53	Permits	By Owner	by owner	by owner
54	Testing & Special Inspections	By Owner	by owner	by owner
55	Builders Risk Insurance	By Owner	by owner	by owner
56	Contractor Contingency 3%	761,004	$ 9.66	$ 9,060
57	Overhead & Profit 5%	1,368,477	$ 17.38	$ 16,291
58	**DIRECT COST SUB TOTAL**	**$ 4,132,196**	**$ 52.47**	**$ 49,193**
59				
60	**GRAND TOTAL**	**$ 29,499,012**	**$ 374.59**	**$ 351,179**

OPTIONS NOT INCLUDED ABOVE:

Church Area Site Work	**681,112**	$ 8.65	$ 8,108
Potential Material & Labor Escalation TBD%	**TBD**		
Pre-Construction Services	**TBD**		

Cornerstone Village - Elk Grove

Qualifications, Clarifications, and Exclusions

5/11/2021

BROWN CONSTRUCTION INCORPORATED

GENERAL

Preliminary rough order of magnitude budget based on Yield Study Site plan page by Mogavero dated 4/28/21.
Budget based on gross square footages provided by Mogavero, as we have no scalable plans.
Budget is based on current market prices.
Increased costs due to tariffs enacted after date of budget are not included.
Power to be reasonably available on site for temporary construction power.
Site Security is an Allowance for cost of guards, cameras, fencing. Builders risk policy may have more requirements.
Phasing is not included in budget.
Budget is based on prevailing wage.

Survey / Construction Staking

Owner to provide property corner survey.
Construction staking for building corners and vertical design grades.

SWPPP & Erosion Control Allowance

SWPPP plan to be provided by civil engineer.
Install of SWPPP & erosion control.
Maintenance of SWPPP and erosion control.
Street sweeping / cleaning.
QSP inspector and fees are to be provided by owner.

Demolition

AC paving.
Sidewalk / flatwork.
Foundations @ portables.
Landscaping / trees.
Light poles, BB hoops, fencing.
Existing portable buildings to be moved by others.

Abatement & Hazardous Material Removal

Excluded.

Earthwork - Grade & Pave

Budget is based on a balanced site.
Building pads budget as scarify and compact.
AC paving budgeted as 3" AC over 12" AB.

Site Utilities

Domestic water.
Fire water.
Storm drain system.
Sewer system0

Joint Trench / Dry Utilities

Allowance for joint trench / dry utilities.

Landscape & Irrigation

Includes (60) day maintenance and warranty period for landscaping, and (1) year for the irrigation system.
Planting and Irrigation system

BioSwale / Retention

Includes an allowance of $150,000 for unknown bio swales, retention ponds, stormwater treatment, etc.

Fencing

Fencing at play area.
Budget is based on existing property line fence to remain.

Play Equipment & Surfacing

Allowance for play equipment & surfacing.

Trash Enclosures

Concrete slab, apron & footings.
CMU walls.
Trash enclosure gates.
Includes four trash enclosures.

Site Furnishings

Allowance for unknown site furnishings, bike racks, benches, etc.

SITE CONCRETE

Sidewalk / flatwork.
Curb. Curb budgeted as 2/3 curb and 1/3 curb and gutter.
Drive approaches

Buildings

Slab on grade concrete slab.
Type V wood framed construction.
Stucco with some fiber cement siding exterior skin.
Asphalt shingle roof.
Standard apartment grade finishes.
Gas water heaters.
Unit HVAC to be split system heat pump.
Tuck under parking.

Elevator

Three stop elevator in building C.

Solar Pre-Heat

Allowance of $1,750 per unit for solar pre-heat.

Photovoltaic System

PV budgeted at 1.3 KW per unit.

Amenity Area Upgrade

Allowance for upgraded finishes, casework, millwork, wall coverings, etc. at the amenity area.

GENERAL EXCLUSIONS

Construction noise reduction measures, mitigation, controls, plans, temp sound barriers, and/or special equipment.
All permits, fees and utility connection fees.
Design, engineering, calculations, and any related costs or fees. (Unless specifically included as design-build)
Builders Risk / Course of Construction insurance. Owner to provide.
Title 24 calculations.
Testing and Special Inspection costs.
Cal Green, Build-it-Green, Green Point, or LEED requirements unless they are incorporated into the project design.
Conditions of Approval requirements are included to the extent they are incorporated into the project design already.
Delays or other impacts caused by union picketing or other union activity.
Owner controlled insurance program (OCIP) credits from Brown Construction and the subcontractors.
Verification of design compliance with "American with Disabilities Act".
Forest Stewardship Council (FSC) certified lumber.
Full-scale freestanding mockups of typical units and/or amenity areas.
Building information modeling (BIM).
Owner fixtures, furniture, and equipment (FF&E).
Ground improvements, pile, piers, etc.
Removal of any underground obstructions (septic tanks, vaults, basements, etc.).
Lime treatment.
Dewatering, standing or seasonal.
Relocating and or undergrounding of any existing overhead utilities.
Carports.

Cornerstone Villages Elk Grove
Verification of Funding Sources

We have worked with our financial consultant, Devine & Gong, Inc., to identify what we believe are viable sources of capital funding and operating subsidies for the project which include:

- California Debt Limit Allocation Committee (CDLAC) bonds
- 4% California Tax Credit Allocation Committee (TCAC) Low Income Housing Tax Credits
- California Department of Housing and Community Development (HCD) Multifamily Housing Program (MHP) funds
- HCD Housing for a Healthy California (HCC) funds
- Affordable Housing Program (AHP) loan
- City of Elk Grove funds
- California Department of Development Services (DDS) funds
- Deferred Developer Fee
- Sacramento Housing and Redevelopment Agency (SHRA) Project Based Vouchers (PBVs)
- HUD Section 811 Vouchers

Financing affordable housing in California is a dynamic and ever changing paradigm and the team of the John Stewart Company, Bethesda and Devine & Gong, Inc. have the expertise necessary to continue to monitor the financing available to the project and to adapt the project as necessary to maximize that financing. The project sources and uses and 35 year pro-forma have been included in this submittal for your review and reference.

The project has been scored for competitiveness for all of the funding sources that are being pursued, and the project schedule has been sequenced to ensure optimal scoring as each source is pursued (for example, prior to pursuing HCD funds all local funding needs to be committed to maximize the project's score).

We are happy to provide more detailed information on all of the sources being pursued, but specifics on a few of the sources that the City of Elk Grove may have less familiarity with are as follows.

Federal Home Loan Bank (FHLB) of San Francisco – Affordable Housing Program (AHP)

- The FHLB provides subordinate loans for affordable housing with a primary focus on Northern California.
- FHLB provides funding of up to $10,000 per unit and provides funding that is typically structured as a 30-year subordinate loan.
- The application must be submitted by a bank that is a member of the San Francisco FHLB and there is an annual application process.
- The member bank receives the funds from the FHLB and provides a subordinate loan to the project that does not require any interest payments.
- The program prioritizes projects that serve formerly homeless households and that include nonprofit sponsors with an active role in development.
- The program also prioritizes project readiness and the funds are typically secured just prior to construction loan closing and are often used as a permanent source of financing.
- Funds need to be secured prior to permanent loan closing, which is when the loan is funded.

- More information can be located at: https://www.fhlbsf.com/community-programs/grant-programs/affordable-housing-programs?category=overview

California Department of Developmental Services (DDS) – Office of Community Development and Housing – Community Placement Plan (CPP) Funding

- DDS provides funding working with State's Regional Centers for multifamily gap funding that can be used for predevelopment, acquisition, and new construction.
- The funding is restricted to units that serve individuals with intellectual and developmental disabilities.
- The program provides gap funding up to $150,000 per eligible unit.
- The application is a joint application from the Regional Center (Alta California Regional Center) and the sponsor to DDS; applications are accepted over the counter.
- Funds are awarded to the Regional Center and the Regional Center provides a subordinate loan to the project.

Please find attached letters of interest and support from Enterprise Community Investment and the Alta California Regional for low income housing tax credit equity and California Department of Development Services (DDS) funding.

May 19, 2021

Margaret Miller
Senior Vice President, Development
The John Stewart Company
1388 Sutter Street, 11th Floor
San Francisco, CA 94109-5427

RE: Cornerstone Village – Elk Grove (the "Project")

Dear Ms. Miller:

This letter of interest from Enterprise Community Investment, Inc. (Enterprise) for providing equity, through an investment fund which would be formed by Enterprise, to the Project, is valid for nine months from the date of this letter.

Enterprise is one of the leading syndicators of low income housing tax credits ("LIHTC"). Since the enactment of the federal LIHTC program in 1986, Enterprise has raised more than $14 billion in equity for the development of low income housing.

The John Stewart Company is one of our most accomplished development partners, having developed 10 Enterprise-syndicated properties and providing property management on 44 of our deals. With over 40 years of development expertise, over 30 LIHTC properties developed, and a highly experienced and diligent staff, The John Stewart Company is an excellent sponsor and developer for this Project.

This letter of interest is based on a preliminary review of the information provided by you. This information indicated that the Project would generate, at this time, a LIHTC allocation of approximately $1,754,533 annually, assuming that the assumptions set forth in the pro forma are satisfied.

The proforma presented to Enterprise as part of the preliminary submissions indicated pricing in the range of $0.955 on the tax credit dollar. Based on this assumption, the Project would generate an equity investment in the amount of approximately $16,754,114. This estimate of pricing appears supportable if the transaction were to close today. The equity markets are extremely volatile at this point in time. The ultimate ability of Enterprise to close on this transaction will be determined by investor yield requirements and the availability of capital much closer to the time of closing.

As soon as you have received a reservation of tax credits, please contact us so that we can continue the underwriting of this project.

Sincerely,

Philip Porter
Vice President

Alta California
Regional Center

2241 Harvard Street, Suite 100
Sacramento, CA 95815
916-978-6400

May 17, 2021

Sarah Bontrager, Housing and Public Services Manager
City of Elk Grove
8401 Laguna Palms Way
Elk Grove, CA 95758
Re: Bethesda – Cornerstone Village in Elk Grove

Dear Ms. Bontrager:

Alta California Regional Center (ACRC) is a private, non-profit agency funded and overseen by the California State Department of Developmental Services. The regional center system was born from legislation to support those with developmental disabilities to be provided services and supports within their communities. There are 21 Regional Centers throughout California.

ACRC serves over 26,00 clients, covering a 10-county catchment area, including Elk Grove. In Elk Grove, California there are approximately 2,100 individuals who meet the State definition of having a developmental disability. ACRC coordinates and funds services throughout our client's lifespans. Though there are a number of congregate care home options in the city, **there are currently no set-aside housing units in Elk Grove that can enable low-income adults with developmental disabilities to live independently in homes of their own.**

I am writing in support of Bethesda Cornerstone Village and John Stewart Company in their efforts to develop low cost housing at the property located at 9270 Bruceville Road in Elk Grove. Bethesda has expressed a sincere desire to develop housing benefitting individuals with developmental disabilities and we are pleased that they have decided to develop this project in our area. Access to affordable housing can be elusive for individuals with developmental disabilities who largely live off of their Social Security benefits. Assisting in this project's financing may lead to a near future where a regional center client doesn't need to choose between independent living or staying in Elk Grove.

ACRC can be counted on to provide supportive services to those residing in any set-aside units. We have comprehensive services including employment training, supported and independent living, behavioral and psychiatric support services that would be available to any regional center client that benefits from this specialized housing development. If you have further questions about the supportive services we are willing to provide the residents of this proposed project please don't hesitate to reach out to our Director of Community Services, John Decker at jdecker@altaregional.org or (916) 978-6489.

Thank you for considering this letter of support for Bethesda Cornerstone Village in Elk Grove.

Best,

Phil Bonnet
Executive Director

1. PROJECT SUMMARY

PROJECT NAME:	**Cornerstone Village - Elk Grove**	**PROJECT CITY:**	Elk Grove
PROJECT ADDRESS:	9270 Bruceville Road	**PROJECT ZIP CODE:**	95758
PROJECT COUNTY:	Sacramento	**PROJECT CENSUS TRACT:**	96.16

UNIT MIX

Unit Type	# of LIHTC Units	# of Section 8 Units	# of Restricted Units
0 BD	0	0	0
1 BD	12	30	42
2 BD	20	0	20
3 BD	21	0	21
4 BD	0	0	0
5 BD	0	0	0
Total	**53**	**30**	**83**
		# of Manager's Units:	1

Affordability Mix

Income Restriction	Restricted Units	%
20% AMI	9	11%
25% AMI	12	14%
30% AMI	35	42%
50% AMI	12	14%
60% AMI	0	0%
70% AMI	15	18%
Total	**83**	**100%**
Average Affordability:		**38.31%**

USES	**Total**	**Per Unit**
Total Acquisition Costs	1,925,000	23,193
Total Hard Costs	33,582,841	404,613
Total Design Costs	2,217,056	26,712
Total Fees & Permits	4,619,966	55,662
Total Financing Costs	2,206,655	26,586
Total Developer Fee	5,248,390	63,234
Total Reserves	382,933	4,614
Total Other Soft Costs	1,322,980	15,940
Total Development Cost	**51,505,820**	**620,552**

CASH FLOW

Effective Gross Income	1,005,021		
Annual Operating Expenses	(523,980)		
Replacement Reserve	(42,000)		
NOI	439,041		
Required Debt Service	(296,400)	DCR	1.15
Net Cash Flow	142,641		
Required Cash Flow Payments	(32,000)		
Residual Receipts	(110,641)		
Cash Flow	0		

SOURCES	**Total**	**Per Unit**
Permanent 1st Mortgage	5,387,000	64,904
HCD MHP Loan	15,500,000	186,747
City of Elk Grove AHP Loan	3,436,000	41,398
HCD HHC	1,924,146	23,182
DDS Multifamily Loan	2,100,000	25,301
AHP	840,000	10,120
Deferred Developer Fee	0	0
Contributed Developer Fee	2,748,390	33,113
GP Capital	100	1
Tax Credit Equity - State	1,190,141	14,339
Tax Credit Equity - Federal	18,380,044	221,446
Total Sources	**51,505,820**	**620,552**
Surplus/(Gap)	**(0)**	**(0)**

PERMANENT 1ST MORTGAGE ASSUMPTIONS

Interest Rate	4.26%
Amortization	35
Term	17
Debt Coverage Ratio	1.15
Annual Debt Service	296,400

TAX CREDIT ANALYSIS

	Acquisition	New Constr./Rehab.
Qualified Basis	0	48,090,196
LIHTC Rate	4.00%	4.00%
Annual LIHTC Allocation	0	1,923,608
Total Annual LIHTC Allocation	1,923,608	
Total LIHTC Allocation	19,234,155	
Total Tax Credit Equity	18,380,044	
Tax Credit Equity Price	0.9556	

PROJECT SCHEDULE	**Date**	**Months**
Closing	October 2022	
Construction Completion	October 2023	16
Lease Up Completion	January 2024	3
Stabilization Completion	May 2024	3
Conversion to Permanent	June 2024	

TAX CREDITY PAY-IN SCHEDULE

Payment Milestones		
Closing	10%	1,838,004
During Construction	0%	0
Constr. Completion/PIS	0%	0
Perm. Conversion	88%	16,174,438
8609	2%	367,601

DEVELOPER FEE PAY-IN SCHEDULE

Capitalized Developer Fee	100%	2,500,000
At Closing	25%	625,000
During Construction	0%	0
At Completion/TCO	0%	0
At Conversion	60%	1,507,399
At 8609	15%	367,601

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	AMORTIZED	EXPENSED
			84		100%		
ACQUISITION COSTS							
Purchase Price	1,910,000						
Land Purchase	100%	1,910,000	22,738	1,910,000			
Title & Recording		15,000	179	15,000	0		
Other: Transfer Tax		0	0	0			
Total Acquistion Costs		**1,925,000**	**22,917**	**1,925,000**	**0**	**0**	**0**
DEVELOPMENT COSTS							
RESIDENTIAL HARD CONSTRUCTION							
Residential Construction		25,366,815	301,986		25,366,815		
General Conditions		1,311,002	15,607		1,311,002		
Taxes & Insurance		543,243	6,467		543,243		
GC Bond		148,471	1,768		148,471		
GC Contingency		761,004	9,060		761,004		
GC Fee		1,368,477	16,291		1,368,477		
Escalation Contingency	5.00%	1,478,671	17,603		1,478,671		
Design Contingency	3.00%	1,005,975	11,976		1,005,975		
Subtotal Resdiential Hard Construction		**31,983,658**	**380,758**	**0**	**31,983,658**	**0**	**0**
CONSTRUCTION CONTINGENCY							
Hard Cost Contingency	5%	1,599,183	19,038		1,599,183		
Subtotal Construction Contingency		**1,599,183**	**19,038**	**0**	**1,599,183**	**0**	**0**
DESIGN/ENGINEERING/ENVIRONMENTAL							
Architect	3.50%	1,175,399	13,993		1,175,399		
Engineering	2.00%	671,657	7,996		671,657		
Soils/Geo-Tech		25,000	298		25,000		
Energy Consultant		55,000	655		55,000		
Phase 1/Phase 2 Reports/LBP & OCM Reports		50,000	595		50,000		
CEQA/NEPA Environmental Review		25,000	298		25,000		
Other Environmental Consultants		50,000	595		50,000		
Construction Management		75,000	893		75,000		
Preconstruction		25,000	298		25,000		
Construction Testing/Special Inspections		50,000	595		50,000		
Survey		15,000	179		15,000		
Subtotal Design/Engineering/Environmental		**2,217,056**	**26,394**	**0**	**2,217,056**	**0**	**0**
FEES & PERMITS							
Building Permits	2.00%	192,385	2,290		192,385		
Planning Fees		24,989	297		24,989		
Other Fees		3,069,780	36,545		3,069,780		
Local Dev. Impact Fees		1,332,812	15,867		1,332,812		
Subtotal Fees & Permits		**4,619,966**	**55,000**	**0**	**4,619,966**	**0**	**0**
CONSTRUCTION PERIOD COSTS							
Insurance, Builder's Risk		200,000	2,381		200,000		
Insurance, General Liability		50,000	595		50,000		
Real Estate Taxes Due During Construction		7,500	89		7,500		
Subtotal Construction Period Costs		**257,500**	**3,065**	**0**	**257,500**	**0**	**0**

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	AMORTIZED	EXPENSED
			84		100%		
CONSTRUCTION FINANCING							
Origination Fee	1.00%	262,000	3,119		262,000		
City Loan Fee	0.00%	0	0		0		0
Construction Loan Interest	3.61%	1,150,188	13,693		942,171		208,017
Construction Loan Interest - Taxable Tail	4.11%	277,597	3,305		166,700		110,897
Construction Lender Legal		65,000	774		65,000		
Construction Lender Fees		25,000	298		25,000		
Appraisal		10,000	119		10,000		
Title & Recording		30,000	357		30,000		
Subtotal Construction Financing		**1,819,785**	**21,664**	**0**	**1,500,871**	**0**	**318,914**
COST OF ISSUANCE							
Bond Counsel		70,000	833			70,000	
Issuer Financial Advisor		35,000	417			35,000	
Trustee Fees		7,000	83			7,000	
Issuer Fees	0.50%	131,000	1,560			131,000	
Issuer Counsel		15,000	179			15,000	
Subtotal Cost of Issuance		**258,000**	**3,071**	**0**	**0**	**258,000**	**0**
PERMANENT FINANCING COSTS							
Origination Fee	1.00%	53,870	641			53,870	
Lender Fees		25,000	298			25,000	
Lender Legal		35,000	417			35,000	
Title & Recording		15,000	179			15,000	
Subtotal Permanent Financing Costs		**128,870**	**1,534**	**0**	**0**	**128,870**	**0**
OTHER FEES							
Tax Credit Fees		35,238	420			35,238	
Tax-Exempt Bond Fees		12,170	145			12,170	
Subtotal Other Fees		**47,408**	**564**	**0**	**0**	**47,408**	**0**
OTHER SOFT COSTS							
Cost Certification		30,000	357				30,000
Accounting		15,000	179				15,000
Financial/Development Consultant		75,000	893		75,000		
Legal, Organization		20,000	238			20,000	
Legal, Construction Loan Closing		50,000	595		50,000		
Legal, Permanent Loan Closing		25,000	298			25,000	
Legal, Syndication		50,000	595				50,000
Legal, Investor		60,000	714	60,000			
FF&E by Owner		150,000	1,786		150,000		
Market Study		7,500	89				7,500
Marketing Rent-Up		147,000	1,750			147,000	
Soft cost contingency	5.00%	388,572	4,626		388,572		0
Subtotal Other Soft Costs		**1,018,072**	**12,120**	**60,000**	**663,572**	**192,000**	**102,500**
DEVELOPER FEE							
Developer Fee - Capitalized		2,500,000	29,762		2,500,000		
Developer Fee - Deferred		0	0		0		
Developer Fee - Contributed		2,748,390	32,719		2,748,390		
Subtotal Developer Fee		**5,248,390**	**62,481**	**0**	**5,248,390**	**0**	**0**

2. DEVELOPMENT BUDGET

PROJECT NAME: **Cornerstone Village - Elk Grove**

	ASSUMPTIONS	TOTAL	PER UNIT	NON-DEPRECIABLE	RESIDENTIAL	AMORTIZED	EXPENSED
			84		100%		
CAPITALIZED RESERVES							
Operating Reserve (mos)	6	233,889	2,784	233,889			
Debt Service Reserve (mos)	6	149,044	1,774	149,044			
Transition Reserve		0	0	0			
Subtotal Capitalized Reserves		**382,933**	**4,559**	**382,933**	**0**	**0**	**0**
SUBTOTAL DEVELOPMENT COSTS		**49,580,820**	**590,248**	**442,933**	**48,090,196**	**626,278**	**421,414**
TOTAL DEVELOPMENT COSTS		**51,505,820**	**613,165**	**2,367,933**	**48,090,196**	**626,278**	**421,414**

3. DEVELOPMENT SOURCES

PROJECT NAME: **Cornerstone Village - Elk Grove**

CONSTRUCTION SOURCES

	Lien Position	Amount	Interest Rate	Required Payment	Loan Term (months)	Tax-Exempt (Y/N)
Tax-Exempt Construction Loan	1	26,200,000	3.61%	Interest Only	30	Yes
Taxable Tail		12,394,286	4.11%	Interest Only	30	No
City of Elk Grove AHP Loan		3,436,000	4.00%	Deferred Payment	660	Yes
HCD HHC			3.00%	Deferred Payment	660	Yes
DDS Multifamily Loan		2,100,000	3.00%	Deferred Payment	660	Yes
Contributed Developer Fee		2,748,390	-	-	-	-
GP Capital		100	-	-	-	-
Deferred Costs		2,789,041	-	-	-	-
Tax Credit Equity (Through Construction)		1,838,004	-	-	-	-
Total Construction Sources		**51,505,820**				

PERMANENT SOURCES

Source	Lien Position	Amount	Interest Rate	Payment Type	Loan Term (months)	Loan Amortization (months)	Interest Type	Tax-Exempt (Y/N)	Federal Financing (Y/N)	Federal Financing	Grant (Y/N)	Grant Amount
Permanent 1st Mortgage	1	5,387,000	4.26%	Required - Fully Amortizing	204	420	-	Yes	No	0	No	0
HCD MHP Loan	2	15,500,000	0.42%	Required - Other	660	660	Simple	Yes	No	0	No	0
City of Elk Grove AHP Loan	3	3,436,000	4.00%	Residual Receipts	660	660	Simple	Yes	No	0	No	0
HCD HHC	3	1,924,146	3.00%	Residual Receipts	660	660	Simple	Yes	No	0	No	0
DDS Multifamily Loan	4	2,100,000	3.00%	Other	660	660	Simple	No	No	0	No	0
AHP	5	840,000								0		0
Deferred Developer Fee		0	-	-	-	-	-	-	-	-	-	-
Contributed Developer Fee		2,748,390	-	-	-	-	-	-	-	-	-	-
GP Capital		100	-	-	-	-	-	-	-	-	-	-
Tax Credit Equity - State		1,190,141	-	-	-	-	-	-	-	-	-	-
Tax Credit Equity - Federal		18,380,044	-	-	-	-	-	-	-	-	-	-
Total Permanent Sources		**51,505,820**								0		0

Sources and Uses Summary

Total Development Costs	**51,505,820**
Total Construction Surplus/(Gap)	**0**
Total Permanent Surplus/(Gap)	**(0)**

50% Test Analysis

Tax Credit Basis	48,090,196
Land Value (appraised value)	1,910,000
Commercial	0
Total Costs:	50,000,196
Tax Exempt Bond Amount	26,200,000
% of Total Costs/Tax-Exempt Bonds:	52.40%

Interest Rate Assumptions

	Construction	Permanent
Index	30 Day LIBOR	10 Year Treas.
As of:	4/1/2021	5/1/2021
Index (Current)	0.11%	1.66%
Spread	2.50%	1.60%
Underwriting Cushion	1.00%	1.00%
UW Rate	**3.61%**	**4.26%**
Taxable Premium	0.50%	1.00%

5. UNIT MIX

PROJECT NAME: **Cornerstone Village - Elk Grove**

Unit Mix - Tax Credit Units

Unit Type	Income Restriction	Family Size	# of Units	Net Square Feet Per Unit	Total Square Feet	Gross Underwriting Rent	Utility Allowance	Net Rent	Net Rent - Monthly Total	Net Rent - Annual Total	Section 8	Section 8 Rent (if applicable)	Section 8 Increment	Section 8 Increment - Monthly Total	Section 8 Increment - Annual Total
1 BD - PWD	25% AMI	1.5	12	678	8,136	425	50	375	4,500	54,000	Yes	1,340	915	10,980	131,760
1 BD - Homeless	20% AMI	1.5	9	678	6,102	425	50	375	3,375	40,500	Yes	1,461	1,036	9,324	111,888
1 BD - PWD	30% AMI	1.5	9	678	6,102	510	50	460	4,140	49,680	Yes	1,340	830	7,470	89,640
1 BD	30% AMI	1.5	7	678	4,746	510	50	460	3,220	38,640			0	0	0
1 BD	70% AMI	1.5	5	678	3,390	1,190	50	1,140	5,700	68,400			0	0	0
		Total 1 BD	**42**		**28,476**				**20,935**	**251,220**	**0**	**4,141**	**2,781**	**27,774**	**333,288**
2 BD	30% AMI	3.0	10	923	9,230	612	69	543	5,430	65,160			0	0	0
2 BD	50% AMI	3.0	4	923	3,692	1,020	69	951	3,804	45,648			0	0	0
2 BD	70% AMI	3.0	6	923	5,538	1,428	69	1,359	8,154	97,848			0	0	0
		Total 2 BD	**20**		**18,460**				**17,388**	**208,656**	**0**	**0**	**0**	**0**	**0**
3 BD	30% AMI	4.5	9	1,294	11,646	706	85	621	5,589	67,068			0	0	0
3 BD	50% AMI	4.5	8	1,294	10,352	1,178	85	1,093	8,744	104,928			0	0	0
3 BD	70% AMI	4.5	4	1,294	5,176	1,649	85	1,564	6,256	75,072			0	0	0
		Total 3 BD	**21**		**27,174**				**20,589**	**247,068**	**0**	**0**	**0**	**0**	**0**
		Subtotal - Income Restricted Units	**83**		**74,110**				**58,912**	**706,944**	**0**	**4,141**		**27,774**	**333,288**

Unit Mix - Manager's Units

Unit Type	Income Restriction	Family Size	# of Units	Net Square Feet Per Unit	Total Square Feet	Gross Underwriting Rent	Utility Allowance	Net Rent	Net Rent - Monthly Total	Net Rent - Annual Total
2 BD	Unrestricted	1.5	1	772	772			0	0	0
		Subtotal Manager's Units	**1**		**772**					

Unit Mix Summary

Unit Type	# of LIHTC Units	# of Section 8 Units	# of Manager's Units	# of Restricted Units	# of Non Tax Credit Units	Total # of Units
0 BD	0	0	0	0	0	0
1 BD	12	30	0	42	0	42
2 BD	20	0	1	21	0	21
3 BD	21	0	0	21	0	21
4 BD	0	0	0	0	0	0
5 BD	0	0	0	0	0	0
Total	**53**	**30**	**1**	**84**	**0**	**84**

Basis Boost Unit Mix Summary

# Units - 35% AMI or below	% Units - 35% AMI or below	# Units - 36% AMI - 50% AMI	% Units - 36% AMI - 50% AMI
56	67%	12	14%

Square Footage Summary

Unit Type	Tax Credit Unit Square Footage	Manager Unit Square Footage	Non Tax Credit Unit Square Footage	Total Unit Square Footage	Common Area Square Footage	Total Non-Garage Square Footage	Garage Square Footage	Total Residential Square Footage	Commercial Space Square Footage	Total Square Footage
0 BD	0	0	0	**0**	-	**0**	-	0	-	-
1 BD	28,476	0	0	**28,476**	-	**28,476**	-	0	-	-
2 BD	18,460	772	0	**19,232**	-	**19,232**	-	0	-	-
3 BD	27,174	0	0	**27,174**	-	**27,174**	-	0	-	-
4 BD	0	0	0	**0**	-	**0**	-	0	-	-
5 BD	0	0	0	**0**	-	**0**	-	0	-	-
	74,110	772	0	**74,882**	5,334	**80,216**		**80,216**		**80,216**
						Residential/Commercial Allocation		**100%**	**0%**	

6. 1ST YEAR OPERATING EXPENSES

PROJECT NAME: **Cornerstone Village - Elk Grove**

Expense	# of FTEs	Per Year
Administrative		
Advertising		2,150
Advertising		*150*
Credit Reports		*2,000*
Legal		1,000
Accounting/Audit		20,584
Audit Fee		*10,000*
Bookkeeping		*10,584*
Security		1,750
Security		*1,500*
Security Supplies		*250*
Other		10,230
Office Supplies		*2,000*
Telephone		*4,000*
Collection Loss		
Miscellaneous		*2,000*
Mileage/Travel		*250*
Seminars & Training		*500*
Computer Charges		*1,480*
Subtotal Administrative		**35,714**
Management		**51,912**
Utilities		
Fuel		
Gas		27,000
Electricity		9,500
Water/Sewer		53,050
Water		*18,000*
Sewer		*35,050*
Subtotal Utilities		**89,550**
Payroll/Payroll Taxes	**# of FTEs**	
On-Site Manager	1.0	52,867
Asst. Administrator	1.0	21,147
Maintenance Personnel	0.0	65,555
Maintenance Payroll	*0.0*	*46,523*
Janitor Payroll	*0.0*	*19,032*
Grounds Payroll	*0.0*	*0*
Other	0.0	40,870
Office Payroll	*0.0*	*2,667*
Staff Unit		*0*
Payroll Taxes		*12,917*
Workmens Comp		*6,183*
Employee Benefits		*19,103*
Subtotal Payroll/Payroll Taxes	**1.0**	**180,439**

Expense	Per Year
Maintenance	
Painting	500
Repairs	6,000
Repairs Materials	*1,000*
Repairs Contracts	*1,000*
Plumbing Maintenance	*1,000*
Electric Maintenance	*1,000*
Heating/Cooling	*1,000*
Appliance Repairs	*1,000*
Window Repairs	
Backflow	
Trash Removal	8,000
Exterminating	2,225
Exterminating Contract	*2,225*
Exterminating Supplies	*0*
Grounds	10,600
Grounds Contract	*1,000*
Grounds Supplies	*9,600*
Elevator	8,000
Elevator Contract	
Elevator Maintenance Supplies	*8,000*
Other	5,500
Janitorial Supplies	*1,000*
Contract Cleaning	*1,000*
Fire Alarm Expense	*1,000*
Vehicle Operation	
Maintenance Equipment Repairs	
Uniform/Laundry Service	*500*
Miscellaneous	*2,000*
Subtotal Maintenance	**40,825**
Other Expenses	
Miscellaneous License/Permits	584
Property Insurance	35,000
Other	
Resident Services	85,000
Subtotal Other Expenses	**120,584**
Total Operating Expenses	**519,024**
Per Unit	**6,179**

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME: **Cornerstone Village - Elk Grove**

					Underwriting:									
Completed Project Year					1st Year	2	3	4	5	6	7	8	9	10
Calendar Year						2024	2025	2026	2027	2028	2029	2030	2031	2032
INCOME	**Factor**	**Trending**												
Tax Credit Rental Income	50%	2.00%			706,944	721,083	735,505	750,215	765,219	780,523	796,134	812,056	828,298	844,864
Vacancy	5.00%				(35,347)	(36,054)	(36,775)	(37,511)	(38,261)	(39,026)	(39,807)	(40,603)	(41,415)	(42,243)
Other Rental/Operating Subsidy	50%	2.00%			333,288	339,954	346,753	353,688	360,762	367,977	375,336	382,843	390,500	398,310
Vacancy	5.00%				(16,664)	(16,998)	(17,338)	(17,684)	(18,038)	(18,399)	(18,767)	(19,142)	(19,525)	(19,916)
Laundry & Misc.		2.00%		200	16,800	17,136	17,479	17,828	18,185	18,549	18,920	19,298	19,684	20,078
EGI					1,005,021	1,025,121	1,045,623	1,066,536	1,087,866	1,109,624	1,131,816	1,154,453	1,177,541	1,201,092
EXPENSES														
Operations	6,179	3.00%			519,024	534,595	550,633	567,152	584,166	601,691	619,742	638,334	657,484	677,209
RE Taxes	59	1.50%			4,956	5,105	5,181	5,259	5,338	5,418	5,499	5,582	5,665	5,750
SHRA Annual Admin. Fee	0.125%				25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
HCD Mandatory Payment	17,424,146	0.42%	55		73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181
Replacement Reserves	500	0.00%			42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
subtotal	17,430,884				664,161	679,881	695,995	712,592	729,685	747,290	765,422	784,097	803,331	823,140
NOI					340,860	345,240	349,628	353,944	358,181	362,333	366,393	370,355	374,211	377,952
REQUIRED DEBT SERVICE	Principal	Interest	Term	DCR										
Permanent 1st Mortgage	5,387,000	4.26%	35	1.15	296,400	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
Permanent 2nd Mortgage	0													
subtotal					296,400	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
DCR					1.15	1.16	1.18	1.19	1.21	1.22	1.24	1.25	1.26	1.28
NET CASH FLOW					44,460	48,845	53,233	57,549	61,786	65,938	69,998	73,960	77,815	81,556
Debt-Service Test		25%			13.14%	14.43%	15.73%	17.01%	18.26%	19.49%	20.69%	21.86%	23.00%	24.10%
Percent of Gross Revenue Test		8%			4.21%	4.53%	4.84%	5.13%	5.40%	5.65%	5.88%	6.09%	6.28%	6.46%
REQUIRED CASH FLOW PAYMENTS														
LP Asset Management Fee	7,000	3.0%			7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
GP Partnership Mgmt. Fee	25,000	3.0%			25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
Deferred Developer Fee														
Other:						0	0	0	0	0	0	0	0	0
					32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356	40,537	41,753
RESIDUAL RECEIPTS CASH FLOW PAYMENTS	Res. Rec. Share													
Borrower	50%					7,942	9,642	11,291	12,885	14,421	15,894	17,302	18,639	19,902
HCD MHP Loan	12.50%					1,986	2,410	2,823	3,221	3,605	3,974	4,326	4,660	4,975
City of Elk Grove AHP Loan	12.50%					1,986	2,410	2,823	3,221	3,605	3,974	4,326	4,660	4,975
HCD HHC	12.50%					1,986	2,410	2,823	3,221	3,605	3,974	4,326	4,660	4,975
DDS Multifamily Loan	12.50%					1,986	2,410	2,823	3,221	3,605	3,974	4,326	4,660	4,975
						0	0	0	0	0	0	0	0	0
						15,885	19,284	22,581	25,770	28,841	31,788	34,604	37,279	39,804
CASH FLOW					**12,460**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GP Share	1.0%					0	0	0	0	0	0	0	0	0
LP Share	99.0%					0	0	0	0	0	0	0	0	0

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME:

Completed Project Year **Calendar Year**	**11** **2033**	**12** **2034**	**13** **2035**	**14** **2036**	**15** **2037**	**16** **2038**	**17** **2039**	**18** **2040**	**19** **2041**	**20** **2042**	**21** **2043**	**22** **2044**	**23** **2045**	**24** **2046**
INCOME														
Tax Credit Rental Income	861,761	878,996	896,576	914,507	932,798	951,454	970,483	989,892	1,009,690	1,029,884	1,050,482	1,071,491	1,092,921	1,114,779
Vacancy	(43,088)	(43,950)	(44,829)	(45,725)	(46,640)	(47,573)	(48,524)	(49,495)	(50,485)	(51,494)	(52,524)	(53,575)	(54,646)	(55,739)
Other Rental/Operating Subsidy	406,276	414,402	422,690	431,144	439,766	448,562	457,533	466,684	476,017	485,538	495,248	505,153	515,256	525,562
Vacancy	(20,314)	(20,720)	(21,134)	(21,557)	(21,988)	(22,428)	(22,877)	(23,334)	(23,801)	(24,277)	(24,762)	(25,258)	(25,763)	(26,278)
Laundry & Misc.	20,479	20,889	21,306	21,733	22,167	22,611	23,063	23,524	23,995	24,474	24,964	25,463	25,972	26,492
EGI	1,225,114	1,249,616	1,274,609	1,300,102	1,326,103	1,352,625	1,379,677	1,407,271	1,435,416	1,464,125	1,493,408	1,523,275	1,553,741	1,584,816
EXPENSES														
Operations	697,525	718,451	740,004	762,204	785,070	808,622	832,881	857,868	883,604	910,112	937,415	965,538	994,504	1,024,339
RE Taxes	5,837	5,924	6,013	6,103	6,195	6,288	6,382	6,478	6,575	6,674	6,774	6,875	6,978	7,083
SHRA Annual Admin. Fee	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	25,000
HCD Mandatory Payment	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181
Replacement Reserves	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
subtotal	843,543	864,556	886,199	908,489	931,447	955,092	979,445	1,004,527	1,030,360	1,056,967	1,084,370	1,112,594	1,141,663	1,171,603
NOI	381,571	385,060	388,411	391,613	394,657	397,533	400,233	402,744	405,056	407,158	409,038	410,681	412,078	413,213
REQUIRED DEBT SERVICE														
Permanent 1st Mortgage	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
Permanent 2nd Mortgage														
subtotal	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
DCR	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.37	1.38	1.39	1.39	1.39
NET CASH FLOW	85,176	88,665	92,015	95,217	98,261	101,138	103,838	106,349	108,661	110,763	112,643	114,285	115,682	116,817
	25.17%	26.20%	27.19%	28.14%	29.04%									
Percent of G	6.61%	6.75%	6.86%	6.96%	7.05%									
REQUIRED CASH FLOW PAYMENTS														
LP Asset Management Fee	9,407	9,690	9,980	10,280	10,588									
GP Partnership Mgmt. Fee	33,598	34,606	35,644	36,713	37,815									
Deferred Developer Fee														
Other:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	43,005	44,295	45,624	46,993	48,403	0	0	0	0	0	0	0	0	0
RESIDUAL RECEIPTS CASH FLOW PAYMENTS														
Borrower	21,085	22,185	23,195	24,112	24,929	50,569	51,919	53,174	54,330	55,382	56,321	57,143	57,841	58,409
HCD MHP Loan	5,271	5,546	5,799	6,028	6,232	12,642	12,980	13,294	13,583	13,845	14,080	14,286	14,460	14,602
City of Elk Grove AHP Loan	5,271	5,546	5,799	6,028	6,232	12,642	12,980	13,294	13,583	13,845	14,080	14,286	14,460	14,602
HCD HHC	5,271	5,546	5,799	6,028	6,232	12,642	12,980	13,294	13,583	13,845	14,080	14,286	14,460	14,602
DDS Multifamily Loan	5,271	5,546	5,799	6,028	6,232	12,642	12,980	13,294	13,583	13,845	14,080	14,286	14,460	14,602
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	42,171	44,370	46,391	48,224	49,859	101,138	103,838	106,349	108,661	110,763	112,643	114,285	115,682	116,817
CASH FLOW	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GP Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LP Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME:

Completed Project Year	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**
Calendar Year	**2047**	**2048**	**2049**	**2050**	**2051**	**2052**	**2053**	**2054**	**2055**	**2056**	**2057**
INCOME											
Tax Credit Rental Income	1,137,075	1,159,817	1,183,013	1,206,673	1,230,807	1,255,423	1,280,531	1,306,142	1,332,265	1,358,910	1,386,088
Vacancy	(56,854)	(57,991)	(59,151)	(60,334)	(61,540)	(62,771)	(64,027)	(65,307)	(66,613)	(67,945)	(69,304)
Other Rental/Operating Subsidy	536,073	546,794	557,730	568,885	580,262	591,868	603,705	615,779	628,095	640,657	653,470
Vacancy	(26,804)	(27,340)	(27,887)	(28,444)	(29,013)	(29,593)	(30,185)	(30,789)	(31,405)	(32,033)	(32,673)
Laundry & Misc.	27,022	27,562	28,113	28,676	29,249	29,834	30,431	31,039	31,660	32,293	32,939
EGI	1,616,512	1,648,842	1,681,818	1,715,456	1,749,765	1,784,761	1,820,455	1,856,865	1,894,002	1,931,882	1,970,520
EXPENSES											
Operations	1,055,069	1,086,721	1,119,323	1,152,902	1,187,489	1,223,114	1,259,807	1,297,602	1,336,530	1,376,626	1,417,924
RE Taxes	7,189	7,297	7,407	7,518	7,630	7,745	7,861	7,979	8,099	8,220	8,343
SHRA Annual Admin. Fee	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
HCD Mandatory Payment	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181	73,181
Replacement Reserves	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
subtotal	1,202,440	1,234,200	1,266,911	1,300,601	1,335,301	1,371,040	1,407,850	1,445,762	1,484,810	1,525,027	1,566,449
NOI	414,072	414,642	414,908	414,854	414,464	413,720	412,605	411,102	409,192	406,855	404,071
REQUIRED DEBT SERVICE											
Permanent 1st Mortgage	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
Permanent 2nd Mortgage											
subtotal	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395	296,395
DCR	1.40	1.40	1.40	1.40	1.40	1.40	1.39	1.39	1.38	1.37	1.36
NET CASH FLOW	117,677	118,247	118,513	118,459	118,069	117,325	116,210	114,707	112,797	110,460	107,676
Percent of G											
REQUIRED CASH FLOW PAYMENTS											
LP Asset Management Fee											
GP Partnership Mgmt. Fee											
Deferred Developer Fee											
Other:	0	0	0	0	0	0	1	2	3	4	5
	0	0	0	0	0	0	1	2	3	4	5
RESIDUAL RECEIPTS CASH FLOW PAYMENTS											
Borrower	58,838	59,124	59,256	59,229							
HCD MHP Loan	14,710	14,781	14,814	14,807	14,759	14,666	14,526	14,338	14,099	13,807	13,459
City of Elk Grove AHP Loan	14,710	14,781	14,814	14,807	14,759	14,666	14,526	14,338	14,099	13,807	13,459
HCD HHC	14,710	14,781	14,814	14,807	14,759	14,666	14,526	14,338	14,099	13,807	13,459
DDS Multifamily Loan	14,710	14,781	14,814	14,807	14,759	14,666	14,526	14,338	14,099	13,807	13,459
	0	0	0	0	0	0	0	0	0	0	0
	117,677	118,247	118,513	118,459	59,034	58,663	58,104	57,353	56,397	55,228	53,835
CASH FLOW	**0**	**0**	**0**	**0**	**59,034**	**58,663**	**58,104**	**57,353**	**56,397**	**55,228**	**53,835**
GP Share	0	0	0	0	590	587	581	574	564	552	538
LP Share	0	0	0	0	58,444	58,076	57,523	56,779	55,833	54,676	53,297

8. TAX CREDIT ANALYSIS

PROJECT NAME: **Cornerstone Village - Elk Grove**

			Total	Acquisition	Construction
DEVELOPMENT COSTS			51,505,820	1,925,000	49,580,820
Less:					
Non-Depreciable			(2,367,933)	(1,925,000)	(442,933)
Expensed			(421,414)	0	(421,414)
Amortized			(626,278)	0	(626,278)
Non-Res. Deprec.			0	0	0
Res. Historic TC					
Other					
	subtotal		48,090,196	0	48,090,196
Less:					
Federal Financing			0		0
Grants			0		0
ELIGIBLE LIHTC BASIS			48,090,196	0	48,090,196
TCAC MAXIMUM BASIS					82,665,324
CALCULATION BASIS			48,090,196	0	48,090,196
ADJUSTMENT (DDA or QCT)		**100%**	48,090,196	0	48,090,196
APPLICABLE FRACTION				100.00%	100.00%
QUALIFIED BASIS				0	48,090,196
LIHTC RATE				4.00%	4.00%
ANNUAL LIHTC AMOUNT					
	Calculated		1,923,608	0	1,923,608
	Maximum		1,923,608		1,923,608
BASIS FOR PRICING			**1,923,608**	**0**	**1,923,608**

Applicable Fraction Calculation

	# of Units	Unit Fraction	Total Sq. Feet	Sq. Ft. Fraction
LIHTC Eligible Units	83	100.00%	74,110	100.00%
Non-LIHTC Units	0	0.00%	0	0.00%
Total	83	100.00%	74,110	100.00%
Application Fraction (lesser of)	**100.00%**			

9.TAX CREDIT DELIVERY SCHEDULE

PROJECT NAME: **Cornerstone Village - Elk Grove**

Tax Credit Delivery Assumptions

PIS: Year	2023
PIS: Month	10
Total # of Tax Credit Units	83
Annual Acquisition LIHTC Allocation	0
Annual Construction/Rehabilitation LIHTC Allocation	1,923,608

YEAR 1

Month	Units Leased in Month	Cumulative Units Leased	% Leased in Month	Cumulative % Leased	Monthly Acquistion Credit Amount	Monthly Constr./Rehab. Credit Amount	Total Monthly Credit Amount
1		0	0.0%	0%	0	0	0
2		0	0.0%	0%	0	0	0
3		0	0.0%	0%	0	0	0
4		0	0.0%	0%	0	0	0
5		0	0.0%	0%	0	0	0
6		0	0.0%	0%	0	0	0
7		0	0.0%	0%	0	0	0
8		0	0.0%	0%	0	0	0
9		0	0.0%	0%	0	0	0
10	13	13	15.7%	16%	0	25,107	25,107
11	12	25	14.5%	30%	0	48,283	48,283
12	12	37	14.5%	45%	0	71,459	71,459
Year 1 Total	**37**				**0**	**144,850**	**144,850**

YEAR 2

Month	Units Leased in Month	Cumulative Units Leased	% Leased in Month	Cumulative % Leased	Monthly Acquistion Credit Amount	Monthly Constr./Rehab. Credit Amount	Total Monthly Credit Amount
1	12	49	14.5%	59%	0	94,635	94,635
2	10	59	12.0%	71%	0	113,949	113,949
3		59	0.0%	71%	0	113,949	113,949
4		59	0.0%	71%	0	113,949	113,949
5		59	0.0%	71%	0	113,949	113,949
6		59	0.0%	71%	0	113,949	113,949
7		59	0.0%	71%	0	113,949	113,949
8		59	0.0%	71%	0	113,949	113,949
9		59	0.0%	71%	0	113,949	113,949
10		59	0.0%	71%	0	113,949	113,949
11		59	0.0%	71%	0	113,949	113,949
12		59	0.0%	71%	0	113,949	113,949
Year 2 Total	**22**				**0**	**1,348,071**	**1,348,071**

10. TAX CREDIT EQUITY PAY-IN

PROJECT NAME: **Cornerstone Village - Elk Grove**

Tax Credit Equity Analysis

99.99% of TCs	19,234,155
Total Payments	18,380,044
TC Pay Ratio	0.956
Ann. IRR	6.12%

State Tax Credit

Eligible Basis	48,090,196	1,487,676	
State Tax Credit Rate	30%	1,190,141	
State Credit - Calculated	14,427,059	$0.8000	(0)
State Credit - Per Unit	17,710		
		Total Equity	
State Credit - Request	**1,487,676**	**19,570,185**	

Tax Credit Equity Pay-In Schedule and Uses

Month	Payment Milestone	Payment %	Payment Amount	General Project Costs	Developer Fee	Investor Legal	Reserves	Construction Loan Repayment	
Oct-22	Closing Payment	10%	1,957,018	1,272,018	625,000	60,000			0
Nov-22			0						0
Dec-22			0						0
Jan-23			0						0
Feb-23			0						0
Mar-23			0						0
Apr-23			0						0
May-23			0						0
Jun-23			0						0
Jul-23			0						0
Aug-23			0						0
Sep-23			0						0
Oct-23			0						0
Nov-23			0						0
Dec-23			0						0
Jan-24			0						0
Feb-24			0						0
Mar-24			0						0
Apr-24			0						0
May-24			0						0
Jun-24			0						0
Jul-24			0						0
Aug-24			0						0
Sep-24			0						0
Oct-24			0						0
Nov-24			0						0
Dec-24			0						0
Jan-25	Permanent Conversion Payment	88%	17,221,762		1,507,399		382,933	15,331,431	0
Feb-25			0						0
Mar-25			0						0
Apr-25	8609 Payment	2%	391,404		0				391404
May-25			0						
Jun-25			0						
Jul-25			0						
Aug-25			0						
Sep-25			0		0				
		100%	19,570,185	1,272,018	2,132,399	60,000	382,933	15,331,431	
			0						

5. UNIT MIX

PROJECT NAME: **Cornerstone Village - Elk Grove**

Unit Mix - Tax Credit Units

Unit Type	Income Restriction	Family Size	# of Units	Net Square Feet Per Unit	Total Square Feet	Gross Underwriting Rent	Utility Allowance	Net Rent	Net Rent - Monthly Total	Net Rent - Annual Total	Section 8	Section 8 Rent (if applicable)	Section 8 Increment	Section 8 Increment - Monthly Total	Section 8 Increment - Annual Total
1 BD - PWD	25% AMI	1.5	12	678	8,136	425	50	375	4,500	54,000	Yes	1,340	915	10,980	131,760
1 BD - Homeless	20% AMI	1.5	9	678	6,102	425	50	375	3,375	40,500	Yes	1,461	1,036	9,324	111,888
1 BD - PWD	30% AMI	1.5	9	678	6,102	510	50	460	4,140	49,680	Yes	1,340	830	7,470	89,640
1 BD	30% AMI	1.5	7	678	4,746	510	50	460	3,220	38,640			0	0	0
1 BD	70% AMI	1.5	5	678	3,390	1,190	50	1,140	5,700	68,400			0	0	0
		Total 1 BD	**42**		**28,476**				**20,935**	**251,220**	**0**	**4,141**	**2,781**	**27,774**	**333,288**
2 BD	30% AMI	3.0	10	923	9,230	612	69	543	5,430	65,160			0	0	0
2 BD	50% AMI	3.0	4	923	3,692	1,020	69	951	3,804	45,648			0	0	0
2 BD	70% AMI	3.0	6	923	5,538	1,428	69	1,359	8,154	97,848			0	0	0
		Total 2 BD	**20**		**18,460**				**17,388**	**208,656**	**0**	**0**	**0**	**0**	**0**
3 BD	30% AMI	4.5	9	1,294	11,646	706	85	621	5,589	67,068			0	0	0
3 BD	50% AMI	4.5	8	1,294	10,352	1,178	85	1,093	8,744	104,928			0	0	0
3 BD	70% AMI	4.5	4	1,294	5,176	1,649	85	1,564	6,256	75,072			0	0	0
		Total 3 BD	**21**		**27,174**				**20,589**	**247,068**	**0**	**0**	**0**	**0**	**0**
		Subtotal - Income Restricted Units	**83**		**74,110**				**58,912**	**706,944**	**0**	**4,141**		**27,774**	**333,288**

Unit Mix - Manager's Units

Unit Type	Income Restriction	Family Size	# of Units	Net Square Feet Per Unit	Total Square Feet	Gross Underwriting Rent	Utility Allowance	Net Rent	Net Rent - Monthly Total	Net Rent - Annual Total
2 BD	Unrestricted	1.5	1	772	772			0	0	0
		Subtotal Manager's Units	**1**		**772**					

Unit Mix Summary

Unit Type	# of LIHTC Units	# of Section 8 Units	# of Manager's Units	# of Restricted Units	# of Non Tax Credit Units	Total # of Units
0 BD	0	0	0	0	0	0
1 BD	12	30	0	42	0	42
2 BD	20	0	1	21	0	21
3 BD	21	0	0	21	0	21
4 BD	0	0	0	0	0	0
5 BD	0	0	0	0	0	0
Total	**53**	**30**	**1**	**84**	**0**	**84**

Basis Boost Unit Mix Summary

# Units - 35% AMI or below	% Units - 35% AMI or below	# Units - 36% AMI - 50% AMI	% Units - 36% AMI - 50% AMI
56	67%	12	14%

Square Footage Summary

Unit Type	Tax Credit Unit Square Footage	Manager Unit Square Footage	Non Tax Credit Unit Square Footage	Total Unit Square Footage	Common Area Square Footage	Total Non-Garage Square Footage	Garage Square Footage	Total Residential Square Footage	Commercial Space Square Footage	Total Square Footage
0 BD	0	0	0	**0**	-	**0**	-	0	-	-
1 BD	28,476	0	0	**28,476**	-	**28,476**	-	0	-	-
2 BD	18,460	772	0	**19,232**	-	**19,232**	-	0	-	-
3 BD	27,174	0	0	**27,174**	-	**27,174**	-	0	-	-
4 BD	0	0	0	**0**	-	**0**	-	0	-	-
5 BD	0	0	0	**0**	-	**0**	-	0	-	-
	74,110	772	0	**74,882**	5,334	**80,216**		**80,216**		**80,216**
						Residential/Commercial Allocation		**100%**	**0%**	

6. 1ST YEAR OPERATING EXPENSES

PROJECT NAME: **Cornerstone Village - Elk Grove**

Expense	# of FTEs	Per Year
Administrative		
Advertising		2,150
Advertising		*150*
Credit Reports		*2,000*
Legal		1,000
Accounting/Audit		20,584
Audit Fee		*10,000*
Bookkeeping		*10,584*
Security		1,750
Security		*1,500*
Security Supplies		*250*
Other		10,230
Office Supplies		*2,000*
Telephone		*4,000*
Collection Loss		
Miscellaneous		*2,000*
Mileage/Travel		*250*
Seminars & Training		*500*
Computer Charges		*1,480*
Subtotal Administrative		**35,714**
Management		**51,912**
Utilities		
Fuel		
Gas		27,000
Electricity		9,500
Water/Sewer		53,050
Water		*18,000*
Sewer		*35,050*
Subtotal Utilities		**89,550**
Payroll/Payroll Taxes	**# of FTEs**	
On-Site Manager	1.0	52,867
Asst. Administrator	1.0	21,147
Maintenance Personnel	0.0	65,555
Maintenance Payroll	*0.0*	*46,523*
Janitor Payroll	*0.0*	*0*
Grounds Payroll	*0.0*	*19,032*
Other	0.0	40,870
Office Payroll	*0.0*	*2,667*
Staff Unit		*0*
Payroll Taxes		*12,917*
Workmens Comp		*6,183*
Employee Benefits		*19,103*
Subtotal Payroll/Payroll Taxes	**1.0**	**180,439**

Expense	Per Year
Maintenance	
Painting	500
Repairs	6,000
Repairs Materials	*1,000*
Repairs Contracts	*1,000*
Plumbing Maintenance	*1,000*
Electric Maintenance	*1,000*
Heating/Cooling	*1,000*
Appliance Repairs	*1,000*
Window Repairs	
Backflow	
Trash Removal	8,000
Exterminating	2,225
Exterminating Contract	*2,225*
Exterminating Supplies	*0*
Grounds	10,600
Grounds Contract	*1,000*
Grounds Supplies	*9,600*
Elevator	8,000
Elevator Contract	
Elevator Maintenance Supplies	*8,000*
Other	5,500
Janitorial Supplies	*1,000*
Contract Cleaning	*1,000*
Fire Alarm Expense	*1,000*
Vehicle Operation	
Maintenance Equipment Repairs	
Uniform/Laundry Service	*500*
Miscellaneous	*2,000*
Subtotal Maintenance	**40,825**
Other Expenses	
Miscellaneous License/Permits	584
Property Insurance	35,000
Other	
Resident Services	85,000
Subtotal Other Expenses	**120,584**

Total Operating Expenses	**519,024**
Per Unit	**6,179**

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME: **Cornerstone Village - Elk Grove**

				Underwriting:									
Completed Project Year				1st Year	2	3	4	5	6	7	8	9	10
Calendar Year					2024	2025	2026	2027	2028	2029	2030	2031	2032
INCOME	**Factor**	**Trending**											
Tax Credit Rental Income	50%	2.00%		706,944	721,083	735,505	750,215	765,219	780,523	796,134	812,056	828,298	844,864
Vacancy	5.00%			(35,347)	(36,054)	(36,775)	(37,511)	(38,261)	(39,026)	(39,807)	(40,603)	(41,415)	(42,243)
Other Rental/Operating Subsidy	50%	2.00%		333,288	339,954	346,753	353,688	360,762	367,977	375,336	382,843	390,500	398,310
Vacancy	5.00%			(16,664)	(16,998)	(17,338)	(17,684)	(18,038)	(18,399)	(18,767)	(19,142)	(19,525)	(19,916)
Laundry & Misc.		2.00%	200	16,800	17,136	17,479	17,828	18,185	18,549	18,920	19,298	19,684	20,078
EGI				1,005,021	1,025,121	1,045,623	1,066,536	1,087,866	1,109,624	1,131,816	1,154,453	1,177,541	1,201,092
EXPENSES													
Operations	6,179	3.00%		519,024	534,595	550,633	567,152	584,166	601,691	619,742	638,334	657,484	677,209
RE Taxes	59	1.50%		4,956	5,105	5,181	5,259	5,338	5,418	5,499	5,582	5,665	5,750
SHRA Annual Admin. Fee	0.125%			25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
HCD Mandatory Payment	16,924,146	0.42%	55	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081
Replacement Reserves	500	0.00%		42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
subtotal	16,930,884			662,061	677,781	693,895	710,492	727,585	745,190	763,322	781,997	801,231	821,040
NOI				342,960	347,340	351,728	356,044	360,281	364,433	368,493	372,455	376,311	380,052
REQUIRED DEBT SERVICE	Principal	Interest	Term / DCR										
Permanent 1st Mortgage	5,420,000	4.26%	35 / 1.15	298,226	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
Permanent 2nd Mortgage	0												
subtotal				298,226	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
DCR				1.15	1.16	1.18	1.19	1.21	1.22	1.24	1.25	1.26	1.27
NET CASH FLOW				44,734	49,129	53,517	57,833	62,070	66,222	70,282	74,244	78,100	81,841
Debt-Service Test		25%		13.15%	14.44%	15.73%	17.00%	18.24%	19.47%	20.66%	21.82%	22.96%	24.06%
Percent of Gross Revenue Test		8%		4.23%	4.56%	4.87%	5.16%	5.42%	5.67%	5.90%	6.11%	6.31%	6.48%
REQUIRED CASH FLOW PAYMENTS													
LP Asset Management Fee	7,000	3.0%		7,000	7,210	7,426	7,649	7,879	8,115	8,358	8,609	8,867	9,133
GP Partnership Mgmt. Fee	25,000	3.0%		25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
Deferred Developer Fee													
Other:					0	0	0	0	0	0	0	0	0
				32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356	40,537	41,753
RESIDUAL RECEIPTS CASH FLOW PAYMENTS	Res. Rec. Share												
Borrower	50%				8,084	9,784	11,433	13,027	14,563	16,036	17,444	18,782	20,044
HCD MHP Loan	12.50%				2,021	2,446	2,858	3,257	3,641	4,009	4,361	4,695	5,011
City of Elk Grove AHP Loan	12.50%				2,021	2,446	2,858	3,257	3,641	4,009	4,361	4,695	5,011
HCD HHC	12.50%				2,021	2,446	2,858	3,257	3,641	4,009	4,361	4,695	5,011
DDS Multifamily Loan	12.50%				2,021	2,446	2,858	3,257	3,641	4,009	4,361	4,695	5,011
					0	0	0	0	0	0	0	0	0
					16,169	19,568	22,866	26,054	29,126	32,073	34,888	37,563	40,088
CASH FLOW				**12,734**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GP Share	1.0%				0	0	0	0	0	0	0	0	0
LP Share	99.0%				0	0	0	0	0	0	0	0	0

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME:

Completed Project Year Calendar Year	11 2033	12 2034	13 2035	14 2036	15 2037	16 2038	17 2039	18 2040	19 2041	20 2042	21 2043	22 2044	23 2045	24 2046
INCOME														
Tax Credit Rental Income	861,761	878,996	896,576	914,507	932,798	951,454	970,483	989,892	1,009,690	1,029,884	1,050,482	1,071,491	1,092,921	1,114,779
Vacancy	(43,088)	(43,950)	(44,829)	(45,725)	(46,640)	(47,573)	(48,524)	(49,495)	(50,485)	(51,494)	(52,524)	(53,575)	(54,646)	(55,739)
Other Rental/Operating Subsidy	406,276	414,402	422,690	431,144	439,766	448,562	457,533	466,684	476,017	485,538	495,248	505,153	515,256	525,562
Vacancy	(20,314)	(20,720)	(21,134)	(21,557)	(21,988)	(22,428)	(22,877)	(23,334)	(23,801)	(24,277)	(24,762)	(25,258)	(25,763)	(26,278)
Laundry & Misc.	20,479	20,889	21,306	21,733	22,167	22,611	23,063	23,524	23,995	24,474	24,964	25,463	25,972	26,492
EGI	1,225,114	1,249,616	1,274,609	1,300,102	1,326,103	1,352,625	1,379,677	1,407,271	1,435,416	1,464,125	1,493,408	1,523,275	1,553,741	1,584,816
EXPENSES														
Operations	697,525	718,451	740,004	762,204	785,070	808,622	832,881	857,868	883,604	910,112	937,415	965,538	994,504	1,024,339
RE Taxes	5,837	5,924	6,013	6,103	6,195	6,288	6,382	6,478	6,575	6,674	6,774	6,875	6,978	7,083
SHRA Annual Admin. Fee	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	25,000
HCD Mandatory Payment	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081
Replacement Reserves	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
subtotal	841,443	862,456	884,099	906,389	929,347	952,992	977,345	1,002,427	1,028,260	1,054,867	1,082,270	1,110,494	1,139,563	1,169,503
NOI	383,671	387,160	390,511	393,713	396,757	399,633	402,333	404,844	407,156	409,258	411,138	412,781	414,178	415,313
REQUIRED DEBT SERVICE														
Permanent 1st Mortgage	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
Permanent 2nd Mortgage														
subtotal	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
DCR	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.37	1.38	1.38	1.39	1.39
NET CASH FLOW	85,460	88,949	92,300	95,502	98,546	101,422	104,122	106,633	108,945	111,047	112,927	114,570	115,967	117,102
	25.12%	26.15%	27.13%	28.07%	28.97%									
Percent of G	6.63%	6.77%	6.89%	6.98%	7.07%									
REQUIRED CASH FLOW PAYMENTS														
LP Asset Management Fee	9,407	9,690	9,980	10,280	10,588									
GP Partnership Mgmt. Fee	33,598	34,606	35,644	36,713	37,815									
Deferred Developer Fee														
Other:	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	43,005	44,295	45,624	46,993	48,403	0	0	0	0	0	0	0	0	0
RESIDUAL RECEIPTS CASH FLOW PAYMENTS														
Borrower	21,227	22,327	23,338	24,254	25,071	50,711	52,061	53,317	54,473	55,524	56,463	57,285	57,983	58,551
HCD MHP Loan	5,307	5,582	5,834	6,064	6,268	12,678	13,015	13,329	13,618	13,881	14,116	14,321	14,496	14,638
City of Elk Grove AHP Loan	5,307	5,582	5,834	6,064	6,268	12,678	13,015	13,329	13,618	13,881	14,116	14,321	14,496	14,638
HCD HHC	5,307	5,582	5,834	6,064	6,268	12,678	13,015	13,329	13,618	13,881	14,116	14,321	14,496	14,638
DDS Multifamily Loan	5,307	5,582	5,834	6,064	6,268	12,678	13,015	13,329	13,618	13,881	14,116	14,321	14,496	14,638
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	42,455	44,654	46,675	48,509	50,143	101,422	104,122	106,633	108,945	111,047	112,927	114,570	115,967	117,102
CASH FLOW	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GP Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LP Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0

7. PERMANENT PERIOD CASH FLOW

PROJECT NAME:

Completed Project Year		25	26	27	28	29	30	31	32	33	34	35
Calendar Year		2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057
INCOME												
Tax Credit Rental Income		1,137,075	1,159,817	1,183,013	1,206,673	1,230,807	1,255,423	1,280,531	1,306,142	1,332,265	1,358,910	1,386,088
Vacancy		(56,854)	(57,991)	(59,151)	(60,334)	(61,540)	(62,771)	(64,027)	(65,307)	(66,613)	(67,945)	(69,304)
Other Rental/Operating Subsidy		536,073	546,794	557,730	568,885	580,262	591,868	603,705	615,779	628,095	640,657	653,470
Vacancy		(26,804)	(27,340)	(27,887)	(28,444)	(29,013)	(29,593)	(30,185)	(30,789)	(31,405)	(32,033)	(32,673)
Laundry & Misc.		27,022	27,562	28,113	28,676	29,249	29,834	30,431	31,039	31,660	32,293	32,939
EGI		1,616,512	1,648,842	1,681,818	1,715,456	1,749,765	1,784,761	1,820,455	1,856,865	1,894,002	1,931,882	1,970,520
EXPENSES												
Operations		1,055,069	1,086,721	1,119,323	1,152,902	1,187,489	1,223,114	1,259,807	1,297,602	1,336,530	1,376,626	1,417,924
RE Taxes		7,189	7,297	7,407	7,518	7,630	7,745	7,861	7,979	8,099	8,220	8,343
SHRA Annual Admin. Fee		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
HCD Mandatory Payment		71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081	71,081
Replacement Reserves		42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000	42,000
	subtotal	1,200,340	1,232,100	1,264,811	1,298,501	1,333,201	1,368,940	1,405,750	1,443,662	1,482,710	1,522,927	1,564,349
NOI		416,172	416,742	417,008	416,954	416,564	415,820	414,705	413,202	411,292	408,955	406,171
REQUIRED DEBT SERVICE												
Permanent 1st Mortgage		298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
Permanent 2nd Mortgage												
	subtotal	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211	298,211
DCR		1.40	1.40	1.40	1.40	1.40	1.39	1.39	1.39	1.38	1.37	1.36
NET CASH FLOW		117,961	118,532	118,797	118,743	118,353	117,609	116,494	114,991	113,081	110,744	107,960
	Percent of G											
REQUIRED CASH FLOW PAYMENTS												
LP Asset Management Fee												
GP Partnership Mgmt. Fee												
Deferred Developer Fee												
Other:		0	0	0	0	0	0	1	2	3	4	5
		0	0	0	0	0	0	1	2	3	4	5
RESIDUAL RECEIPTS CASH FLOW PAYMENTS												
Borrower		58,981	59,266	59,398	59,372							
HCD MHP Loan		14,745	14,816	14,850	14,843	14,794	14,701	14,562	14,374	14,135	13,842	13,494
City of Elk Grove AHP Loan		14,745	14,816	14,850	14,843	14,794	14,701	14,562	14,374	14,135	13,842	13,494
HCD HHC		14,745	14,816	14,850	14,843	14,794	14,701	14,562	14,374	14,135	13,842	13,494
DDS Multifamily Loan		14,745	14,816	14,850	14,843	14,794	14,701	14,562	14,374	14,135	13,842	13,494
		0	0	0	0	0	0	0	0	0	0	0
		117,961	118,532	118,797	118,743	59,177	58,805	58,247	57,495	56,539	55,370	53,978
CASH FLOW		**0**	**0**	**0**	**0**	**59,177**	**58,805**	**58,247**	**57,495**	**56,539**	**55,370**	**53,978**
GP Share		0	0	0	0	592	588	582	575	565	554	540
LP Share		0	0	0	0	58,585	58,217	57,664	56,920	55,974	54,816	53,438

8. TAX CREDIT ANALYSIS

PROJECT NAME: **Cornerstone Village - Elk Grove**

		Total	Acquisition	Construction
DEVELOPMENT COSTS		47,388,535	1,925,000	45,463,535
Less:				
Non-Depreciable		(2,368,775)	(1,925,000)	(443,775)
Expensed		(422,133)	0	(422,133)
Amortized		(614,838)	0	(614,838)
Non-Res. Deprec.		0	0	0
Res. Historic TC				
Other				
	subtotal	43,982,789	0	43,982,789
Less:				
Federal Financing		0		0
Grants		0		0
ELIGIBLE LIHTC BASIS		43,982,789	0	43,982,789
TCAC MAXIMUM BASIS				81,582,512
CALCULATION BASIS		43,982,789	0	43,982,789
ADJUSTMENT (DDA or QCT)	**100%**	43,982,789	0	43,982,789
APPLICABLE FRACTION			100.00%	100.00%
QUALIFIED BASIS			0	43,982,789
LIHTC RATE			4.00%	4.00%
ANNUAL LIHTC AMOUNT				
	Calculated	1,759,312	0	1,759,312
	Maximum	1,759,312		1,759,312
BASIS FOR PRICING		**1,759,312**	**0**	**1,759,312**

Applicable Fraction Calculation

	# of Units	Unit Fraction	Total Sq. Feet	Sq. Ft. Fraction
LIHTC Eligible Units	83	100.00%	74,110	100.00%
Non-LIHTC Units	0	0.00%	0	0.00%
Total	83	100.00%	74,110	100.00%
Application Fraction (lesser of)	**100.00%**			

9.TAX CREDIT DELIVERY SCHEDULE

PROJECT NAME: **Cornerstone Village - Elk Grove**

Tax Credit Delivery Assumptions

PIS: Year	2023
PIS: Month	10
Total # of Tax Credit Units	83
Annual Acquisition LIHTC Allocation	0
Annual Construction/Rehabilitation LIHTC Allocation	1,759,312

YEAR 1

Month	Units Leased in Month	Cumulative Units Leased	% Leased in Month	Cumulative % Leased	Monthly Acquistion Credit Amount	Monthly Constr./Rehab. Credit Amount	Total Monthly Credit Amount
1		0	0.0%	0%	0	0	0
2		0	0.0%	0%	0	0	0
3		0	0.0%	0%	0	0	0
4		0	0.0%	0%	0	0	0
5		0	0.0%	0%	0	0	0
6		0	0.0%	0%	0	0	0
7		0	0.0%	0%	0	0	0
8		0	0.0%	0%	0	0	0
9		0	0.0%	0%	0	0	0
10	13	13	15.7%	16%	0	22,963	22,963
11	12	25	14.5%	30%	0	44,159	44,159
12	12	37	14.5%	45%	0	65,356	65,356
Year 1 Total	**37**				**0**	**132,478**	**132,478**

YEAR 2

Month	Units Leased in Month	Cumulative Units Leased	% Leased in Month	Cumulative % Leased	Monthly Acquistion Credit Amount	Monthly Constr./Rehab. Credit Amount	Total Monthly Credit Amount
1	12	49	14.5%	59%	0	86,552	86,552
2	10	59	12.0%	71%	0	104,216	104,216
3		59	0.0%	71%	0	104,216	104,216
4		59	0.0%	71%	0	104,216	104,216
5		59	0.0%	71%	0	104,216	104,216
6		59	0.0%	71%	0	104,216	104,216
7		59	0.0%	71%	0	104,216	104,216
8		59	0.0%	71%	0	104,216	104,216
9		59	0.0%	71%	0	104,216	104,216
10		59	0.0%	71%	0	104,216	104,216
11		59	0.0%	71%	0	104,216	104,216
12		59	0.0%	71%	0	104,216	104,216
Year 2 Total	**22**				**0**	**1,232,931**	**1,232,931**

10. TAX CREDIT EQUITY PAY-IN

PROJECT NAME: Cornerstone Village - Elk Grove

Tax Credit Equity Analysis

99.99% of TCs	17,591,356
Total Payments	16,810,196
TC Pay Ratio	0.956
Ann. IRR	6.11%

State Tax Credit

Eligible Basis	43,982,789	0	
State Tax Credit Rate	30%	0	
State Credit - Calculated	13,194,837	$0.8000	(0)
State Credit - Per Unit	0		
		Total Equity	
State Credit - Request	**0**	**16,810,196**	

Tax Credit Equity Pay-In Schedule and Uses

Month	Payment Milestone	Payment %	Payment Amount	General Project Costs	Developer Fee	Investor Legal	Reserves	Construction Loan Repayment	
Oct-22	Closing Payment	10%	1,681,020	996,020	625,000	60,000			0
Nov-22			0						0
Dec-22			0						0
Jan-23			0						0
Feb-23			0						0
Mar-23			0						0
Apr-23			0						0
May-23			0						0
Jun-23			0						0
Jul-23			0						0
Aug-23			0						0
Sep-23			0						0
Oct-23			0						0
Nov-23			0						0
Dec-23			0						0
Jan-24			0						0
Feb-24			0						0
Mar-24			0						0
Apr-24			0						0
May-24			0						0
Jun-24			0						0
Jul-24			0						0
Aug-24			0						0
Sep-24			0						0
Oct-24			0						0
Nov-24			0						0
Dec-24			0						0
Jan-25	Permanent Conversion Payment	88%	14,792,972		1,538,796		383,775	12,870,401	0
Feb-25			0						0
Mar-25			0						0
Apr-25	8609 Payment	2%	336,204		0				336204
May-25			0						
Jun-25			0						
Jul-25			0						
Aug-25			0						
Sep-25			0		0				
		100%	16,810,196	996,020	2,163,796	60,000	383,775	12,870,401	
			0						

Project Description – Conceptual Project

Working Name of Project

Cornerstone Village – Elk Grove

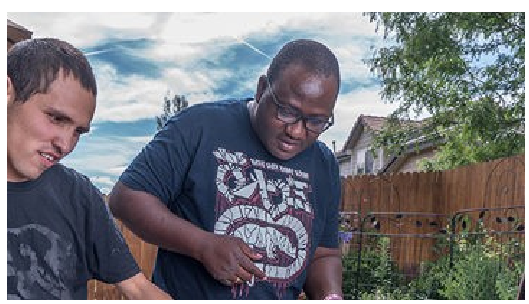
Project Description

Cornerstone Village – Elk Grove is an affordable, rental community that will unite a rich tapestry of people – including working families, households that have experienced homelessness and independent adults with developmental disabilities.

The development team of The John Stewart Company (JSCo) and Bethesda Cornerstone Village (Bethesda) (collectively, the Development Team) aim to transform the four-acre site at 9270 Bruceville Road into an entirely new living option for Elk Grove residents of all abilities. Simply put, Cornerstone Village will be more than a building. Cornerstone Village is designed to be an intentional housing community that not only provides a high-quality physical space, but also fosters social connections among residents and with our neighbors through rich resident life activities.

The proposed $47.4 million redevelopment will provide 84 affordable apartment homes and over 4,000 square feet of community-focused space (the Development). Cornerstone Village represents a unique opportunity for the City of Elk Grove to be a national leader in creating an inclusive community for people with a range of abilities and incomes.

Intentional Community for All



Distinguishing Elements of Cornerstone Village

The Cornerstone Village housing model is built on five elements that distinguish it from other residential concepts:

- **Inclusive housing for all abilities.** People with cognitive disabilities should have the option to live side-by-side with their neuro-typical peers. The Cornerstone Village community in Elk Grove will set-aside 21 apartments for adults with intellectual and developmental disabilities (I/DD), which is 25% of the Development's apartments. This ratio ensures efficiency for service delivery so experienced direct service personnel can be retained, while also giving adults with I/DD an opportunity to live among people with diverse abilities and income levels.

- **Creating a sense of community.** Cornerstone Village aims to foster meaningful social engagement among residents. To that end, Cornerstone Village's site staff in Elk Grove will include an Activity Director to create customized events and classes that appeal to the personality of the community. Programming may include, but are not limited to, fitness classes, coffee hours, book clubs, movie nights, faith groups, cooking demonstrations and educational opportunities. The overarching goal is to connect neighbors and build natural supports. As described further below, multiple common spaces are provided to host these community activities.

- **Consumer choice for services.** Cornerstone Village residents, regardless of age or ability, may need certain supports to allow them to live independently and pursue individual goals. In contrast to institutional settings, all residents will sign a standard residential lease which has no conditions for supportive services. If a resident needs support, they are free to choose what agency will provide their personalized set of services.

Residents who meet the State definition of having a developmental disability can access publicly funded services through the Alta California Regional Center (ACRC), one of 16 non-profit Regional Centers throughout California. ACRC offers comprehensive services including employment training, supported and independent living, behavioral and psychiatric support services that can be tailored to the needs of each Cornerstone resident with a developmental disability. ACRC reports that the average consumer participating in the Supported Living Services (SLS) program receives $8,300 per month in services. The typical consumer in the Independent Living Services (ILS) program, which is training model and provides a lighter touch of support, receives $2,100 - $2,500 per month in services.

- **Responding to homelessness, a local priority.** JSCo and Bethesda both aim to respond to local needs in each of our developments. For this project, we recognize that deeply affordable units, including those dedicated to people who have experienced homelessness, is a high priority for Elk Grove. Based on a count conducted in 2017, there are over 330 individuals who are homeless in the City of Elk Grove alone. In response, Cornerstone Village – Elk Grove will include 9 units set-aside for households referred through the Sacramento County Continuum of Care's Coordinated Entry System (CES). These apartments will be restricted to 25% AMI, and we will seek project-based vouchers from the Sacramento Housing and Redevelopment Agency to further ensure affordability.

  JSCo and Bethesda commit to a housing first model in which eligibility criteria sets low barriers for households who have experienced homelessness. We anticipate CES referrals will prioritize individuals and households by their vulnerability, including the length of their current episode of homelessness and service needs.

  JSCo has experience developing and managing supportive housing in the Sacramento area. For example, JSCo is currently working with LifeSTEPS on the Coral Gables/Villa Jardin development in Sacramento, which will include 38 units of permanent supportive housing for formerly homeless households. If this project is selected for funding, JSCo and Bethesda, in consultation with the City, will select a service provider to offer intensive case management services. The selected service provider will provide support during the application process and throughout a resident's tenure. Supports will include case management and the development of individual service plans, benefits counseling and advocacy, substance abuse services, and referrals for mental and physical healthcare services.

- **Supporting independence through design.** The Development will incorporate a base package of smart home technology within all units, such as smart thermostats and smart locks, to give residents a sense of security. The building will also include a security camera system and electronic access control for exterior doors. In addition, physical accessibility will be a key component of the design. The building and all units will incorporate universal design features to accommodate people with varying physical abilities. These design elements include no-step showers, wide doorways, pocket doors, options for handrails and other mobility aids.

Why Cornerstone Village Is Needed

The United States is on the brink of a residential crisis for adults with I/DD. More than 7.38 million adults in the U.S. have an intellectual or developmental disability, and over 500,000 young people with autism are expected to enter adulthood in the next decade. According to a national study, about 75% of adults with I/DD still live with their parents or other family members, the majority of which are not receiving formal services or supports.[1] The Easterseals *Living with Disability Study* notes that only 17% live independently compared to more than half of adult children without disabilities (51%). One parent surveyed for the Easter Seals study shared, "I constantly worry about our son and what his future holds, and how he will fare after we die."[2]

> **"I constantly worry about our son and what his future holds, and how he will fare after we die."**

Bethesda's and JSCo's goal with this development is to serve adults with I/DD who already reside in or near Elk Grove. According to Alta California Regional Center, which serves a 10-county area including Elk Grove, there are approximately 2,100 individuals in Elk Grove who meet the State definition of having a developmental disability. ACRC supports 842 consumers ages 18+ in Elk Grove's primary zip codes of 95758 and 95624[3]. Yet there are no set-aside units in Elk Grove available to low-income adults with developmental disabilities to live independently in homes of their own.

Several factors are driving this critical housing gap:

- **Policy shift toward inclusion.** Nationally, policies and funding systems have increasingly emphasized self-determination and community integration for people with disabilities since the passage of the Americans with Disabilities Act in 1990. In California, the Lanterman Developmental Disabilities Services Act, originally passed in 1969, has led to the closure of state-run nursing homes and intermediate care facilities in favor of individualized support and community living. Unfortunately, resources to develop new community-based alternates for people with disabilities, other than living at home with parents, have not kept pace with the demand.

- **People with I/DD are living longer.** Fortunately, adults with I/DD are living longer given medical advancements and improvements in health care delivery. The average life expectancy of a person with Down syndrome, for example, increased from 12 years in 1949 to nearly 60 years today. This means new options, like Cornerstone Village, need to be built or expanded for people with I/DD as they enter adulthood and eventually become senior citizens.

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[1] Braddock, D., Hemp, R., Rizzolo, M. C., Tanis, E. S., Haffer, L., & Wu, J. (2015). *The state of the states in intellectual and developmental disabilities: Emerging from the great recession* (10th ed.). Washington, DC: The American Association on Intellectual and Developmental Disabilities.

[2] Easterseals, Living with Disabilities Study. https://www.easterseals.com/explore-resources/living-with-disability/disabilities-study.html

[3] California Department of Developmental Services, Consumer County by Zip Code, as of March 31, 2021.

- **Lack of housing affordability.** In California, eight of out ten consumers with developmental disabilities live exclusively on Social Security Income / State Supplementary Payment (SSI / SSP) benefits[4], which are low-enough to price them out of every rental housing market in California. In Sacramento County, the SSI/SSP benefit of $955 puts a single person at approximately 18% of the Area Median Income (AMI). A single person living on SSI looking to rent a studio apartment at the $1,200 Fair Market Rent[5] would need to pay 126% of their monthly income toward rent.

- **Typical apartment living is not enough.** Even if income is not a barrier, many individuals have not moved to an apartment community out of fear of becoming socially isolated. People with disabilities who experienced mainstream education as children are likely to expect meaningful connections in society as adults. Developing personal relationships in a transient apartment building, though, can be a challenge for anyone. Typical apartment buildings may also fail to create a sense of safety, which is a highly ranked preference among people with I/DD.

Loneliness is an epidemic.

Cornerstone Village will be a community where social connections are valued.

With the Cornerstone Village model, the JSCo-Bethesda team also recognizes that meaningful social engagement is lacking for people of many walks of life. Some public health experts consider loneliness to be an epidemic. More than 40% of older Americans suffer from loneliness, a condition that is as dangerous to physical health as smoking 15 cigarettes a day,

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4 Statewide Strategic Framework for Expanding Housing Opportunities for People with Intellectual and Developmental Disabilities, State Council on Developmental Disabilities, September 2018.
5 Fair Market Rent is provided for zip code 95758, pulled from U.S. Department of Housing and Urban Development, 2020. https://www.huduser.gov/portal/datasets/fmr.html

increasing the risk of cardiovascular disease, diabetes, cancer and more[6]. Social distancing during the COVID-19 pandemic has put a further spotlight on the importance of diverse social connections, whether it be small talk with a cashier, chats with a neighbor at the mailbox, or celebrations with family and friends.

Cornerstone Village is specifically designed to address these critical needs through the careful attention to the physical design and ongoing programming. With the development of Cornerstone Village – Elk Grove, an underutilized property will become a community where people with I/DD, people have experienced homelessness and lower-income families will have a chance to live to their fullest potential.

[6] Juliane Holt-Lundstad, *Public Policy & Aging Report*, Volume 27, Issue 4, 2017, Pages 127-130. https://doi.org/10.1093/ppar/prx030

Perspectives on the Importance of Living Independently

The target market for the 21 apartments set-aside for people with I/DD is adults who are 18 years or older and have the skills and supports to live in their own apartment. Intellectual and/or developmental disabilities include Down syndrome, autism spectrum disorder, fetal alcohol spectrum disorder, intellectual disability and others. They can be cognitive or physical impairments or some combination of both.

While the Cornerstone Village model explicitly creates a preference for people with I/DD, our residents should not be defined by their disability. The abilities, interests and needs of our residents will vary widely. Many are employed or volunteer in the community, and are looking for the right opportunity to live independently. Most will thrive when given the option to live on their own with the right level of self-directed supports.

"Well, one way I can be independent is cleaning your own apartment. I like cleaning my own apartment. Sometimes I do feel pretty proud of myself for doing my chores all on my own.

I also like to go out in the community. I like to go shopping for groceries. I like that I get to pick out my own groceries. I think my life is better because I get to live in an apartment by myself.

Living independent makes me feel good about myself because I do what I used to at home, but on my own."

-Katie Schupe

"To me living independently means that I clean, cook, do my laundry, and follow my schedule. I can kinda do it all on my own, but might need a little help. My community coach and roommate help me. I don't mind getting help.

I do my own decisions. I make my own goals, I choose what to eat for dinner, and I choose what I do with my free time.

Making my own decisions makes me kinda happy because it makes me feel like I could live all by myself someday. I want to live in an apartment all on my own but maybe get a little help. I think that living independently is a good thing."

- Marlea Joa

Site Characteristics

Address	9270 Bruceville Road
Parcel Size	3.2 acres The lot acreage excludes the land to be retained by Light of the Valley Church. A land subdivision for separate ownership is anticipated.
Apartments	84 total 42 1-bedroom 21 2-bedroom 21 3-bedroom
Density	26.25 per acre The max density allowed by the current zoning is 15 units per acre. As a 100% affordable development, State Density Bonus allows an 80% bonus density, which would be up to 27 units per acre.
Total Parking	157 spaces Residential: 97 (1.15 stall to dwelling unit ratio) Light of the Valley: 60
Community Space	4,349 square feet

Nearby Amenities & Public Transportation

Cornerstone Village – Elk Grove will be conveniently located near shopping and employment opportunities along Laguna Boulevard, including a retail center anchored by Target within 0.5 miles. The Harriet Eddy Middle School and Batey Park, which both offer space for outdoor recreation, are within 0.2 miles and 0.3 miles, respectively. For health needs, multiple medical providers near the intersection of Laguna and Big Horn Boulevard, including the Kaiser Permanente Elk Grove Medical Offices, are located within 0.8 miles.

The development is well served by public transit. It will be within 0.2 miles of the Laguna Boulevard and Bruceville Road intersection, where the E-Tran bus routes #19 and #113 have stops with hourly service throughout the week. The Community Integrated Work Program, which provides work and behavioral day programs, independent living supports and crisis intervention for people with developmental disabilities, is located 2.5 miles by bus. Residents receiving services through the Alta California Regional Center may also be eligible for transportation support.

Description of Population Served

Cornerstone Village – Elk Grove will serve four primary household types:

- Families with children, which are expected to occupy the two- and three-bedroom unit types;
- Single adults or couples in the one- and two-bedroom types;
- Adults who have experienced homelessness (9 one-bedroom units set-aside); and
- Independent adults with intellectual and developmental disabilities (21 one-bedroom units set-aside).

Affordability

There are a total of 84 apartments proposed at Cornerstone Village – Elk Grove. The unit mix includes 42 one-bedroom units; 20 two-bedroom units; and 21 three-bedroom units, which would be restricted to a range of affordability from extremely low income and low-income households. There is one two-bedroom unit set aside for the property manager.

We have developed the following affordability matrix to address the needs in the Elk Grove community and to address the need for housing for homeless and formerly homeless, as well as households with developmental disabilities. The number of units by area median income is as follows:

20% AMI	9 units	10.7% of total units
25% AMI	12 units	14.3%
30% AMI	35 units	41.7%
50% AMI	12 units	14.3%
70% AMI	15 units	12.2%

The 20% AMI units will be directed to serving households experiencing homelessness. The 25% and 30% AMI units will be directed to serving households with developmental disabilities. All of these units will be one-bedroom units.

With this income targeting, Cornerstone Village will provide:

- 56 apartments (66%) affordable to extremely low-income households (30% AMI or less) and
- 12 apartments (14.3%) affordable to very low-income households (31-50% AMI).

This results in an average affordability of 38.3%.

Additionally, the JSCo-Bethesda Development Team will be applying to SHRA for Section 8 Project-Based Vouchers and to HUD for Section 811 vouchers for the homeless and developmental disability targeted units. A total of 30 units are proposed for the project, which is 36% of the total rentable units.

List of Special Features & Amenities

Cornerstone Village – Elk Grove will include a range of special building features and amenities.

- **Universal design.** The Development team will go beyond code minimums to incorporate features that allow people of all abilities to navigate and use the building with ease. Particular attention will be paid to the accessibility of ground floor units in the walk-up buildings. An elevator building (Building C) is being planned to expand the number of accessible units as well. A minimum of five percent (5%) of units will be fully accessible (ICC/ANSI A117.1 Type A) and 95% of the units will be adaptable (ICC/ANSI A117.1 Type B). Additional features may include roll-in showers, wide doorways, pocket doors, adjusted countertop heights, visual doorbells and alarms, and adjustable shelving, to name a few. We aim to gather this critical feedback during the public information sessions.

- **Common living room.** A multi-purpose room in Building C that will function as a communal living room. This space will be the hub of social life at Cornerstone Village. One end of the room will be set up as a shared "living room" with comfortable seating. The opposite end will feature a demonstration-style kitchen. The remaining furniture will be stackable to allow for flexible use of the space, ranging from game nights to craft clubs to potluck dinners. This space will be programmed with both Cornerstone-focused activities and Elk Grove-focused activities.

- **Flexible conference & club room.** During the weekdays, this space can be used as a quiet lounge for reading, crafts or working remotely. At night or during the weekends, the space will turn more social with coffee hours, parties and movie nights. This room can also be reserved for one-on-one or small group meetings hosted by residents or the resident life team.

- **An outdoor courtyard** that connects Building C with the Light of the Valley Church. The courtyard will be an outdoor social hub for the Cornerstone community.

- **Ample greenspace**, including wide courtyards separating the walk-up buildings and a playground.

- **Staff offices** for on-sight management and resident life team members.

Cornerstone Village is built to be an inclusive, supportive community. People will come to Cornerstone Village to experience and celebrate the differences in others – from backgrounds to ages, from abilities to economics. In the multiple common spaces listed above, Bethesda's Resident Life Director will focus on creating opportunities for residents to build relationships.

Bethesda envisions programming in four somewhat overlapping categories: social, mind, body and spirit. Example activities for each of the categories include:

- **Social (Gathering).** Board game night, Wii contests, card games, “swap” meets, recipe sharing, pot-luck dinners, arts and crafts, coffee hours, moving nights.

- **Mind (Learning).** Cooking classes, painting classes, safety and defense, finance, field trips, volunteering, gardening, computer classes, book clubs.

- **Body (Fitness).** Dance parties/classes, exercise classes, nature walks, morning walks, farmer’s market visits, bike rides.

- **Spirit (Wellness).** Bible studies, Sunday morning worship, prayer nights, holiday parties, summer barbeques, pet day, meet & greet parties, holiday celebrations, group discussions.

Not all programming needs to be of interest to everyone, as that would be practically impossible with a diverse group of residents. The key is to make sure the activities and gatherings are *inclusive of* and *accessible to* everyone to the greatest extent possible.

In addition, the development of Cornerstone Village also presents an opportunity for Light of the Valley Church to expand their community outreach. Light of the Valley currently houses a Meals on Wheels warming center. The community room in Building C and the outdoor courtyard would be a natural space for Meals on Wheels to hold community dinners. Please see Section 14 for Light of the Valley’s letter of support.

Conceptual Plans

The proposed development for 9270 Bruceville is an 84-unit, multi-family apartment community. The entire site is approximately 4 acres. Light of the Valley Church, which currently owns the entire site, will retain its main building and the tower on 0.87 acres of land. The remaining 3.22 acres will be developed for multifamily housing. One of the goals of this development is to integrate the church and residential project into a campus where the uses complement one another.

Conceptual Site Plan for Cornerstone Village – Elk Grove

The development consists of several three-story buildings. Since the adjacent context is lower density, the proposed development consists of several small-scale buildings rather than one or two larger buildings. Each building has covered parking, 10 dwelling units, and is three stories high. The tuck-under parking provides visual screening of the parking. The new, three-story apartment buildings are set back over 50 feet from the existing single story residential to the west. A mixed-use building, which lies between the existing church and Bruceville Road, will have ground floor community spaces with dwelling units above.

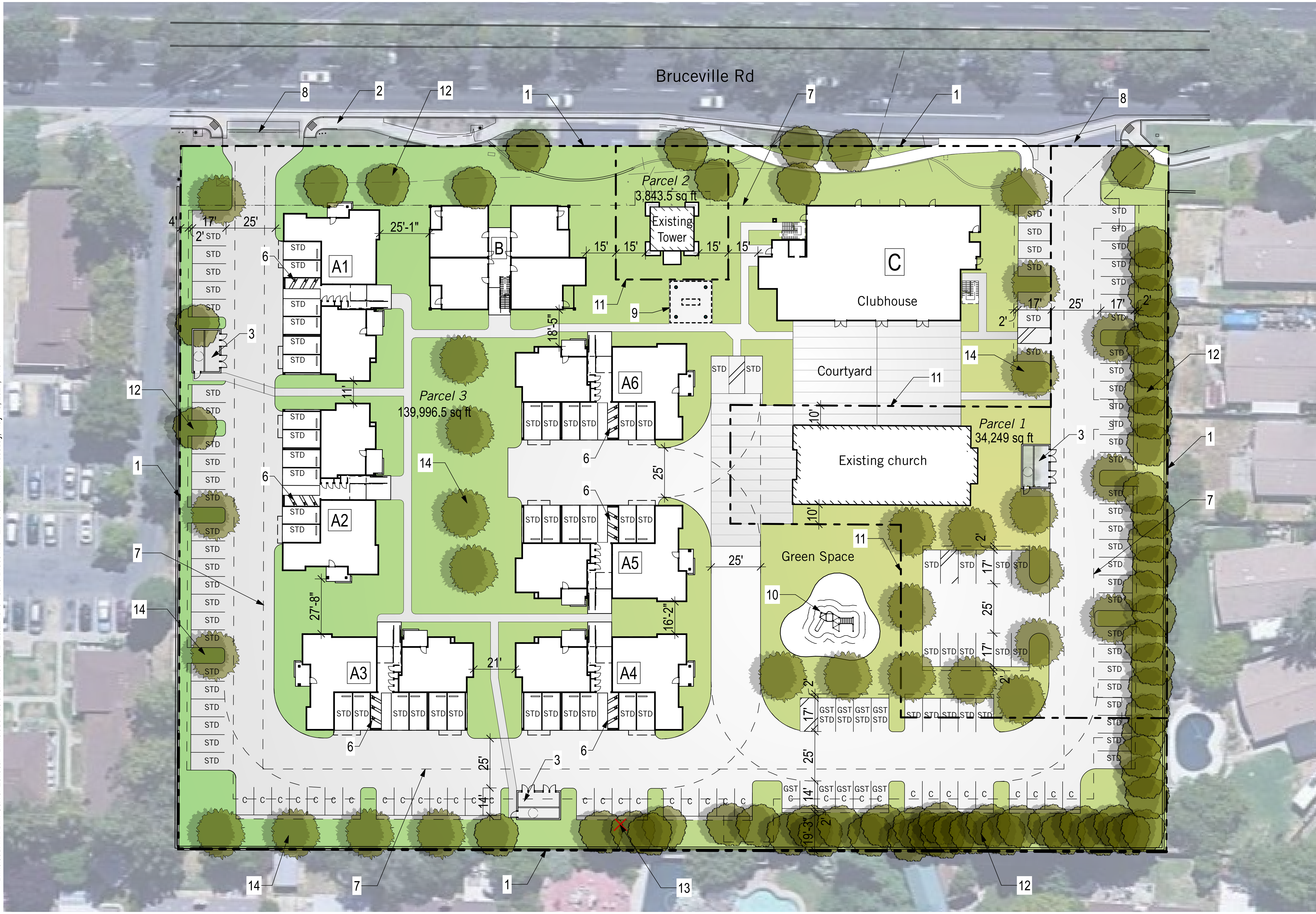
The site design unifies the existing church building and new buildings into a single community. Automobile circulation is pushed to the perimeter of the site to allow for the three-story buildings to be property set back from the adjacent single-story buildings to the northwest, and to allow the internal site circulation to be pedestrian focused. The buildings create central courtyard spaces to allow for community functions, and neighbors to interact.

The landscaping will complement the building and overall site design. Where possible, existing, large trees are retained along the perimeter of the site. The low impact development (LID) and storm water features are spread throughout the site and integrated into the landscaping.

The new buildings will have an exterior stair to access the second and third level units. The buildings address their immediate surroundings as all elevations are presented with the same mix and use of materials and design. Most units have private open space in the form of a balcony or a ground level porch. The new apartment buildings will be detailed with a residential theme, likely using fiber cement and/or stucco exterior.

The mixed use, community building adjacent to the church has civic purposes on the ground floor, yet uses the same materials and details as the apartments. It will be visible from Bruceville Road as a visual cue for the community and a clear point of entry for persons visiting the site.

Please see the following sections for the conceptual site plan, unit plans and renderings of the exterior elevations. The project is still in the conceptual phase, and we wish to engage local stakeholders before proceeding with the exterior design.



Site Plan Keynotes

1 Property line.
2. Existing sidewalk.
3. Trash enclosure.
4. Storm water retention/swale.
5. Motorcycle parking.
6. Bike racks.
7. Utility easement.
8. Existing curb cut.
9. Mail box pavillion.
10. Play structure.
11. Proposed lot lines.
12. Existing tree - typical.
13. Existing tree to be removed.
14. New tree - typical.

Site Plan - Scale 1" = 50'

0 20' 50' 100'

Building and Unit Summary

Unit Summary per Building Type	Quantity	Total Area
Building Type A		
1 Bedroom	24	15,672
2 Bedroom	18	16,524
3 Bedroom	18	23,508
	60	55,704 sq ft
Building Type B		
1 Bedroom	9	6,507
2 Bedroom	3	2,625
	12	9,132 sq ft
Building Type C		
1 Bedroom	9	5,105
3 Bedroom	3	3,326
	12	8,431 sq ft
	84	**73,267 sq ft**

Total Unit Summary

Type	Quantity
1 Bedroom	42
2 Bedroom	21
3 Bedroom	21
	84

Clubhouse Area Summary

Zone Name	Total Area
Conference	296
Copy	194
Corridor	526
Jtr	30
Kitchen	155
Laundry	338
Lobby	225
Men's	72
Multi-Purpose Room	1,767
Office 1	144
Office 2	136
Office 3	163
Office 4	151
Women's	152
	4,349 sq ft

Building Area Summary

Building	Total Area
Building A1	11,771
Building A2	11,771
Building A3	11,771
Building A4	11,771
Building A5	11,771
Building A6	11,771
Building B	11,013
Building C	17,461
	99,100 sq ft

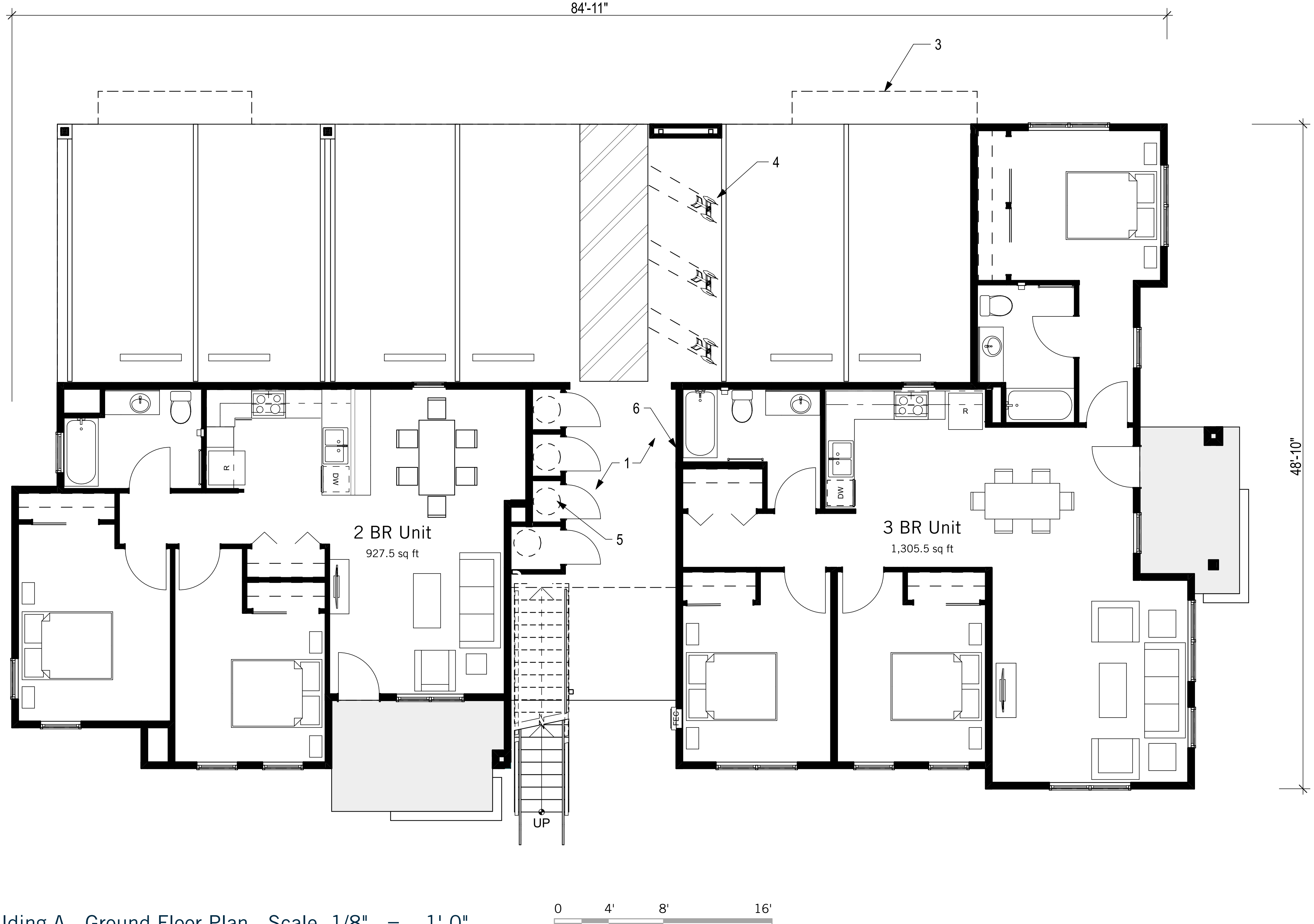
Site Summary

Parking Summary

Parking Type	Quantity
Standard	115
Compact	32
Guest Compact	6
Guest Standard	4
	157

Floor Plan Keynotes

1. Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks



Building A - Ground Floor Plan - Scale 1/8" = 1'-0"

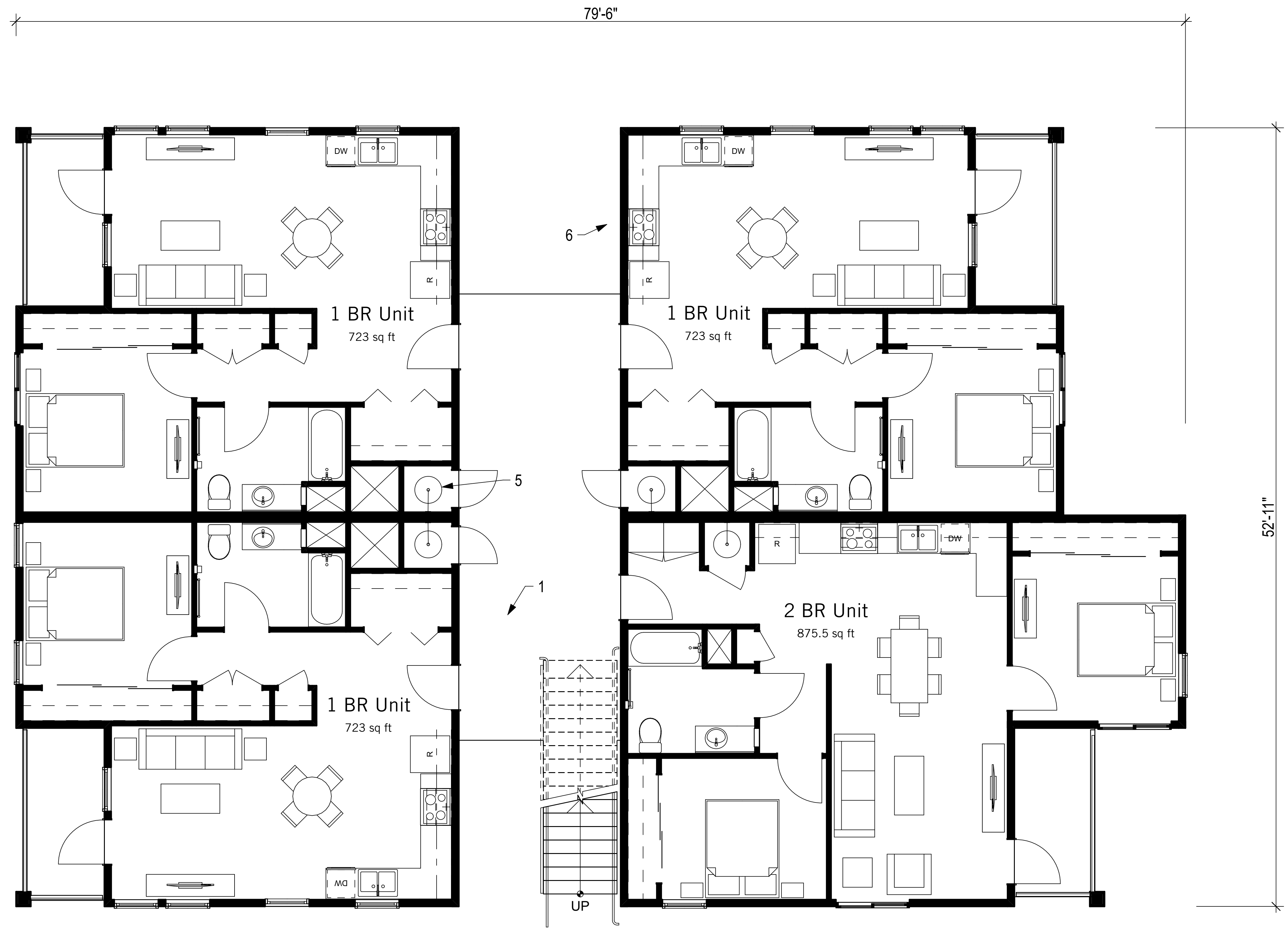
Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks

Building A - Second and Third Floor Plan - Scale 1/8" = 1'-0"

Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks



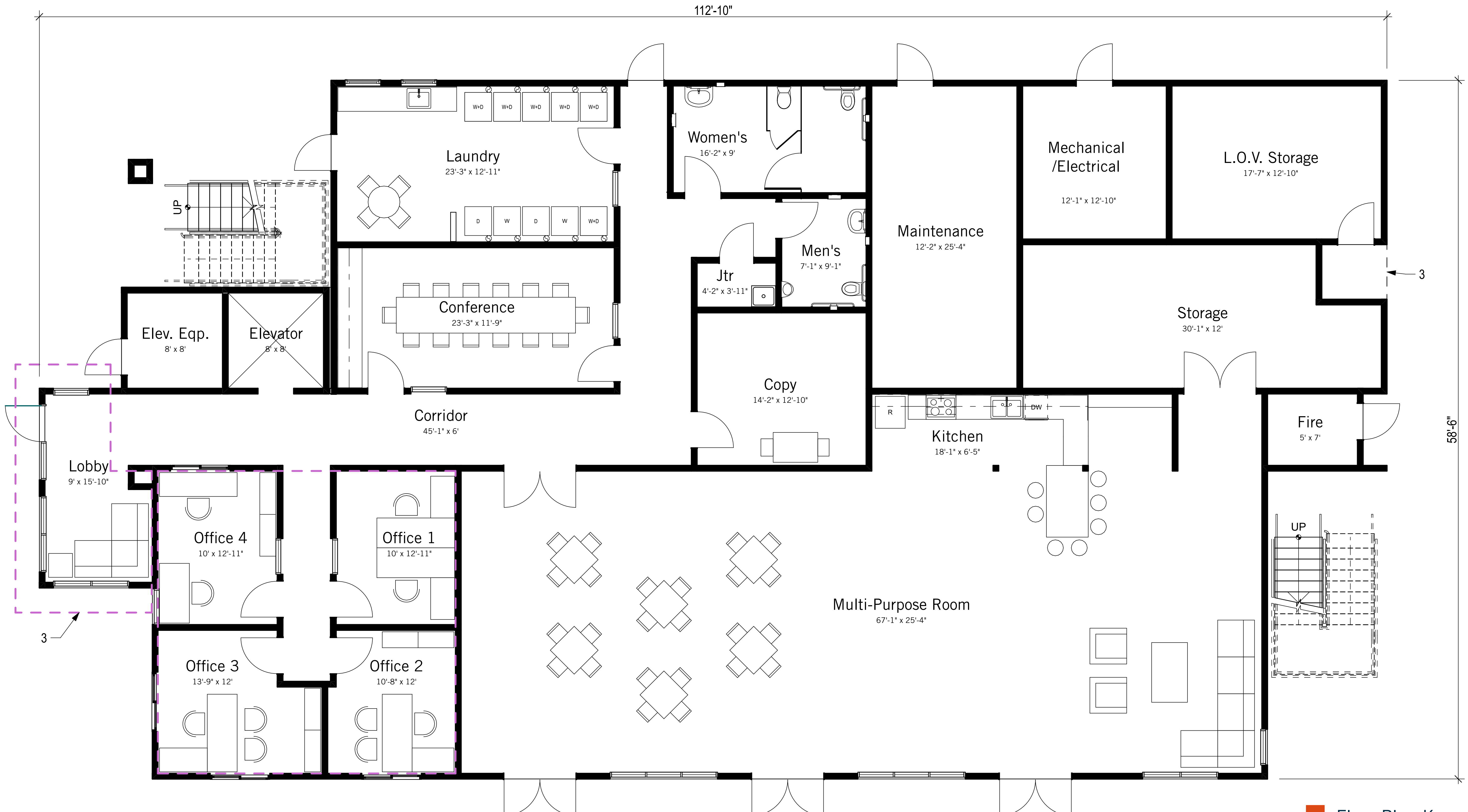
Building B - Ground Floor Plan - Scale 1/8" = 1'-0"

0 4' 8' 16'

Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks

Building A - Second and Third Floor Plan - Scale 1/8" = 1'-0"



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Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks

Building C - Ground Floor Plan - Scale 1/8" = 1'-0"

0 4' 8' 16'

Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks

Building C - Second Floor Plan - Scale 1/8" = 1'-0"

0 4' 8' 16'

Floor Plan Keynotes

1 Covered walkway
2. Common entry balcony
3. Edge of building or roof above
4. Bike racks

Building C - Third Floor Plan - Scale 1/8" = 1'-0"

0 4' 8' 16'


Cornerstone Village – Elk Grove
Central Courtyard Looking South
mogavero
ARCHITECTS
Bethesda
Cornerstone Village
THE
JOHN STEWART
COMPANY

Cornerstone Village – Elk Grove

Residential Courtyard Looking West

mogavero ARCHITECTS

Bethesda Cornerstone Village

THE JOHN STEWART COMPANY


Cornerstone Village – Elk Grove
Street View Looking Southwest
mogavero
ARCHITECTS
Bethesda
Cornerstone Village
THE JOHN STEWART COMPANY

Cornerstone Village - Elk Grove
Schedule
7/23/2021

MILESTONE	START	COMPLETE	NOTES
Obtain Site Control	May-20	May-20	2/14/22 closing deadline with extension
Select Contractor	Apr-21	Apr-21	COMPLETED
Conceptual Design	Feb-21	May-21	COMPLETED
Complete Detailed Cost Estimate	Apr-21	May-21	COMPLETED
City of Elk Grove Funding Application	May-21	May-21	COMPLETED
City of Elk Grove Funding Awarded	May-21	Sep-21	Submitting Full Loan Application July 2021
Submit Section 811 Application	Aug-21	Sep-21	Estimated (RAC required by 9/30/21 for Round 2 and units occupid by 6/25)
Secure Section 811 Vouchers	Sep-21	Sep-21	Estimated
Complete Environmental Review/Phase I	Jul-21	Oct-21	3 months assumed
Schematic Design	Jul-21	Oct-21	3 months assumed
Submit Planning/Entitlement Application	Oct-21	Oct-21	Requires completion of schematic design
CA DDS Capital Funding Application	Nov-21	Nov-21	submit through Alta California Regional Center
Design Development	Oct-21	Jan-22	2 months assumed
Select Lender	Oct-21	Jan-22	
Select Tax Credit Investor	Oct-21	Jan-22	
SHRA Project Based Vouchers Application (PBV) Submitted	Jan-22	Feb-22	Estimated
Planning/Entitlement Approval	Nov-21	Feb-22	3 months assumed
CA DDS Capital Funding Awarded	Nov-21	Feb-22	
SHRA PBVs Awarded	Feb-22	Mar-22	Estimated
NEPA	Jan-22	Apr-22	
HCD MHP & HCC Funding Application	Feb-22	Apr-22	Requires local funding commitments; HCD combined app process in 2022
Construction Documents	Feb-22	Apr-22	2 months assumed
Submit Plans for Plan Check/Permits	Apr-22	Apr-22	Requires CD completion
HCD MHP & HCC Funding Awarded	Apr-22	May-22	
TCAC/CDLAC Financing Application	May-22	May-22	Requires Readiness to Proceed within 180 days
TCAC/CDLAC Award	May-22	Aug-22	
Building Permits Secured	Apr-22	Aug-22	4 months assumed and requires CDs
GC Contract Final	Apr-22	Sep-22	Requires 100% CDs and bids
Construction Financing Close	May-22	Oct-22	Must close by November 2022
Pull Permits and Pay Impact Fees	Aug-22	Oct-22	Pay immediately prior or at closing
Secure AHP Financing	Mar-23	Jun-23	Secure prior to perm financing conversion
Construction	Oct-22	Feb-24	16 months assumed
Lease-Up	Nov-23	Jun-24	7 months (start 3 months before completion)
Perm Loan Conversion	Jun-24	Oct-24	Allow 3 months for stabilization
8609	Oct-24	Apr-25	Assume 6 months for TCAC process

Margaret Miller

From: Paul Tamburri <paul.tamburri@relationinsurance.com>
Sent: Monday, May 17, 2021 9:35 AM
To: Margaret Miller
Cc: Lauren McDermott
Subject: City of Elk Grove - Request for Proposals - Development, Construction, and Operation of an Affordable Housing Project

Margaret: As the insurance broker for The John Stewart Company, we have reviewed the Insurance Requirements contained in the referenced Request for Proposal that is due on May 19, 2021 and can confirm that we can secure the required insurance under the terms described on page 9 and in Attachment B in the Request for Proposal.

Please let us know if any questions.

Best regards,

Paul Tamburri
WEST COAST RISK MANAGEMENT PRACTICE LEADER
Pan American Insurance Services
1277 Treat Boulevard, Suite 400, Walnut Creek, California 94597
direct (925) 407-0401 / mobile (925) 482-7434
paul.tamburri@relationinsurance.com / relationinsurance.com

Our parent company has changed its name.
We're now part of Relation Insurance Services.
CA License #0F89850

Stay informed with COVID-19 updates at RelationInsurance.com by clicking here