



EXECUTIVE SUMMARY

MEETING DATE: August 28, 2026

HCR26-049

SUBJECT: Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA)
Hearing for Beyer Boulevard Trolley Village

COUNCIL DISTRICT: 8

ORIGINATING DEPARTMENT: Real Estate

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

REQUESTED ACTION:

Take the initial steps to issue up to \$22,500,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds plus up to \$37,000,000 of taxable bonds to facilitate the new construction of a new 100-unit affordable housing development at 4055 Beyer Boulevard in the San Ysidro Community Plan area, which will consist of 99 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of San Diego's Area Median Income and one unrestricted manager's unit.

EXECUTIVE SUMMARY OF KEY FACTORS:

- Beyer Boulevard Trolley Village will include four studios, 40 one-bedroom units, 28 two-bedroom units, 27 three-bedroom units and one unrestricted, three-bedroom manager's unit.
- The first floor will include the leasing office, management offices and community room, while the remaining floors will be residential. Unit amenities will include blinds, vinyl flooring, air conditioning, a ceiling fan, refrigerator, electric stove/oven and garbage disposal. Site amenities will include bike storage, tot lot, mail room and laundry facilities.
- The community room's features include a computer lab, learning center, and space for workshops, classes, community and social events. Exterior amenities will include an outdoor courtyard/picnic area, rooftop deck and playground.
- The proposed development is on a portion of the San Ysidro Transit Station at 4055 Beyer Boulevard, which provides bus service.
- The San Diego Metropolitan Transit System (MTS) owns the property. A 99-year ground lease between MTS and Affirmed Housing Group will commence upon the close of construction financing.
- The property is within 0.5 of a mile from a grocery store, 0.3 of a mile from an elementary school, 0.6 of a mile from a middle school and 2.2 miles from a high school.
- Residents will have access to a range of general community services provided by Compass for Affordable Housing, a registered 501(c)(3) nonprofit organization. All residents will have access to a range of organized, individualized and community activities. Examples include assistance with enrollment in Medi-Cal or other public assistance, social events and celebrations, after-school tutoring, computer training, health and wellness classes, unit maintenance, financial education and other life skills.
- No SDHC cash loan funds are proposed for Beyer Boulevard Trolley Village.
- San Diego Housing Commission (SDHC) staff have provided a preliminary recommendation of award of 30 Project-Based Vouchers to help pay rental housing costs for individuals and families with income up to 30 percent of the Area Median Income, currently \$36,750 per year for a one-person household.
- The proposed development has a total development cost of \$73,274,863 (\$723,749 per unit).
- The developer is Affirmed Housing.



REPORT

DATE ISSUED: August 20, 2026

REPORT NO: HCR26-049

ATTENTION: Chair and Members of the San Diego Housing Commission Board of Commissioners
For the Agenda of August 28, 2026

SUBJECT: Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA)
Hearing for Beyer Boulevard Trolley Village

COUNCIL DISTRICT: 8

Preliminary Bond Authorization and Tax Equity and Fiscal Responsibility Act (TEFRA) hearings are scheduled to be heard by the San Diego Housing Commission (SDHC) Board of Commissioners on August 28, 2026, at 9 a.m. Any two members of the Housing Authority of the City of San Diego (Housing Authority) or San Diego City Council (City Council) may request that these hearings not take place and instead be heard by the Housing Authority and City Council by giving notice to SDHC's President & Chief Executive Officer, or designee, within seven days of the date of this notice.

REQUESTED ACTION

Take the initial steps to issue up to \$22,500,000 in Housing Authority of the City of San Diego tax-exempt Multifamily Housing Revenue Bonds plus up to \$37,000,000 of taxable bonds to facilitate the new construction of a new 100-unit affordable housing development at 4055 Beyer Boulevard in the San Ysidro Community Plan area, which will consist of 99 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of San Diego's Area Median Income and one unrestricted manager's unit.

STAFF RECOMMENDATION

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

- 1) Approve the following steps to issue up to \$22,500,000 in Housing Authority of the City of San Diego (Housing Authority) tax-exempt Multifamily Housing Revenue Bonds and up to \$37,000,000 in taxable bonds to facilitate Beyer Family Housing, L.P.'s new construction of the Beyer Boulevard Trolley Village at 4055 Beyer Boulevard in the San Ysidro Community Plan area, which will consist of 99 units affordable for 55 years for individuals and families earning 30 percent to 60 percent of San Diego's Area Median Income (AMI) and one unrestricted manager's unit:
 - a. Issue a bond inducement resolution (Declaration of Official Intent) for up to \$22,500,000 in tax-exempt Multifamily Housing Revenue Bonds supporting the new construction of Beyer Boulevard Trolley Village by Beyer Family Housing, L.P.
 - b. Authorize an application (and subsequent applications, if necessary) to the California Debt Limit Allocation Committee (CDLAC) for an allocation of authority to issue tax-exempt private activity bonds in an amount up to \$22,500,000 for Beyer Boulevard Trolley Village.
 - c. Approve the financing team of Orrick, Herrington and Sutcliffe as the Bond Counsel and Public Financial Management as the Financial Advisor.

- 2) Authorize SDHC's President & Chief Executive Officer (President & CEO), or designee, to execute any and all documents that are necessary to effectuate the transaction and implement these approvals in a form approved by General Counsel and Bond Counsel and to take such actions as are necessary, convenient, and/or appropriate to implement these approvals upon advice of General Counsel and/or the Bond Counsel.
- 3) Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing regarding the Housing Authority's issuance of tax-exempt Multifamily Housing Revenue Bonds in an amount up to \$22,500,000 to facilitate the new construction of Beyer Boulevard Trolley Village.

SUMMARY

Table 1 – Development Details

Address	4055 Beyer Boulevard
Council District	8
Community Plan Area	San Ysidro Community Plan
Developer	Affirmed Housing
Development Type	New Construction
Construction Type	One level of parking (Type I-A construction) with five stories of residential (Type V-A) new construction on top. (Six stories total)
Parking Type	60 parking spaces (in a concrete podium parking structure)
Local Amenities	<u>Mass Transit:</u> This site is located on a portion of the San Ysidro Transit Station at 4055 Beyer Boulevard, which provides bus service. <u>Grocery:</u> El Super (0.5 of a mile from property) <u>Schools:</u> Sunset Elementary School (0.3 of a mile from property) San Ysidro Middle School (0.6 of a mile from property) San Ysidro High School (2.2 miles from property)
Housing Type	individuals and families earning between 30% -60% AMI
Accessibility	Wheelchair accessibility in 15 percent of the units, and 10 percent of the units accessible to residents with visual and/or hearing impairment.
Lot Size	1.25 Acres
Units	100 (99 units restricted / affordable)
Density	80 dwelling units per acre (100 units ÷ 1.25 acres)
Unit Mix	4 studios, 40 one-bedroom units, 28 two-bedroom units, and 28 three-bedroom units
Gross Building Area	101,000 square feet
Net Rentable Area	78,399 square feet

Project Based Housing Vouchers (PBV)	30 PBV (Not permanent supportive housing)
Affordable Units in Service by Council District	Council District 8 includes 4,831 affordable rental housing units currently in service, which represents 16 percent of the 29,765 affordable rental housing units in service citywide.

The Development

Beyer Boulevard Trolley Village is a proposed 100-unit, new construction, affordable rental housing development at 4055 Beyer Boulevard in San Diego's San Ysidro Community Plan (Attachment 1 – Site Map). The development will be one six-story building and will provide 99 affordable rental units and one unrestricted manager's unit. It will include four studios, 40 one-bedroom units, 28 two-bedroom units, 27 three-bedroom units and one unrestricted, three-bedroom manager's unit. The first floor will include the leasing office, management offices and community room, while the remaining floors will be residential. Unit amenities will include blinds, vinyl flooring, air conditioning, a ceiling fan, refrigerator, electric stove/oven and garbage disposal. Site amenities will include bike storage, tot lot, mail room and laundry facilities. The community room's features include a computer lab, learning center, and space for workshops, classes, community and social events. Exterior amenities will include an outdoor courtyard/picnic area, rooftop deck and playground.

The Property

The property is on a 1.25-acre lot owned by the San Diego Metropolitan Transit System (MTS). The site is currently being used as an MTS parking lot. A 99-year ground lease agreement between MTS (Lessor) and Affirmed Housing Group (Lessee) will commence upon the close of construction financing, with an annual rent equal to 5 percent of the developer's annual net cash flow.

Services

Beyer Boulevard Trolley Village's residents will have access to a range of general community services provided by Compass for Affordable Housing, a registered 501 (c)(3) nonprofit organization. All residents will have access to a range of organized, individualized and community activities. Examples include assistance with enrollment in Medi-Cal or other public assistance, social events and celebrations, after-school tutoring, computer training, health and wellness classes, unit maintenance, financial education and other life skills.

Developer's Request

In response to SDHC's Fiscal Year (FY) 2022 Notice of Funding Availability (NOFA), Affirmed Housing applied for PBVs for the Beyer Boulevard Trolley Village development. On January 21, 2022, SDHC staff provided a preliminary recommendation of award for 30 PBVs.

The developer proposes to apply for and obtain: a CDLAC allocation of authority to issue tax-exempt private equity bonds, a California Tax Credit Allocation Committee (CTCAC) approval for 4 percent tax credits, and third-party financing, as described in this report.

Prevailing Wages

Beyer Boulevard Trolley Village's proposed use of 30 U.S. Department of Housing and Urban Development (HUD) PBVs, administered by SDHC, will require the project to pay federal prevailing wages. Also, the proposed use of the City of San Diego Low and Moderate Income Housing Asset

Funds (LMIHAF) will require this development to pay California State prevailing wages. The higher of the federal or state prevailing wages will apply.

Appraisal

An appraisal of the subject site with an effective date of June 8, 2022, valued the property at \$6,000,000. The appraisal was obtained by the developer and was conducted by Kinetic Valuation Group.

Relocation

The subject property is vacant. No relocation is necessary.

Accessibility

CTCAC requires wheelchair accessibility in 15 percent of the units, and an additional 10 percent of the units are required to have communication features for residents with visual and/or hearing impairment. The same units can satisfy both of these accessibility requirements. The Beyer Boulevard Trolley Village units will be accessible in accordance with the Americans with Disabilities Act and Section 504.

Project Sustainability

Beyer Boulevard Trolley Village will be constructed in conformance with CTCAC minimum energy efficiency standards. The development's features will include Energy Star-rated efficient appliances and a solar component for the common area's electrical load. Water efficiency and conservation have been incorporated into the development's design, including low-flow fixtures and drought-resistant landscaping.

Development Team

During the tax credit compliance period, Beyer Boulevard Trolley Village will be owned by Beyer Family Housing, L.P., consisting of: CFAH Housing, LLC as the General Partner, AHG Beyer, LLC, as the Administrative General Partner, and a to-be-selected tax credit limited partner (Attachment 2 – Organization Chart).

Affirmed Housing is the developer of Beyer Boulevard Trolley Village. Since its start in 1992, Affirmed Housing has completed, or has under construction, 70 developments with over 5,500 affordable rental and for-sale apartments and homes in various locations. Affirmed Housing has approximately 1,130 apartments in the planning stage throughout California. Affirmed Housing is an award-winning, for-profit, real estate development firm in San Diego. Affirmed Housing has completed several affordable housing developments utilizing SDHC loans. It has worked with SDHC on multiple projects utilizing tax-exempt Multifamily Housing Revenue Bonds issued by the Housing Authority. Based upon the developer's past experience and performance, SDHC staff have determined that the developer has the capacity to successfully complete the proposed development.

Table 2 - Development Team Summary

ROLE	FIRM/CONTACT
Developer	Affirmed Housing
Owner/Borrower	Beyer Family Housing L.P.
Managing General Partner	CFAH Housing, LLC
Administrative General Partner	AHG Beyer, LLC
Tax Credit Investor Limited Partner	To be determined
Architect	AC Martin

General Contractor	HA Builder Group, LLC
Property Management	ConAM Management Corporation
Construction Lender	Citibank
Tenant Services Providers	Compass for Affordable Housing
Permanent Lender	To be determined

Property Management

ConAM Management Corporation (ConAm) will manage Beyer Boulevard Trolley Village. Established in 1975, ConAm is a nationwide management company based in San Diego, with a management portfolio of approximately 60,000 units in more than 26 metropolitan areas. It is experienced in property management, marketing, maintenance, and tax-credits. ConAM manages 17 properties for Affirmed Housing.

FINANCING STRUCTURE

Beyer Boulevard Trolley Village has an estimated total development cost of \$73,274,863 (\$732,749/unit). Financing will include a combination of sources as described in Table 3. The developer's pro forma is included as Attachment 3 and summarized below. No SDHC cash loan funds are proposed for Beyer Boulevard Trolley Village.

Table 3 – Estimated Sources and Uses of Financing

Financing Sources	Amount	Financing Uses	Amount	Per Unit
Bond Financed Permanent Loan	\$14,471,932	Land and Closing Costs	\$200,001	\$2,000
¹ City of San Diego – LMIHAF	5,000,000	Hard Costs	47,280,001	472,800
County of San Diego	3,000,000	Hard Costs Contingency	3,309,600	33,096
² HCD MHP	15,000,000	Architecture & Engineering	2,200,000	22,000
³ HCD IIG	3,020,000	Financing Costs	3,421,706	32,417
Four Percent Tax Credit Equity	29,297,601	Impact Fees & Permits	2,504,751	25,048
Deferred Developer's Fee	3,485,330	Soft Costs	5,632,092	56,321
		Soft Costs Contingency	814,715	8,147
		Reserves	792,000	7,920
		Developer's fee	7,300,000	73,000
Total Sources	\$73,274,863	Total Uses	\$73,274,863	\$732,749

¹ "LMIHAF" refers to The City of San Diego's Low- and Moderate-Income Housing Asset Fund (LMIHAF)

² "MHP" refers to the California Department of Housing and Community Development (HCD) Multifamily Housing Program (MHP)

³ "IIG" refers to the California Department of Housing and Community Development (HCD) Infill Infrastructure Grant (IIG)

Developer Fee

\$7,300,000 - gross developer fee

- 3,485,330 - minus deferred developer's fee

\$3,814,670 - net cash developer's fee

The proposed developer fee complies with SDHC's developer fee guidelines.

Development Cost Key Performance Indicators

SDHC staff have identified development cost performance indicators, which were used to evaluate the proposed development. The key performance indicators listed in Table 4 are commonly used by real estate industry professionals and affordable housing developers.

Table 4 – Key Performance Indicators

Development Cost Per Unit	$\$73,274,863 \div 100 \text{ units} =$	\$732,749
Development Cost Per SQ FT (Gross)	$\$73,274,863 \div 101,000$	\$725
Development Cost Per SQ FT (Net)	$\$73,274,863 \div 78,399$	\$935
Housing Commission Loan Funds Per Unit	--	\$0
Gross Building Square Foot Hard Cost	$\$47,280,001 \div 101,000 \text{ sq. ft.} =$	\$468
Net Rentable Square Foot Hard Cost	$\$47,280,001 \div 78,399 \text{ sq. ft.} =$	\$603

Project Comparison Chart

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

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

Table 5 – Comparable Development Projects

New Construction Project Name	Year	Units	Total Development Cost	Cost Per Unit	HC Subsidy Per Unit	Gross Hard Cost Per Sq. Ft.
Proposed Subject – Beyer Boulevard Trolley Village	2026	100	\$73,274,866 (with prevailing wage)	\$732,749	\$0	\$468
Hillcrest Hall	2026	98	\$72,028,688 (w/o prevailing wage) (with commercial shell)	\$734,987	\$51,020	\$494
73 rd Street	2025	120	\$91,987,134 (with prevailing wage)	\$766,559	\$33,333	\$365
4 th & Penn	2025	54	\$38,641,616 (w/o prevailing wage)	\$715,585	\$0	\$358

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

SDHC utilizes the Housing Authority's tax-exempt borrowing status to pass on lower interest rate financing (and make 4 percent low-income housing tax credits available) to developers of affordable rental housing. The Housing Authority's ability to issue bonds is limited under the U.S. Internal Revenue Code. To issue bonds for a development, the Housing Authority must first submit an application to CDLAC for a bond allocation. Prior to submitting applications to CDLAC, developments are presented to the SDHC Board. SDHC bond inducement resolutions must be obtained prior to application submittal, and City Council TEFRA resolutions must be secured by the time of project closing. These actions do not obligate the Housing Authority to issue bonds.

The SDHC Board is authorized to hold TEFRA hearings pursuant to Multifamily Mortgage Revenue Bond Program Policy Amendments the Housing Authority approved March 9, 2021 (Report No. HAR20-043; Resolution No. HA-1906).

The developer plans to submit a bond allocation application to CDLAC on September 8, 2026, for a December 9, 2026, bond allocation meeting (dates are subject to change at CDLAC's discretion). However, if necessary, staff will submit additional applications to CDLAC to secure a bond allocation for the proposed development.

The developer will be seeking a CDLAC bond allocation of approximately \$22,500,000 in tax-exempt Multifamily Housing Revenue Bonds. The developer proposes to have the Housing Authority issue the bonds through a tax-exempt private placement bond issuance. The bonds will meet all requirements of SDHC's Multifamily Housing Revenue Bond Program policy and will fully comply with the City of San Diego's (City) ordinance on bond disclosure. The developer proposes that the bonds will be used to provide construction and permanent financing for the project. SDHC staff will later return to both the SDHC Board and Housing Authority for approval of the final bonds and transaction documents. A general description of the Multifamily Housing Revenue Bond Program and actions that must be taken by the Housing Authority and by the City Council to initiate and finalize proposed financings are described in Attachment 4.

Staff recommend assigning Orrick, Herrington and Sutcliffe as Bond Counsel and Public Financial Management as Financial Advisor to work on the development. The proposed bond financing team members have been selected in accordance with the existing policy for the issuance of bonds. Financial Advisors and Bond Counsels are selected in accordance with SDHC's Bond Program Policy.

AFFORDABLE HOUSING IMPACT

Project-Based Vouchers (PBV)

SDHC has provided a preliminary award recommendation of 30 PBVs for Beyer Boulevard Trolley Village, which are for individuals and families with income up to 30 percent of AMI, currently \$36,750 per year for a one-person household. The recommendation for these vouchers is contingent upon completion of a subsidy layering review, execution of an Agreement to Enter into Housing Assistance Payment and verification of services. Under the PBV program, the tenant's family contribution is determined by using the applicable minimum family contribution or a calculated amount based on their income level, whichever is higher, with the remainder being federally subsidized up to a gross rent level approved by SDHC. The Housing Assistance Payment provides a rental subsidy for residents in Beyer Boulevard Trolley Village's 30 PBV-assisted units. The PBV units are a mix of studios, one- and two- and three- bedroom units. The tenants will be selected from SDHC's low-income PBV Wait List. Compass for Affordable Housing will provide supportive services for the residents.

Affordability

The Beyer Boulevard Trolley Village development will be subject to applicable tax credit and bond regulatory agreements, which will restrict affordability of 99 units for 55 years. CTCAC's rent and occupancy restrictions will apply.

Table 6 – Affordability & Monthly Estimated Rent Table

Unit Type	AMI	Units	CTCAC Gross Rents
Studio (PBV)	30% (\$36,750/year for a one-person household)	2	\$868
Studio	50% (\$61,250/year for a one-person household)	2	\$1,447
Subtotal Studio Units	--	4	--
One bedroom (PBV)	30% (\$42,000/year for a two-person household)	8	\$1,577
One bedroom	50% (\$70,000/year for a two-person household)	14	\$1,550
One bedroom	60% (\$84,000/year for a two-person household)	23	\$1,860
Subtotal One-Bedroom Units	--	45	--
Two bedrooms (PBV)	30% (\$47,250/year for a three-person household)	10	\$1,986
Two bedrooms	50% (\$78,750/year for a three-person household)	9	\$1,861
Two bedrooms	60% (\$94,500/year for a three-person household)	6	\$2,233
Subtotal Two-Bedroom Units	--	25	--
Three bedrooms (PBV)	30% (\$52,450/year for a four-person household)	10	\$2,679
Three bedrooms	50% (\$87,450/year for a four-person household)	5	\$2,150
Three bedrooms	60% (\$104,940/year for a four-person household)	10	\$2,580
Subtotal Three-Bedroom Units	--	25	--
Manager's three bedrooms unit	--	1	--
Total Units	--	100	--

FISCAL CONSIDERATIONS

The funding sources and uses proposed to be approved by this action were included in the Housing Authority-approved Fiscal Year (FY) 2027 SDHC Budget.

Funding sources proposed to be approved by this action

Bond Issuer Fee – (\$22,500,000 (Tax-exempt) + \$37,000,000 (Taxable)) X 0.0025 = \$148,750
 Total Funding Sources – up to \$148,750

Funding uses proposed to be approved by this action

Administrative costs - \$148,750
 Total Funding Uses - up to \$148,750

SDHC Board approval of the bond inducement and City Council approval of TEFRA resolutions does not commit the Housing Authority to issue the bonds. The bonds would not constitute a debt of the City. If bonds are ultimately issued for the development, the bonds will not financially obligate the City, the Housing Authority or SDHC because security for the repayment of the bonds will be limited to specific private revenue sources of the development. Neither the faith and credit nor the taxing power of the City or

the Housing Authority would be pledged to the payment of the bonds. The developer is responsible for the payment of all costs under the financing, including SDHC’s annual administrative fee, as well as SDHC Bond Counsel and Financial Advisor fees.

Estimated Development Schedule

The estimated development timeline is as follows.

Milestones	Estimated Dates
• CDLAC bond & CTCAC tax credit applications • CDLAC & CTCAC allocation meetings • SDHC Board final bond authorization • Housing Authority final bond authorization • Estimated bond issuance and escrow/loan closing • Estimated start of construction work • Estimated completion of construction work	• September 8, 2026 • December 9, 2026 • January 2027 • February 2027 • March 2027 • March 2027 • August 2028

SDHC STRATEGIC PLAN

This item relates to Strategic Priority Area No. 3 in SDHC’s Strategic Plan for Fiscal Year (FY) 2026-2030: Create and Preserve Housing.

COMMUNITY PARTICIPATION and PUBLIC OUTREACH EFFORTS

On July 9, 2025, Affirmed Housing presented the proposed development as an informational item to the San Ysidro Community Planning Group. No vote was taken for the informational item.

KEY STAKEHOLDERS and PROJECTED IMPACTS

Stakeholders include Affirmed Housing, as the developer, the County and City of San Diego as proposed lenders, MTS as the property lessor, and the San Ysidro neighborhood. The development is anticipated to have a positive impact on the community, as it will contribute to the quality of the surrounding neighborhood and create 99 new affordable rental homes for low-income individuals and families.

STATEMENT for PUBLIC DISCLOSURE

The developer’s Disclosure Statement is at Attachment 5.

NONDISCRIMINATION ASSURANCE

At SDHC, we’re about people. We are committed to ensuring a compassionate, person-centered approach to SDHC’s programs, policies, projects and activities and to serving our community impartially, fairly and without bias. We are also committed to ensuring compliance with all applicable federal, state and local laws and protections to the extent that they affect this action relative to nondiscrimination

Affirmed Housing is committed to equity and inclusion as both an employer and a service provider. SDHC included a requirement in the FY 2022 NOFA for prospective applicants to include a narrative and specific examples of activities and initiatives that support equity assurance. Affirmed Housing demonstrates a commitment to advancing racial equity and inclusion (REI) through project design and operational policies, throughout the proposed project timeline.

ENVIRONMENTAL REVIEW

California Environmental Quality Act

This activity is not a “project” and is therefore not subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15060(c)(3). This determination is predicated on Section 15004 of the Guidelines, which provides direction to lead agencies on the appropriate timing for environmental review. This action does not constitute approval of a project. Approval will occur once the environmental review has been completed in accordance with CEQA Section 15004. This action will not foreclose review of alternatives or mitigation measures by the public as part of the CEQA process. The proposed actions are approval of preliminary steps to issue Bonds and do not constitute approval of the development activity or authorization for the issuance of Bonds. Future actions to consider and approve development entitlement approvals related to the future development of the site will require additional review under the provisions of CEQA by the lead agency.

National Environmental Policy Act

The project’s Project Based Vouchers require environmental review under the National Environmental Policy Act (NEPA). NEPA review is currently in progress. The parties agree that the provision of any federal funds as the result of this action is conditioned on the City of San Diego’s final NEPA review and approval.

Respectfully submitted,

Michelle Muniz

Michelle Muniz
Director of Underwriting
Real Estate Division

Approved by,

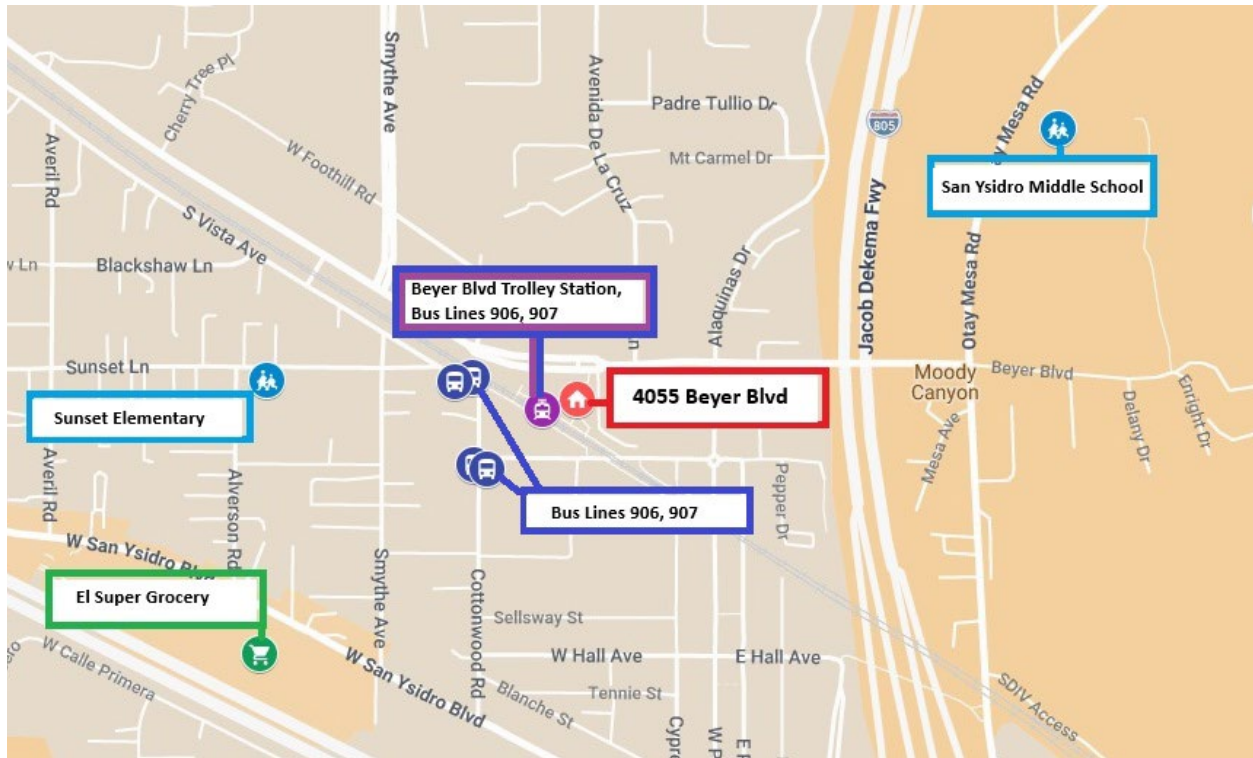
Lisa C. Jones

Lisa C. Jones
President and Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Site Map
2) Organization Chart
3) Developer’s Project Pro forma
4) Multifamily Housing Revenue Bond Program
5) Developer’s Disclosure Statements
6) Resolution

A printed copy is available for review during business hours at the information desk in the main lobby of SDHC’s offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the “Governance & Legislative Affairs” section of SDHC’s website at www.sdhc.org.

Attachment #1 – Site Map

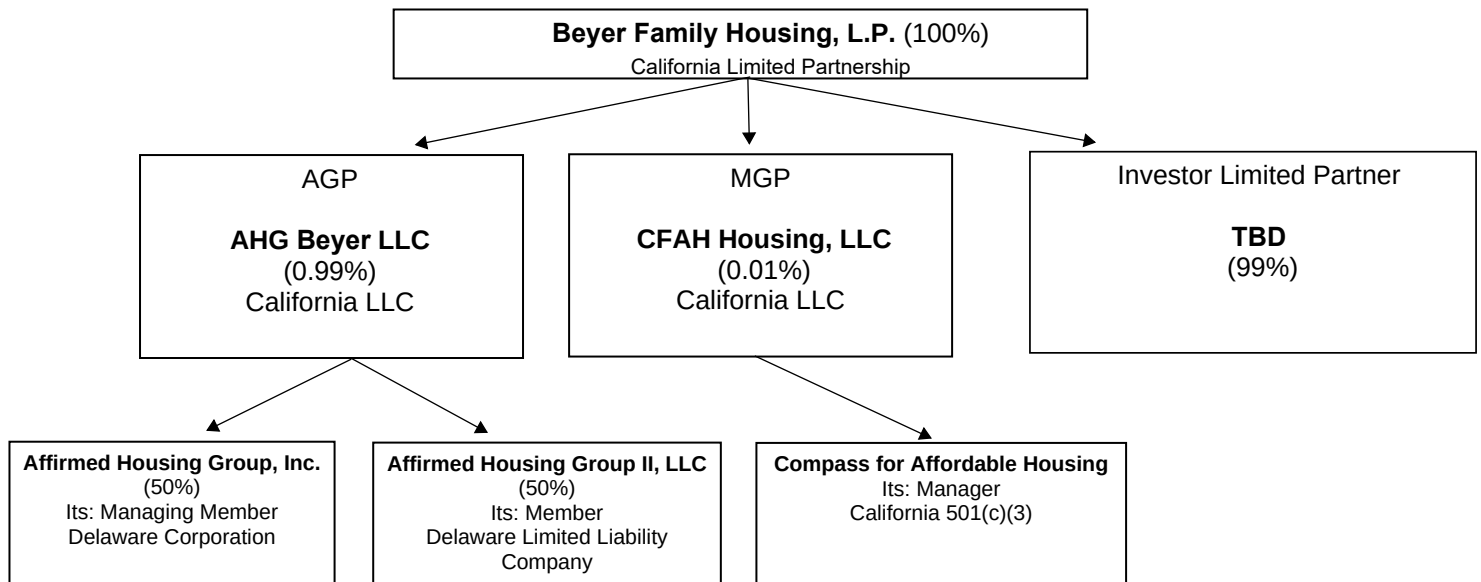


Beyer Blvd. Trolley Village

DEVELOPMENT SITE OWNERSHIP STRUCTURE:

Limited Partnership

Affirmed Housing Group, Inc., a Delaware for-profit corporation, has formed a Limited Partnership that will be the 100% ownership entity of the affordable housing project. AHG Beyer LLC, a California single purpose entity filed with the state will be the Administrative General Partner, owning .99% interest; CFAH Housing, LLC will act as the Managing General Partner and will own .01% interest and The Investor Limited Partner will have 99% interest in the limited partnership. The Borrower entity has been fully formed, which includes the non-profit sponsor. Please see completed organizational documents.



OFFICERS AND/OR MANAGERS RESPONSIBLE FOR THE PROJECT:

1. James P. Silverwood
President
Affirmed Housing Group, Inc.
11673 George Cooke Express Drive
San Diego, CA 92127
2. James M. Silverwood
Chief Executive Officer
Affirmed Housing Group, Inc.
11673 George Cooke Express Drive
San Diego, CA 92127
3. Vianney Ruvalcaba
Project Manager
Affirmed Housing Group, Inc.
11673 George Cooke Express Drive
San Diego, CA 92127
4. Robin Martinez
Executive Director
Compass for Affordable Housing
17190 Bernardo Center Dr., Ste 200
San Diego, CA 92128

Affirmed Housing Group, Inc. (AHG) will act as the Manager of the Administrative General Partner in the development of the affordable housing project. Affirmed's role of the development will be to obtain all the necessary funding to develop and operate the project, process entitlements, select consultants, General Contractor and property management company, oversee architectural design, construction management and other aspects of the development process as well as manage the limited partnership for the life of the project.

Attachment 3

Beyer

4055 Beyer Blvd., San Ysidro, CA 92173
100 Mixed Income Affordable Family Apts;
5 stories wood frame over 1 story concrete + Replacement Parking
4%+ City SD (LMIHAF) + +IIG + MHP GAP
7/21/2026 Bond Inducement

SOURCES

Name of Lender/Source	Amount of Funds	Per Unit	%
Permanent Loan	\$ 14,471,932	144,719	19.75%
City of SD - LMIHAF Round 2	\$ 5,000,000	50,000	6.82%
County of San Diego	\$ 3,000,000	30,000	4.09%
HCD GAP MHP	\$ 15,000,000	150,000	20.47%
HCD Infill Infrastructure Grant IIG	\$ 3,020,000	30,200	4.12%
Deferred Developer Fee	\$ 3,485,330	34,853	4.76%
Federal Tax Credit Equity	\$ 29,297,601	292,976	39.98%
TOTAL SOURCES	\$ 73,274,863	732,749	100.00%

USES

Land/Acquisition Cost	\$ 200,001	2,000	0.27%
Total New Construction Costs	\$ 47,280,001	472,800	64.52%
Hard Cost Subtotal	\$ 47,280,001	472,800	64.52%
Construction Contingency	\$ 3,309,600	33,096	4.52%
Architecture & Engineering	\$ 2,200,000	22,000	3.00%
Construction Interest & Fees	\$ 3,241,706	32,417	4.42%
Capitalized Reserves	\$ 792,000	7,920	1.08%
Taxes & Insurance	\$ 980,000	9,800	1.34%
Cost of Issuance	\$ 444,206	4,442	0.61%
Construction Services	\$ 50,000	500	0.07%
Escrow & Title	\$ 100,000	1,000	0.14%
Legal Fees	\$ 400,000	4,000	0.55%
Devel Impact Fees & Permits	\$ 2,504,751	25,048	3.42%
Tax Credit Fees	\$ 180,000	1,800	0.25%
Misc. Soft Costs	\$ 3,477,886	34,779	4.75%
Soft Cost subtotal	\$ 14,370,549	143,705	19.61%
Soft Cost Contingency	\$ 814,712	8,147	1.11%
Developer Fee	\$ 7,300,000	73,000	9.96%
TOTAL USES	\$ 73,274,863	732,749	100.00%

FINANCING ASSUMPTIONS

Permanent Loan Amount	\$14,471,932
Permanent Loan Interest Rate	6.59%
Permanent Loan Term (yr.)	17
Permanent Loan Amort (yr.)	40
Net Operating Income	\$1,298,145
Debt Service	\$1,090,878
Debt Coverage Ratio	1.19
Construction Loan Amount (TE & TA)	\$54,121,870
Construction Loan Interest Rate	5.21%
Construction Loan Term (mo.)	36
Loan to Value	27.89%

INCOME

Type	Qty.	%AMI	Net Income	Total Income
Studio	1	30%	\$ 868	\$ 868
Studio	3	50%	\$ 1,447	\$ 4,341
1 BR - PBV	27	30%	\$ 1,577	\$ 42,579
1BR	13	50%	\$ 1,550	\$ 20,150
2BR - PBV	3	30%	\$ 1,986	\$ 5,958
2BR	17	50%	\$ 1,861	\$ 31,637
2BR	8	60%	\$ 2,233	\$ 17,864
3BR	3	30%	\$ 1,290	\$ 3,870
3BR	3	50%	\$ 2,150	\$ 6,450
3BR	8	60%	\$ 2,580	\$ 20,640
3BR	13	70%	\$ 3,010	\$ 39,130
3BR MGR	1		\$ -	\$ -
TOTAL	100			\$ 193,487
Annual Residential Income			\$ 2,009,400	
Excess PBV Income			\$ 259,992	
Other Income			\$ 20,692	
Total Gross Annual Income			\$ 2,290,084	
Vacancy @ 5.0%			\$ (113,470)	
TOTAL NET ANNUAL INCOME			\$ 2,176,614	

EXPENSES

Administrative	\$ 930	\$ 93,000
Management	\$ 713	\$ 71,280
Utilities	\$ 900	\$ 90,000
Payroll	\$ 2,361	\$ 236,122
Total Insurance:	\$ 1,000	\$ 100,000
Maintenance	\$ 1,350	\$ 135,000
Other: Agency Monitoring Fees	\$ -	\$ -
Subtotal	\$ 7,254	\$ 725,402
Resident Services	\$ 750	\$ 75,000
Replacement Reserves	\$ 300	\$ 30,000
Real Estate Taxes	\$ 121	\$ 12,068
Other: Misc state & local fees, issuer fee	\$ 360	\$ 36,000
ANNUAL EXPENSES	\$ 878,470	

TAX CREDIT ASSUMPTIONS

9% Tie Breaker Score	N/A
Federal Tax Credits Requested	\$3,653,523
Federal Tax Credit Pricing	\$0.81
State Tax Credits Requested	\$0
State Tax Credit Pricing	\$0.00
LP Interest	99.00%
Applicable Rate	4.00%
50% Test	29.00%

CONSTRUCTION & PERMANENT FINANCING

Beyer

<i>Construction Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Int. Reserve</i>
TE Construction Loan Amount	36	5.21%	20,433,418	2,599,143
Taxable Construction Loan Amount	36	5.21%	33,688,453	
Tax Credit Equity (Fed)			7,324,378	
City of SD - LMIHAF Round 2		3.00%	5,000,000	
County of San Diego		3.00%	2,700,000	
HCD Infill Infrastructure Grant IIG		0.00%	3,020,000	
Deferred Cost to Perm			1,108,614	
<i>Total Funds for Construction</i>			73,274,864	

<i>Permanent Financing</i>				
<i>Name of Lender/Source</i>	<i>Term (months)</i>	<i>Interest Rate</i>	<i>Amount of Funds</i>	<i>Debt Service</i>
Permanent Loan	204	6.59%	\$14,471,932	1,027,878
City of SD - LMIHAF Round 2	660	3.00%	5,000,000	
County of San Diego		3.00%	3,000,000	
HCD GAP MHP		3.00%	15,000,000	63,000.00
HCD Infill Infrastructure Grant IIG		0.00%	3,020,000	
Deferred Developer Fee			3,485,330	
<i>Total Permanent Financing</i>			43,977,262	
<i>Federal Tax Credit Equity</i>			29,297,601	
<i>State Tax Credit Equity</i>			-	
<i>Total Sources of Project Funds</i>			73,274,863	

CONFIDENTIAL

DEVELOPMENT BUDGET

Beyer

	TOTAL PROJECT COST	RESIDENTIAL COST	70% PVC for New Construction/ Rehabilitation	30% PVC for Acquisition
Purchase Price	1	1		
Land Carry Cost + Misc. Fees	200,000	200,000		
Land Carry Cost	-	-		
Total Land Cost or Value	200,001	200,001		
Existing Improvements Value	-	-		-
Off-Site Improvements	-	-	-	-
Total Acquisition Cost	-	-	-	-
Total Land Cost / Acquisition Cost	200,001	200,001	-	-
REHABILITATION				
Abatement/Demolition	-	-		
Structures	-	-	-	-
General Requirements	-	-	-	-
Contractor Overhead	-	-	-	-
Contractor Profit	-	-	-	-
Prevailing Wages	-	-	-	-
General Liability Insurance	-	-	-	-
Contractor Contingency	-	-	-	-
Total Rehabilitation Costs	-	-	-	-
Total Relocation Expenses	-	-	-	-
NEW CONSTRUCTION				
Site Work	5,116,768	5,116,768	5,116,768	-
Structures	33,159,853	33,159,853	33,159,853	-
General Requirements	1,755,600	1,755,600	1,755,600	-
Contractor Overhead	1,755,600	1,755,600	1,755,600	-
Contractor Profit	1,630,200	1,630,200	1,630,200	-
Solar PV	627,000	627,000	627,000	
Prevailing Wages				
General Liability Insurance/ Bond Prem	1,192,160	1,192,160	1,192,160	-
Parking (MTS)	1,854,820	1,854,820	1,854,820	-
Other: Site Security	188,000	188,000	188,000	-
Total New Construction Costs	47,280,001	47,280,001	47,280,001	-

DEVELOPMENT BUDGET

Beyer

	TOTAL PROJECT COST	RESIDENTIAL COST	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
ARCHITECTURAL FEES				
Design (incl ADA)	1,450,000	1,450,000	1,450,000	-
Other:	-	-	-	-
Total Architectural Costs	1,450,000	1,450,000	1,450,000	-
Total Survey and Engineering	750,000	750,000	750,000	-
CONST. INTEREST & FEES				
Tax-Exempt Construction Loan Interest	1,817,517	1,817,517	1,817,517	-
Origination Fee	529,176	529,176	529,176	-
Cost of Issuance	444,206	444,206	44,421	-
Taxes	30,000	30,000	30,000	-
Insurance	950,000	950,000	950,000	-
Title and Recording	100,000	100,000	100,000	-
Construction Service Fees (Bank)	50,000	50,000	50,000	-
Other: SDHC Const Review	12,500	12,500	12,500	
Other: Taxable Construction Interest	2,165,281	2,165,281	2,165,281	
Total Const. Interest & Fees	6,098,680	6,098,680	5,698,895	-

PERMANENT FINANCING				
Loan Origination Fee	97,745	97,745		
Credit Enhancement/Application Fee	-	-		
Title and Recording	-	-		
Taxes	-	-		
Insurance	-	-		
Other: SDHC Monitoring & Underwriting Fee	15,642	15,642		
Other: Interest Prior to Conversion	781,626	781,626		
Total Perm. Financing Costs	895,013	895,013		
LEGAL FEES				
Lender Legal Pd. by Applicant	180,000	180,000	65,000	-
Other : Partnership & Transaction	220,000	220,000	10,000	-
Total Attorney Costs	400,000	400,000	75,000	-
RESERVES				
Rent Reserves	-	-		
Capitalized Operating Reserve	-	-		
*3- Month Operating Reserve	492,000	492,000		
Other: (HCD Transition Reserve)	300,000	300,000		
Total Reserve Costs	792,000	792,000		

DEVELOPMENT BUDGET

Beyer

	TOTAL PROJECT COST	RESIDENTIAL COST	70% PVC for NC/Rehab or 30% PVC for Fed Subsidized NC/Rehab	30% PVC for Acquisition
Total Appraisal Costs	15,000	15,000	15,000	-
Total Hard Cost Contingency	3,309,600	3,309,600	3,309,600	-
OTHER PROJECT COSTS				
TCAC App/Allocation/Monitoring	180,000	180,000		
Environmental Audit	45,000	45,000	45,000	-
Local Dev. Impact Fees	1,704,751	1,704,751	1,704,751	-
Permit Processing Fees	800,000	800,000	800,000	-
Marketing	40,006	40,006		
Furnishings, Fixtures, Equipment	622,099	622,099	622,099	-
Market Study	15,000	15,000	15,000	-
Accounting/Reimbursables	40,000	40,000	40,000	-
Soft Cost Contingency	814,712	814,712	814,712	-
Lease-Up Costs	120,000	120,000	-	-
Other: Transit passes	63,000	63,000		-
Other: MTS/City fees	50,000	50,000	50,000	-
Utilities	290,000	290,000	290,000	-
Total Other Costs	4,784,568	4,784,568	4,381,562	-
SUBTOTAL PROJECT COST	65,974,863	65,974,863	62,960,058	-
	Total Project Cost	Total Residential	62,960,058	-
DEVELOPER COSTS				
Developer Overhead/Profit	7,300,000	7,300,000	7,300,000	-
Consultant/Processing Agent	-	-	-	-
Project Administration	-	-	-	-
Broker Fees Paid to a Related Party	-	-	-	-
Construction Oversight by Developer	-	-	-	-
Other: (Specify)	-	-	-	-
Total Developer Costs	7,300,000	7,300,000	7,300,000	-
TOTAL PROJECT COSTS	73,274,863	73,274,863	70,260,058	-
			-	-
			70,260,058	-

PROJECT INCOME INFORMATION
Beyer

(a) # of Bedrooms	(b) # of Units	(c) Proposed Monthly Rent Less Utilities	(d) Total Monthly Rents (bxc)	(e) Monthly Utility Allow.	(f) Monthly Rent Plus Utilities (c + e)	(g) % of Area Mediam Income	PBV's Rents	PBV Add Mo. Rent Above TCAC	Total Add. Mo. Rents
Studio	1	\$ 825	\$ 825	\$ 43	\$ 868	30%		\$ -	\$ -
Studio	3	\$ 1,404	\$ 4,212	\$ 43	\$ 1,447	50%	\$ -	\$ -	\$ -
1 BR - PBV	27	\$ 878	\$ 23,706	\$ 52	\$ 930	30%	\$ 1,577	\$ 699	\$ 18,873
1BR	13	\$ 1,498	\$ 19,474	\$ 52	\$ 1,550	50%		\$ -	
2BR - PBV	3	\$ 1,055	\$ 3,165	\$ 61	\$ 1,116	30%	\$ 1,986	\$ 931	\$ 2,793
2BR	17	\$ 1,800	\$ 30,600	\$ 61	\$ 1,861	50%	\$ -	\$ -	\$ -
2BR	8	\$ 2,172	\$ 17,376	\$ 61	\$ 2,233	60%	\$ -	\$ -	\$ -
3BR	3	\$ 1,216	\$ 3,648	\$ 74	\$ 1,290	30%		\$ -	\$ -
3BR	3	\$ 2,076	\$ 6,228	\$ 74	\$ 2,150	50%	\$ -	\$ -	\$ -
3BR	8	\$ 2,506	\$ 20,048	\$ 74	\$ 2,580	60%	\$ -	\$ -	\$ -
3BR	13	\$ 2,936	\$ 38,168	\$ 74	\$ 3,010	70%	\$ -	\$ -	\$ -
3BR MGR	1	\$ -	\$ -	\$ -	\$ -	MKT	\$ -	\$ -	\$ -
Affordable Units	99	\$ 66,021	\$ 167,450		\$ 67,661		Total Tranche B:		\$ 21,666

Aggregate Monthly Rents for All Units:	\$ 167,450
Aggregate Annual Rents for All Units:	\$ 2,009,400

Avg Affordability	47.37%
-------------------	--------

IIG avg aff	47.68%
-------------	--------

Total Affordable Plus Manager Units:	100
--------------------------------------	-----

Annual Income from Laundry Facilities	\$ 10,692	9.00	per unit per month
Annual Income from Vending Machines	-		
Annual Interest Income	-		
Other Annual Income (Specify)	10,000		
Total Miscellaneous Income:	\$ 20,692		
Total Annual Potential Gross Income:	\$ 2,030,092		

Excess PBV Income	\$ 259,992
-------------------	------------

Total Gross Annual Income	\$ 2,290,084
---------------------------	--------------

Utility Allowances : Redwood 6/23/23					
	Studio	1 BR	2 BR	3 BR	4 BR
Space Heating:	2	2	3	5	
Water Heating:	-	-	-	-	
Cooking:	9	10	12	14	
Lighting:	5	7	8	10	
Electricity:	21	26	30	36	
Water:*					
AC	6	7	7	9	
City's Fee	-	-	-	-	
Total:	43	52	61	74	-

*Owner paid utilities

ANNUAL RESIDENTIAL OPERATING EXPENSES
Beyer

Administrative	Advertising:	5,000	Per Unit 83
	Legal:	10,000	167
	Accounting/Audit:	13,000	217
	Security:	50,000	833
	General Office Costs:	15,000	250
	Total Administrative:	93,000	1,550
Management	Total Management Fee:	71,280	1,188
Utilities	Fuel:		-
	Gas:	-	-
	Electricity:	30,000	500
	Water/Sewer:	60,000	1,000
	Total Utilities:	90,000	1,500
Payroll	On-site Manager(s):	88,400	1,473
/ Payroll Taxes	Maintenance Personnel:	90,480	1,508
	Other: Payroll Burden/Taxes	57,242	954
	Total Payroll/Payroll Taxes:	236,122	3,935
	Total Insurance:	100,000	1,667
Maintenance	Painting:	15,000	250
	Repairs:	20,000	333
	Trash Removal:	25,000	417
	Exterminating:	15,000	250
	Grounds & Garage Maintenance:	35,000	583
	Other: Fire Alarm Monitoring	10,000	167
	Other: Elevator	15,000	250
	Total Maintenance:	135,000	2,250
Other Expenses	Other:	-	-
	Other:		-
	Other:	-	-
	Other:	-	-
	Other:	-	-
	Total Other:	0	-

Total Expenses

Total Annual Residential Operating Expenses:	725,402
Total Number of Units in the Project:	60
Total Annual Operating Expenses Per Unit:	12,090
Total 3-Month Operating Reserve:	492,000
Total Annual Internet Expense (site amenity election):	-
Total Annual Service Amenities Budget (from project expenses):	75,000
Total Annual Reserve for Replacement:	30,000
Total Annual Real Estate Taxes:	12,068
Other: Misc state & local fees, issuer fee	36,000
TOTAL:	878,470

5,700 min per unit

1,250 per unit

500 per unit

14,641 per unit
1,220 per month

Commercial Income

Total Annual Commercial/Non Residential Revenue:	-
Total Annual Commercial/Non Residential Expenses:	-
Total Annual Commercial/Non Residential Debt Service:	-
Total Annual Commercial/Non Residential Net Income:	-

Beyer		Inflation Factor	Year 1 2028	Year 2 2029	Year 3 2030	Year 4 2031	Year 5 2032	Year 6 2033	Year 7 2034	Year 8 2035	Year 9 2036	Year 10 2037	Year 11 2038	Year 12 2039	Year 13 2040	Year 14 2041	Year 15 2042
Rental Income		2.5%	2,009,400	2,059,635	2,111,126	2,163,904	2,218,002	2,273,452	2,330,288	2,388,545	2,448,259	2,509,465	2,572,202	2,636,507	2,702,420	2,769,980	2,839,230
PBV INCOME IF APPLICABLE		2.5%	259,992	266,492	273,154	279,983	286,983	294,157	301,511	309,049	316,775	324,694	332,812	341,132	349,660	358,402	367,362
TOTAL GROSS POTENTIAL REVENUE			2,269,392	2,326,127	2,384,280	2,443,887	2,504,984	2,567,609	2,631,799	2,697,594	2,765,034	2,834,160	2,905,014	2,977,639	3,052,080	3,128,382	3,206,591
	Vacancy @	5.0%	113,470	116,306	119,214	122,194	125,249	128,380	131,590	134,880	138,252	141,708	145,251	148,882	152,604	156,419	160,330
Other Income		2.5%	20,692	21,209	21,740	22,283	22,840	23,411	23,996	24,596	25,211	25,841	26,488	27,150	27,828	28,524	29,237
TOTAL NET RENTAL INCOME			2,176,614	2,231,030	2,286,806	2,343,976	2,402,575	2,462,639	2,524,205	2,587,311	2,651,993	2,718,293	2,786,250	2,855,907	2,927,304	3,000,487	3,075,499
Advertising:		3.5%	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,555	7,820	8,093
Legal:		3.5%	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629	14,106	14,600	15,111	15,640	16,187
Accounting/Audit:		3.5%	13,000	13,455	13,926	14,413	14,918	15,440	15,980	16,540	17,119	17,718	18,338	18,980	19,644	20,331	21,043
Security:		3.5%	50,000	51,750	53,561	55,436	57,376	59,384	61,463	63,614	65,840	68,145	70,530	72,998	75,553	78,198	80,935
General Office Costs:		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Total Management Fee:		3.5%	71,280	73,775	76,357	79,029	81,795	84,658	87,621	90,688	93,862	97,147	100,547	104,067	107,709	111,479	115,381
Electricity:		3.5%	30,000	31,050	32,137	33,262	34,426	35,631	36,878	38,168	39,504	40,887	42,318	43,799	45,332	46,919	48,561
Water/Sewer:		3.5%	60,000	62,100	64,274	66,523	68,851	71,261	73,755	76,337	79,009	81,774	84,636	87,598	90,664	93,837	97,122
On-site Manager(s):		3.5%	88,400	91,494	94,696	98,011	101,441	104,991	108,666	112,469	116,406	120,480	124,697	129,061	133,578	138,254	143,093
Maintenance Personnel:		3.5%	90,480	93,647	96,924	100,317	103,828	107,462	111,223	115,116	119,145	123,315	127,631	132,098	136,721	141,507	146,459
Other: Payroll Burden/Taxes		3.5%	57,242	59,245	61,319	63,465	65,686	67,985	70,365	72,827	75,376	78,014	80,745	83,571	86,496	89,523	92,657
Total Insurance:		3.5%	100,000	103,500	107,123	110,872	114,752	118,769	122,926	127,228	131,681	136,290	141,060	145,997	151,107	156,396	161,869
Painting:		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Repairs:		3.5%	20,000	20,700	21,425	22,174	22,950	23,754	24,585	25,446	26,336	27,258	28,212	29,199	30,221	31,279	32,374
Trash Removal:		3.5%	25,000	25,875	26,781	27,718	28,688	29,692	30,731	31,807	32,920	34,072	35,265	36,499	37,777	39,099	40,467
Exterminating:		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Grounds & Garage Maintenance:		3.5%	35,000	36,225	37,493	38,805	40,163	41,569	43,024	44,530	46,088	47,701	49,371	51,099	52,887	54,738	56,654
Other: Fire Alarm Monitoring		3.5%	10,000	10,350	10,712	11,087	11,475	11,877	12,293	12,723	13,168	13,629	14,106	14,600	15,111	15,640	16,187
Other: Elevator		3.5%	15,000	15,525	16,068	16,631	17,213	17,815	18,439	19,084	19,752	20,443	21,159	21,900	22,666	23,459	24,280
Other:		3.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Service Amenities Budget		3.5%	75,000	77,625	80,342	83,154	86,064	89,076	92,194	95,421	98,761	102,217	105,795	109,498	113,330	117,297	121,402
Other: Misc state & local fees, issuer fee		2.5%	36,000	36,900	37,823	38,768	39,737	40,731	41,749	42,793	43,863	44,959	46,083	47,235	48,416	49,626	50,867
Real Estate Taxes		2.0%	12,068	12,309	12,556	12,807	13,063	13,324	13,591	13,862	14,140	14,422	14,711	15,005	15,305	15,611	15,923
Replacement Reserve		0.0%	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
TOTAL EXPENSES			878,470	907,625	937,788	968,994	1,001,279	1,034,681	1,069,237	1,104,989	1,141,978	1,180,247	1,219,839	1,260,802	1,303,183	1,347,031	1,392,396
Cash Flow Prior to Debt Service (NOI)			1,298,145	1,323,405	1,349,017	1,374,981	1,401,296	1,427,959	1,454,968	1,482,321	1,510,015	1,538,046	1,566,411	1,595,104	1,624,121	1,653,456	1,683,103
DEBT SERVICE - Permanent Loan			1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878	1,027,878
HCD GAP MHP			63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000	63,000
FORECASTED CASH AVAILABLE			207,267	232,527	258,139	284,103	310,418	337,081	364,090	391,443	419,137	447,168	475,533	504,226	533,243	562,578	592,225
Percent of Gross Revenue	8% Max		9.13%	10.00%	10.83%	11.63%	12.39%	13.13%	13.83%	14.51%	15.16%	15.78%	16.37%	16.93%	17.47%	17.98%	18.47%
25% Debt Service Test	Yr 1-3 Max		19.00%	21.32%	23.66%	26.04%	28.46%	30.90%	33.38%	35.88%	38.42%	40.99%	43.59%	46.22%	48.88%	51.57%	54.29%
Debt Coverage Ratio	1.15 Min		1.19	1.21	1.24	1.26	1.28	1.31	1.33	1.36	1.38	1.41	1.44	1.46	1.49	1.52	1.54
Partnership Management Fee		3.0%	20,000	20,600	21,218	21,855	22,510	23,185	23,881	24,597	25,335	26,095	26,878	27,685	28,515	29,371	30,252
Asset Management Fee		3.0%	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Accrued Management Fee			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Management Fee - Paid			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Management Fee - Ending Bal			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Available for Deferred Developer Fee			182,267	206,777	231,617	256,785	282,280	308,099	334,239	360,696	387,468	414,549	441,935	469,621	497,599	525,865	554,410
Deferred Fee	3,485,330		182,267	206,777	231,617	256,785	282,280	308,099	334,239	360,696	387,468	414,549	441,935	78,619	-	-	-
	0.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	balance		3,303,064	3,096,287	2,864,670	2,607,885	2,325,605	2,017,506	1,683,267	1,322,571	935,103	520,554	78,619	-	-	-	-
Cash Available for Ground Lease			-	-	-	-	-	-	-	-	-	-	-	391,002	497,599	525,865	554,410
Ground Lease PMT	5%		-	-	-	-	-	-	-	-	-	-	-	19,550	24,880	26,293	27,721
Cash Available for Distribution			-	-	-	-	-	-	-	-	-	-	-	371,452	472,719	499,572	526,690
Annual Payment to HCD		Yr 31-55	45.7%	32.6%	-	-	-	-	-	-	-	-	-	60,563	77,074	81,452	85,873
Annual Payment to City SD		Yr 1-30	15.2%	10.9%	-	-	-	-	-	-	-	-	-	60,563	77,074	81,452	85,873
Annual Payment to County of SD			9.1%	6.5%	-	-	-	-	-	-	-	-	-	60,563	77,074	81,452	85,873
Annual Payment to Affirmed			30.0%	50.0%	-	-	-	-	-	-	-	-	-	185,726	236,360	249,786	263,345

ATTACHMENT 4

HOUSING COMMISSION MULTIFAMILY HOUSING REVENUE BOND PROGRAM SUMMARY

General Description: The multifamily housing bond program provides below-market financing (based on bond interest being exempt from income tax) for developers willing to set aside a percentage of project units as affordable housing. Multifamily housing revenue bonds are also known as "private activity bonds" because the projects are owned by private entities, often including nonprofit sponsors and for-profit investors.

Bond Issuer: Housing Authority of the City of San Diego. There is no direct legal liability to the City, the Housing Authority or the Housing Commission in connection with the issuance or repayment of bonds. There is no pledge of the City's faith, credit or taxing power nor of the Housing Authority's faith and credit. The bonds do not constitute a general obligation of the issuer because security for repayment of the bonds is limited to specific private revenue sources, such as project revenues. The developer is responsible for the payment of costs of issuance and all other costs under each financing.

Affordability: Minimum requirement is that at least 20% of the units are affordable at 50% of Area Median Income (AMI). Alternatively, a minimum of the units may be affordable at 50% AMI with an additional 30% of the units affordable at 60% AMI. The Housing Commission requires that the affordability restriction be in place for a minimum of 15 years. Due to the combined requirements of state, local, and federal funding sources, projects financed under the Bond Program are normally affordable for 30-55 years and often provide deeper affordability levels than the minimum levels required under the Bond Program.

Rating: Generally "AAA" or its equivalent with a minimum rating of "A" or, under conditions that meet IRS and Housing Commission requirements, bonds may be unrated for private placement with institutional investors (typically, large banks). Additional security is normally achieved through the provision of outside credit support ("credit enhancement") by participating financial institutions that underwrite the project loans and guarantee the repayment of the bonds. The credit rating on the bonds reflects the credit quality of the credit enhancement provider.

Approval Process:

- **Inducement Resolution:** The bond process is initiated when the San Diego Housing Commission (Housing Commission) adopts an "Inducement Resolution" to establish the date from which project costs may be reimbursable from bond proceeds (if bonds are later issued) and to authorize staff to work with the financing team to perform a due diligence process. The Inducement Resolution does not represent any commitment by the Housing Commission, or the Housing Authority, or the developer to proceed with the financing.

- TEFRA Hearing and Resolution (Tax Equity and Fiscal Responsibility Act of 1982): to assure that projects making use of tax-exempt financing meet appropriate governmental purposes and provide reasonable public benefits, the IRS Code requires that a public hearing be held and that the issuance of bonds be approved by representatives of the governmental unit with jurisdiction over the area in which the project is located. This process does not make the Housing Commission, the Housing Authority, or the City of San Diego financially or legally liable for the bonds or for the project.

[Note: Members of the Housing Commission or the San Diego City Council may be asked to take two actions at this stage in the bond process -- one in their capacity as approving the TEFRA hearing resolution and another as approving the bond inducement.]

- Application for Bond Allocation: The issuance of these "private activity bonds" (bonds for projects owned by private developers, including projects with nonprofit sponsors and for-profit investors) requires an allocation of bond issuing authority from the State of California. To apply for an allocation, an application approved by the Housing Commission and supported by an adopted inducement resolution and by proof of credit enhancement (or bond rating) must be filed with the California Debt Limit Allocation Committee (CDLAC). In addition, evidence of a TEFRA hearing and approval must be submitted prior to the CDLAC meeting.
- Final Bond Approval: The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a final resolution authorizing the issuance. Prior to final consideration of the proposed bond issuance, the project must comply with all applicable financing, affordability, and legal requirements and undergo all required planning procedures/reviews by local planning groups, etc.
- Funding and Bond Administration: All monies are held and accounted for by a third party trustee. The trustee disburses proceeds from bond sales to the developer in order to acquire and/or construct the housing project. Rental income used to make bond payments is collected from the developer by the trustee and disbursed to bond holders, if rents are insufficient to make bond payments, the trustee obtains funds from the credit enhancement provider. No monies are transferred through the Housing Commission or Housing Authority, and the trustee has no standing to ask the issuer for funds. Bond Disclosure: The offering document (typically a Preliminary Offering Statement or bond placement memorandum) discloses relevant information regarding the project, the developer, and the credit enhancement provider. Since the Housing Authority is not responsible in any way for bond repayment, there are no financial statements or summaries about the Housing Authority or the City that are included as part of the offering document. The offering document includes a paragraph that states that the Housing Authority is a legal entity with the authority to issue multifamily housing bonds and that the Housing Commission acts on behalf of the Housing Authority to issue the bonds. The offering document also includes a paragraph that details that there is no pending or threatened litigation that would affect the validity of the bonds or curtail the ability of the Housing Authority to

issue bonds. This is the extent of the disclosure required of the Housing Authority, Housing Commission, or the City. However, it is the obligation of members of the Housing Authority to disclose any material facts known about the project, not available to the general public, which might have an impact on the viability of the project.



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

Statement for Public Disclosure

1. Name of CONTRACTOR: Affirmed Housing Group, Inc.
2. Email: james@affirmedhousing.com
2. Address and Zip Code: 11673 George Cooke Express Dr., San Diego, CA 92127
3. Telephone Number: 858-386-5179
4. Name of Principal Contact for CONTRACTOR: James P. Silverwood
5. Federal Identification Number or Social Security Number of CONTRACTOR: 26-0812994
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as **(you may copy and paste requested documents of any size into the boxes throughout this form)**:



A corporation **(copy and paste Articles of Incorporation here)**:

Please see attached.



A nonprofit or charitable institution or corporation **(copy and paste Articles of Incorporation and documentary evidence verifying current, valid nonprofit or charitable status)**:



A partnership known as **(Name)**:



Check one:

General Partnership **(copy and paste statement of General Partnership)**:



Limited Partnership **(copy and paste Certificate of Limited Partnership)**:



A business association or a joint venture known as: **(copy and paste Joint Venture or Business Association Agreement)**



A Federal, State, or local government or instrumentality thereof



Other (Please explain):

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, list name and date of organization:

August 7, 2007

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

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

Text will allow multiple lines

	Name/Title (if any)	Address	Phone	Email	Percent of Interest & Description of character and extent of interest
8.1	James M. Silverwood	11673 George Cooke Express Dr., San Diego, CA 92127	(858)386-5175	jim@affirmedhousing.com	% 60% interest, CEO
8.2	Silverwood Descendants Trust - SD	11673 George Cooke Express Dr., San Diego, CA 92127	(858)679-2828	jim@affirmedhousing.com	% 40% interest, Trust
8.3					%

You may also copy and paste your complete list here:

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

☐

Yes

☒

No



10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

☐ Yes

☒ No

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

Text will allow multiple lines

	Name/Title (if any)	Address	Phone	Email	Percent of Interest & Description of character and extent of interest
11.1	N/A (see section 8)				%
11.2					%
11.3					%

You may also copy and paste your complete list here:

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

	Name/Title (if any)	Address	Phone	Email
12.1	James P. Silverwood, President	1673 George Cooke Express Dr., San Diego, CA 92127	(858)386-5178	james@affirmedhousing.com
12.2				
12.3				

You may also copy and paste your complete list here:

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

Text will allow multiple lines

	Name of <i>affiliated</i> Corporation/Firm/Business Entity	Address	Relationship to CONTRACTOR	List Common Officers/Directors/Trustees by Name
13.1	Affirmed Housing Group, a CA Corp	11673 George Cooke Express Dr., San Diego, CA 92127	Sister Company (combined group for reporting financials)	James P. Silverwood, Nicki Comela, CFO, James M. Silverwood, CEO
13.2				
13.3				

You may also copy and paste your complete list here:

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

See attached financial statement (confidential information)

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

TCAC, CDLAC, HCD, County of San Diego

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

- a. In banks/savings and loans:

Name: Bank of America

Address: (provided upon request - see financials)

Amount: \$ 5 million

- b. By loans from affiliated or associated corporations or firms:

Name: US Bank

Address: 4747 Executive Drive, 3rd Floor, San Diego, CA 92121

Amount: \$ 750,000 \$1,500,000

c. By sale of readily salable assets/including marketable securities:

Description	Market Value (\$)	Mortgages or Liens (\$)
N/A		

Enter additional information as needed:

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

Text will allow multiple lines

	Bank Name	Bank Address	Bank Contact Name	Bank Contact Phone/Email
17.1	Banc of California	3 MacArthur Place, Santa Ana, CA 92707	Shiri Staveley	(949)236-5454 shiri.staveley@bancofcal.com
17.2	Bank of America	333 S. Hope St, 20th Floor, Los Angeles, CA 90071	Brandon Butcher	(213)621-4850 brandon.butcher@bofa.com
17.3				

You may also copy and paste your complete list of bank references here:

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

☐

Yes

☒

No

If yes, provide date, place, and under what name:

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

☐

Yes

☒

No

If yes, for each case, provide (1) date, (2) charge, (3) place, (4) court, and (5) action taken. ***You may copy and paste any explanation deemed necessary:***

Case 1:

Case 2:

Case 3:

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond:

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond
N/A				

Enter additional information as needed:

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

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

	Name	Address	Affiliation
21.a1	N/A		
21.a2			
21.a3			



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

☐

Yes

☒

No

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

--

- c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: \$ N/A

c.1 General description of such work:

--

c.2 through c.4 Complete one table for each project. Text will allow multiple lines:

Project	C.2 Project Name:	N/A
	Project Location:	
	Project Details:	
Owner	Business Name of Project Owner:	
	Principal Contact of Project Owner:	
	Principal Contact Phone & Email	
Bond	Bonding Company Name & Address:	
	Principal Bond Contact Phone & Email:	
C/O	Change Order Details:	
	Change Order Cost:	
Litigation	Litigation Location/Date:	
	Litigation Details:	
	Litigation Outcome Details:	

c.2 through c.4 Complete one table for each project. Text will allow multiple lines:

Project	C.3 Project Name:	N/A
	Project Location:	
	Project Details:	
Owner	Business Name of Project Owner:	
	Principal Contact of Project Owner:	
	Principal Contact Phone & Email	
Bond	Bonding Company Name & Address:	
	Principal Bond Contact Phone & Email:	
C/O	Change Order Details:	
	Change Order Cost:	
Litigation	Litigation Location/Date:	
	Litigation Details:	
	Ligation Outcome Details:	



c.2 through c.4 Complete one table for each project. Text will allow multiple lines:

Project	C.4 Project Name:	N/A
	Project Location:	
	Project Details:	
Owner	Business Name of Project Owner:	
	Principal Contact of Project Owner:	
	Principal Contact Phone & Email	
Bond	Bonding Company Name & Address:	
	Principal Bond Contact Phone & Email:	
C/O	Change Order Details:	
	Change Order Cost:	
Litigation	Litigation Location/Date:	
	Litigation Details:	
	Litigation Outcome Details:	

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

Identification of Contract or Development	Location	Amount	Date to be Completed
N/A			

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

Awarding Agency	Amount	Date Opened
N/A		

Enter additional information as needed:

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

N/A

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

☐

Yes

☒

No

If yes, explain:

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

N/A

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

☐

Yes

☒

No

If yes, please explain:

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

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

See evidence of coverage attached

Check coverage(s) carried:

☒

Comprehensive Form

☒

Premises - Operations

☒

Explosion and Collapse Hazard

☒

Underground Hazard

☒

Products/Completed Hazard

☒

Contractual Insurance

☒

Broad Form Property Damage

☒

Independent Contractors

☒

Personal Injury

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

See evidence of coverage attached

Check coverage(s) carried:

☒

Comprehensive Form

☒

Owned

☒

Hired

☒

Non-Owned

- c. Workers Compensation [*copy and paste certificate of insurance showing the amount of coverage and coverage period(s)*]:

See evidence of coverage attached

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

See evidence of coverage attached

- e. Excess Liability [*copy and paste certificate(s) of insurance showing the amount of coverage and coverage period(s)*]:

See evidence of coverage attached

- f. Other (Specify) [*copy and paste certificate(s) of insurance showing the amount of coverage and coverage period(s)*]:

See evidence of coverage attached

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.
28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.
29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state:

Government Entity Making Complaint	Date	Resolution
N/A		

Enter additional information as needed:

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

☐

Yes

☒

No

If yes, please explain in detail:

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

Government Agency	License Description	License Number	Date Issued (Original)	Status (Current)	Revocation (Yes/No)

Enter additional information as needed here:

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

N/A

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

Over 20 years of experience in affordable housing and 4,000+ units built to date; strong financials and strong relationships with lenders, investors, cities and localities

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

Date	Entity Involved (i.e. City, SDHC, et al.)	Status (Current, delinquent, repaid, etc.)	Dollar Amount

Enter additional information as needed:

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

☐

Yes

☒

No

If yes, please explain:



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

☐

Yes

☒

No

If yes, please explain:

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

1. Name: Timothy Elliot, City of Los Angeles Development & Financing Dept.

Address: 1200 West 7th St., Los Angeles, CA 90017

Phone: (213)808-8596

Project Name: Vermont Villas

Description:

79 units PSH Veterans & Seniors

2. Name: Brad Richter, Deputy Director, Urban Division, Smart & Sustainable Communities at City of San Diego

Address: 9485 Aero Dr. M.S. 413, San Diego, CA 92123

Phone: (619)533-7115

Project Name: Ten Fifty B

Description:

High-Rise with 229 units between two phases

3. Name: Tess Sangster

Address: 1 Civic Center Dr., San Marcos, CA 92069

Phone: (760)744-1050

Project Name: Alora

Description:

100 units

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

N/A

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

Name	TBD
Experience	TBD



CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

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

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

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

Executed this 20th day of July, 20 26, at San Diego, California.

CONTRACTOR

By: 

Signature

James P. Silverwood

Print Name

President

Title



CERTIFICATION

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

By: [Signature]
Signature

Print Name: James P. Silverwood

Title: President

Dated: 7/20/2026

By: [Signature]
Signature

Print Name: Nicki Cometa

Title: Chief Financial Officer

Dated: 07/21/2026

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

See attached Certificates

JURAT

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20__

by _____ personally known to me or proved to me on the basis of
satisfactory evidence to be the person(s) who appeared before me.

Signature of Notary

SEAL

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

State of California
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 20th
day of July, 2026, by James P. Silverwood

proved to me on the basis of satisfactory evidence to be the
person(s) who appeared before me.



(Seal)

Signature

A handwritten signature in black ink, appearing to read 'Vianney', written over a horizontal line.

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

State of California
County of San Diego

Subscribed and sworn to (or affirmed) before me on this 21st
day of July, 2026, by Nichi Cometa

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.



(Seal)

Signature

A handwritten signature in black ink, appearing to read "Vianney Ruvalcaba", written over a horizontal line.

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "AFFIRMED HOUSING GROUP, INC.", FILED IN THIS OFFICE ON THE NINTH DAY OF AUGUST, A.D. 2007, AT 9:54 O'CLOCK A.M.



4405102 8100

080401471

You may verify this certificate online
at corp.delaware.gov/authver.shtml

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6505458

DATE: 04-07-08

STATE of DELAWARE
CERTIFICATE of INCORPORATION
A STOCK CORPORATION

- First: The name of this Corporation is AFFIRMED HOUSING GROUP, INC.
- Second: Its registered office in the State of Delaware is to be located at 40 E. Division Street, Suite A Street, in the City of Dover County of Kent Zip Code 19901. The registered agent in charge thereof is Paracorp Incorporated
- Third: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
- Fourth: The amount of the total stock of this corporation is authorized to issue is 1,000,000 shares (number of authorized shares) with a par value of \$1.00 per share.
- Fifth: The name and mailing address of the incorporator are as follows:
Name Joel L. Incorvaia
Mailing Address 445 Marine View Avenue, Suite 295
Del Mar, CA Zip Code 92014
- I, The Undersigned, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 7th day of August, A.D. 20 07

BY: [Signature]
(Incorporator)

NAME: Joel L. Incorvaia
(type or print)

Delaware

PAGE 1

The First State

CERTIFICATE

SEARCHED APRIL 7, 2008, AT 4:09 P.M.
FOR DEBTOR "AFFIRMED HOUSING GROUP, INC."

THE UNDERSIGNED FILING OFFICER HEREBY CERTIFIES THAT THERE
ARE NO PRESENTLY EFFECTIVE FINANCING STATEMENTS, LAPSED
FINANCING STATEMENTS, FEDERAL TAX LIENS OR UTILITY SECURITY
INSTRUMENTS FILED IN THIS OFFICE WHICH NAME THE ABOVE DEBTOR, AS
OF MARCH 28, 2008 AT 11:59 P.M.



20081208907UCXL

080401489

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 6505467

DATE: 04-07-08

**BYLAWS
OF
AFFIRMED HOUSING GROUP, INC.
A Delaware Corporation**

**ARTICLE ONE
SHAREHOLDERS' MEETING**

1. 1 Time of Annual Meeting.

A. The annual meeting of the shareholders will be held in the month of December in each year at a time convenient to all shareholders, at which time the shareholders will elect by plurality vote a Board of Directors, consider reports of the affairs of the corporation and transact such other business that is properly brought before the meeting.

B. If there is a failure to hold the annual meeting for a period of sixty (60) days after the month designated therefor as provided in paragraph 1.1(A) of these Bylaws, any shareholder may apply to the superior court of the county in which the corporation's principal executive office is located for an order compelling the corporation to hold the meeting. The shares represented at the meeting so held, either in person or by proxy, and entitled to vote at the meeting will constitute a quorum for the purpose of such meeting, notwithstanding any provision of the Articles of Incorporation, these Bylaws or the General Corporation Law of the State of Delaware to the contrary.

1. 2 Place of Meetings.

Annual meetings and special meetings of the shareholders will be held at such place, within or without the State of Delaware, the directors from time to time fix. Whenever the directors fail to fix such place, the meetings will be held at the principal executive office of the corporation.

1. 3 Calling and Notice of Annual Meeting.

A. Call of Annual Meeting:

Annual meetings of the shareholders may be called by the directors, by the Chairman of the Board, if any, Vice-Chairman of the Board, if any, the President, if any,

the Secretary, or by any officer instructed by the directors to call the meeting.

B. Notice:

(1) Time and Manner:

Written notice stating the place, day and hour of each shareholders' meeting and, in the case of a special meeting, the general nature of the business to be transacted or, in the case of an annual meeting, those matters which the Board of Directors, at the time of mailing of the notice, intends to present for action by the shareholders, must be given not less than ten days (or not less than any such other minimum period of days that is prescribed by the General Corporation Law) or more than sixty days (or more than any such maximum period of days that is prescribed by the General Corporation Law) before the date of the meeting, by mail, personally or by other means of written communication. Such written notice shall be prepared by or at the direction of the directors, the President, if any, the Secretary, or the officer or persons calling the meeting, and shall be addressed to each shareholder at his address appearing on the books of the corporation or given by him to the corporation for the purpose of notice, or, if no such address appears or is given, at the place where the principal executive 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 executive office is located. Such notice will be deemed to be delivered when deposited in the United States mail with first class prepaid postage, or sent by other means of written communication addressed to the shareholder at his address as it appears on the stock transfer books of the corporation.

(2) Contents:

The notice of any shareholders' meeting at which directors are to be elected will include the names of nominees intended at the time of notice to be presented by management for election. At an annual meeting of shareholders, any matter relating to the affairs of the corporation, whether or not stated in the notice of the meeting, may be brought up for action, except matters which the General Corporation Law requires to be stated in the notice of the meeting. The notice of any annual or special shareholders' meeting will also include, or be accompanied by, any additional statements, information or documents prescribed by the General Corporation Law.

(3) Adjourned Meetings:

When a shareholders' meeting is adjourned to another time or place,

notice of the adjourned meeting need not be given if the new time and place are announced at the meeting at which the adjournment is taken; provided, however, if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting must be given to each shareholder. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

1. 4 Call and Notice of Special Meetings.

A. Persons Entitled to Call a Special Meeting:

Special meetings of the shareholders may be called by the Board of Directors, the Chairman of the Board, the President, or the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting.

B. Call of Special Meeting:

On request in writing to the Chairman of the Board, or the President, or a Vice-President, or the Secretary of the corporation by any person (other than the Board) entitled to call a special meeting of shareholders (see paragraph 1.4(A) of these Bylaws), the Chairman or officer must 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 (35) nor more than sixty (60) days after receipt of the request. If the notice is not given within twenty (20) days after receipt of the request, the persons entitled to call the meeting may give the notice or they may apply to the superior court of the county in which the executive office of the corporation is located for an order, after notice to the corporation giving it an opportunity to be heard, summarily ordering the giving of the notice.

C. Notice:

Except as provided in this paragraph 1.4, notice must be given in conformity with paragraph 1.3(B) of these Bylaws.

1. 5 Waiver of Notice and Other Defects.

The transaction of any shareholders' meeting, however called and noticed, and wherever held, will be 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

shareholders or his proxy signs a written waiver of notice, a consent to the holding of the meeting or an approval of the minutes of the meeting. All such waivers, consents and approvals must be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting constitutes a waiver of notice of such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting will not constitute a waiver of any right to object to the consideration of matters required by the General Corporation Law to be included in the notice if such objection is expressly made at the meeting. Except as otherwise provided in General Corporation Law, neither the business to be transacted at nor the purpose of any regular or special meeting need be specified in any written waiver of notice.

1. 6 Conduct of Meeting.

Meetings of the shareholders will be presided over by one of the following officers in the order of seniority and if present and acting: the Chairman of the Board, if any; the Vice-Chairman of the Board, if any; the President, if any; a Vice-President; or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the shareholders. The Secretary of the corporation, or in his absence, an Assistant Secretary, will act as secretary of every meeting, but, if neither the Secretary nor an Assistant Secretary is present, the Chairman of the meeting will appoint a secretary of the meeting.

1. 7 Quorum Provisions.

A. Majority:

A majority of the shares entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of shareholders; provided, however, whenever shares are disqualified by the General Corporation Law from voting on any matter, they will not be considered outstanding for the determination of a quorum at a meeting to act on that matter under any other provision of the General Corporation Law or these Bylaws.

B. Loss of Quorum:

The shareholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

C. Adjournment for Lack of Quorum:

In the absence of a quorum, any meeting of shareholders may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but no other business may be transacted, except as provided in paragraph 1.7(B) of these Bylaws.

1. 8 Effect of Vote.

If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on any matter will be the act of the shareholders, unless the vote of a greater number or voting by classes is required by the General Corporation Law or the Articles of Incorporation, and except as provided in paragraph 1.7(A) of these Bylaws. Provided, however, whenever shares are disqualified by the General Corporation Law from voting on any matter, they will not be considered outstanding for the determination of the required vote to approve action on that matter under any other provision of the General Corporation Law, the Articles of Incorporation or these Bylaws.

1. 9 Election of Directors.

Elections for directors need not be by ballot unless a shareholder demands election by ballot at the meeting and before the voting begins. In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares shall be elected.

1. 10 Cumulative Voting.

Every shareholder entitled to vote at any election of directors may cumulate votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled (cumulate votes), or distribute them on the same principle among as many candidates as the shareholder desires. However, no shareholder is entitled to cumulate votes unless such candidate's or candidates' name(s) have been placed in nomination prior to the voting and the shareholder has given notice at the meeting prior to the voting of the shareholder's intention to cumulate votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination.

1. 11 Action Without a Meeting - Written Consent.

Except in the election of directors by written consent in lieu of a meeting, and except as may otherwise be provided by the General Corporation Law, the Articles of Incorporation or these Bylaws, any action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by holders of 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 were present and voted. Directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for election of directors. Notice of any shareholder approval pursuant the General Corporation Law without a meeting by less than unanimous written consent must be given at least ten (10) days before the consummation of the action authorized by such approval, and prompt notice must be given of the taking of any other corporate action approved by shareholders without a meeting by less than unanimous written consent to those shareholders entitled to vote who have not consented in writing.

1. 12 Voting of Shares by Fiduciaries, Minors or Entities.

A. Personal Representative:

Except as provided in paragraph 1.12(H) of these Bylaws, shares held by an administrator, executor, guardian, conservator, or custodian may be voted by such holder either in person or by proxy, without a transfer of the shares into the holder's name.

B. Trustee:

Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee is entitled to vote shares so held without a transfer of them into the trustee's name.

C. Receiver:

Shares standing in the name of a receiver may be voted by the receiver. Shares held by or under the control of a receiver may be voted by the receiver without their being transferred into the receiver's name if authority to so vote them is contained in the court order appointing the receiver.

D. Pledgee:

Subject to the provisions of paragraph 1.13 of these Bylaws, and except where otherwise agreed in writing, a shareholder whose shares are pledged is entitled to vote such shares until they have been transferred into the name of the pledgee, and thereafter the pledgee is entitled to vote the shares so transferred.

E. Minor:

Shares standing in the name of a minor may be voted and the corporation may treat all rights incident to such Shares as exercisable by the minor, in person or by proxy, whether or not the corporation has notice, actual or constructive, of the minor's age, unless a guardian of the minor's property has been appointed and written notice of the appointment is given to the corporation.

F. Corporation:

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, President, or any Vice-President of such other corporation, or by any other person authorized to do so by the Chairman of the Board, President, or any Vice-President of such other corporation. Shares which are purported to be executed in the name of a corporation (whether or not any title of the person signing is indicated) will be presumed to be voted or the proxy executed in accordance with the foregoing provisions, unless the contrary is shown.

G. Subsidiary:

Shares of the corporation owned by any subsidiary of the corporation are not entitled to vote on any matter.

H. Corporate Fiduciary:

Shares held by the corporation in a fiduciary capacity, and shares of the corporation held in a fiduciary capacity by its subsidiary, if any, are not entitled to vote on any matter, except to the extent the settlor or beneficiary owner possesses and exercises a right to vote or to give the corporation binding instructions as to how to vote such shares.

I. Shares in Names of Two or More Persons:

If shares stand of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, voting trustees (persons entitled to vote under a shareholder voting agreement) or otherwise, or if two or more persons (including proxy holders) have the same fiduciary relationship respecting the same shares, unless the Secretary of the corporation is given notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting will have the following effect:

- (1) If only one votes, such act binds all;
- (2) If more than one vote, the act of the majority so voting binds all; or
- (3) If more than one vote, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionately.

If the instrument so filed or the registration of the shares shows that any such tenancy is held in unequal interests, a majority or even split for the purpose of the above will be a majority or even split in interest.

1. 13 Proxy Representation.

Every shareholder may authorize another person or persons to act as his proxy at a meeting or by written action. No proxy is valid after the expiration of eleven (11) months from the date of its execution unless otherwise provided in the proxy. Every proxy will be revocable at the pleasure of the person executing it prior to the vote or written action pursuant thereto, except as otherwise provided by the General Corporation Law. As used in these Bylaws, a "proxy" means a written authorization signed by a shareholder or a shareholder's attorney in fact giving another person or persons power to vote or consent in writing with respect to the shares of such shareholder, and "signed" means the placing of such shareholder's name on the proxy, whether by manual signature, typewriting, telegraphic transmission or otherwise by such shareholder or such shareholder's attorney in fact. Where applicable, the form of any proxy must comply with the provisions of General Corporation Law.

1. 14 Inspectors - Appointment.

In advance of any shareholders' meeting, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or, if any persons so appointed fail to appear or refuse to act, the Chairman of any meeting of shareholders may, and on the request of any shareholder or a shareholder's proxy shall, appoint inspectors of election, or persons to replace any of those who so fail or refuse at the meeting. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting on the request of one or more shareholders or proxies, the majority of shares represented in person or by proxy will determine whether one or three inspectors are to be appointed.

The inspectors of election will determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity, and effect of proxies, receive votes, ballots, if any, or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls will close, determine the result, and do such acts that are proper to conduct the election or vote with fairness to all shareholders. If there are three (3) inspectors of election, the decision, act, or certificate of a majority will be effective in all respects as the decision, act, or certificate of all.

1. 15 Voting Trust.

Shares may be transferred by written agreement to trustees in order to confer on them the right to vote and otherwise represent the shares for such period of time, not exceeding ten (10) years, as may be specified in the agreement. At any time within two (2) years prior to the time of expiration of any voting trust agreement as originally fixed or as last extended as provided in this paragraph, one or more beneficiaries under the voting trust agreement may, by written agreement and with the written consent of the voting trustee or trustees, extend the duration of the voting trust agreement with respect to their shares for an additional period not exceeding ten (10) years from the expiration date of the trust as originally fixed or as last extended as provided in this paragraph. A duplicate of the voting trust agreement and any extension thereof must be filed with the Secretary of the corporation and will be open to inspection by a shareholder, a holder of a voting trust certificate, or the agent of either, on the same terms as the record of shareholders of the corporation is open to inspection.

ARTICLE TWO DIRECTORS

2.1 Function and Responsibilities.

The business and affairs of the corporation will be managed and all corporate powers will be exercised by or under the direction of its Board of Directors. The Board of Directors may delegate the management of the day-to-day operation of the business of the corporation to a management company or other persons, provided the business and affairs of the corporation are managed and all corporate powers are exercised under the ultimate direction of the Board of Directors. The Board of Directors has authority to fix the compensation of directors for services in any lawful capacity. Each director must exercise such powers and otherwise perform such duties in good faith, in the manner such director believes to be in the best interests of the corporation, and with care, including reasonable inquiry, using ordinary prudence, as a person in a like position would use under similar circumstances.

2.2 Number on Board of Directors.

The authorized number of directors constituting the Board of Directors until further changed is three (3). The authorized number of directors constituting the Board must be at least three (3), except that (a) whenever the corporation has only two (2) shareholders the number of directors may be two (2), and (b) whenever the corporation has only one shareholder the number of directors may be one (1). Subject to the foregoing provisions, the number of directors may be changed from time to time by an amendment of these Bylaws adopted by the shareholders. Any such amendment reducing the number of directors to fewer than five (5) cannot be adopted if the votes cast against its adoption at a meeting or the shares not consenting in writing in the case of action by written consent are equal to more than sixteen and two-thirds percent (16 2/3%) of the outstanding shares. No decrease in the authorized number of directors will have the effect of shortening the term of any incumbent director.

2.3 Qualification of Director.

A director need not be a shareholder of the corporation, a citizen of the United States or a resident of the State of Delaware.

2.4 Election and Term of Office.

The directors will be elected at each annual meeting of the shareholders. If an annual meeting of the shareholders is not held, or if the directors are not elected at such meeting, the directors may be elected at any special meeting of shareholders held for that purpose. Each director will hold office until the next annual meeting of the shareholders, until a successor is elected and qualified, or until he is removed or resigns.

2.5 Vacancies.

A. Resignation:

Any director may resign effective upon giving written notice to the Chairman of the Board, the President, Secretary, or the Board, unless the notice specifies a later time for the effectiveness of such resignation.

B. When Vacancy Occurs:

A vacancy or vacancies in the Board will be deemed to exist in case of the death, resignation, or removal of any director, or if the authorized number of directors is 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.

C. Board Action to Fill Vacancy:

Vacancies in the Board, including those existing as a result of a removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected will hold office until the next annual meeting, until such director's successor is elected and qualified, or until he is removed or resigns.

D. Declaration of Vacancy:

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

E. Shareholder Action to Fill Vacancy:

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 requires the consent of a majority of the outstanding shares entitled to vote. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board or the shareholders have the power to elect a successor to take office when the resignation is to become effective.

F. Reduction of Size of Board:

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

2.6 Regular Meetings.

Regular meetings of the Board of Directors for the purpose of organization, election of officers and transaction of other business will be held at a time convenient to all directors in the month of November of each year, but generally immediately following the annual meeting of the shareholders. Call and notice of all regular meetings of the Board of Directors are hereby dispensed with.

2.7 Special Meetings.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President, the Secretary, or by any two (2) directors. Special meetings of the Board of Directors may be held upon four (4) days prior written notice, or upon at least forty-eight (48) hours notice delivered personally or by telephone or telegraph. Notice of a meeting need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior to such meeting or at its commencement, the lack of notice to such director. A notice or waiver of notice need not specify the purpose of any regular or special meeting of the Board of Directors.

2.8 Place of Meetings.

Regular or special meetings of the Board of Directors will be held at any place within or without the State of Delaware which is designated by the Board. In the absence of such designation, regular meetings must be held at the principal executive office of the corporation.

2.9 Sole Director Situations.

If only one director is required by these Bylaws or the Articles of Incorporation, then any reference in these Bylaws to notices, waivers, consents, meetings, or other actions by a majority or quorum of the directors is deemed to refer to such notice, waiver, consent, meeting, or other action by such sole director, who will have all the rights and duties and is entitled to exercise all of the powers and assume all the responsibilities otherwise described in these Bylaws as given to a Board of Directors.

2.10 Quorum.

A majority of the authorized number of directors constitutes a quorum of the Board of Directors for the transaction of business, except to adjourn as provided in paragraph 2.13 of these Bylaws. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present will be regarded as the act of the Board, unless a greater number is required by law or by the Articles of Incorporation. 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.

2.11 Telephone Conferences.

Members of the Board of Directors 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.

2.12 Waiver of Notice.

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

2.13 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 (24) hours, notice of any adjournment to another time or place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

2. 14 Fees and Compensation.

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

2. 15 Action Without Meeting.

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

2. 16 Rights of Inspection.

Every director has the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind of the corporation and to inspect the physical properties of the corporation and its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney, and includes the right to copy and obtain extracts.

2. 17 Removal of Directors.

The entire Board of Directors or any individual director may be removed from office without cause by the vote of at least a majority of the shareholders; provided, however, unless the entire Board is removed, an individual director may not be removed when the votes cast against such removal, or not consenting in writing to such removal, would be sufficient to elect such director if voted cumulatively at an election of directors at which the same total number of votes were cast or, if such action is taken by written consent in lieu of a meeting, all shares entitled to vote were voted and the entire number of directors authorized at the time of the director's most recent election were then being elected. If any or all directors are so removed, new directors may be elected at the same meeting or by such written consent.

2.18 Committees.

The Board of Directors, by resolution adopted by a majority of the authorized number of directors, may designate one or more committees each consisting of two (2) or more directors to serve at the pleasure of the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any such committee who will replace any absent member at any meeting of such committee. Any such committee, to the extent provided in the resolution of the Board of Directors, has all the authority of the Board of Directors except such authority that may not be delegated by the provisions of the General Corporation Law.

2.19 Duty of Director.

A. Prudent Person:

Each director must perform the duties of a director, including duties as a member of any committee of the Board of Directors on which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation, and with such care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances.

B. Reliance Upon Other Opinions:

In performing his duties, each director is entitled, so long as he acts in good faith after reasonable inquiry when the need for it is indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted, to rely on information, opinions, reports or statements and other financial data prepared or presented by:

- (1) One or more officers or employees of the corporation whom the director believes to be reliable and competent in the matters presented;
- (2) Legal counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or
- (3) A committee of the Board on which the director does not serve as to matters within its designated authority, which committee the director believes to merit confidence.

C. Discharge of Liability:

A person who performs the duties of director in accordance with paragraphs 2.19(A) and 2.19(B) of these Bylaws will have no liability based on any alleged failure to discharge the person's obligation as a director.

2. 20 Liability of Director.

A. Prohibited Transactions:

Subject to the provisions of paragraph 2.19 of these Bylaws, directors who approve any of the following corporate actions will be jointly and severally liable to the corporation for the benefit of all of the creditors or shareholders entitled to institute an action under the General Corporation Law:

- (1) The making of any distribution to its shareholders, to the extent that it is contrary to the provisions of the General Corporation Law.
- (2) The distribution of assets to shareholders after institution of dissolution proceedings of the corporation, if any, without paying or adequately providing for all known liabilities of the corporation, excluding any claims not filed by creditors within the time limit set in the notice given to creditors under the provisions of the General Corporation Law; or
- (3) The making of any loan or guaranty contrary to General Corporation Law.

B. Director Who Abstains:

A director who is present at a meeting of the Board of Directors, or any Board committee, at which action specified in paragraph 2.20(A) of these Bylaws is taken and who abstains from voting, will be considered to have approved the action.

C. Subrogation Rights:

Directors liable under this paragraph 2.20 are entitled to be subrogated to the rights of the corporation:

- (1) With respect to paragraph 2.20(A)(1) of these Bylaws, against shareholders who received the distribution;
- (2) With respect to paragraph 2.20(A)(2) of these Bylaws, against shareholders who received the distribution of assets; and
- (3) With respect to paragraph 2.20(A)(3) of these Bylaws, against the person who received the loan or guaranty.

2. 21 Indemnification.

The corporation has the power to indemnify any person who is or was (a) a director, officer, employee or agent of this corporation or of its predecessor, or (b) serving as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise at the request of this corporation, against expenses, costs, losses, suits, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any threatened, pending or completed action or proceedings, whether civil, criminal, administrative or investigative, as provided in General Corporation Law, as that section now exists or may subsequently from time to time be amended to provide.

ARTICLE THREE OFFICERS

3. 1 Officers.

The officers of the corporation will consist of a Chairman of the Board or a President or both, a Secretary and a Treasurer. The corporation may also have, at the discretion of the Board of Directors, one or more Vice-Presidents, one or more Assistant Secretaries, and such other officers that may be appointed in accordance with the provisions of paragraph 3.3 of these Bylaws. One person may hold two (2) or more offices.

3. 2 Election.

The officers of the corporation, except such officers that are appointed in accordance with the provisions of paragraphs 3.3 or 3.5 of these Bylaws, will be elected annually by the Board of Directors and each will hold their offices until they resign or are removed or otherwise disqualified to serve, or until their successor is duly qualified and elected.

3.3 Subordinate Officers.

The Board of Directors may appoint such other officers as the business of the corporation requires, each of whom will hold office for such period, have such authority and perform such duties that are provided in these Bylaws or that the Board of Directors from time to time determines.

3.4 Removal and Resignation.

Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors, or to the President or the Secretary of the corporation. Any such resignation will take effect at the date of the receipt of such notice or at any later time specified in such notice. Unless otherwise specified in the notice, the acceptance of the resignation is not necessary to make it effective.

3.5 Vacancies.

A vacancy in any office because of the death, resignation, removal, or disqualification of such officer, or any other cause, will be filled in the manner prescribed in paragraph 3.2 of these Bylaws for regular appointments to such office.

3.6 Chairman of the Board.

The Chairman of the Board, if there is such an officer, will, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties that are from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

3.7 President.

Subject to such supervisory powers, if any, that may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President will be the Chief Executive Officer of the corporation and will, subject to the control of the Board of Directors, have general supervision, direction and control of the business and other officers

of the corporation. The President will preside at all meetings of the shareholders and in the absence of the Chairman of the Board, or if there is none, at all meetings of the Board of Directors. The President will be ex officio a member of all the standing committees, including the Executive Committee, if any, and will have the general powers and duties of management usually vested in the office of President of a corporation, and will have such other powers and duties that are prescribed by the Board of Directors or the Bylaws.

3.8 Vice-President.

In the absence or disability of the President, the Vice President(s), in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice-President designated by the Board of Directors, will perform all the duties of the President, and when so acting will have all the powers of, and be subject to, all the restrictions upon the President. The Vice-President(s) will have such other powers and perform such other duties that from time to time are prescribed for them respectively by the Board of Directors or the Bylaws.

3.9 Secretary.

The Secretary will keep, or cause to be kept, a book of minutes at the principal office or such other place the Board of Directors orders of all meetings of directors and shareholders, with the time and place of holding, whether regular or special, and if special how authorized, the notice given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings and the proceedings of such meetings.

The Secretary will keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent, a share register, or duplicate share register, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the shareholders and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary will give, or cause to be given, notice of all the meetings of the shareholders and of the Board of Directors required by the Bylaws or by law to be given, keep the seal of the corporation in safe custody and have such other powers and perform such other duties that are prescribed by the Board of Directors or by the Bylaws.

3.10 Treasurer.

The Treasurer is the Chief Financial Officer of the corporation, and will keep and maintain, or cause to be kept and maintained, in accordance with generally accepted accounting principles, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, earnings (or surplus) and shares. The books of account will at all reasonable times be open to inspection by any director.

The Treasurer will deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries that are designated by the Board of Directors. The Treasurer will disburse the funds of the corporation that are ordered by the Board of Directors, will render to the President and directors, whenever they request it, an account of all his transactions and of the financial condition of the corporation, and will have such other powers and perform such other duties that are prescribed by the Board of Directors or the Bylaws.

ARTICLE FOUR EXECUTION OF INSTRUMENTS AND DEPOSIT OF FUNDS

4.1 Authority for Execution of Contracts and Instruments.

Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing, and any assignment or endorsements thereof executed or entered into between this corporation and any other person, when signed by the Chairman of the Board, the President, or any Vice President, and the Secretary or Assistant Secretary, the Treasurer or any Assistant Treasurer of this corporation, will be valid and binding on this corporation in the absence of actual knowledge on the part of the other person that the signing officers did not have authority to execute the instrument. Any such instruments may be signed by any other person or persons and in such manner as from time to time determined by the Board and, unless so authorized by the Board, no officer, agent or employee has 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.

4.2 Bank Accounts and Deposits.

All funds of the corporation will be deposited from time to time to the credit of the corporation with such banks, bankers, trust companies or other depositories the Board of

Directors select, or that may be selected by any officer(s) or agent(s) of the corporation to whom such power is delegated from time to time by the Board of Directors.

4.3 Signing of Checks or Drafts.

All checks, drafts or other order for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, will be signed or endorsed by such person or persons and in such manner that is determined from time to time by resolution of the Board of Directors.

ARTICLE FIVE CERTIFICATES AND TRANSFER OF SHARES

5.1 Certificates for Shares.

A. Contents:

Each certificate for shares of the corporation must set forth the name of the record holder of the shares, the number of shares and the class or series of shares owned by the holder, the par value, if any, of the shares, and such other statements, as applicable, prescribed by Sections 416 through 419, inclusive, and other relevant sections, of the General Corporation Law, and such other statements, as applicable, which may be prescribed by the Corporate Securities Law of the State of Delaware and any other applicable provision of the law.

B. Necessary Signatures:

Each certificate issued for shares of the corporation must be signed in the name of the corporation by the Chairman of the Board of Directors, if any, or the Vice Chairman of the Board of Directors, if any, the President, if any, or a Vice-President, if any, and by the Chief Financial Officer, an Assistant Treasurer or the Secretary or an Assistant Secretary. Any or all of the signatures on a certificate for shares may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate for shares ceases to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

C. Partially Paid Shares:

If the corporation issues the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor, any such certificate for shares must set forth thereon the statements prescribed by General Corporation Law.

5.2 Consideration for Shares.

As long as the proposed sale or offer to sell is in compliance with the Delaware Corporate Securities Law and the rules and regulations thereunder, shares may be issued for such consideration that is determined from time to time by the Board of Directors, consisting of any or all of the following:

- (1) Money paid;
- (2) Labor done;
- (3) Services actually rendered to the corporation or for its benefit or in its formation or reorganization;
- (4) Debts or securities canceled; and
- (5) Tangible or intangible property actually received either by this corporation or by any wholly owned subsidiary of this corporation.

Neither promissory notes of the purchaser (unless adequately secured by collateral other than the shares acquired) or future services may constitute payment or part payment of shares of the corporation. When shares are issued for any consideration other than money, the Board must state by resolution its determination of the fair value of the consideration to the corporation in monetary terms. In the absence of fraud in the transaction, the judgment of the directors as to the value of the consideration for shares will be conclusive.

5.3 Lost or Destroyed Share Certificates.

The corporation may issue a new certificate for shares or for any other security in the place of any other certificate issued by it which is alleged to have been lost, stolen or destroyed. As a condition to such issuance, the corporation may require the owner of the

allegedly lost, stolen or destroyed certificate or the owner's legal representative to give the corporation a bond, or other adequate security, sufficient to indemnify the corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of any certificate or issuance of a new certificate.

5.4 Share Transfers.

Upon compliance with any provisions of the General Corporation Law and/or the Corporate Securities Law of the State of Delaware which restricts the transferability of shares, transfers of shares of the corporation will be made only on the record of shareholders of the corporation by the registered holder thereof, or by his attorney authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate(s) for such shares properly endorsed and the payment of all taxes, if any, due thereon.

5.5 Record Date for Shareholders.

So that the corporation may determine the shareholders entitled to notice of any meeting or to vote or be entitled to receive payments of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action, the Board of Directors may fix, in advance, a record date which is not more than sixty (60) days or fewer than ten (10) days prior to the date of such meeting, or more than sixty (60) days prior to any other action.

If the Board of Directors has not fixed a record date, the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders will be at the close of business on the business day next preceding the day on which the meeting is held. The record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board of Directors has been taken, will be the day on which the first written consent is given. The record date for determining shareholders for any other purpose will be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto, or the sixtieth (60th) day prior to the day of such other action, whichever is later.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders will apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting; provided, however, the Board

of Directors must fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

Except as otherwise provided by the General Corporation Law, shareholders on the record date are entitled to notice and to vote or to receive any dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the corporation after the record date.

5. 6 Shares in Other Corporations.

Shares of other corporations held in the name of this corporation may be voted or represented and all incidents thereto may be exercised on behalf of the corporation by the Chairman of the Board, the President, or any Vice-President, or any other person authorized by resolution of the Board of Directors.

5. 7 Definitions - Share, Shares, Shareholder, Shareholders.

As used in these Bylaws with respect to the right to notice or waiver of a meeting of shareholders, or to participate or vote at, or to assent, consent or dissent in writing in lieu of a meeting of shareholders, as the case may be, the terms "share" or "shares" and "shareholder" or "shareholders" refer to an outstanding share or shares, and to a holder or holders of record of outstanding shares when the corporation is authorized to issue only one class or of any class upon which or upon whom the Articles of Incorporation confer such rights where there are two (2) or more classes or series of shares, or upon which or upon whom the General Corporation Law confers such rights, notwithstanding the Articles of Incorporation may provide for more than one class or series of shares, one or more of which are limited or denied such rights thereunder.

ARTICLE SIX CORPORATE BOOKS AND RECORDS

6. 1 Amendment and Repeal.

These Bylaws may be amended or repealed either by the shareholders entitled to exercise a majority of the voting power or by the Board of Directors; provided, however, (A) the Board of Directors may not amend or repeal any provision of these Bylaws which fixes or changes the authorized number of directors of the corporation, (B) any control over the Bylaws vested in the Board of Directors is subject to the authority of the shareholders to amend or repeal the Bylaws or to adopt new Bylaws, and (C) any amendment to the

Bylaws or new Bylaw which changes the minimum number of directors to fewer than five (5) requires authorization by the greater proportion of voting power of the shareholders as set forth in paragraph 2.2 of these Bylaws.

6.2 Records - Storage and Inspection.

The corporation will keep at its principal executive office in the State of Delaware a copy of the Bylaws as amended to date. If the principal executive office of the corporation is outside the State of Delaware and, if the corporation has no principal business office in the State of California, it will upon request of any shareholder furnish a copy of the Bylaws as amended to date.

The corporation will keep adequate and correct books and records of account, and will keep minutes of the proceedings of its shareholders, Board of Directors and committees, if any, of the Board of Directors. The corporation will keep at its principal executive office, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each. Such minutes will be in written form. Such other books and records will be kept either in written form or in any other form capable of being converted into written form.

6.3 Annual Report.

Whenever the corporation has fewer than one hundred (100) shareholders, the Board of Directors is not required to cause to be sent to the shareholders of the corporation the annual report prescribed by the General Corporation Law unless it determines a useful purpose would be served by causing the same to be sent, or unless the Delaware Department of Corporations, pursuant to the provisions of the Corporate Securities Law, directs the sending of the report.

6.4 Fiscal Year.

The fiscal year of the corporation shall be determined by the Board of Directors and, having been so determined by the Board of Directors, is subject to change from time to time as the Board of Directors shall determine.

6.5 Construction and Definitions.

Unless the context otherwise requires, the general provisions, rules of construction

and definitions contained in the general provisions of the General Corporation Law and in the Delaware General Corporation Law will govern the construction of these Bylaws.

ARTICLE SEVEN INDEMNIFICATION

7.1 Definitions.

For purposes of this Article Seven: (a) "agent" includes any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; (b) "proceeding" includes any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and (c) "expenses" includes attorneys' fees and any expenses of establishing a right to indemnification under paragraphs 7.4 or 7.5(C) of these Bylaws.

7.2 Indemnification in Actions by Third Parties.

The corporation has the power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation) by reason of the fact such person is or was an agent of the corporation, against expenses, judgments, fines, costs, liabilities, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent will not, of itself, create a presumption the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that person had reasonable cause to believe the person's conduct was unlawful.

7.3 Indemnification in Actions by or in the Right of the Corporation.

The corporation has the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation to procure a judgment in its favor by reason of the fact such person

is or was an agent of the corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the corporation, and with such care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances. No indemnification will be made under this paragraph 7.3:

A. In respect of any claim, issue or matter as to which such person has been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent the court in which such action was brought determines upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court determines;

B. Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

C. Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval.

7.4 Indemnification Against Expenses.

To the extent that an agent of the corporation has been successful on the merits in defense of any proceeding referred to in paragraphs 7.2 or 7.3 of these Bylaws or in defense of any claim, issue or matter therein, the agent will be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

7.5 Required Determinations.

Except as provided in paragraph 7.4 of these Bylaws, any indemnification under this Article Seven will be made by the corporation only if authorized in the specific case upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraphs 7.2 or 7.3 of these Bylaws, by:

A. A majority vote of a quorum consisting of directors who are not parties to such proceeding;

B. Approval of the shareholders, with the shares owned by the person to be indemnified not being entitled to vote on such indemnification; or

C. The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

7.6 Advance of Expenses.

Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount, unless it is determined ultimately that the agent is entitled to be indemnified as authorized in this Article Seven.

7.7 Other Indemnification.

The indemnification authorized by this Article Seven shall not be deemed exclusive of any additional rights to indemnification for breach of duty to the corporation and its shareholders while acting in the capacity of a director or officer of the corporation to the extent the additional rights to indemnification are authorized in the Articles of Incorporation pursuant to the General Corporation Law. The indemnification provided by this section for acts, omissions, or transactions while acting in the capacity of, or while serving as, a director or officer of the corporation but not involving breach of duty to the corporation and its shareholders shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise, to the extent the additional rights to indemnification are authorized in the Articles of Incorporation of the corporation. The rights to indemnity hereunder shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person. Nothing contained in this Article Seven shall affect any right to indemnification to which persons other than the directors and officers may be entitled by contract or otherwise.

7.8 Forms of Indemnification Not Permitted.

No indemnification or advance will be made under this Article Seven, except as provided in paragraphs 7.4 or 7.5(C) of these Bylaws, in any circumstance where it appears it would be inconsistent with:

A. A provision of the Articles of Incorporation, these Bylaws, a resolution of the shareholders or directors, or an agreement in effect at the time of the accrual of the alleged

cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limited indemnification; or

B. Any condition expressly imposed by a court in approving a settlement.

7.9 Insurance.

The corporation has the power to purchase and maintain insurance on behalf of any agent of the corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the corporation would have the power to indemnify the agent against such liability under the provisions of this Article Seven.

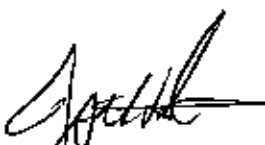
7.10 Nonapplicability to Fiduciaries of Employee Benefit Plan.

This Article Seven does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in paragraph 7.1 of these Bylaws. Nothing contained in this Article Seven limits any right to indemnification to which such a trustee, investment manager or other fiduciary may be entitled by contract or otherwise which is enforceable to the extent permitted by applicable law.

CERTIFICATE BY INCORPORATOR OF ADOPTION OF BYLAWS

The undersigned person appointed in the Articles of Incorporation to act as the Incorporator of AFFIRMED HOUSING GROUP, INC., a Delaware corporation, hereby adopts the foregoing Bylaws as the Bylaws of such corporation.

Dated: August 10, 2007



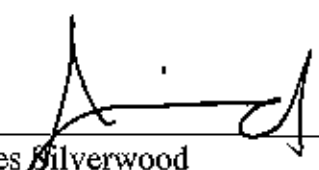
Joel L. Incorvaia
Incorporator

CERTIFICATE BY SECRETARY OF ADOPTION OF BYLAWS

THIS IS TO CERTIFY that I am the duly-elected, qualified, and acting Secretary of AFFIRMED HOUSING GROUP, INC., a Delaware corporation, the foregoing Bylaws

were adopted as the Bylaws of such corporation on the date set forth above by the Incorporator of the corporation, the foregoing Bylaws were submitted to the directors of such corporation and recorded in the minutes of the directors, and were ratified by the vote of directors entitled to exercise the majority of the voting power of such corporation.

Dated: 8.10.07



James Silverwood
Secretary

AFFIRMED HOUSING GROUP FINANCIALS

CONFIDENTIAL

**AFFIRMED HOUSING GROUP
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant's Compilation Report	3
Consolidated Balance Sheet	4 - 5
Consolidated Statement of Income and Retained Earnings	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Cash Flows	8 - 9
Notes to the Consolidated Financial Statements	10 - 23
Supplementary Information	
Schedule A – Consolidating Schedules	25 – 27
Schedule B – Consolidating Subsidiaries	28



Matranga & Company
An Accountancy Corporation

Independent Accountant's Compilation Report

To the Board of Directors
Affirmed Housing Group
San Diego, California

Management is responsible for the accompanying consolidated financial statements of Affirmed Housing Group (a Corporation) and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statements of income, comprehensive income and retained earnings and cash flows for the six months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.

We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Schedules A and B is presented for purposes of additional analysis and is not required part of the basis financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Matranga & Company

San Diego, California
September 27, 2024

AFFIRMED HOUSING GROUP
CONSOLIDATED BALANCE SHEET
JUNE 30, 2024

ASSETS

Current Assets	
Cash	\$ 13,861,848
Marketable securities (Notes A and B)	789,741
Development Fees receivable-short term (Note C)	9,165,078
Pre-Development project advances-short term	1,348,517
Loan receivable-other	276,060
Rent and brokerage fee receivable	141,410
Prepaid taxes (Note E)	163,120
State tax receivable (Note E)	397,932
Prepaid expense	<u>551,978</u>
Total Current Assets	26,695,684
Property and Equipment, net (Note D)	1,182,847
Other Assets	
Development fees receivable-long term (Note C)	9,046,550
Notes Receivable (Note I)	4,658,947
Predevelopment project advances-long term	15,219,380
Loans to projects (Note J)	4,182,472
Right of use assets-operating; net of amortization of \$631,154 (Note G)	503,103
Right of use assets-financing; net of amortization of \$60,410 (Note G)	41,394
Loan from shareholder	13,159
Deposits	<u>14,829</u>
Total Assets	<u>\$ 61,558,365</u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED BALANCE SHEET
JUNE 30, 2024

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities	
Accounts payable	\$ 64,881
Pension plan payable (Note F)	265,798
Federal tax payable (Note E)	10,932
Lease Liability-operating-current (Note G)	330,121
Lease Liability-financing-current (Note G)	21,339
Deferred Rent	<u>46,770</u>
Total Current Liabilities	<u>739,841</u>
Non-Current Liabilities	
Partnership capital deficit (Note A)	9,697,262
Lease Liability-operating-long term (Note G)	172,981
Lease Liability-financing-long term (Note G)	20,089
Security deposits	<u>65,578</u>
Total Non-Current Liabilities	<u>9,955,910</u>
Total Liabilities	<u>10,695,751</u>
Shareholders' Equity	
Common stock - 100,000 shares authorized, 1,000 issued and outstanding	2,000
Additional paid in capital	1,398,178
Accumulated comprehensive gain (loss) (Note B)	(10,040)
Retained earnings	<u>49,472,476</u>
Total Shareholders' Equity	<u>50,862,614</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 61,558,365</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2024

Net Sales	\$ 6,150,958
Cost of Sales	<u>6,160</u>
Gross profit	6,144,798
Operating Expenses	<u>3,696,762</u>
Income from operations	<u>2,448,036</u>
Other Income (Expenses)	
Interest/dividend income	304,446
Net rental income	125,569
Depreciation	(94,598)
Partnership income (losses)	(50,963)
Consulting expense	(300,000)
Interest expense- financing lease obligations (Note G)	<u>(2,289)</u>
Total other income (expenses)	<u>(17,835)</u>
Income before provision for income taxes	2,430,201
Provision for Income Taxes (Note E)	
State tax	57,507
Federal tax	<u>10,932</u>
Net Income	<u>\$ 2,361,762</u>
Retained Earnings, Beginning Balance	47,110,714
Dividends	<u>0</u>
Retained Earnings, Ending Balance	<u>\$ 49,472,476</u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2024

Net Income (loss)	\$ 2,361,762
Comprehensive Income	
Unrealized (loss) gain on securities	<u>41,174</u>
Total Comprehensive Income (loss)	<u>\$ 2,402,936</u>
Accumulated Comprehensive Gain, Beginning Balance	\$ (51,214)
Realized Gains (Losses)	0
Comprehensive Income (Loss)	<u>41,174</u>
Accumulated Comprehensive Gain, Ending Balance	<u>\$ (10,040)</u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024

Cash Flows from Operating Activities:	
Cash received from customers	\$ 2,624,974
Cash paid to suppliers and employees	(5,229,035)
Income taxes paid	(68,439)
Interest/dividend income	304,437
Net rental income	<u>125,569</u>
Net cash provided (used) by operating activities	<u>(2,242,494)</u>
Cash Flows from Investing Activities:	
(Purchase) of fixed assets	(33,468)
(Purchase) of securities	<u>(746,885)</u>
Net cash provided (used) by investing activities	<u>(780,353)</u>
Cash Flows from Financing Activities:	
Issuance of notes receivable	(53,305)
Due from shareholder	(307,999)
Repayments of financing lease liabilities	<u>(17,725)</u>
Net cash provided (used) by financing activities	<u>(379,029)</u>
Net Increase (decrease) in Cash and Cash Equivalents	(3,401,876)
Cash and Cash Equivalents at beginning of year	<u>17,263,724</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 13,861,848</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

Reconciliation of Net Income to Net Cash provided (used)

by Operating Activities:

Net Income	\$ 2,361,762
------------	--------------

Adjustments to Reconcile Net Income to Net Cash provided

(Used) by Operating Activities:

Depreciation expense	94,598
Amortization expense portion of lease expense for operating leases	8,934
Amortization expense financing leases	17,759
(Increase) Decrease in developer fees receivable	(2,100,496)
(Increase) Decrease in loan receivable - other	412,623
(Increase) Decrease in prepaid expense	(449,953)
(Increase) Decrease in prepaid taxes	426,028
(Increase) Decrease in state tax receivable	(397,932)
(Increase) Decrease in predevelopment project advances	(1,414,556)
(Increase) Decrease in loans to projects	(39,041)
(Increase) Decrease in right of use asset	157,382
(Decrease) Increase in accounts payable	(529,200)
(Decrease) Increase in federal tax payable	10,932
(Decrease) Increase in accrued project advances	(836,183)
(Decrease) Increase in accrued payroll expenses	(922,384)
(Decrease) Increase in investment in partnerships	1,123,549
(Decrease) Increase in lease liability-operating	(166,316)

Net cash provided (used) by operating activities	\$ <u>(2,242,494)</u>
--	-----------------------

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Affirmed Housing Group, Inc., a Delaware corporation, (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, Affirmed Housing Group, a California corporation, Affirmed Commercial Investments, LLC, and the companies listed on Schedule B for the six months ended June 30, 2024. All inter-company transactions have been eliminated in this consolidation.

Business Activity

The Company was incorporated on December 18, 1990 under the laws of the State of California, and its principal business is the development of affordable apartment complexes.

All current and new projects are developed by the Company. Affirmed Housing Group, a California Corporation, is not active in the current development of affordable housing and hasn't been since 2007.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Marketable Securities

Marketable securities are carried at fair market value in accordance with FASB ASC 320-10-50. All of the securities are classified as available-for-sale securities. Realized gains and losses are determined by using the average cost method.

Predevelopment Project Advances

Predevelopment project advances represent all costs incurred and advanced on potential projects not yet in process.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans to Projects

Loans to projects represent advances to partnership investments for current projects in process. See Note J for further description.

Development Fees Receivable

Development fees receivable represent deferred fees earned on completed contracts. The Company provides services on credit to its customers, which are businesses and individuals. The Company performs ongoing credit evaluations of its customers but requires no collateral. Development fees receivable consist of the amounts due from its normal business activities. The valuation of the allowance is based on historical collection trends and management's judgment on the collectability of these accounts. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustments required are reflected in current operations. Based on its evaluation of the above factors management has determined that an allowance of \$847,954 was required for the six months ending June 30, 2024.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (5 to 39 years) using the Modified Accelerated Cost Recovery System (MACRS) method. Leasehold improvements are depreciated over the useful lives of the assets. Maintenance and repairs that do not extend the useful life of the assets are charged to expense as incurred. Upon the retirement and other disposition, the property and related accumulated depreciation are removed from the accounts and any resulting profit or loss is credited or charged to income.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10-35, *Property, Plant and Equipment – Subsequent Measurement*, the Company periodically reviews the recoverability of the carrying value of long-lived assets for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. The recoverability of the assets is determined by analysis of the assets' fair value comparing the forecasted future undiscounted cash flows from operations to which the assets relate. If the carrying value is determined not to be recoverable from future operating cash flows, the assets are deemed impaired, and an impairment loss is recognized equal to the amount by which the carrying amount exceeds the estimated fair value of the assets. No such impairment was recorded for the six months ended June 30, 2024.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Partnerships and Joint Ventures

The Company's investment in the construction joint venture is accounted for by the cost method.

The fair market value of the real estate holdings of the investments in the 58 partnerships is not included in these financial statements. The financial statements only include the capital account activity, as such the true value of the real estate holdings is substantially higher than the investment accounts shown on the financial statements.

Revenue Recognition

The company recognizes revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers ("Topic 606"). Under Topic 606, a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. Revenue from contracts with customers consists of developer fees, management fees, rental income, real estate investment income and laundry/cable income.

The accounting records of the Company are maintained on an accrual basis. Accordingly, revenues are recorded in the period in which they are earned, and expenses are recorded in the period in which they are incurred. The effect of events on the business is recognized as services are rendered or consumed rather than when cash is received or paid.

The accounting records are maintained using the accrual method for financial reporting and income tax reporting purposes.

The company reports its developer fee project revenue on the percentage of completion method of accounting. The percentage complete is based on a contractually determined set of milestones with the customer. As various milestones are met, a percentage of the developer fee is accrued.

The following table represents the Company's revenue disaggregated by type of sale of such revenue recognized during the six months ended June 30, 2024.

Developer fees	\$ 5,203,489
Management fees	814,295
Laundry/cable income	122,242
	<u>\$ 6,140,026</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company has adopted the provisions of FASB ASC 820-10 which provides a framework for measuring fair value under GAAP. It defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

Cash and Cash Equivalents. The carrying amount is a reasonable estimate of fair value.

Development Fees Receivable, Prepaid Expenses and Loans Receivable. The carrying value of accounts receivable, prepaid expenses and loans receivable approximates the fair value due to the short-term nature of these instruments.

Accounts Payable and Accrued Expenses. The carrying value of accounts payable and accrued expenses approximates the fair value due to the short-term nature of these instruments.

Notes Payable and Line of Credit. The carrying amount is a reasonable estimate of fair value as interest rates and interest rates on short-term and long-term borrowings have not changed significantly from interest rates for similar loans on June 30, 2024.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 360-10-35, *Accounting for Income Taxes*.

The Company files income tax returns in the U.S. federal jurisdiction and the California, state jurisdiction. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2021.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk principally consist of cash and cash equivalents and accounts receivable.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. As of June 30, 2024, the Company has established provisions for potential credit losses and sales returns that are reasonably expected to be incurred.

The Company, at times during operations, has bank account balances which exceed \$250,000. The Federal Deposit Insurance Corporation (FDIC) insures only \$250,000 of funds. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk as to cash and cash equivalents. On June 30, 2024, the Company had uninsured cash balances of approximately \$12,111,749.

Litigation and other Contingencies

In accordance with ASC 450, *Contingencies*, an accrual is recorded for a loss contingency which its occurrence is probable, and damages can be reasonably estimated based on the anticipated most likely outcome or the minimum amount within a range of possible outcomes. The Company regularly reviews contingencies to determine the adequacy of its accruals and related disclosures. The amount of ultimate loss may differ from these estimates.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

Pursuant to ASU 2014-15 and based on its evaluation, management concluded that there were no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for one year after the financial statements are issued.

NOTE B – MARKETABLE SECURITIES

The cost, quoted fair market value, and unrealized holding loss on available for sale marketable securities were as follows as of June 30, 2024:

Fair Market Value	\$ 789,741
Cost	<u>(748,567)</u>
Net unrealized holding gain	<u>\$ 41,174</u>

Activity was as follows:

Proceeds from sale of available for sale securities	<u>\$ 0</u>
Purchases of available for sale securities	<u>\$ 746,885</u>
Gross realized gain (loss)	<u>\$ 0</u>

NOTE C – DEVELOPMENT FEES RECEIVABLE

Development fees receivable consist of the following on June 30, 2024:

Development fees receivable-short term	\$ 9,165,078
Development fees receivable-long term	9,894,504
Less: Allowance for doubtful accounts	<u>(847,954)</u>
Total Development Fees Receivable	<u>\$ 18,211,628</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE C – DEVELOPMENT FEES RECEIVABLE (Continued)

Development fees receivable is stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

NOTE D - PROPERTY AND EQUIPMENT

The components of net property and equipment are as follows:

Furniture and equipment	\$ 972,742
Building	363,909
Tenant improvements	706,662
Land-other	87,789
Trucks and autos	33,518
Less: Accumulated depreciation	<u>(981,773)</u>
Property and Equipment, net	<u><u>\$ 1,182,847</u></u>

Depreciation expense for the six months ended June 30, 2024 is \$94,598.

NOTE E - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accounts receivable, accounts payable, depreciable property and equipment and amortization, for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE E - INCOME TAXES (continued)

The components of income taxes are as follows:

	<u>Total</u>	<u>Paid</u>	<u>Payable</u>	<u>(Receivable)</u>
Current tax expense:				
U.S. federal	\$ 10,932	\$ 0	\$ 10,932	\$ 0
State	57,507	455,439	0	(397,932)
	<u>\$ 68,439</u>	<u>\$ 455,439</u>	<u>\$ 10,932</u>	<u>\$ (397,932)</u>
Deferred tax expense following:				
U.S. federal	\$ 0			
State tax	<u>0</u>			
Total deferred	<u>0</u>			
Total tax provision (benefit)	<u>\$ 68,439</u>			

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences are expected to be available to reduce taxable income.

Income tax expense consists of the following for the period ended June 30, 2024:

Current:	
Federal	\$ 10,932
State	<u>57,507</u>
Total current	<u>68,439</u>
Deferred:	
Federal	0
State	<u>0</u>
Total deferred	<u>0</u>
Total income tax expense	<u>\$ 68,439</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE F – PROFIT SHARING PLAN

The Company sponsors a profit-sharing plan for all eligible employees. Company contributions were \$0 for the six months ended June 30, 2024.

NOTE G - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is contingently liable as guarantor of limited partnership construction loans, pre-development loans and operating deficit loans.

Operating Leases - Related Parties

The Company leases commercial space under a non-cancellable lease agreement from Affirmed Commercial Investments, LLC, a related party. Amounts paid/received under this lease have been eliminated in consolidation.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year are as follows on June 30:

	<u>Related Party</u>
2025	\$ 115,045
2026	115,907
2027	116,795
2028	58,622
2029	0
Thereafter	<u>0</u>
Total	<u>\$ 406,369</u>

Operating Leases

The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Company has elected the short-term lease recognition exemption for all applicable underlying assets. Leases with an initial term of twelve months or less, that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise, are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

As of June 30, 2024, the right of use assets-operating had a balance of \$503,103 net of accumulated depreciation of \$631,154, as shown in other(non-current) assets on the balance sheet; the operating lease liability is included in current liabilities (\$330,121) and long-term liabilities (\$172,981). The lease assets and liability were calculated using 3% as the discount rate as it is the rate used in the lease for the increase in rental payments each year.

The operating lease expenses of \$183,909, for the office lease is included in General & Administrative Expenses on the income statement.

The weighted average remaining lease term is 1.5 years, and the weighted average discount rate is 3%.

The Company has one financing lease for vehicle with terms of thirty-six months and monthly payments of \$1,690, maturing October 7, 2024. The lease offers a purchase option at the end of the lease of \$61,713. During 2023 the Company entered into a new financing lease for a vehicle with a 36-month term and monthly payments of \$1,480, maturing September 23, 2026. The new lease does not have a purchase option.

As of June 30, 2024, the right of use assets-financing had a balance of \$41,394, respectively, net of accumulated amortization of \$60,410, as shown in other(non-current) assets on the balance sheet; the financing lease liability had a balance of \$41,428, of which \$21,339 is included in current liabilities and \$20,089 is included in long-term liabilities. The lease assets and liability were calculated using 3% as the discount rate as it is the rate used for the other leases the Company has.

The weighted average remaining lease term is 1.52 years, and the weighted average discount rate is 3%.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

The maturities of lease liabilities as of June 30, 2024 were as follows:

Year Ending June 30:	Operating	Financing
2025	\$ 340,721	\$ 22,831
2026	174,498	17,762
2027	-	2,961
2028	-	-
2029	-	-
Thereafter	-	-
Total lease payments	515,219	43,554
Less: interest	(12,116)	(2,126)
Present value of lease liability:	<u>\$ 503,103</u>	<u>\$ 41,428</u>

The Company is a lessor on several non-cancellable lease agreements for commercial space. The leases have variable monthly payments from \$3,791-\$15,590 and maturities from January 2025 to October 2033.

Future minimum rental receipts required under operating leases that have initial or remaining lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2025	\$ 409,045
2026	34,645
2027	335,556
2028	266,140
2029	220,287
Thereafter	880,024
Total	<u>\$ 2,145,697</u>

Litigation

In the normal course of business, the Company is occasionally named as a defendant in various lawsuits. It is the opinion of the management and of legal counsel that the outcome of any pending lawsuits will not materially affect the operations or the financial position of the Company. As of June 30, 2024, the Company is not aware of any material lawsuits.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE H - LINE OF CREDIT

The Company has a \$1,500,000 line of credit through an agreement with a financial institution. Interest at the daily adjusting Libor rate plus 3% is charged on the outstanding balance with interest due quarterly. The line is secured by the business assets and is due October 31, 2024. On June 30, 2024 the principal obligation was \$0.

NOTE I - NOTES RECEIVABLE

The notes receivable consists of the following seller's carryback as of June 30, 2024:

Notes receivable in the amount of \$367,500 due from Escondido Family Housing Partners dated April 21, 2014, interest at 3.36% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before December 31, 2029.

\$ 514,806

Notes receivable in the amount of \$269,000 due from Vallejo Family Housing Partners, LP dated February 17, 2023, interest at 3.00% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before February 17, 2028.

280,208

Notes receivable in the amount of \$520,000 due from Ventaliso Family Housing Partners dated March 14, 2016, interest at 2.33% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before March 14, 2051.

620,480

Notes receivable in the amount of \$1,575,000 due from San Diego/Fox Hollow, L.P. dated January 18, 2018, interest at 2.67% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before January 18, 2053.

1,846,440

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE I - NOTES RECEIVABLE (Continued)

Notes receivable in the amount of \$1,278,754 due from Temecula Gardens II LP dated March 13, 2020, interest at 2.15% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before December 31, 2075.

Total Notes Receivable

1,397,013	
\$ 4,658,947	

NOTE J - LOANS TO PROJECTS

Loans to projects consist of notes receivable and the accrued interest thereon from various projects with interest and principal due on maturity.

As of June 30, 2024, the loans to projects consists of the following:

Note receivable from Yale Street Family Housing dated August 25, 2021, no interest, maturing August 25, 2030.	\$ 505,000
Note receivable from San Diego/Fox Hollow II, LP dated January 18, 2018, interest at 2.67%, maturing January 18, 2053.	713,030
Note receivable from Fairmount Family Housing, LP dated December 18, 2017, interest at 2.64%, maturing December 18, 2072.	756,463
Note receivable from PHR Family Housing Partners I, LP dated March 5, 2015, interest at 2.67%, maturing March 5, 2052.	505,546
Note receivable from PHR Family Housing Partners II, LP dated March 5, 2015, interest at 2.67%, maturing March 5, 2052.	611,874
Note receivable from Eastgate Family Housing Partners, LP dated January 9, 2018, interest at 1.00%, maturing January 8, 2034.	424,549

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE J – LOANS TO PROJECTS (Continued)

Note receivable from Temecula Gardens II, LP dated March 13, 2020, interest at 2.15%, maturing December 31, 2075.	361,405
Note receivable from Escondido Family Housing Partners, LP dated September 1, 2016, interest at 3.00%, maturing September 1, 2031.	<u>304,605</u>
Total-loans to projects	<u>\$ 4,182,472</u>

NOTE K – FAIR VALUE MEASUREMENTS

In accordance with FASB (ASC) 820, the Company classifies its investments into Level 1, which refers to securities traded in an active market, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction, and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available.

As required by FASB (ASC) 820, the Company's portfolio investments were classified as follows, based on fair values:

Input levels by investment category:

Investment category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity Securities	\$ 789,741	\$ 789,741	\$ 0	\$ 0
Total	<u>\$ 789,741</u>	<u>\$ 789,741</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE L - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events for recognition and disclosure through September 27, 2024 the date on which the financial statements were available to be issued.

See independent accountant's report.

SUPPLEMENTARY INFORMATION

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING BALANCE SHEET
JUNE 30, 2024

ASSETS	AHG	AHG, INC.	ACI, LLC	LLC's	Consolidated
Current Assets					
Cash	\$ 4,156,046	9,669,173	13,523	23,106	\$ 13,861,848
Marketable securities (Notes A and B)	789,741	0	0	0	789,741
Development fees receivable-short term (Note C)	0	9,165,078	0	0	9,165,078
Predevelopment project advances-short term	226,846	1,121,671	0	0	1,348,517
Loan receivable-other	107,559	168,501	0	0	276,060
Rent and brokerage fee receivable	141,410	0	0	0	141,410
Prepaid taxes (Note E)	3,520	159,600	0	0	163,120
State tax receivable (Note E)	0	397,932	0	0	397,932
Prepaid expenses	540,211	11,767	0	0	551,978
Total Current Assets	5,965,333	20,693,722	13,523	23,106	26,695,684
Property and Equipment, net (Note D)	121,739	425,437	635,671	0	1,182,847
Other Assets					
Development fees receivable-long term (Note C)	0	9,046,550	0	0	9,046,550
Notes Receivable (Note J)	0	4,378,739	0	280,208	4,658,947
Predevelopment project advances-long term	3,471,564	11,747,816	0	0	15,219,380
Loans to projects (Note K)	1,218,030	2,964,442	0	0	4,182,472
Right of use assets-operating; net of amortization of \$320,540,067 (Note F)	0	503,103	0	0	503,103
Right of use assets-financing; net of amortization of \$2,125 (Note G)	41,394	0	0	0	41,394
Loan from Shareholder	11,581	1,578	0	0	13,159
Deposits	14,829	0	0	0	14,829
Intercompany receivables/payables	431,091	321,152	(356,667)	(395,576)	0
Total Assets	\$ 11,275,561	50,082,539	292,527	(92,262)	\$ 61,558,365

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING BALANCE SHEET
JUNE 30, 2024

LIABILITIES & SHAREHOLDERS' EQUITY	AHG	AHG, INC.	ACI, LLC	LLC's	Consolidated
Current Liabilities					
Accounts payable	\$ 0	64,881	0	0	\$ 64,881
Pension plan payable (Note F)	0	265,798	0	0	265,798
Federal tax payable (Note E)	10,932	0	0	0	10,932
Lease liability-operating-current (Note F)	0	330,121	0	0	330,121
Lease liability-financing-current (Note F)	21,339	0	0	0	21,339
Deferred Rent	46,770	0	0	0	46,770
Total Current Liabilities	79,041	660,800	0	0	739,841
Non-Current Liabilities					
Partnership capital deficit (Note A)	416,980	7,434,637	0	1,845,645	9,697,262
Lease liability-operating-long term (Note F)	0	172,981	0	0	172,981
Lease liability-financing-long term (Note F)	20,089	0	0	0	20,089
Security deposits	65,578	0	0	0	65,578
Total Non-Current Liabilities	502,647	7,607,618	0	1,845,645	9,955,910
Total Liabilities	581,688	8,268,418	0	1,845,645	10,695,751
Shareholders' Equity					
Common stock - 100,000 shares authorized, 1,000 issued and outstanding	2,000	0	0	0	2,000
Additional paid in capital	1,398,178	0	0	0	1,398,178
Accumulated comprehensive gain (loss) (Note B)	(10,040)	0	0	0	(10,040)
Retained earnings	9,303,735	41,814,121	292,527	(1,937,907)	49,472,476
Total Shareholders' Equity	10,693,873	41,814,121	292,527	(1,937,907)	50,862,614
Total Liabilities and Shareholders' Equity	\$ 11,275,561	50,082,539	292,527	(92,262)	\$ 61,558,365

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
JUNE 30, 2024

	<u>AHG</u>	<u>AHG, INC.</u>	<u>ACI, LLC</u>	<u>LLC's</u>	<u>Consolidated</u>
Net Revenues	\$ 992,265	5,144,234	0	14,459	\$ 6,150,958
Cost of Revenues	<u>0</u>	<u>6,160</u>	<u>0</u>	<u>0</u>	<u>6,160</u>
Gross profit	992,265	5,138,074	0	14,459	6,144,798
Operating Expenses	<u>36,708</u>	<u>3,644,043</u>	<u>15,570</u>	<u>440</u>	<u>3,696,761</u>
Income from operations	<u>955,557</u>	<u>1,494,031</u>	<u>(15,570)</u>	<u>14,019</u>	<u>2,448,037</u>
Other Income (Expenses)					
Interest/dividend income	48,224	252,075	0	4,147	304,446
Net rental income	68,258	0	57,310	0	125,568
Depreciation	(2,841)	(73,158)	(18,599)	0	(94,598)
Partnership income (losses)	33	(50,996)	0	0	(50,963)
Consulting expense	0	(300,000)	0	0	(300,000)
lease obligations (Note G)	(2,289)	0	0	0	(2,289)
Total other income (expenses)	<u>111,385</u>	<u>(172,079)</u>	<u>38,711</u>	<u>4,147</u>	<u>(17,836)</u>
Income before provision for income taxes	1,066,942	1,321,952	23,141	18,166	2,430,201
Provision for Income Taxes (Note E)					
State tax	0	40,707	800	16,000	57,507
Federal tax	<u>10,932</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,932</u>
Net Income	\$ 1,056,010	1,281,245	22,341	2,166	\$ 2,361,762
Retained Earnings					
Beginning Balance	8,247,725	40,532,876	270,186	(1,940,073)	47,110,714
Dividends	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Retained Earnings					
Ending Balance	<u>\$ 9,303,735</u>	<u>41,814,121</u>	<u>292,527</u>	<u>(1,937,907)</u>	<u>\$ 49,472,476</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE B – CONSOLIDATED SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2024

AHG Almaden, LLC	AHG Imperial, LLC
AHG Alora, LLC	AHG Indio, LLC
AHG Alum Rock, LLC	AHG Investments, LLC
AHG Arcadia, LLC	AHG Kooser, LLC
AHG Asante, LLC	AHG Kristine, LLC
AHG Auburn, LLC	AHG Kristine Bakersfield Investors, LLC
AHG Aurora, LLC	AHG Lincoln, LLC
AHG Barry, LLC	AHG Luna, LLC
AHG Bascom, LLC	AHG Melrose, LLC
AHG Bella Vita, LLC	AHG Metro 345, LLC
AHG Berryessa, LLC	AHG Nadeau, LLC
AHG Beyer, LLC	AHG North Fair Oaks, LLC
AHG Cambria, LLC	AHG Nova, LLC
AHG Carson, LLC	AHG Paseo Pointe, LLC
AHG Cielo I, LLC	AHG Rancho Bernardo, LLC
AHG Cielo II, LLC	AHG Rancho Bernardo Senior, LLC
AHG Connections, LLC	AHG Riverwalk, LLC
AHG Della Rosa, LLC	AHG S Main, LLC
AHG Del Sur, LLC	AHG Spring Street, LLC
AHG East Village, LLC	AHG Temecula Gardens II, LLC
AHG Eastgate, LLC	AHG Topanga, Canyon, LLC
AHG Escondido, LLC	AHG Twain, LLC
AHG Estrella, LLC	AHG Ventaliso, LLC
AHG Fairmount, LLC	AHG Vermont, LLC
AHG Front & Beech, LLC	AHG Villas San Jose, LLC
AHG Grantville, LLC	AHG Western, LLC
AHG Hilltop, LLC	AHG Windsor Pointe, LLC
AHG Hollywood, LLC	AHG Yale Street, LLC
AHG Hollywood Palms II, LLC	AHG Zephyr, LLC

See independent accountant's report.

**AFFIRMED HOUSING GROUP
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025**



Matranga & Company
An Accountancy Corporation

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountant's Compilation Report	3
Consolidated Balance Sheet	4 - 5
Consolidated Statement of Income and Retained Earnings	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Cash Flows	8 - 9
Notes to the Consolidated Financial Statements	10 – 24
Supplementary Information	
Schedule A – Consolidating Schedules	26 – 28
Schedule B – Consolidating Subsidiaries	29



Matranga & Company
An Accountancy Corporation

Independent Accountant's Compilation Report

To the Board of Directors
Affirmed Housing Group
San Diego, California

Management is responsible for the accompanying consolidated financial statements of Affirmed Housing Group (a Corporation) and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of income, comprehensive income and retained earnings and cash flows for the six months then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.

We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in Schedules A and B is presented for purposes of additional analysis and is not required part of the basis financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Matranga & Company

San Diego, California
October 7, 2025

AFFIRMED HOUSING GROUP
CONSOLIDATED BALANCE SHEET
JUNE 30, 2025

ASSETS

Current Assets	
Cash	\$ 13,504,482
Marketable securities (Notes A and B)	2,025,311
Development Fees receivable-short term (Note C)	5,630,920
Pre-Development project advances-short term	13,469,142
Other receivables	1,797,014
Prepaid taxes (Note E)	142,953
State tax receivable (Note E)	8,005
Prepaid expense	<u>2,348,167</u>
Total Current Assets	38,925,994
Property and Equipment, net (Note D)	1,270,944
Other Assets	
Development fees receivable-long term (Note C)	11,222,057
Notes Receivable (Note I)	4,766,087
Predevelopment project advances-long term	9,012,168
Loans to projects (Note J)	4,260,768
Right of use assets-operating; net of amortization of \$948,883 (Note G)	315,195
Right of use assets-financing; net of amortization of \$128,967 (Note G)	152,514
Loan from shareholder	1,578
Deposits	<u>14,829</u>
Total Assets	<u><u>\$ 69,942,134</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED BALANCE SHEET
JUNE 30, 2025

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities	
Accounts payable	\$ 241,433
Pension plan payable (Note F)	265,000
Lease liability-operating-current (Note G)	315,195
Lease liability-financing-current (Note G)	54,525
Notes payable-current (Note L)	49,879
Deferred Rent	<u>251,283</u>
Total Current Liabilities	<u>1,177,315</u>
Non-Current Liabilities	
Partnership capital deficit (Note A)	16,248,349
Loans to shareholder	238,419
Lease liability-operating-long term (Note G)	-
Lease liability-financing-long term (Note G)	84,029
Notes payable less current portion (Note L)	156,124
Security deposits	<u>84,571</u>
Total Non-Current Liabilities	<u>16,811,492</u>
Total Liabilities	<u>17,988,807</u>
Shareholders' Equity	
Common stock - 100,000 shares authorized, 1,000 issued and outstanding	2,000
Additional paid in capital	1,398,178
Accumulated comprehensive gain (loss) (Note B)	197,497
Retained earnings	<u>50,355,652</u>
Total Shareholders' Equity	<u>51,953,327</u>
Total Liabilities and Shareholders' Equity	<u><u>\$ 69,942,134</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2025

Net Sales	\$ 5,737,702
Cost of Sales	<u>0</u>
Gross profit	5,737,702
Operating Expenses	<u>3,823,163</u>
Income from operations	<u>1,914,539</u>
Other Income (Expenses)	
Interest/dividend income	639,902
Net rental income	217,323
Depreciation	(130,804)
Partnership income (losses)	(14,512)
Consulting expense	(367,500)
Interest expense- financing lease obligations (Note G)	<u>(2,198)</u>
Total other income (expenses)	<u>342,211</u>
Income before provision for income taxes	2,256,750
Provision for Income Taxes (Note E)	
State tax	49,178
Federal tax	<u>37,876</u>
Net Income	<u>\$ 2,169,696</u>
Retained Earnings, Beginning Balance	48,185,956
Dividends	<u>0</u>
Retained Earnings, Ending Balance	<u>\$ 50,355,652</u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2025

Net Income (loss)	\$ 2,169,696
Comprehensive Income	
Unrealized (loss) gain on securities	<u>143,704</u>
Total Comprehensive Income (loss)	<u><u>\$ 2,313,400</u></u>
Accumulated Comprehensive Gain, Beginning Balance	\$ 53,793
Realized Gains (Losses)	0
Comprehensive Income (Loss)	<u>143,704</u>
Accumulated Comprehensive Gain, Ending Balance	<u><u>\$ 197,497</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2025

Cash Flows from Operating Activities:	
Cash received from customers	\$ 5,128,389
Cash paid to suppliers and employees	(5,410,622)
Income taxes paid	(87,054)
Interest/dividend income	639,902
Net rental income	<u>217,323</u>
Net cash provided (used) by operating activities	<u>487,938</u>
Cash Flows from Investing Activities:	
(Purchase) of fixed assets	(24,514)
(Purchase) of securities	<u>(409,834)</u>
Net cash provided (used) by investing activities	<u>(434,348)</u>
Cash Flows from Financing Activities:	
Payments of notes payable	(28,704)
Issuance of notes receivable	(62,544)
Repayments of financing lease liabilities	<u>(35,407)</u>
Net cash provided (used) by financing activities	<u>(126,655)</u>
Net Increase (decrease) in Cash and Cash Equivalents	(73,065)
Cash and Cash Equivalents at beginning of year	<u>13,577,547</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 13,504,482</u></u>

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2025

Reconciliation of Net Income to Net Cash provided (used)

by Operating Activities:

Net Income	\$ 2,169,696
------------	--------------

Adjustments to Reconcile Net Income to Net Cash provided

(Used) by Operating Activities:

Depreciation expense	130,804
Amortization expense portion of lease expense for operating leases	6,183
Amortization expense financing leases	35,407
(Increase) Decrease in developer fees receivable	(345,631)
(Increase) Decrease in other receivables	(8,412)
(Increase) Decrease in prepaid expense	(1,670,348)
(Increase) Decrease in state tax receivable	431,213
(Increase) Decrease in predevelopment project advances	(263,682)
(Increase) Decrease in loans to projects	(38,826)
(Increase) Decrease in right of use asset	165,123
(Decrease) Increase in accounts payable	(94,475)
(Decrease) Increase in accrued project advances	(537,169)
(Decrease) Increase in due to related party	(70,344)
(Decrease) Increase in accrued payroll expenses	(1,002,710)
(Decrease) Increase in investment in partnerships	1,752,415
(Decrease) Increase in lease liability-operating	<u>(171,306)</u>

Net cash provided (used) by operating activities	<u>\$ 487,938</u>
--	-------------------

See independent accountant's report and accompanying notes to the consolidated financial statements.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Affirmed Housing Group, Inc., a Delaware corporation (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, Affirmed Housing Group, a California corporation, Affirmed Commercial Investments, LLC, and the companies listed on Schedule B for the six months ending June 30, 2025. All inter-company transactions have been eliminated in this consolidation.

Business Activity

The Company was incorporated on December 18, 1990, under the laws of the State of California, and its principal business is the development of affordable apartment complexes.

All current and new projects are developed by the Company. Affirmed Housing Group, a California Corporation, is not active in the current development of affordable housing and hasn't been since 2007.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Marketable Securities

Marketable securities are carried at fair market value in accordance with FASB ASC 320-10-50. All of the securities are classified as available-for-sale securities. Realized gains and losses are determined by using the average cost method.

Predevelopment Project Advances

Predevelopment project advances represent all costs incurred and advanced on potential projects not yet in process.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans to Projects

Loans to projects represent advances to partnership investments for current projects in process. See Note J for further description.

Development Fees Receivable

Development fees receivable represents deferred fees earned on completed contracts. The Company provides services on credit to its customers, which are businesses and individuals. The Company performs ongoing credit evaluations of its customers but requires no collateral. Development fees receivable consists of the amounts due from its normal business activities. The valuation of the allowance is based on historical collection trends and management's judgment on the collectability of these accounts. Historical collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustments required are reflected in current operations. Based on its evaluation of the above factors management has determined that an allowance of \$868,808 was required for the six months ending June 30, 2025.

Property and Equipment

Property and equipment are stated at cost and depreciated over the estimated useful lives of the assets (5 to 39 years) using the Modified Accelerated Cost Recovery System (MACRS) method. Leasehold improvements are depreciated over the useful lives of the assets. Maintenance and repairs that do not extend the useful life of the assets are charged to expenses as incurred. Upon retirement and other disposition, the property and related accumulated depreciation are removed from the accounts and any resulting profit or loss is credited or charged to income.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10-35, *Property, Plant and Equipment – Subsequent Measurement*, the Company periodically reviews the recoverability of the carrying value of long-lived assets for impairment whenever events or circumstances indicate that their carrying value may not be recoverable. The recoverability of the assets is determined by analysis of the assets' fair value compared to the forecasted future undiscounted cash flows from operations to which the assets relate. If the carrying value is determined not to be recoverable from future operating cash flows, the assets are deemed impaired, and an impairment loss is recognized equal to the amount by which the carrying amount exceeds the estimated fair value of the assets. No such impairment was recorded for the six months ended June 30, 2024.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Partnerships and Joint Ventures

The Company's investment in the construction joint venture is accounted for by the cost method.

The fair market value of the real estate holdings of the investments in the 58 partnerships is not included in these financial statements. The financial statements only include the capital account activity, as such the true value of the real estate holdings is substantially higher than the investment accounts shown on the financial statements.

Revenue Recognition

The company recognizes revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers ("Topic 606"). Under Topic 606, a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. Revenue from contracts with customers consists of developer fees, management fees, rental income, real estate investment income and laundry/cable income.

The accounting records of the Company are maintained on an accrual basis. Accordingly, revenues are recorded in the period in which they are earned, and expenses are recorded in the period in which they are incurred. The effect of events on the business is recognized as services are rendered or consumed rather than when cash is received or paid.

The accounting records are maintained using the accrual method for financial reporting and income tax reporting purposes.

The company reports its developer fee project revenue on the percentage of completion method of accounting. The percentage complete is based on a contractually determined set of milestones with the customer. As various milestones are met, a percentage of the developer fee is accrued.

The following table represents the Company's revenue disaggregated by type of sale of such revenue recognized during the six months ended June 30, 2025.

Developer fees	\$ 4,761,786
Management fees	834,320
Laundry/cable income	141,596
	<u>\$ 5,737,702</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company has adopted the provisions of FASB ASC 820-10 which provides a framework for measuring fair value under GAAP. It defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value and for estimating fair value for financial instruments not recorded at fair value.

Cash and Cash Equivalents. The carrying amount is a reasonable estimate of fair value.

Development Fees Receivable, Prepaid Expenses and Loans Receivable. The carrying value of accounts receivable, prepaid expenses and loans receivable approximates the fair value due to the short-term nature of these instruments.

Accounts Payable and Accrued Expenses. The carrying value of accounts payable and accrued expenses approximates the fair value due to the short-term nature of these instruments.

Notes Payable and Line of Credit. The carrying amount is a reasonable estimate of fair value as interest rates and interest rates on short-term and long-term borrowings have not changed significantly from interest rates for similar loans on June 30, 2025.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 360-10-35, *Accounting for Income Taxes*.

The Company files income tax returns in the U.S. federal jurisdiction and the California, state jurisdiction. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2021.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk principally consist of cash and cash equivalents and accounts receivable.

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. As of June 30, 2024, the Company has established provisions for potential credit losses and sales returns that are reasonably expected to be incurred.

The Company, at times during operations, has bank account balances which exceed \$250,000. The Federal Deposit Insurance Corporation (FDIC) insures only \$250,000 of funds. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk as to cash and cash equivalents. On June 30, 2025, the Company had uninsured cash balances of approximately \$10,932,039.

Litigation and other Contingencies

In accordance with ASC 450, *Contingencies*, an accrual is recorded for a loss contingency which its occurrence is probable, and damages can be reasonably estimated based on the most likely anticipated outcome or the minimum amount within a range of possible outcomes. The Company regularly reviews contingencies to determine the adequacy of its accruals and related disclosures. The amount of ultimate loss may differ from these estimates.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Going Concern

Pursuant to ASU 2014-15 and based on its evaluation, management concluded that there were no conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for one year after the financial statements are issued.

NOTE B – MARKETABLE SECURITIES

The cost, quoted fair market value, and unrealized holding loss on available for sale marketable securities were as follows as of June 30, 2025:

Fair Market Value	\$ 2,025,311
Cost	<u>(1,772,499)</u>
Net unrealized holding gain	<u>\$ 252,812</u>

Activity was as follows:

Proceeds from sale of available for sale securities	<u>\$ 0</u>
Purchases of available for sale securities	<u>\$ 409,834</u>
Gross realized gain (loss)	<u>\$ 0</u>

NOTE C – DEVELOPMENT FEES RECEIVABLE

Development fees receivable consists of the following on June 30, 2025:

Development fees receivable-short term	\$ 6,499,728
Development fees receivable-long term	11,222,057
Less: Allowance for doubtful accounts	<u>(868,808)</u>
Total Development Fees Receivable	<u>\$ 16,852,977</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE C – DEVELOPMENT FEES RECEIVABLE (Continued)

Development fees receivable is stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

NOTE D - PROPERTY AND EQUIPMENT

The components of net property and equipment are as follows:

Furniture and equipment	\$ 1,286,024
Building	363,909
Tenant improvements	788,646
Land-other	87,789
Trucks and autos	33,518
Less: Accumulated depreciation	<u>(1,288,942)</u>
Property and Equipment, net	<u><u>\$ 1,270,944</u></u>

Depreciation expense for the six months ended June 30, 2025, is \$130,804.

NOTE E - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of accounts receivable, accounts payable, depreciable property and equipment and amortization, for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE E - INCOME TAXES (continued)

The components of income taxes are as follows:

	<u>Total</u>	<u>Paid</u>	<u>Payable</u>	<u>(Receivable)</u>
Current tax expense:				
U.S. federal	\$ 37,876	\$ 131,287	\$ 0	\$ (93,411)
State	49,178	106,725	0	(57,547)
	<u>\$ 87,054</u>	<u>\$ 238,012</u>	<u>\$ 0</u>	<u>\$ (150,958)</u>
Deferred tax expense following:				
U.S. federal	\$ 0			
State tax	<u>0</u>			
Total deferred	<u>0</u>			
Total tax provision (benefit)	<u>\$ 87,054</u>			

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences are expected to be available to reduce taxable income.

Income tax expense consists of the following for the period ended June 30, 2025:

Current:	
Federal	\$ 37,876
State	49,178
Total current	<u>87,054</u>
Deferred:	
Federal	0
State	<u>0</u>
Total deferred	<u>0</u>
Total income tax expense	<u>\$ 87,054</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE F – PROFIT SHARING PLAN

The Company sponsors a profit-sharing plan for all eligible employees. Company contributions were \$0 for the six months ended June 30, 2025.

NOTE G - COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is contingently liable as guarantor of limited partnership construction loans, pre-development loans and operating deficit loans.

Operating Leases - Related Parties

The Company leases commercial space under a non-cancellable lease agreement from Affirmed Commercial Investments, LLC, a related party. Amounts paid/received under this lease have been eliminated in consolidation.

Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year are as follows on June 30:

	<u>Related Party</u>
2026	\$ 115,907
2027	116,795
2028	58,622
2029	-
2030	-
Thereafter	-
Total	<u>\$ 291,324</u>

Operating Leases

The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Company has elected the short-term lease recognition exemption for all applicable underlying assets. Leases with an initial term of twelve months or less that do not include an option to purchase the underlying assets that the Company is reasonably certain to exercise, are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

As of June 30, 2025, the right of use assets-operating had a balance of \$315,195 net of accumulated depreciation of \$948,883, as shown in other(non-current) assets on the balance sheet; the operating lease liability is included in current liabilities (\$315,195) and long-term liabilities (\$0). The lease assets and liability were calculated using 3% as the discount rate as it is the rate used in the lease for the increase in rental payments each year.

The operating lease expenses of \$216,941 for the office lease are included in General & Administrative Expenses on the income statement.

The weighted average remaining lease term is 1 year, and the weighted average discount rate is 3%.

The Company had two financing leases for vehicles with terms of thirty-six months and monthly payments of \$1,690 and \$1480, respectively, maturing March 3, 2025 and August 23, 2026, respectively. The first lease offered a purchase option at the end of the lease of \$61,713, which the Company did not exercise. During 2025 the Company entered into a new financing lease for a vehicle with a 39-month term and monthly payments of \$1,010, maturing July 9, 2028. The new lease offers a purchase option at the end of the lease of \$51,715.

The Company also has two financing leases for equipment with a 60-month term and monthly payments of \$1,561 and \$1,404, respectively, maturing December 21, 2029 and July 2027, respectively. The leases do not have a purchase option.

As of June 30, 2025, the right of use assets-financing had a balance of \$152,514, net of accumulated amortization of \$128,967, as shown in other(non-current) assets on the balance sheet; the financing lease liability had a balance of \$138,554, of which \$54,525 is included in current liabilities and \$84,029 is included in long-term liabilities. The lease assets and liability were calculated using 5% as the discount rate for the auto leases and 12.92% for the equipment leases.

The weighted average remaining lease term is 2.43 years, and the weighted average discount rate is 10.2%.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE G - COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

The maturities of lease liabilities as of June 30, 2025 were as follows:

<u>Year Ending June 30:</u>	<u>Operating</u>	<u>Financing</u>
2026	\$ 319,943	\$ 54,525
2027	-	50,664
2028	-	32,256
2029	-	10,376
2030	-	-
Thereafter	-	-
Total lease payments	319,943	147,821
Less: interest	(4,748)	(9,267)
Present value of lease liabilities	<u>\$ 315,195</u>	<u>\$ 138,554</u>

The Company is a lessor on several non-cancellable lease agreements for commercial space. The leases have variable monthly payments from \$2,105-\$15,590 and maturities from January 2026 to October 2033.

Future minimum rental receipts required under operating leases that have initial or remaining lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2026	\$ 440,994
2027	369,254
2028	292,334
2029	247,058
2030	232,267
Thereafter	<u>671,244</u>
Total	<u>\$ 2,253,151</u>

Litigation

In the normal course of business, the Company is occasionally named as a defendant in various lawsuits. It is the opinion of the management and of legal counsel that the outcome of any pending lawsuits will not materially affect the operations or the financial position of the Company. As of June 30, 2025, the Company is not aware of any material lawsuits.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE H - LINE OF CREDIT

The Company has a \$1,500,000 line of credit through an agreement with a financial institution. Interest at the daily adjusting Libor rate plus 3% is charged on the outstanding balance with interest due quarterly. The line is secured by the business assets and is due October 31, 2025. On June 30, 2025 the principal obligation was \$0.

NOTE I - NOTES RECEIVABLE

The notes receivable consists of the following seller's carryback as of June 30, 2025:

Notes receivable in the amount of \$367,500 due from Escondido Family Housing Partners dated April 21, 2014, interest at 3.36% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before December 31, 2029.

\$ 532,103

Notes receivable in the amount of \$269,000 due from Vallejo Family Housing Partners, LP dated February 17, 2023, interest at 3.00% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before February 17, 2028.

288,390

Notes receivable in the amount of \$520,000 due from Ventaliso Family Housing Partners dated March 14, 2016, interest at 2.33% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before March 14, 2051.

632,596

Notes receivable in the amount of \$1,575,000 due from San Diego/Fox Hollow, L.P. dated January 18, 2018, interest at 2.67% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before January 18, 2053.

1,888,493

Notes receivable in the amount of \$1,278,754 due from Temecula Gardens II LP dated March 13, 2020, interest at 2.15% compounded annually. The entire outstanding balance plus all accrued and unpaid interest is due on or before December 31, 2075.

1,424,505

Total Notes Receivable

\$ 4,766,087

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE J – LOANS TO PROJECTS

Loans to projects consist of notes receivable and the accrued interest thereon from various projects with interest and principal due on maturity.

As of June 30, 2025, the loans to projects consists of the following:

Note receivable from Yale Street Family Housing dated August 25, 2021, no interest, maturing August 25, 2030.	\$ 505,000
Note receivable from San Diego/Fox Hollow II, LP dated January 18, 2018, interest at 2.67%, maturing January 18, 2053.	729,696
Note receivable from Fairmount Family Housing, LP dated December 18, 2017, interest at 2.64%, maturing December 18, 2072.	774,453
Note receivable from PHR Family Housing Partners I, LP dated March 5, 2015, interest at 2.67%, maturing March 5, 2052.	516,844
Note receivable from PHR Family Housing Partners II, LP dated March 5, 2015, interest at 2.67%, maturing March 5, 2052.	625,582
Note receivable from Eastgate Family Housing Partners, LP dated January 9, 2018, interest at 1.00%, maturing January 8, 2034.	428,536
Note receivable from Temecula Gardens II, LP dated March 13, 2020, interest at 2.15%, maturing December 31, 2075.	368,690
Note receivable from Escondido Family Housing Partners, LP dated September 1, 2016, interest at 3.00%, maturing September 1, 2031.	<u>311,967</u>
Total-loans to projects	<u><u>\$ 4,260,768</u></u>

NOTE K – FAIR VALUE MEASUREMENTS

In accordance with FASB (ASC) 820, the Company classifies its investments into Level 1, which refers to securities traded in an active market, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction, and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available.

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE K – FAIR VALUE MEASUREMENTS (continued)

As required by FASB (ASC) 820, the Company's portfolio investments were classified as follows, based on fair values:

June 30, 2025

Input levels by investment category:

Investment category	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Equity Securities	\$ 2,025,311	\$ 2,025,311	\$ 0	\$ 0
Total	\$ 2,025,311	\$ 2,025,311	\$ 0	\$ 0

NOTE L – NOTES PAYABLE

Notes payable consist of the following:

Note payable -Taycor Financial in the amount of \$38,814.46 secured by certain equipment, payable in monthly installments of \$808.28, interest at 9.45% and due October 2025.	\$ 3,172
Note payable -Taycor Financial in the amount of \$37,491.39 secured by certain equipment, payable in monthly installments of \$785.65, interest at 9.7% and due December 2025.	4,588
Note payable -Leaf Capital Funding in the amount of \$168,191.00 secured by certain equipment. Beginning July 2024 payable in monthly installments of \$3,407.55, interest at 7.9% and due July 2029.	142,136
Note payable -Leaf Capital Funding in the amount of \$64,361.75 secured by certain equipment. Beginning May 2024 payable in monthly installments of \$1,390.86, interest at 10.29% and due July 2029.	\$ 56,107
	206,003
Less current portion	(49,879)
Total Notes Payable, net of current portion	<u>\$ 156,124</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE L – NOTES PAYABLE (Continued)

Future minimum principal payments on the notes payable are as follows:

<u>Year ending June 30:</u>	<u>Total</u>
2026	\$ 49,879
2027	45,889
2028	50,000
2029	54,488
2030	5,747
Thereafter	<u>-</u>
Total	<u>\$ 206,003</u>

NOTE M – RELATED PARTY TRANSACTION

The Company paid \$70,344 for consulting to a related party (an entity which the Company has a .99% interest in) during the six months ended June 30, 2025.

NOTE N - DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events for recognition and disclosure through October 7, 2025 the date on which the financial statements were available to be issued.

See independent accountant's report.

SUPPLEMENTARY INFORMATION

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING BALANCE SHEET
JUNE 30, 2025

ASSETS	AHG	AHG, INC.	ACI, LLC	LLC's	Consolidated
Current Assets					
Cash	\$ 3,283,748	10,116,381	3,210	101,142	\$ 13,504,482
Marketable securities (Notes A and B)	2,025,311	0	0	0	2,025,311
Development fees receivable-short term (Note C)	0	5,630,920	0	0	5,630,920
Predevelopment project advances-short term	1,748,070	11,721,072	0	0	13,469,142
Other receivables	749,213	1,047,801	0	0	1,797,014
Prepaid taxes (Note E)	118,093	24,860	0	0	142,953
State tax receivable (Note E)	0	8,005	0	0	8,005
Prepaid expenses	2,322,363	25,803	0	0	2,348,167
Total Current Assets	10,246,798	28,574,842	3,210	101,142	38,925,992
Property and Equipment, net (Note D)	264,739	339,868	666,337	0	1,270,944
Other Assets					
Development fees receivable-long term (Note C)	0	11,222,057	0	0	11,222,057
Notes Receivable (Note J)	0	4,477,697	0	288,390	4,766,087
Predevelopment project advances-long term	1,692,737	7,319,431	0	0	9,012,168
Loans to projects (Note K)	1,234,696	3,026,072	0	0	4,260,768
Right of use assets-operating; net of amortization of \$948,883 (Note F)	0	315,195	0	0	315,195
Right of use assets-financing; net of amortization of \$128,967 (Note G)	152,514	0	0	0	152,514
Loan from Shareholder	0	1,578	0	0	1,578
Deposits	14,829	0	0	0	14,829
Intercompany receivables/payables	(2,185,224)	2,607,528	(355,959)	(66,343)	0
Total Assets	\$ 11,421,089	57,884,268	313,588	323,189	\$ 69,942,134

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING BALANCE SHEET
JUNE 30, 2025

LIABILITIES & SHAREHOLDERS' EQUITY	AHG	AHG, INC.	ACI, LLC	LLC's	Consolidated
Current Liabilities					
Accounts payable	\$ 241,433	0	0	0	\$ 241,433
Pension plan payable (Note F)	0	265,000	0	0	265,000
Lease liability-operating-current (Note F)	0	315,195	0	0	315,195
Lease liability-financing-current (Note F)	54,525	0	0	0	54,525
Notes payable-current (Note K)	49,879	0	0	0	49,879
Deferred Rent	233,850	0	17,433	0	251,283
Total Current Liabilities	579,687	580,195	17,433	0	1,177,315
Non-Current Liabilities					
Partnership capital deficit (Note A)	490,832	8,782,904	0	6,974,613	16,248,349
Loans to shareholder	238,419	0	0	0	238,419
Lease liability-operating-long term (Note F)	0	0	0	0	0
Lease liability-financing-long term (Note F)	84,029	0	0	0	84,029
Notes payable less current portion (Note K)	156,124	0	0	0	156,124
Security deposits	65,578	0	18,993	0	84,571
Total Non-Current Liabilities	1,034,982	8,782,904	18,993	6,974,613	16,811,492
Total Liabilities	1,614,669	9,363,099	36,426	6,974,613	17,988,807
Shareholders' Equity					
Common stock - 100,000 shares authorized, 1,000 issued and outstanding	2,000	0	0	0	2,000
Additional paid in capital	1,398,178	0	0	0	1,398,178
Accumulated comprehensive gain (loss) (Note B)	197,497	0	0	0	197,497
Retained earnings	8,208,745	48,521,169	277,162	(6,651,424)	50,355,652
Total Shareholders' Equity	9,806,420	48,521,169	277,162	(6,651,424)	51,953,327
Total Liabilities and Shareholders' Equity	\$ 11,421,089	57,884,268	313,588	323,189	\$ 69,942,134

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE A – CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
JUNE 30, 2025

	<u>AHG</u>	<u>AHG, INC.</u>	<u>ACI, LLC</u>	<u>LLC's</u>	<u>Consolidated</u>
Net Revenues	\$ 170,308	5,555,896	0	11,498	\$ 5,737,702
Cost of Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross profit	170,308	5,555,896	0	11,498	5,737,702
Operating Expenses	<u>205,855</u>	<u>3,600,738</u>	<u>16,090</u>	<u>480</u>	<u>3,823,163</u>
Income from operations	<u>(35,547)</u>	<u>1,955,158</u>	<u>(16,090)</u>	<u>11,018</u>	<u>1,914,539</u>
Other Income (Expenses)					
Interest/dividend income	63,938	571,907	0	4,057	639,902
Net rental income	159,588	0	57,735	0	217,323
Depreciation	(45,185)	(47,604)	(38,015)	0	(130,804)
Partnership income (losses)	0	0	0	(14,512)	(14,512)
Consulting expense	(200,000)	(167,500)	0	0	(367,500)
Interest expense- financing lease obligations (Note G)	<u>(2,198)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,198)</u>
Total other income (expenses)	<u>(23,857)</u>	<u>356,803</u>	<u>19,720</u>	<u>(10,455)</u>	<u>342,211</u>
Income before provision for income taxes	(59,404)	2,311,961	3,630	563	2,256,750
Provision for Income Taxes (Note E)					
State tax	32,000	2,865	800	13,513	49,178
Federal tax	<u>37,876</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,876</u>
Net Income	\$ (129,280)	2,309,096	2,830	(12,950)	\$ 2,169,696
Retained Earnings					
Beginning Balance	8,338,025	46,212,073	274,332	(6,638,474)	48,185,956
Dividends	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Retained Earnings					
Ending Balance	<u>\$ 8,208,745</u>	<u>48,521,169</u>	<u>277,162</u>	<u>(6,651,424)</u>	<u>\$ 50,355,652</u>

See independent accountant's report.

AFFIRMED HOUSING GROUP
SCHEDULE B – CONSOLIDATED SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2025

AHG Almaden, LLC	AHG Imperial, LLC
AHG Alora, LLC	AHG Indio, LLC
AHG Alum Rock, LLC	AHG Investments, LLC
AHG Arcadia, LLC	AHG Kooser, LLC
AHG Asante, LLC	AHG Kristine, LLC
AHG Auburn, LLC	AHG Kristine Bakersfield Investors, LLC
AHG Auburn Park II, LLC	AHG Lincoln, LLC
AHG Aurora, LLC	AHG Luna, LLC
AHG Barry, LLC	AHG Market Street
AHG Bascom, LLC	AHG Melrose, LLC
AHG Bella Vita, LLC	AHG Metro 345, LLC
AHG Berryessa, LLC	AHG Nadeau, LLC
AHG Beyer, LLC	AHG North Fair Oaks, LLC
AHG Cambria, LLC	AHG Nova, LLC
AHG Carson, LLC	AHG Palm Dale, LLC
AHG Cielo I, LLC	AHG Palm Desert, LLC
AHG Cielo II, LLC	AHG Paseo Pointe, LLC
AHG Connections, LLC	AHG Rancho Bernardo, LLC
AHG Covina, LLC	AHG Rancho Bernardo Senior, LLC
AHG Della Rosa, LLC	AHG Riverwalk, LLC
AHG Del Sur, LLC	AHG S Main, LLC
AHG East Village, LLC	AHG Spring Street, LLC
AHG Eastgate, LLC	AHG Studio 15 II, LLC
AHG Escondido, LLC	AHG Temecula Gardens II, LLC
AHG Estrella, LLC	AHG Topanga, Canyon, LLC
AHG Evelyn, LLC	AHG Twain, LLC
AHG Fairmount, LLC	AHG Ventaliso, LLC
AHG Front & Beech, LLC	AHG Vermont, LLC
AHG Grantville, LLC	AHG Villas San Jose, LLC
AHG Green Valley, LLC	AHG Western, LLC
AHG Hilltop, LLC	AHG Windsor Pointe, LLC
AHG Hollywood, LLC	AHG Yale Street, LLC
AHG Hollywood Palms II, LLC	AHG Zephyr, LLC

See independent accountant's report.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

7/20/2026

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 Marsh & McLennan Agency LLC Marsh & McLennan Ins. Agency LLC PO Box 85638 San Diego CA 92186		CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS: constructioncerts@MarshMMA.com	
License#: 0H18131 AFFIRHOUSI		INSURER(S) AFFORDING COVERAGE	
INSURED Affirmed Housing Group 11673 George Cooke Express Drive San Diego, CA 92127		INSURER A: Philadelphia Indemnity Insurance Co.	
		INSURER B: AXIS Surplus Insurance Company	
		INSURER C: Underwriters at Lloyd's London	
		INSURER D: State Compensation Ins Fund of CA	
		INSURER E:	
INSURER F:		NAIC #	

COVERAGES**CERTIFICATE NUMBER:** 2133824186**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	☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR ☒ DEDUCT \$25,000 GEN'L AGGREGATE LIMIT APPLIES PER: ☐ POLICY ☒ PRO-JECT ☒ LOC OTHER:	Y	N	PHPK2556340013	6/1/2026	6/1/2027	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 \$
A	☒ AUTOMOBILE LIABILITY ☒ ANY AUTO ☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS ☒ HIRED AUTOS ONLY ☒ NON-OWNED AUTOS ONLY	N	N	PHPK2556340013	6/1/2026	6/1/2027	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	☐ UMBRELLA LIAB ☒ OCCUR ☒ EXCESS LIAB ☐ CLAIMS-MADE DED RETENTION \$	Y	Y	P00100199351801	6/1/2026	6/1/2027	EACH OCCURRENCE \$ 2,000,000 AGGREGATE \$ 2,000,000 \$
D	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ Y ☒ N (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below		N/A	932865625	12/6/2025	12/6/2026	☒ 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
C	2nd Layer Excess - \$3M xs \$2M Professional Liability			XS1162926 PHPK2556340013	6/1/2026 6/1/2026	6/1/2027 6/1/2027	XS Limits: \$3,000,000 Occ/Agg Prof Limits: \$1M Occ / \$2M Agg

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

RE: Developer Disclosure Statement - Bond Inducement Application. San Diego Housing Commission, City of San Diego, and Housing Authority of San Diego included as Additional Insured with respects to General Liability.

CERTIFICATE HOLDER**CANCELLATION**San Diego Housing Commission (SDHC)
1122 Broadway, Suite 300
San Diego CA 92101

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

© 1988-2015 ACORD CORPORATION. All rights reserved.

Philadelphia Indemnity Insurance Company

PI-GLD-100 (12/16)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**GENERAL LIABILITY DELUXE ENHANCEMENT**

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE

It is understood and agreed that the following extensions only apply in the event that no other specific coverage for the indicated loss exposure is provided under this policy. If such specific coverage applies, the terms, conditions and limits of that coverage are the sole and exclusive coverage applicable under this policy, unless otherwise noted on this endorsement. The following is a summary of the Limits of Insurance and additional coverages provided by this endorsement. For complete details on specific coverages, consult the policy contract wording.

Coverage Applicable	Limit of Insurance	Page #
Non-Owned Watercraft	Less than 58 feet	2
Supplementary Payments – Bail Bonds	\$2,500	2
Supplementary Payment – Loss of Earnings	\$1,000 per day	2
Key and Lock Replacement – Janitorial Services Client Coverage	\$10,000 limit	2
Additional Insured – Broadened Named Insured	Included	3
Additional Insured – Managers, Landlords, or Lessors of Premises	Included	3
Additional Insured – Lessor of Leased Equipment	Included	3
Duties in the Event of Occurrence, Claim or Suit	Included	4
Unintentional Failure to Disclose Hazards	Included	4
Transfer of Rights of Recovery Against Others To Us	Clarification	4
Liberalization	Included	5
Bodily Injury – includes Mental Anguish	Included	5

A. Non-Owned Watercraft**SECTION I – COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE**

LIABILITY, Subsection **2. Exclusions**, Paragraph **g. (2)** is deleted in its entirety and replaced by the following:

- (2) A watercraft you do not own that is:
- (a) Less than 58 feet long; and
 - (b) Not being used to carry persons or property for a charge;

This provision applies to any person, who with your consent, either uses or is responsible for the use of a watercraft. This insurance is excess over any other valid and collectible insurance available to the insured whether primary, excess or contingent.

B. Supplementary Payments

SECTION I – COVERAGES, SUPPLEMENTARY PAYMENTS - COVERAGE A AND B are amended as follows:

1. b. is deleted in its entirety and replaced by the following:

- 1. b.** Up to \$2,500 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these.

1. d. is deleted in its entirety and replaced by the following:

- 1. d.** All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to \$1,000 a day because of time off from work.

C. Key and Lock Replacement – Janitorial Services Client Coverage

SECTION I – COVERAGES, SUPPLEMENTARY PAYMENTS – COVERAGES A AND B is amended to include the following:

We will pay for the cost to replace keys and locks at the "clients" premises due to theft or other loss to keys entrusted to you by your "client," up to a \$10,000 limit per occurrence and \$10,000 policy aggregate.

We will not pay for loss or damage resulting from theft or any other dishonest or criminal act that you or any of your partners, members, officers, "employees", "managers", directors, trustees, authorized representatives or any one to whom you entrust the keys of a "client" for any purpose commit, whether acting alone or in collusion with other persons.

The following, when used on this coverage, are defined as follows:

- a.** "Client" means any entity for whom you perform services.
- b.** "Employee" means:
 - (1)** Any natural person:
 - (a)** While in your service or for 30 days after termination of service;
 - (b)** Who you compensate directly by salary, wages or commissions; and
 - (c)** Who you have the right to direct and control while performing services for you; or
 - (2)** Any natural person who is furnished temporarily to you:
 - (a)** To substitute for a permanent "employee" as defined in Paragraph **(1)** above, who is on leave; or

(b) To meet seasonal or short-term workload conditions;

while that person is subject to your direction and control and performing services for you.

(3) "Employee" does not mean:

(a) Any agent, broker, person leased to you by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character; or

(b) Any "manager," director or trustee except while performing acts coming within the scope of the usual duties of an "employee."

c. "Manager" means a person serving in a directorial capacity for a limited liability company.

D. Additional Insureds

SECTION II – WHO IS AN INSURED is amended as follows:

1. Each of the following is also an insured:

a. **Broadened Named Insured** – Any organization and subsidiary thereof which you control and actively manage on the effective date of this Coverage Part. However, coverage does not apply to any organization or subsidiary not named in the Declarations as Named Insured, if they are also insured under another similar policy, but for its termination or the exhaustion of its limits of insurance.

b. **Managers, Landlords, or Lessors of Premises** – Any person or organization with respect to their liability arising out of the ownership, maintenance or use of that part of the premises leased or rented to you subject to the following additional exclusions:

This insurance does not apply to:

(1) Any "occurrence" which takes place after you cease to be a tenant in that premises; or

(2) Structural alterations, new construction or demolition operations performed by or on behalf of that person or organization.

c. **Lessor of Leased Equipment – Automatic Status When Required in Lease Agreement With You** – Any person or organization from whom you lease equipment when you and such person or organization have agreed in writing in a contract or agreement that such person or organization is to be added as an additional insured on your policy. Such person or organization is an insured only with respect to liability for "bodily injury," "property damage" or "personal and advertising injury" caused, in whole or in part, by your maintenance, operation or use of equipment leased to you by such person or organization.

A person's or organization's status as an additional insured under this endorsement ends when their contract or agreement with you for such leased equipment ends.

With respect to the insurance afforded to these additional insureds, this insurance does not apply to any "occurrence" which takes place after the equipment lease expires.

E. Duties in the Event of Occurrence, Claim or Suit

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, Paragraph 2. is amended as follows:

a. is amended to include:

This condition applies only when the “occurrence” or offense is known to:

- (1) You, if you are an individual;
- (2) A partner, if you are a partnership; or
- (3) An executive officer or insurance manager, if you are a corporation.

b. is amended to include:

This condition will not be considered breached unless the breach occurs after such claim or “suit” is known to:

- (1) You, if you are an individual;
- (2) A partner, if you are a partnership; or
- (3) An executive officer or insurance manager, if you are a corporation.

F. Unintentional Failure To Disclose Hazards

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, 6. Representations is amended to include the following:

It is agreed that, based on our reliance on your representations as to existing hazards, if you should unintentionally fail to disclose all such hazards prior to the beginning of the policy period of this Coverage Part, we shall not deny coverage under this Coverage Part because of such failure.

G. Transfer of Rights of Recovery Against Others To Us

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, 8. Transfer of Rights of Recovery Against Others To Us is deleted in its entirety and replaced by the following:

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

Therefore, the insured can waive the insurer's rights of recovery prior to the occurrence of a loss, provided the waiver is made in a written contract.

H. Liberalization

SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS, is amended to include the following:

If we revise this endorsement to provide more coverage without additional premium charge, we will automatically provide the additional coverage to all endorsement holders as of the day the revision is effective in your state.

I. Bodily Injury – Mental Anguish

SECTION V – DEFINITIONS, Paragraph **3.** Is deleted in its entirety and replaced by the following:

“Bodily injury” means:

- a.** Bodily injury, sickness or disease sustained by a person, and includes mental anguish resulting from any of these; and
- b.** Except for mental anguish, includes death resulting from the foregoing (Item **a.** above) at any time.

SAN DIEGO HOUSING COMMISSION

RESOLUTION NUMBER HC-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION OF THE SAN DIEGO HOUSING COMMISSION
SETTING FORTH OFFICIAL INTENT FOR THE HOUSING
AUTHORITY OF THE CITY OF SAN DIEGO TO ISSUE
MULTIFAMILY HOUSING REVENUE BONDS OR NOTES TO
FINANCE BEYER BOULEVARD TROLLEY VILLAGE AND
AUTHORIZING RELATED ACTIONS

WHEREAS, pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (Act), the Housing Authority of the City of San Diego (Authority) is authorized to issue revenue bonds or notes for the purpose of financing the construction, rehabilitation and equipping of multifamily affordable rental housing and for the provision of capital improvements in connection with and determined necessary to the multifamily affordable rental housing; and

WHEREAS, Beyer Family Housing, L.P., or another limited partnership to be formed by Affirmed Housing (Borrower) has requested that the Authority issue and sell multifamily housing revenue bonds or notes (Bonds) pursuant to the Act for the purpose of making a loan to the Borrower to finance the acquisition and construction of a multifamily affordable rental housing development located at 4055 Beyer Boulevard, San Diego, California, as more fully identified in Exhibit A hereto (Project), including functionally related and ancillary facilities thereto; and

WHEREAS, as a part of financing the Project, the Authority desires to reimburse the Borrower, but only from Bond proceeds, for expenditures (Reimbursement Expenditures) made in connection with the Project within the period from the date sixty (60) days prior to the date of adoption of this Resolution to the date of issuance of the Bonds; and

WHEREAS, sections 1.103-8(a)(5) and sections 1.150-2 of the United States Treasury

Regulations require the Authority to declare its reasonable official intent to reimburse prior capital expenditures for the Project with proceeds of a subsequent tax-exempt borrowing; and

WHEREAS, by its resolution HAR20-043 adopted on March 9, 2021, the Authority has delegated to the San Diego Housing Commission (the “Housing Commission”) authority and responsibility for declaring on behalf of the Authority its intention to authorize the issuance of Bonds for the purpose of financing a portion of the costs of the Project (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and conditions as may then be agreed upon by the Authority, the Borrower and the purchaser of the Bonds) in an aggregate principal amount not to exceed \$22,500,000 as set forth in Exhibit A; and

WHEREAS, section 146 of the Internal Revenue Code of 1986 limits the amount of multifamily housing mortgage revenue bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the California Government Code governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue private activity bonds; and

WHEREAS, section 8869.85 of the California Government Code requires a local agency desiring an allocation of the state ceiling to file an application with the California Debt Limit Allocation Committee (CDLAC) for such allocation, and CDLAC has certain policies that are to be satisfied in connection with any such allocation.

NOW, THEREFORE, BE IT RESOLVED, by the San Diego Housing Commission, as follows:

Section 1. Findings and Determinations.

(a) The above recitals, and each of them, are true and correct. The Housing Commission hereby determines that it is necessary and desirable to provide financing to the Borrower for the Project (including reimbursement of the Reimbursement Expenditures) by the Authority's issuance and sale of Bonds pursuant to the Act in an aggregate principal amount not to exceed \$22,500,000, as set forth in Exhibit A, subject to authorization of the issuance of the Bonds by resolution of the Authority at a meeting to be held for such purpose. The expected date of issue of the Bonds is within eighteen (18) months of the later of the date the first Reimbursement Expenditure was made and the first date the Project is placed in service and, in no event, later than three (3) years after the date of the first Reimbursement Expenditure.

(b) Proceeds of the Bonds to be used to reimburse for Project costs are not expected to be used directly or indirectly to pay debt service with respect to any obligation or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the Authority, the Housing Commission or any entity related in any manner to the Authority, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

(c) As of the date hereof, the Housing Commission has a reasonable expectation that the Authority will issue the Bonds to reimburse Project costs. This Resolution is consistent with the budgetary and financial circumstances of the Authority, as of the date hereof. The Bonds will be repaid solely from proceeds of the Bonds and amounts paid by the Borrower. No other moneys are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the Authority (or any related party) pursuant to its budget or financial policies to repay the Bonds.

Section 2. Declaration of Official Intent. This Resolution is being adopted by the Housing Commission for purposes of establishing compliance with the requirements of sections 1.103-8(a)(5) and 1.150-2 of the Treasury Regulations. In such regard, the Housing Commission, for and on behalf of the Authority hereby declares the official intent to use proceeds of the Bonds to reimburse the Reimbursement Expenditures. This action is taken expressly for the purpose of inducing the Borrower to undertake the Project, and nothing contained herein shall be construed to signify that the Project complies with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Authority, the Housing Commission, the City of San Diego (City) or any officer or agent of the City will grant any such approval, consent or permit that may be required in connection with the acquisition, construction, equipping and operation of the Project, or that any of the Authority, the Housing Commission or the City will make any expenditure, incur any indebtedness, or proceed with the financing of the Project.

Section 3. Applications to CDLAC. The staff of the Housing Commission are hereby authorized and directed to apply to CDLAC for an allocation from the state ceiling of private activity bonds to be issued by the Authority for the Project in an amount not to exceed \$22,500,000, and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of deposits and the provision of certificates, additional applications to CDLAC (if necessary), and any such actions heretofore taken by such officers and program managers are hereby ratified, approved and confirmed.

Section 4. Approval of Bond Counsel and Financial Advisor. The financing team of Orrick, Herrington & Sutcliffe LLP, as bond counsel (Bond Counsel) and PFM Financial Advisors LLC, as financial advisor, is approved for this Project.

Section 5. Authority of President & Chief Executive Officer of Housing Commission.

The President & Chief Executive Officer of the Housing Commission, or designee, is hereby authorized to execute all necessary documents, in a form approved by the Housing Commission's General Counsel and/or Bond Counsel, and to perform such acts as are necessary to implement the approvals provided for in this Resolution.

Section 6. Effective Date. This Resolution shall take effect immediately upon its adoption.

EXHIBIT A

DESCRIPTION OF PROJECT

Name:	Beyer Boulevard Trolley Village
Location:	4055 Beyer Boulevard, San Diego, California
Number of Units:	100 (including 1 manager unit)
Maximum Bond Amount:	\$22,500,000

The foregoing Resolution is passed and adopted by the San Diego Housing Commission on _____, 2026.

By: _____
LISA JONES, President & Chief Executive
Officer of the San Diego Housing Commission