EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

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(A CALIFORNIA LIMITED PARTNERSHIP)
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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Everett and Eagle L.P.:

Report on the Financial Statements

We have audited the accompanying financial statements of Everett and Eagle L.P., a California limited partnership (the Partnership), which comprise the balance sheet as of December 31, 2018, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everett and Eagle L.P. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
May 16, 2019

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
BALANCE SHEET

AS OF DECEMBER 31,	**2018**
Assets	
Property, at cost	
Leasehold land improvements	$ 653,457
Offsite improvements	58,032
Buildings and improvements	13,419,660
Site work	737,313
Personal property	223,867
Total property	15,092,329
Cash and cash equivalents	9,947
TCAC refundable deposit	31,632
Prepaid ground lease	9,900
Deferred costs	49,674
Total assets	$ 15,193,482
Liabilities and Partners' Capital	
Notes payable, net of debt issuance costs	$ 11,600,863
Accrued interest payable	198,153
Developer fee payable	775,000
Construction costs payable	2,157,885
Total liabilities	14,731,901
Commitments and contingencies (See Notes)	
Partners' capital	461,581
Total liabilities and partners' capital	$ 15,193,482

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,		**2018**
Revenues		
Total revenues	$	-
Expenses		
Administrative		11,251
Taxes and insurance		1,874
Start-up costs		31,041
Total expenses		44,166
Net loss	$	(44,166)

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENT OF CHANGES IN PARTNERS' CAPITAL

	General Partner	Limited Partner	Total
Balance, December 31, 2017	$ 100	$ 505,647	$ 505,747
Net loss	(4)	(44,162)	(44,166)
Balance, December 31, 2018	$ 96	$ 461,485	$ 461,581

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	**2018**
Operating activities	
Net loss	$ (44,166)
Net cash used in operating activities	(44,166)
Investing activities	
Expenditures for development and construction costs	(9,422,451)
Cash used in investing activities	(9,422,451)
Financing activities	
Proceeds from notes payable	7,240,757
Cash provided by financing activities	7,240,757
Net change in cash and cash equivalents	(2,225,860)
Cash and cash equivalents at beginning of year	2,235,807
Cash and cash equivalents at end of year	$ 9,947

Supplemental disclosure of noncash investing and financing activities:

Unpaid construction and development costs	$ 2,157,885
Unpaid developer fee accrued during 2018	$ 669,000
Unpaid capitalized interest (including capitalized interest of $87,270 added to principal)	$ 225,196
Amortization of debt issuance costs capitalized to property	$ 131,072

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Everett and Eagle L.P. is a California limited partnership (the Partnership), which was formed on November 22, 2016 and subsequently amended and restated on June 27, 2017. The original partners were as follows: 2437 Eagle Avenue, LLC, a California limited liability company (the General Partner) and the Housing Authority of the City of Alameda, a public body corporate and politic (the Initial Limited Partner). Effective June 27, 2017, the Initial Limited Partner withdrew from the Partnership and Wincopin Circle LLLP, a Maryland limited liability partnership, was admitted as the Limited Partner.

The Partnership is involved in the acquisition, construction, financing, leasing, and operation of a 20-unit multifamily affordable rental housing project located in Alameda, California (the Project), that was placed-in-service on December 17, 2018.

The Partnership has or will enter into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), The Housing Authority of the City of Alameda (HACA), and the City of Alameda which will govern the ownership, occupancy, tenant income and rents, and management of the Project.

The First Amended and Restated Agreement of Limited Partnership (Partnership Agreement) has various provisions which determine, among other things, allocations of profits, losses and distributions to partners, the ability to sell or refinance the Project, loans and guarantees, the rights and duties of the General Partner, and other Partnership matters.

The General Partner and Limited Partner's percentage of interest in profits and losses is generally .01% and 99.99%, respectively.

Method of Accounting The Partnership's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This method reflects revenue when earned and expenses as incurred. Advertising and start-up costs (including leasing and organization) are expensed as incurred. Rental revenue will reflect the gross potential rent that may be earned. Vacancy loss and rental concessions will be shown separately as a reduction in rental revenue. Costs incurred during construction are capitalized, including interest and financing costs, and legal fees related to the construction of the Project.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Partnership considers all highly liquid unrestricted investments with an original maturity of three months or less to be cash equivalents.

Property Property is stated at cost. Depreciation will be provided using the straight-line method over the following estimated useful lives:

Description	**Life**
Leasehold land improvements	99 years
Offsite improvements	20 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

The Partnership capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Partnership reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Partnership recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2018.

Debt Issuance Costs Debt issuance costs of $260,824 , net of accumulated amortization of $131,378 as of December 31, 2018, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs will be reported as a component of interest expense following the placed-in-service date. Amortization of the construction loan is calculated using a method that approximates the effective interest method.

Concentrations of Business and Credit Risk The Partnership may have exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Partnership believes that its credit risk is not significant.

The Partnership is in the process of obtaining an exemption from real property taxes from the Alameda County Assessor. In the event the County Assessor does not grant the exemption, the Partnership's cash flow would be adversely impacted.

The Partnership rents to people with qualifying levels of income who work primarily in Alameda, California. The Partnership is subject to business risks associated with the future funding of governmental public assistance, which affects occupancy as well as tenant's ability to make rental payments.

Property Management Fee The Partnership entered into a property management agreement with The John Stewart Company, an unrelated entity. The property management agreement provides for a monthly fee equal to $55 per unit. No property management fees were incurred during the year ended December 31, 2018.

Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

2. RESERVES

Operating Reserve The Partnership Agreement and loan agreements require an initial funding of an operating reserve of $105,080 to be funded upon payment of the Third and Fifth Installments of the Limited Partner's Capital Contribution of $50,000 and $55,080, respectively, neither of which has occurred as of December 31, 2018. Deposits to the operating reserve will be made from Cash Flow, as defined, in order to maintain a balance of $105,800.

Transition Reserve The Partnership Agreement and loan agreements require an initial funding of a transition reserve of $675,000 from the Limited Partner capital contributions to be funded upon payment of the Fifth, Sixth, and Seventh Installments of the Limited Partner's Capital Contribution of $150,000, $216,000, and $309,000, respectively, none of which has occurred as of December 31, 2018.

Replacement Reserve The Partnership Agreement and loan agreements require an annual replacement reserve of $600 per unit ($12,000 annually), with funding beginning the month after the closing of the permanent loan financing (anticipated in 2019).

3. GROUND LEASE AGREEMENT – HACA

On June 1, 2017, the Partnership entered into a Ground Lease Agreement (the Agreement) to lease land owned by HACA. The Agreement, which expires June 1, 2116, provides for a prepaid ground lease payment of $9,900. The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheet and will be amortized over the life of the Agreement commencing in January 2019.

4. DEFERRED COSTS

Deferred costs consist of deferred ground lease costs and TCAC fees. Deferred ground lease costs will be amortized over the life of the ground lease (99 years) commencing in January 2019. TCAC fees are amortized over 15 years, which commenced when the Project was placed-in-service. Deferred costs are as follows:

As of December 31,		**2018**
TCAC fees	$	43,741
Deferred ground lease costs		5,933
Total deferred costs	$	49,674

5. NOTES PAYABLE

As of December 31,		**2018**
Note payable to JPMorgan Chase Bank, N.A. (Chase Loan), a national banking association, provides construction financing in the maximum amount of $9,859,528. The note is secured by a Construction and Permanent Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The note provides for interest only payments based on adjusted one-month LIBOR, as defined, plus 1.85% per annum through the Conversion Date, which is expected to occur in May 2019. The interest rate was 4.35% at December 31, 2018. On the Conversion Date, the construction loan will be partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of $3,330,168. Following conversion, the note will bear interest at 5.55% and require monthly payments of principal and interest of $17,993. The note will mature on September 21, 2039.	$	7,328,027

As of December 31,	**2018**
Note payable to the City of Alameda (HOME Loan), secured by a subordinated Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, borrowings up to $153,282, simple interest at 3.00% per annum, payable from Residual Receipts, as defined, and unpaid principal and interest are due on December 31, 2074.	152,282
Note payable to HACA (HACA Loan), in the original amount of $4,250,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, interest at 2.68%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2074.	4,250,000
Note payable to County of Alameda (County Loan), in the maximum amount of $1,000,000, secured by a subordinated Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, will bear simple interest at 3.00%, will be payable from Residual Receipts and unpaid principal and interest will be due on December 31, 2074. The loan is expected to fund in 2019.	-
Total notes payable	11,730,309
Less: unamortized debt issuance costs	(129,446)
Total notes payable, net	$ 11,600,863

At December 31, 2018, anticipated principal repayments of notes payable are as follows:

For the Year Ending December 31,	**Amount**
2019	$ 7,328,027
2020	-
2021	-
2022	-
2023	-
Thereafter	4,402,282
Total	$ 11,730,309

The HOME Loan, HACA Loan, and County Loan are payable based on available Residual Receipts, as defined in the respective loan agreements. If the County Loan is funded as anticipated, the percentage of Residual Receipts shall be paid as follows: 2.84% to the HOME Loan, 78.65% to the HACA Loan, and 18.51% to the County Loan.

An analysis of interest costs for 2018 is as follows:

	Accrued Interest 1/1/18	**Capitalized Interest**	**Interest Added to Principal**	**Interest Paid**	**Accrued Interest 12/31/18**
Chase Loan	$ -	$ 111,252	$ (87,270)	$ -	$ 23,982
HOME Loan	-	2,227	-	-	2,227
HACA Loan	60,227	111,717	-	-	171,944
Total	$ 60,227	$ 225,196	$ (87,270)	$ -	$ 198,153

6. RELATED PARTY TRANSACTIONS

Developer Fee The Partnership has entered into a joint developer fee agreement with HACA and an affiliate of the General Partner (collectively, the Developer). The Developer is entitled to receive a fee of $875,000 for its development services, all of which was incurred as of December 31, 2018. As of December 31, 2018, $775,000 remains unpaid. The unpaid developer fee is expected to be paid from future Limited Partner capital contributions and Cash Flow. The developer fee shall be paid in full on or before the last day of the Compliance Period, as defined, for the first building in the Project placed in service.

Investor Services Fee In accordance with Partnership Agreement, the Limited Partner, is to receive an annual investor services fee of $5,000 for the promotion of efficient communications and favorable relationships between the Partnership and Limited Partner, commencing the later of 2018 or the first calendar year the Partnership receives rental income. The fee shall increase by 3% per year and will be payable from Cash Flow. No investor services fee was incurred in 2018.

Partnership Administration Fee In accordance with the Partnership Agreement, the General Partner is to receive an annual partnership administration fee of $10,000 for supervisory services to cause the Project to operate efficiently, among other things, commencing the later of 2018 or the first calendar year the Partnership receives rental income. The fee shall increase by 3% per year and will be payable from Cash Flow. No partnership administration fee was incurred in 2018.

Rental Subsidies The Project has entered into a Housing Assistance Payment (HAP) contract with HACA. The current term of the HAP contract is for the period commencing December 2018 and shall run for a period of twenty years. The contract is subject to renewal as it expires. In accordance with the HAP contract, the amount of each tenant's subsidy varies depending on the income of each tenant. No rental subsidies were earned under the HAP contract for the year ended December 31, 2018.

7. CONSTRUCTION CONTRACT

The Partnership entered into a Construction Contract Agreement dated June 20, 2017 in the amount of $12,074,456, including change orders, for construction services in connection with the Project. At December 31, 2018, construction in the amount of $12,074,456 has been completed and billed.

8. CAPITAL CONTRIBUTIONS

Pursuant to the Partnership Agreement, the General Partner will make capital contributions of $100. Subject to certain adjustments as defined in the Partnership Agreement, the Limited Partner anticipates making capital contributions of $7,496,000. The Partnership has received $653,000 in Limited Partner capital contributions as of December 31, 2018 and anticipates receiving the remaining balance in 2019 through 2031, in accordance with the Partnership Agreement.

9. INCOME TAXES AND LOW-INCOME HOUSING TAX CREDITS

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners on their respective income tax returns. The

Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. The Partnership is subject to income tax examinations by tax authorities for the 2016 and 2017 tax years. There are no tax examinations currently pending.

The Partnership has received an allocation of federal low-income housing tax credits from TCAC, which are available only to the extent the Partnership complies with the Internal Revenue Service's tax credit regulations. The General Partner is responsible to ensure that the Partnership satisfies such requirements and has made certain guarantees to the Limited Partner, which are defined in the Partnership Agreement.

10. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

The Partnership has granted its General Partner a buyout option and right of first refusal to purchase the Project or the Limited Partner's interest. The buyout option shall become available following the end of the Compliance Period, as defined, and only if the General Partner has satisfied all obligations under the Partnership Agreement. The purchase price under this option is the greater of the fair market value of the Limited Partner's interest or the Project as of the date of the Buyout Notice, as defined, or $1 plus all federal, state, and local taxes attributable to such sale, plus all unpaid amounts due to the Limited Partner pursuant to the terms of the Partnership Agreement. The right of first refusal shall be granted to the General Partner for a period of 90 days before the Partnership can transfer, sell, alienate, assign, give, bequeath, or otherwise dispose of the Project. The purchase price under the right of first refusal is equal to the sum of the principal amount of all outstanding indebtedness secured by the Project, all other loans from the General Partner or its Affiliates, and any accrued interest on any of such debt; all federal, state, and local taxes attributable to such sale; and all unpaid amounts to the Limited Partner pursuant to the terms of the Partnership Agreement.

11. GENERAL PARTNER GUARANTEES

In connection with the development and operations of the Project, the General Partner and an affiliate have made certain guarantees, including an obligation to perform the General Partner's Partnership management duties, complete development of the Project, and provide Operating Deficit Loans, as defined in the Partnership Agreement.

12. CASH FLOW PAYMENT PRIORITIES

Payment of fees and other expenses contingent on Cash Flow, as defined by the Partnership Agreement, and distributions to partners from Cash Flow shall be disbursed as follows:

- First, to the Limited Partner, an amount equal to the Credit Deficiency;
- Second, to the Limited Partner, an amount sufficient to pay federal income taxes on taxable income allocated to the Limited Partner for such Fiscal Year by the Partnership, assuming the Limited Partner is subject to the maximum corporate federal income tax rate then in effect;

- Third, to pay the investor services fee;
- Fourth, from and after the Fifth Installment of the Limited Partner's capital contribution, to fund the operating reserve up to the operating reserve amount;
- Fifth, to the Developer to pay any unpaid balance on the deferred developer fee;
- Sixth, to the General Partner to repay any Operating Deficit Loan;
- Seventh, to pay the partnership administration fee;
- Eighth, to make payments on the HOME Loan, HACA Loan, and County Loan to the extent then due thereon; and
- Then, to the Partners in accordance with their Percentage Interests.

13. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events that have occurred through the date of the independent auditor’s report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.