Dana Point Harbor Partners, LLC

Financial Statements –
Federal Income Tax Basis

December 31, 2021

Dana Point Harbor Partners, LLC

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December 31, 2021

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Independent Auditors' Report

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The Members
Dana Point Harbor Partners, LLC

Opinion

We have audited the financial statements of Dana Point Harbor Partners, LLC (the Company), which comprise the statement of assets, liabilities and members' equity — federal income tax basis as of December 31, 2021, and the related statements of revenue and expenses — federal income tax basis, changes in members' equity — federal income tax basis and cash flows — federal income tax basis for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and members' equity of the Company as of December 31, 2021, and its revenue and expenses and changes in members' equity for the year then ended in accordance with the basis of accounting the Company uses for federal income tax purposes described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for federal income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Company uses for federal income tax purposes and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of gross receipts is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BAKER TILLY US, LLP

Baker Tilly US, LLP

Irvine, California
March 25, 2022

Dana Point Harbor Partners, LLC

Statement of Assets, Liabilities and Members' Equity —
Federal Income Tax Basis
December 31, 2021

Assets	
Development and improvements, net	$ 12,689,985
Cash	17,547,264
Accounts receivable	219,233
Prepaid expenses and other assets	1,912,435
Deposits	410,759
Total assets	$ 32,779,676
Liabilities and Members' Equity	
Liabilities	
Accounts payable	$ 491,057
Accrued liabilities	198,731
Accrued taxes	331,998
Tenant deposits	2,645,721
Total liabilities	3,667,507
Commitments and Contingencies (Note 8)	
Members' Equity	29,112,169
Total liabilities and members' equity	$ 32,779,676

Dana Point Harbor Partners, LLC

Statement of Revenue and Expenses —
Federal Income Tax Basis
Year Ended December 31, 2021

Revenues	$ 32,663,692
Expenses	
Facilities	4,820,942
Payroll and related expenses	3,281,388
Rent	2,511,071
Operating and maintenance	1,671,446
Property taxes and insurance	1,443,403
Management fees	1,433,036
Marketing and advertising	576,279
General and administrative	423,749
Depreciation and amortization	219,435
Total Expenses	16,380,749
Loan forgiveness (Note 5)	191,000
Excess of revenues over expenses	$ 16,473,943

Dana Point Harbor Partners, LLC

Statement of Changes in Members' Equity —
Federal Income Tax Basis
Year Ended December 31, 2021

Members' equity – January 1, 2021	$ 26,248,248
Excess of revenues over expenses	16,473,943
Distribution to members	(13,610,022)
Members' equity – December 31, 2021	$ 29,112,169

Dana Point Harbor Partners, LLC

Statement of Cash Flows —
Federal Income Tax Basis
Year Ended December 31, 2021

Cash Flows From Operating Activities	
Excess of revenues over expenses	$ 16,473,943
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation and amortization	219,435
Loan forgiveness (Note 5)	(191,000)
Change in operating assets and liabilities:	
Accounts receivable	112,013
Prepaid expenses and other assets	4,862,587
Accounts payable	(68,633)
Accrued liabilities	24,247
Accrued taxes	(72,827)
Tenant deposits	41,878
Net cash provided by operating activities	21,401,643
Cash Flows From Investing Activities	
Additions to development and improvements	(4,518,816)
Net cash used in investing activities	(4,518,816)
Cash Flows From Financing Activities	
Distributions to members	(13,610,022)
Net cash used in financing activities	(13,610,022)
Net increase in cash	3,272,805
Cash, beginning of year	14,274,459
Cash, ending of year	$ 17,547,264

1. Nature of Operations

Dana Point Harbor Partners, LLC ("DPHP" or the "Company"), a California limited liability company, was formed on January 26, 2017 (the "formation date"). The primary purpose of the Company is to operate and redevelop the marina, hotel and retail assets of the Dana Point Harbor, in the city of Dana Point, California (the "Property").

Pursuant to the Amended and Restated Operating Agreement dated September 5, 2017 (the "Op Agreement"), the term of the Company commences on the formation date and shall continue until terminated according to the provisions of the Op Agreement.

The Company commenced operations on October 29, 2018 upon entering into a 66-year ground lease with the County of Orange, California ("County"), for the Property.

The Company is wholly owned by the following members (collectively, the "Members"):

- Burnham-Ward Properties, LLC ("BWP") owns 33 1/3% (100 units)
- Bellwether Marine Development, LLC ("Bellwether") owns 33 1/3% (100 units)
- R.D. Olson Investments II, LLC ("R.D. Olson") owns 33 1/3% (100 units)

The Company has divided operations into the following components:

Commercial Core Operations

The commercial core operations include the retail, restaurants, offices, other landside buildings, and all park scape areas. BWP is responsible for the development, oversight and day to day operation of the Property's commercial core activities.

Marina Operations

The marina operations include the boat slips and boater parking. Bellwether is responsible for the development, oversight and day to day operation of the marina. Bellwether has appointed BellPort Group, Inc. ("BellPort"), an affiliated entity, as its initial designated manager.

Hotel Operations

The hotel operations are related to the Property's hotel called the Marina Inn. R.D. Olson is responsible for the development, oversight and day to day operation of the Property's hotel and hospitality activities. R.D. Olson has appointed Olson Real Estate Group, Inc. ("OREG"), an affiliate entity, as its initial designated manager. A third-party property manager, Twenty4seven Hotels Corporation ("Third-party Property Manager"), has been engaged by the Company to run the hotel operations.

Management

BWP, BellPort and OREG are collectively referred to as the Managers (the "Managers") of the Company. Each Manager is responsible for maintaining the books and records with respect to the management and operation of its respective component of the business.

The description of the Company's Op Agreement contained in these financial statements provides only general information. Refer to the Op Agreement for a more complete description of the provisions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting used for federal income tax purposes ("FITB"), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). Certain presentations and the timing of the recognition of certain revenues and expenses in the accompanying financial statements – federal income tax basis differ from what would be required under GAAP. The primary differences, as applicable, are as follows:

- For FITB, rental income under operating leases is recognized as rentals become due, rather than on a straight-line basis over lease term in accordance with ASC 840, "Leases," as required by GAAP.
- For FITB, the specific charge-off method is utilized to deduct bad debt expenses related to accounts receivable and is based on when a receivable is deemed uncollectible. As such, accounts receivable are carried at cost rather than at the amount expected to be collected. Under GAAP, an allowance for doubtful accounts is established when management believes collection of an account receivable is no longer probable.
- For FITB, depreciation of certain property and equipment is computed using the methods allowable for income tax purposes, instead of the estimated useful lives of individual assets as required by GAAP.
- For FITB, permanent declines in and, subsequently, realized losses on long-lived assets are recorded when the long-lived assets are abandoned or upon disposition of the long-lived assets. Under GAAP, such losses are provided when the assets are deemed impaired.
- Under GAAP, in accordance with ASC 740, "Income Taxes," the Company would be required to evaluate its uncertain tax positions and recognize liability for each uncertain tax position. This evaluation is not required for FITB.

Use of Accounting Estimates

The preparation of financial statements in conformity with FITB requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of commitments and contingencies. Actual results could materially differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially expose the Company to a concentration of credit risk, consist primarily of cash. Cash is maintained at financial institutions and, at times, the balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

General Risks

The Company's operations and markets are affected by local and regional factors such as the respective economies, demographic demand for retail, boating, and hospitality facilities, population age, governmental rules and regulations, and general economic trends.

Accounts Receivable

Accounts receivable primarily consist of receivables from tenants for rent and other charges, if applicable, recorded according to the terms of their respective leases. Uncollectable receivables are written off directly to bad debt expense when substantially all collection efforts have been exhausted.

Development and Improvements

On October 29, 2018, the Company entered into an agreement with the County of Orange, California to lease property located in the City of Dana Point for 66 years. Under the terms of the agreement, the Company is required to redevelop and renovate the property. All improvements are accounted for as assets of the Company.

Development and improvements are carried at depreciated cost. Depreciation is computed using income tax methods. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

Building and improvements are depreciated over the estimated useful lives of 39 years. Furniture and fixtures are depreciated over the estimated useful lives ranging from three to fiveyears.

Revenue Recognition

Revenue is recognized when it is due.

Income Taxes

The Company is organized as a limited liability company and is treated as a partnership for federal and state income tax purposes. Accordingly, the Company does not provide for federal and state income taxes. The members are responsible for reporting their allocable share of the Company's income, gains, deductions, losses and credits on their respective tax returns.

Management believes that the Company has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Tax returns filed from inception of the Company to December 31, 2021 are subject to examination by federal and state tax authorities.

CARES Act

The President has signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") as well as others that have provided various business tax incentives to taxpayers, certain provisions related to eligible providers and other economic stimulus. The Company will continue to evaluate and monitor all legislation to determine the ultimate impact, if any, to the Company.'

The CARES Act also appropriated funds for the Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. To apply for these funds, the Company was required to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further required to Company to take into account the Company's current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The Company entered into a PPP Loan in April 2020 and received forgiveness of the full amount during 2021 (see Note 5).

3. Development and Improvements, net

Development and improvements, net consisted of the following:

Buildings	$ 435,344
Equipment	508,911
Furniture and fixtures	103,151
Landscape improvements	74,696
Vehicles	96,287
	1,218,389
Less: accumulated depreciation	(793,050)
	425,339
Construction in progress	12,264,646
Total	$ 12,689,985

Depreciation and amortization expense for the year ended December 31, 2021 was $219,435.

4. Future Minimum Lease Payments

The future minimum lease payments to be received under existing operating leases as of December 31, 2021 are as follows:

Years Ending December 31,	
2022	$ 1,554,232
2023	264,900
2024	132,450
Total	$ 1,951,582

5. Paycheck Protection Program Loan

The Company was approved for and, on April 21, 2020 entered into a PPP loan agreement with a lender for a principal amount of $191,000. The Company met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during 2021. Legal release was received during August 2021. The Company recorded loan forgiveness income of $191,000 on the accompanying statement of revenue and expenses – federal income tax basis for the year ended December 31, 2021.

6. Members' Equity

As of December 31, 2021, the Members have made the following cash contributions to the Company:

- BWP: $3,000,000
- Bellwether: $3,000,000
- R.D. Olson: $3,000,000

No contributions were received during the year ended December 31, 2021. In accordance with the Op Agreement, net cash flow, if any, shall be distributed to the Members quarterly, in proportion to their respective ownership interests. Further, at a minimum, the Company shall distribute to each Member an amount equal to 25% of the Company's taxable income multiplied by the sum of the maximum federal and state of California income tax rate in effect attributed to each Member on each of April, June, September. However, the Company shall make no distributions to the

Members if after giving effect to the distribution, all liabilities of the Company, other than liability to the Members on account of the capital contributions, would exceed the fair value of the Company's assets. During the year ended December 31, 2021, $13,610,022 in distributions were made to the Members.

In accordance with the Op Agreement, profits and losses with respect to any year shall be allocated to the Members, after giving effect to the special allocations, as defined, and subject to the loss limitation as follows:

Profits

First to the Members to the extent of the amount by which the cumulative losses allocated to the Members for all prior allocation periods exceeds the cumulative profits previously allocated to them, then to the Members in accordance with their respective percentageinterest.

Losses

First to the Members to the extent of the amount by which the cumulative profits allocated to the Members for all prior allocation periods exceeds the cumulative losses previously allocated to them, then to the Members in accordance with their respective percentage interest.

Loss Limitation

In accordance with the Op Agreement, losses allocated shall not exceed the maximum amount of losses that can be allocated without causing any Member to have an adjusted capital account deficit at the end of any fiscal year. In the event some, but not all, of the Members would have an adjusted capital account deficit as a consequence of an allocation of losses, the losses not allocable to any Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in their respective capital accounts.

A contract receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 60 days. Management monitors the receivable, pursues all available methods of collecting the balance due, including filing a mechanics lien, if appropriate. Interest is generally not charged on past due accounts.

7. Related Party Transactions

In accordance with the Op Agreement, the following fees are payable to the Managers:

Management Fees

The Manager may charge management fees for the day-to-day management of the Property, as approved in the budget. For the year ended December 31,2021, the Company incurred $1,214,751 in management fees, which are included in management fees in the accompanying statement of revenues and expenses – federal income tax basis.

In addition, each Manager that hires a third-party operator for the operation of the Property shall be paid an asset management fee of 4% of the net operating income, as defined. For the year ended December 31, 2021, the Company incurred $121,003 in asset management fees, which are included in management fees in the accompanying statement of revenues and expenses – federal income tax basis.

Third-Party Property Manager

The third-party Property Manager charges a base fee of 3% of gross revenue, however, in the first year, the fee is the greater of 3% of gross revenue or $10,000 per month. The third-party Property Manager is also entitled to an incentive fee equal to, for any operating year, an amount equal to 15% of the excess of (i) actual net operating income for such operating year over (ii) the net operating income budgeted for such operating year in the applicable operating plan and budget, as defined. For the year ended December 31, 2021, the Company incurred $97,282 in property management fees, which are included in management fees in the accompanying statement of revenues and expenses – federal income tax basis. The Third-party Property Manager is also subject to other terms and conditions, including establishing a capital improvements and reserve fund, as defined (see Note 8).

Developer and Contractor Fees

Each Manager shall be entitled to a 4% development fee based upon the approved budget with such fee to be charged at the time of construction as such costs are incurred. For the year ended December 31, 2021, no such developer fees were incurred.

OREG has the right, but not the obligation, without such majority approval, to hire R.D. Olson Construction, Inc. as the general contractor for the hotel component with general contractor fees of 6%, such fee not to include general conditions. Bellwether has the right, but not the obligation, to hire Bellingham Marine as the design builder of the marina component consistent with BellPort's scope and budget submitted to the County of Orange. For the year ended December 31, 2021, no such contractor fees were incurred.

8. Commitments and Contingencies

Leasing Arrangement

The Company leases the property in the City of Dana Point from the County of Orange, California under a noncancelable operating lease that expires in 2084. The lease generally requires the Company to pay property taxes, insurance, normal maintenance, other operating costs of the property, and annual rental escalations. In addition, the lease requires contingent rent payments based upon a percentage of the applicable gross receipts. The amounts of future minimum lease payments do not reflect any contingent rental payments or potential adjustments for Consumer Price Index changes, as defined and assumes the minimum rent for the hotel component is abated through April 2021, and, accordingly, actual future lease payments may be higher. Minimum lease rent for the year ended December 31, 2021 was $1,784,659 and contingent rent based on gross receipts was $726,412.

The lease requires minimum annual payments as follows:

Years Ending December 31,	
2022	$ 1,666,666
2023	1,666,666
2024	1,666,666
2025	1,666,666
2026	1,666,666
Thereafter	96,388,850
Total	$ 104,722,180

Management Agreements

The Company's management agreement with BWP commenced October 2018 and shall continue for a period of 36 months. Thereafter, the management agreement is cancellable upon 30 days written notice. The Company's management agreement with BellPort commenced January 2019 and has an initial term of 5 years and will automatically renew for successive 5 year periods thereafter unless terminated at least 12 months in advance of the renewal date and not earlier than 15 months in advance.

Third-Party Property Management Agreement

The term of the Third-Party Property Management agreement expires on the earlier of (a) the expiration date and (b) the date, if any, that the agreement is terminated in accordance with its terms. The expiration date (as it may be extended from time to time) is automatically extended for an additional 1 year period unless, on or before the 60th day before such expiration date, either party gives the other party notice that such expiration date will not be extended.

Contingencies

The Company's operations are subject to a variety of state and local regulations. Failure to comply with one or more regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations; however, the Company believes that it is in compliance with applicable local and state regulations as of December 31, 2021.

The Company is subject to certain claims and complaints that arise during the ordinary course of business. The Company is not aware of any claims or complaints that would have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

Future Marine Maintenance

As part of its lease obligation with the County, the Company is responsible for maintenance of the lease property. This includes the required dredging of the harbor that occurs approximately every 8 to 10 years. The Company estimates the cost of the harbor dredging to be $7.7 million. No reserve for this matter has been included in the financial statements.

Indemnification

The Company has indemnified the Managers for all expenses, losses, liabilities or otherwise that the Company actually and reasonably incurs arising out of or relating to the conduct of the Company's activities, unless the loss is the result of fraud, deceit, gross negligence, reckless actions.

9. Subsequent Events

The Partnership has evaluated subsequent events from the date of the financial statements through March 25, 2022, the date on which the financial statements were available to be issued.

In March 2022, the Company amended its original lease agreement with the County of Orange. The amendment redefines the obligation for the hotel operations if proper approvals to build new hotels aren't obtained.

SUPPLEMENTAL SCHEDULE

Dana Point Harbor Partners, LLC

Supplemental Statement of Gross Receipts
Year Ended December 31, 2021

Business Categories	
Boat Slips, Anchorages, Moorings, Dockside Gear Lockers	$ 18,441,105
Boat-out or Boat Repair, Including Maintenance, Repair, Painting, Club dues, initiation fees	–
Cable television, internet, satellite, telecommunication or other antennae fees	–
Commercial Core Rents	–
Direct Taxes imposed upon the customer and collected	527,891
Dry Stack Storage or Mast-up Storage	–
Existing Marina Inn hotel room revenue	5,114,402
Gross Receipts from club dues, initiation fees	2,556
Gross Receipts from operation of excursion, sightseeing	–
Gross Receipts from Overnight Trailer Storage	–
Gross Receipts from parking operations	201,790
Gross Receipts from insurance claims other than rental or business interruption	48,215
Installation or Operation of Coin-Operated Vending or Service machines	10,556
Launch and Retrieval of Small Boats	–
Lease Use or Occupancy for an Office (Including Boat Brokerage and Commercial Core Components)	6,981,369
Lease Use or Occupancy for an Office (Including Boat Brokerage)	736,408
Lease, Use of Occupancy of the Boat Repair Shop	114,464
Miscellaneous Boater Services	–
Other Dry or Landside Storage Facilities	–
Payments received from a Sublessee for the Cost of such Sublease	–
Rental of Boats for charter boats, bareboat charters and sport fishing	64,184
Rental of Boats or Other Commercial Boating Activities; Misc. boater services	420,962
Rental or Other Fees for Boats, Motors, Tackle, Recreational Equipment	–
Security Deposits paid by a Sublessee to a Lessee to be held	299,491
Service Enterprises, cable television, internet, satellite or other antennae	–
Other Hotel operations	52,791
Parking operations	264,614
Payments received from a Sublessee for the cost of such lease	13,088
Payments received from a Sublessee for the cost of such sublease	77,479
The sale of marine insurance in conjunction with boat sales/boat brokerage	–
The sale of Fuel or Oil	–
Use or Occupancy of space used for display of new or used boats	–
Use or Occupancy of space used for both events and catering of events	7,192
Total gross receipts	$ 33,348,557