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Dana Point Harbor Partners, LLC

Consolidated Financial Statements
As of December 31, 2020 and 2019 and
for the Year Ended December 31, 2020
and for the period from October 29, 2018
(Inception) to December 31, 2019

BDO

Dana Point Harbor Partners, LLC

Contents

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Independent Auditor’s Report

The Members
Dana Point Harbor Partners, LLC
Newport Beach, California

Opinion

We have audited the consolidated financial statements of Dana Point Harbor Partners, LLC (the “Company”), which comprise the consolidated statements of assets, liabilities and members’ equity- federal income tax basis as of December 31, 2020 and 2019, and the related consolidated statements of revenues and expenses – federal income tax basis, changes in members’ equity – federal income tax basis, and cash flows – federal income tax basis for the year ended December 31, 2020 and for the period from October 29, 2018 (Inception) to December 31, 2019, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the assets, liabilities and members’ equity of the Company as of December 31, 2020 and 2019, and its revenues and expenses, changes in members’ equity and its cash flows for the year ended December 31, 2020 and for the period from October 29, 2018 (Inception) to December 31, 2019, in accordance with the basis of accounting the Company uses for federal income tax purposes as 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Treatment

As discussed in Note 2 to the consolidated financial statements, the Company has elected to change its method of accounting relating to its captive insurance policy. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding COVID-19 and CARES Act

As more fully described in Note 2 to the consolidated financial statements, the Company was materially impacted by the outbreak of the novel coronavirus (“COVID-19”), which was declared a global pandemic by the World Health Organization in March 2020. Also, on March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act to provide certain relief as a result of the COVID-19 outbreak. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accrual basis of accounting the Company uses for federal income tax purposes; this includes determining that this basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 consolidated 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 consolidated 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.

Other Matters

Supplemental information

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

Restriction on Use

This report is intended solely for the information and use of the Members of the Company and the County of Orange and is not intended to be and should not be used by anyone other than these specified parties.

BDO USA, LLP

Costa Mesa, California
March 31, 2021

Consolidated Financial Statements – Federal Income Tax Basis

Dana Point Harbor Partners, LLC

Consolidated Statements of Assets, Liabilities and Members' Equity-
Federal Income Tax Basis

As of December 31,		**2020**		2019 (as restated)
Assets				
Development and improvements, net	**$**	**8,390,604**	$	4,205,648
Cash		**14,274,459**		13,182,462
Accounts receivable		**331,246**		220,101
Prepaid expenses and other assets		**6,775,022**		6,253,826
Deposits		**410,759**		410,759
Total assets	**$**	**30,182,090**	$	24,272,796
Liabilities and Members' Equity				
Accounts payable	**$**	**559,690**	$	76,976
Accrued liabilities		**174,484**		112,235
Accrued taxes		**404,825**		924,854
Debt		**191,000**		-
Other liabilities		**2,603,843**		2,690,013
Total liabilities		**3,933,842**		3,804,078
Commitments and contingencies (Note 8)				
Members' equity		**26,248,248**		20,468,718
Total liabilities and members' equity	**$**	**30,182,090**	$	24,272,796

See accompanying notes to consolidated financial statements.

Dana Point Harbor Partners, LLC

Consolidated Statements of Revenue and Expenses - Federal Income Tax Basis

	For the year ended December 31, 2020	For the period from October 29, 2018 (Inception) to December 31, 2019 (as restated)
Revenues	**$ 27,066,257**	$ 32,038,648
Expenses:		
General and administrative	**310,492**	373,395
Marketing and advertising	**509,189**	816,204
Depreciation and amortization	**125,992**	444,992
Payroll and related Expenses	**2,822,958**	3,677,079
Facilities	**7,564,496**	8,597,899
Operating and maintenance	**1,442,619**	2,283,321
Management fees	**1,247,439**	2,377,187
Property taxes and insurance	**1,105,351**	1,937,029
Other	**67,282**	159,650
Total expenses	**15,195,818**	20,666,756
Excess of revenues over expenses	**$ 11,870,439**	$ 11,371,892

See accompanying notes to consolidated financial statements.

Dana Point Harbor Partners, LLC

Consolidated Statements of Changes in Members' Equity – Federal Income Tax Basis

		Total Members' Equity
Members' equity – October 29, 2018 (Inception)	$	-
Contributions from members		9,096,826
Excess of revenues over expenses (as restated)		11,371,892
Members' equity – December 31, 2019 (as restated)		20,468,718
Excess of revenues over expenses		11,870,439
Distribution to members		(6,090,909)
Members' equity – December 31, 2020	$	26,248,248

See accompanying notes to consolidated financial statements.

Dana Point Harbor Partners, LLC

Consolidated Statements of Cash Flows - Federal Income Tax Basis

	For the year ended December 31, 2020	For the period from October 29, 2018 (Inception) to December 31, 2019 (as restated)
Cash flows from operating activities		
Excess of revenues over expenses	**$ 11,870,439**	$ 11,371,892
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	**128,634**	444,992
Changes in assets and liabilities:		
Accounts receivable	**(111,145)**	(220,101)
Prepaid expenses and other assets	**(434,509)**	(6,157,000)
Deposits	**-**	(410,759)
Accounts payable, accrued liabilities, and accrued taxes	**(308,661)**	1,114,065
Other liabilities	**(86,170)**	2,690,013
Net cash provided by operating activities	**11,058,588**	8,833,102
Cash flows from investing activities		
Additions to development and improvements	**(4,066,682)**	(4,650,640)
Net cash used in investing activities	**(4,066,682)**	(4,650,640)
Cash flows from financing activities		
Proceeds from issuance of debt	**191,000**	-
Distributions to Members	**(6,090,909)**	-
Contributions from members	**-**	9,000,000
Net cash (used in) provided by financing activities	**(5,899,909)**	9,000,000
Net increase in cash	**1,091,997**	13,182,462
Cash and cash equivalents, beginning of period	**13,182,462**	-
Cash and cash equivalents, end of period	**$ 14,274,459**	$ 13,182,462
Non-cash Investing and financing activities		
Non-cash contributions from members	**$ -**	$ 96,826
Additions to development and improvements included in accounts payable and accrued Liabilities	**248,174**	-

See accompanying notes to consolidated financial statements.

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 ("Inception") 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 ("RD 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 includes 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") as its initial designated manager.

Hotel Operations
The hotel operations are related to the Property's hotel called the Marina Inn. RD Olson is responsible for the development, oversight and day to day operation of the Property's hotel and hospitality activities. RD Olson has appointed Olsen Real Estate Group, Inc. ("OREG") 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 consolidated 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

Principals of Consolidation

The accompanying consolidated financial statements – federal income tax basis include the accounts of the Commercial Care, Marina and Hotel operations. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The consolidated 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 consolidated 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 consolidated 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.

The property leased by the Company at December 31, 2020 and 2019 is located in Dana Point Harbor, California; accordingly, there is a geographic concentration of risk subject to fluctuation in the local economy.

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 five years.

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 Company for deferral 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, 2020 are subject to examination by federal and state tax authorities. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in other expense. For the year ended December 31, 2020 and for the period from Inception to December 31, 2019, no interest or penalties were recorded in the accompanying consolidated financial statements.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to a novel strain of coronavirus ("COVID-19"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The Company's operations were materially impacted as it depends significantly on the demand for retail, hospitality, and boating facilities and the tenant's ability to pay rent. As such, a significant continued disruption in the Company's operations may materially impact the collectability of rent from affected tenants as well as the recoverability of certain assets.

The Company continues to monitor the impact of COVID-19 and has worked with tenants and visitors to minimize any adverse effects. Within the commercial core operations, tenants were offered short-term interest-free rent deferment to assist them through the State mandated "shelter-in-place" order. The Company has utilized available cash on hand to create al fresco patio areas to assist restaurants with dining restrictions and minimize restaurant revenue lost due to dining restrictions. DPHP's third party managers for the various product units (commercial core and marina) have maintained full level of services and support. The Dana Point Marina Inn did experience a reduction in staffing to coincide with the decreased levels of occupancy during the stay at home order including minimal layoffs, furloughs, and reduction in hours for hourly employees.

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 did enter into a PPP Loan in April 2020 (see Note 5).

Change in Accounting Method

Subsequent to the issuance of the December 31, 2019 consolidated financial statements, the Company changed its method of accounting relating to its captive insurance policy to be consistent with its tax treatment whereby premium costs are not to be expensed and determined that the 2019 consolidated balance sheet and consolidated statements of revenues over expenses required retroactive adjustment to reflect the change. To present the consolidated balance sheet and consolidated statements of revenues over expenses for the change in accounting treatment, management has adjusted its previously issued consolidated financial statements as of December 31, 2019 and for the period from Inception to December 30, 2019 for an increase in prepaid expenses and other assets of $5.3 million and, a reduction in expenses of $5.3million.

Revision of Previously Issued Consolidated Financial Statements for Correction of Immaterial Errors

Subsequent to the issuance of the December 31, 2019 consolidated financial statements, the Company determined that the 2019 consolidated statements of assets, liabilities and members' equity and the consolidated statements of revenues over expenses required adjustment to reflect an incorrect dredging reserve. The Company assessed the materiality of the adjustment on its 2019 consolidated financial statements, assessing materiality both quantitatively and qualitatively, in accordance with ASC 250, *Accounting for Changes and Error Corrections*, and concluded that the error was not material to the Company's consolidated financial statements as of and for the period from Inception to December 31, 2019. To correctly present the consolidated financial statements, management has revised its previously issued consolidated financial statements as of for the period from Inception to December 31, 2019 for a reduction in liabilities of $1 million with a corresponding reduction in expenses, resulting in an increase in excess revenues over expenses of $1 million.

The effects of the adjustment and revision discussed above to the December 31, 2019 consolidated financial statements are shown in the table below:

December 31, 2019	*As Originally Reported*	*Adjustment*	*Revision*	*As Restated*
Prepaid expenses and other assets	$ 937,076	$ 5,316,750	$ -	$ 6,253,826
Total assets	18,956,046	5,316,750	-	24,272,796
Other liabilities	3,691,013	-	(1,001,000)	2,690,013
Total liabilities	4,805,078	-	(1,001,000)	3,804,078
Members' equity	$ 14,150,968	$ 5,316,750	$ 1,001,000	$ 20,468,718
For the period from October 29, 2018 (Inception) to December 31, 2019				
Total expenses	$ 26,984,506	$ (5,316,750)	(1,001,000)	$ 20,666,756
Excess of revenues over expenses	$ 5,054,142	$ 5,316,750	1,001,000	$ 11,371,892

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3. Development and Improvements, net

Development and improvements, net consisted of the following:

As of December 31,	2020	2019
Buildings	$ 435,344	$ 251,056
Equipment	361,748	345,498
Furniture & Fixtures	99,954	-
Parkscape improvements	74,696	74,696
Vehicles	19,330	19,330
	991,072	690,580
Less: Accumulated depreciation	(573,626)	(444,992)
	417,446	245,588
Construction in progress	7,973,158	3,960,060
	$ 8,390,604	$ 4,205,648

Depreciation and amortization expense for the year ended December 31, 2020 and for the period from Inception to December 31, 2019 was $128,634 and $444,992 respectively.

4. Future Minimum Lease Payments

The future minimum lease payments to be received under existing operating leases as of December 31, 2020 are as follows:

Years Ending December 31,	
2021	$ 2,038,708
2022	1,554,232
2023	264,900
2024	132,450
Total	$ 3,990,290

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 PPP loan is payable in equal monthly installments beginning seven months after the loan disbursement through the maturity date of April 21, 2022. The PPP loan bears interest at 1.00% per annum. The balance as of December 31, 2020 is $191,000. There is no assurance the Company is eligible for loan forgiveness of these funds. No interest expense was recorded for the year ended December 31, 2020.

6. Members' Equity

As of December 31, 2020 and 2019, the Members have contributed the following cash contributions to the Company:

- Burnham-Ward Properties, LLC ("BWP") $3,000,000
- Bellwether Marine Development, LLC ("Bellwether") $3,000,000
- R.D. Olson Investments II, LLC ("RD Olson") $3,000,000

In addition to the cash contributions noted above, the members also contributed $96,826 in aggregate non-cash contributions during the period from October 29, 2018 (Inception) to December 31, 2019. No contributions were received during the year ended December 31, 2020. In accordance with the Op Agreement, net cash flow, if any, shall be distributed to the Members quarterly, in proportion to their respective percentage interests. Further, at a minimum, the Company shall distribute to each Member an amount equal to twenty-five percent (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, 2020, $6,090,909 in distributions have been made to the Company's members and no distributions were made for the period from Inception to December 31, 2019.

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 percentage interest.

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 such Member's capital accounts.

7. Related Party Transactions

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

Management Fees

Each 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, 2020 and for the period from Inception to December 31, 2019 the Company incurred $950,740 and $1,285,857, respectively, in management fees, which are included in management fees in the accompanying consolidated statements of revenues and expenses – federal income tax basis. As of December 31, 2020 and 2019, $1,096,165 and $66,404 respectively, were payable to certain managers. As of December 31, 2020 and 2019 $0 and $66,404 included in accounts payable, respectively, in the accompanying consolidated statements of assets, liabilities and members' equity.

In addition, each Manager that hires a third-party operator for the operation of the Property shall be paid an asset management fee of four percent (4%) of the net operating income, as defined. For the year ended December 31, 2020 and for the period from Inception to December 31, 2019, the Company incurred $0 and $147,973 respectively in asset management fees, which are included in management fees in the accompanying consolidated statements of revenues and expenses – federal income tax basis.

During the period from October 29, 2018 (Inception) to December 31, 2019, the Company paid a $700,000 termination fee to a former operator. Such amount is included in management fees in the accompanying consolidated statements of revenues and expenses – federal income tax basis.

Third-Party Property Manager

The Third-party Property Manager charges a base fee of three percent (3%) of gross revenue, however, in the first year, the fee is the greater of three percent (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 fifteen percent (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, 2020 and for the period from Inception to December 31, 2019, the Company incurred $151,273 and $248,393 in property management fees respectively, which are included in management fees in the accompanying consolidated statements 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 four percent (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, 2020 and for the period from Inception to December 31, 2019, 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 six percent (6%), such fee not to include general conditions, and 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, 2020 and for the period from Inception to December 31, 2019, 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, 2020 and for the period from Inception to December 31, 2019 was $1,379,167 and $1,579,167 respectively, and contingent rent based on gross receipts was $459,848 and $666,952 respectively.

The lease requires minimum annual payments as follows:

Years ending December 31,	
2021	$ 1,527,777
2022	1,666,666
2023	1,666,666
2024	1,666,666
2025	1,666,666
Thereafter	98,055,516
	$ 106,249,957

Management Agreements

The Company's management agreement with BWP commenced October 2018 and shall continue for a period of thirty-six (36) months. Thereafter, the management agreement is cancellable upon thirty (30) days written notice. The Company's management agreement with BellPort commenced January 2019 and has an initial term of five (5) years and will automatically renew for successive five (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 one (1) year period unless, on or before the sixtieth (60th) day before such expiration date, either party gives the other party notice that such expiration date will not be extended. The initial expiration date is the third (3rd) anniversary from the opening date or November 29, 2021.

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, 2020.

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 consolidated 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 consolidated 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 consolidated financial statements through March 31, 2021, the date on which the consolidated financial statements were available to be issued, and determined that there are no items to disclose.

Supplemental Schedule

Dana Point Harbor Partners, LLC

Supplemental Statements of Gross Receipts

Business Categories	**For the year ended December 31, 2020**	For the period from October 29, 2018 (Inception) to December 31, 2019
Boat Slips, Anchorages, Moorings, Dockside Gear Lockers	**$ 16,587,441**	$ 18,926,100
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	**-**	861,173
Direct Taxes imposed upon the customer and collected	**309,735**	426,398
Dry Stack Storage or Mast-up Storage	**-**	-
Exiting Marina Inn hotel room revenue	**3,015,499**	3,854,425
Gross Receipts from club dues, initiation fees	**2,924**	-
Gross Receipts from operation of excursion, sightseeing	**-**	-
Gross Receipts from Overnight Trailer Storage	**-**	-
Gross Receipts from parking operations	**210,775**	143,090
Gross Receipts from existing Marina Inn Hotel Room Re	**-**	341,020
Installation or Operation of Coin-Operated Vending or Service machines	**9,731**	9,849
Launch and Retrieval of Small Boats	**-**	
Lease Use or Occupancy for an Office (Including Boat Brokerage and Commercial Core Components)	**5,248,330**	7,020,777
Lease Use or Occupancy for an Office (Including Boat Brokerage)	**736,299**	-
Lease, Use of Occupancy of the Boat Repair Shop	**299,920**	219,658
Miscellaneous Boater Services	**-**	2,680
Other Dry or Landside Storage Facilities	**-**	13,526
Payments received from a Sublessee for the Cost of such Sublease	**-**	-
Rental of Boats for charter boats, bareboat charters and sport fishing	**73,159**	30,920
Rental of Boats or Other Commercial Boating Activities; Misc. boater services	**318,138**	298,620
Rental or Other Fees for Boats, Motors, Tackle, Recreational Equipment	**-**	10,656
Security Deposits paid by a Sublessee to a Lessee to be held	**455,794**	297,913
Service Enterprises, cable television, internet, satellite or other antennae	**-**	-
Other Hotel operations	**36,149**	38,074
Parking operations	**26,219**	70,075
Payments received from a Sublessee for the cost of such lease	**16,039**	-
Payments received from a Sublessee for the cost of such sublease	**38,445**	25,742
The sale of marine insurance in conjunction with boat sales/boat brokerage	**-**	-
The Sale of Fuel or Oil	**-**	15,393
Use or Occupancy of space used for display of new or used boats	**1,650**	-
Use or Occupancy of space used for both events and catering of events	**-**	4,500
Total gross receipts	**$ 27,386,247**	$ 32,610,589

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