

**COHNREZNICK ASSESSMENT**

**OF**

**MERRITT COMMUNITY CAPITAL CORPORATION**  
**AS A HOUSING TAX CREDIT SYNDICATOR**

**OCTOBER 19, 2020**



## Limiting Conditions

This report and the analysis contained therein have been undertaken exclusively for clients with whom we have executed either an Engagement Agreement or an Access Letter specific to this engagement. At your request, we have performed certain due diligence procedures with respect to Merritt Community Capital Corporation (variously the "Sponsor" or "Merritt"). These procedures were performed solely to assist the readers to evaluate certain organizational, financial and operating characteristics of the Sponsor as a housing tax credit syndicator. The sufficiency of these procedures is the responsibility of the users of the report. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and thus did not perform, an audit or examination, the objective of which would be the expression of an opinion on the accompanying financial information. Accordingly, we do not express any opinion on the accompanying financial information. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

CohnReznick provides audit, tax and advisory services to a large and diverse group of clients, including audit and tax services for the Sponsor and its affiliates. We ask that you consent to the provision of such services, so long as no individual involved in this engagement is part of a team providing such services.

**The tax advice contained herein was not intended or written by CohnReznick, LLP to be used, and cannot be used, by the recipient to avoid penalties that may be imposed on the recipient.**

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## RE: Access Agreement

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Ladies and Gentlemen:

We understand that CohnReznick, LLP (“CohnReznick”) has been engaged by Merritt Community Capital Corporation (the “Sponsor”), to perform certain due diligence services (the “Services”). We are requesting a copy of the report prepared by CohnReznick dated October 19, 2020, including any portion thereof, the “Report(s)”.

We understand that (1) the Services were undertaken, and the Report was prepared, solely for the benefit and use of the Sponsor and was not intended for any other purpose; (2) CohnReznick has made no representation or warranty to us as to the sufficiency of the Services or otherwise with respect to the Report; and (3) had CohnReznick been engaged to perform additional services or procedures, other matters might have come to their attention that would have been addressed in the Report. We further acknowledge and agree that we do not acquire any rights against CohnReznick, or any of its affiliates, principals, or employees (collectively, the “CohnReznick Parties”), as a result of such access to the Report(s) and the CohnReznick Parties assume no duty, obligation or liability whatsoever to us, in connection with the Report, our access thereto or the Services.

The Report is limited to our assessment of the Sponsor, and is based solely on information obtained as a result of certain standard procedures we follow in connection with all sponsor reviews. The Report is subject to many limitations and does not provide any form of assurance with respect to any of the information discussed or referred to therein. We hereby acknowledge that we understand and accept the scope and limitations of the Report. We have performed, or will perform, our own due diligence inquiries and procedures for all purposes, other than reviewing the Report, in connection with considering investments offered by the Sponsor.

CohnReznick’s advice and services are only applicable to the specific facts and circumstances presented to it. This agreement expressly authorizes disclosure of every aspect of our advice and services provided in conjunction with the Services with any and all persons, without limitation. However, because CohnReznick’s advice is solely for the benefit of the Sponsor and is not to be relied upon by any other persons, as part of any such disclosure we must inform all such persons that they may not rely upon CohnReznick’s advice without its written consent.

Acknowledged by:

(Name) \_\_\_\_\_

(Title) \_\_\_\_\_

On behalf of: \_\_\_\_\_

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# The Sponsor

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<b>Name of Entity</b>	Merritt Community Capital Corporation
<b>Name of CEO</b>	Ari Beliak
<b>Tax Status</b>	Non-profit
<b>Year of Inception</b>	1989
<b>Number of Employees</b>	10 (+ 3 part-time contractors)
<b>Principal Office(s)</b>	Oakland, CA

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## I. Introduction

There are approximately forty organizations actively syndicating low-income housing tax credit (“LIHTC” or “housing credit”) investments. Syndicators are primarily service providers of real estate acquisition and underwriting services and long-term portfolio asset management and investor reporting services. Certain elements of a syndicator’s operations can be compared on a quantitative basis: years in business, gross equity placed, total properties acquired, and the operating performance of the underlying property and fund investments. But assessing the most important characteristics of a housing credit syndicator requires a combination of objective analysis and subjective judgment.

The National Association of State and Local Equity Funds (“NASLEF”) is a professional, nonprofit association formed to promote the efficient management of state and local equity funds. Collectively through 2019, the 12 member organizations have raised over \$16.9 billion in equity capital for rental housing developments throughout 42 states, creating or rehabilitating more than 201,125 units of affordable housing in 4,175 developments.

Rendering a judgment about the Sponsor requires inquiry into these, among other matters:

**1. Has the organization demonstrated a long-term commitment to the housing credit business?**

Merritt Community Capital Corporation was originally formed as an instrumentality of the City of Oakland in 1989 shortly after the inception of the housing tax credit program, with a mission to raise equity capital for housing developments built by non-profit corporations to serve low-income residents. In 1995, what became the Sponsor was formally separated from the City of Oakland and the Board hired an independent staff. The Sponsor is an active member of NASLEF.

Since inception, the Sponsor has syndicated 21 multi-investor tax credit funds and one proprietary fund, closed more than \$900 million of investor equity of and invested into approximately 130 property investments totaling more than 9,000 units.

Merritt believes that long-term relationships with investors, developers, and other partners are the key to creating projects that are financially and structurally sustainable over time.

**2. Does the company expect to focus on affordable housing as**

We hold a strong bias in favor of syndicators that have demonstrated a long-term commitment to the housing credit program and plan to stay the course going forward. Throughout Merritt’s history, it has been exclusively

***its core mission or does it see diversification into new business lines as the key to its future?***

committed to syndicating, and asset managing low-income housing tax credit projects, predominantly in the greater Bay area and Los Angeles markets. Typical projects in the Sponsor's portfolio are 4% rehab properties, developed by non-profit developers.

Unlike many of its for-profit and non-profit competitors, Merritt has not added fundamentally new lines of business since inception. The Sponsor's management expressed interest in exploring permanent and acquisition loans, activities that are complimentary to the organization's core competencies.

The Sponsor's near-term goals are squarely focused on maintaining continuity within its syndication platform by annually offering and closing a multi-investor fund (and potentially additional club or proprietary funds); to update policies and procedures to support growth, and to grow staff where appropriate. Longer-term goals, including revenue diversification through new products related to the core business competencies will be explored further during Merritt's forthcoming strategic planning process.

Strategic planning was originally expected to begin in March 2020, which the Sponsor tabled amidst the COVID-19 outbreak. The planning process will begin in early 2021, and be led by Merritt's staff and Board with input from Merritt's other stakeholders, including investors, developers, government, industry associations, and other affordable housing leaders.

***3. How long have those in key roles been employed by the sponsor and what are their cumulative years of experience in the housing credit industry?***

The organization is led by a group of experienced professionals. The organization has filled key roles that were vacant due to various retirements, including former long-term President and CEO Barney Deasy.

In July 2019, Ari Beliak became Merritt's new President and CEO after Lisa Castillo who served as the Sponsor's President/CEO from September 2017 to April 2019. Prior to joining Merritt, Mr. Beliak served as Senior Vice President in Bank of America's Community Banking Group, where he worked extensively with the affordable housing developers, investors, and consultants in Northern California. In addition, in his prior role at Wells Fargo, Mr. Beliak worked extensively with the affordable housing industry in Southern California. Mr. Beliak has 17 years of experience, including 11 years working with housing tax credits.

David Dologite joined Merritt in June 2020 as Director of Acquisitions, and brings over 21-years of experience preserving, developing, and financing affordable housing.

Julie Quinn joined Merritt in October 2020 as Director of Investor Relations, bringing over 15 years of experience in affordable housing development and capital raising.

Mr. Dologite and Ms. Quinn replace Chris Long, who joined the Sponsor in October 2019 as Director of Investor Relations and Acquisitions. Mr. Long, who had previously retired from Bank of America, had planned on spending the end of his career at Merritt but, at the outbreak of COVID-19, decided to permanently retire and leave California.

In February 2019, the Sponsor brought on Carl Nichols, with prior fund management and non-profit experience, as the Chief Operating Officer/Chief Financial Officer.

Lastly, Maria Duarte, Director of Asset Management/Risk Officer, has been with Merritt for over 20 years and is responsible for asset management, tax-credit compliance, year 15 dispositions, and approving new fund investments. Ms. Duarte is the longest tenured current Merritt employee and maintains a wealth of knowledge about the Sponsor's portfolio. While there is currently no formal timeline for Ms. Duarte to retire, it is expected that she will begin to transition her responsibilities to Izaac Singh, a senior asset manager, in the coming years to smooth her transition.

The hiring of Mr. Beliak provides an experienced real estate professional with deep ties to the California market who has articulated a clear vision and plan for Merritt's near and long-term growth. The additions of Mr. Dologite and Ms. Quinn has solidified Merritt's leadership team, and positioned the firm to resume its growth plan. It will be critical for the Sponsor to retain key employees and minimize turnovers going forward.

**4. Is the sponsor financially sound? How much unrestricted cash does it have on hand, and what is its recurring revenue ratio?**

Of the Sponsor's \$16 million in total assets, 19.4% (or \$3 million) was held as cash. The Sponsor's cash position is markedly improved from when we first assessed Merritt in 2013. The current balance, which is equal to approximately 11-months of operating expenses is reflective of a shift in the corporate culture, which previously focused on maximizing investor IRR, to the detriment of the Sponsor's free cash position. We applaud this change in approach, and support the Sponsor maintaining a minimum of six-months expenses as cash and equivalents.

As of December 31, 2019, \$11.7 million or greater than 73% of the Sponsor's assets were consisted of accrued investment and management fees due to the Sponsor. Given the Sponsor's new approach to calling fees, the balance of accrued fees is down significantly since 2017 but is projected to remain at similar levels going forward per the Sponsor.

The Sponsor is virtually a debt free organization. As of December 31, 2019, the Sponsor reported \$393K of liabilities comprised of \$12K of accounts payable and \$381K of accrued expenses. The Sponsor maintains a \$10 million line of credit with Bank of the West, but as of December 31, 2019, the line had been completely repaid and carried no outstanding balance.

In 2019, recurring revenue accounted for 20% of total revenue and the ratio of transactional to recurring revenue was 4 to 1, which was higher than the Sponsor's peers of comparable size. Recurring revenue is a smaller portion of total revenue relative to its peers in part because Merritt's per property asset management fees have been on the lower end of the range. To that end, the Sponsor plans to increase its asset management fee revenue by both increasing the per property fee at the lower tier and increasing the number of assets under management. If this is achieved, Merritt can expect to derive a larger portion of its revenue from recurring fees but will likely continue to rely more on transactional syndication revenues in the near term.

**5. Is the company capable of providing long-term asset management and investor reporting**

The asset management sustainability analysis suggests that Merritt's asset management operations could be sustainable through the compliance period by relying on a combination of lower tier and upper tier asset management fees. Since Merritt historically paid itself a small portion of the upper tier asset management fees to which it is otherwise owed by the funds to maximize investment yield, there is a large balance of earned and

**services with existing asset management fees as its sole source of funding?**

accrued partnership management fee which the Sponsor could collect should it choose to do so.

In addition, the Sponsor noted there are also fees available which Merritt has neither recognized nor drawn. The Sponsor represented that as of December 31, 2019, it expects to earn an additional \$12,073,187 of the available fee (\$3,831,912 of partnership management fees, \$2,939,679 of partnership administration fees, and \$5,301,596 of performance based fees related to the remaining terms of the agreements with existing limited partnerships) based on performance benchmarks. *The Sponsor has conservatively not included these fees in the following analysis.*

The Sponsor has endeavored to increase its lower tier per property asset management fee in recent years. Management indicated having achieved between \$5,000 and \$7,500 per property fees on recent closings; consistent with industry standard. As the Sponsor's early property syndications cycle out of the portfolio due to disposition (some charge no asset management fee), we expect the sustainability equation to appear more favorable.

**6. Does the organization view risk management in a way that is imbedded in their approach to property investment acquisition, asset management, investor reporting and their operations?**

As a mission-driven non-profit organization chartered to serve a highly competitive California market, the Sponsor's acquisition approach has been focused on differentiating itself based on its reputation for execution, mission alignment, value-add asset management, and deep existing developer and financial consultant relationships. It acknowledges that it does not compete with direct investors and national syndicators on price. Individual investments are assessed based on how they meet the Sponsor's investment guidelines, objectives of a multi-investor fund, and mission fulfillment.

All lower tier investments are approved by the Sponsor's CEO, Risk Manager, and board committee, which provides an additional level of risk oversight. As noted elsewhere in the report, the Merritt portfolio has very strong performance metrics. The Sponsor believes this performance is based on careful selection of investments, prudent risk mitigation, and its proactive approach to asset management.

The Sponsor employs a holistic approach to its asset management team's scope of work. Given the size of the overall Merritt staff, asset managers are responsible for monitoring assets from completion through disposition; the Sponsor does not engage third parties or employ specialists to undertake compliance or any other function of asset management. The Sponsor feels that this approach not only creates more well-rounded and informed asset managers, but it creates a single point of contact with intimate knowledge of a property's' operations and management.

**7. Is the firm providing its investors with tax information and financial statements on a timely basis?**

Currently, annual reminders are sent electronically to general partners regarding the various reporting deadlines; and the tracking of audits and tax returns are performed manually by the Controller using an excel spreadsheet. While some syndicators have managed to automate the tracking process to a significant degree, Merritt represented that they have achieved 100% "on-time" investor reporting in the last 25 years, which speaks to the effectiveness of the Sponsor's personnel and the existing process.

Merritt's fund LPAs stipulate a 150-day deadline following year-end for delivery of final K-1s to investors.



For the 2018 tax year, the Sponsor delivered 100% of draft K-1s on time to investors. Due to complication caused by tax reform and 163(j) elections, delivery of 2018 final K-1s were delayed approximately two weeks.

For the 2019 tax year, the Sponsor delivered all final fund K-1s on time to investors, but for its newest fund which required an extra week due to delays at the lower tier.

Merritt's investors have direct access to the investor portal via SMT or Merritt's website. Information on the investor portal consists of quarterly investor reports, audited financial statements, tax returns, and any ad hoc reports requested by the investor.

**8. How effectively are “problem properties” being managed? What percentage of the portfolio is on the watch list? Is the Sponsor providing investors with candid reporting with respect to troubled assets and updating them appropriately?**

As of year-end 2019, the Sponsor's portfolio performance was significantly more favorable than the industry medians, with only one property rated “C”. This sole watch list property represents only 0.58% of the Sponsor's entire portfolio (by net equity).

This ‘C’ rated property was destroyed by fire in the federally declared disaster area of Paradise, California. The “Camp” wildfire was the deadliest and most destructive wildfire in California history and the most expensive natural disaster in the world in 2018. The property's destruction was certainly not unique, as it was among more than 18,000 structures destroyed by the rapidly spreading wildfire. The Sponsor noted that the Subject is being rebuilt using insurance, and FEMA proceeds. It is not anticipated that this rating will change unless a recapture occurs. If a recapture does occur, the limited partnership agreement includes a tax-credit indemnification guaranty. Notably, the project is not at risk of foreclosure because the senior loan was repaid.

The Paradise property is an outlier in an otherwise strong performing portfolio with no other watch list properties.

The Sponsor reports that, as of year-end 2019, 0.9% of its stabilized portfolio reported economic occupancy levels below 90%, 4.1% of its stabilized portfolio was operating at below breakeven, and 8.5% operated below \$0 cash flow. The Sponsor's incidence of underperformance is significantly more favorable than the preliminary 2019 industry medians.

**9. Has staffing kept pace with additional assets under management or changes in the business model?**

Maria Duarte is the Sponsor's Director of Asset Management/Risk Officer and is currently supported by a team of one full-time Senior Asset Manager, one full-time Asset Manager and one Asset Management consultant. Along with existing asset management staff, Izaak Singh and Jack Okada - Birute Skurdenis, who has been with the Sponsor since 2003 has continued to serve as a consultant following her December 31, 2019 retirement.

Recent property and fund disposition coupled with lower than average annual equity volumes in recent years has meant the Sponsor's portfolio is shrinking slightly from year-to-year. As a result, each asset manager is responsible for monitoring between 15 and 31 properties, which represents fewer properties per asset manager than the current industry practice of roughly 50 assets per asset manager (Ms. Skurdenis will be responsible for 15 properties on a contract basis in 2020). Merritt's asset managers are responsible for all aspects of monitoring each asset including housing credit compliance, financial analysis, site inspection, and tax and audit review.

This hands-on approach means, in the Sponsor's opinion, that Merritt's staff have a clear overall picture of property performance, potential pitfalls and capital needs.

During our meeting with the Sponsor, management indicated a willingness to hire additional asset managers as needed to maintain a reasonable asset per asset manager ratio. The reasonability of the Sponsor's current staffing can be reflected in the portfolio performance, which is exemplary, and discussed subsequently.

**10. What is the Sponsor's fund portfolio track record of yield performance and tax credit delivery?**

Variances in individual funds and any tax reform impact aside, if an investor had invested in all 11 prior funds that are still active and at least 50% stabilized by equity; it would have received, through December 31, 2019, an equity-weighted yield 6.82% greater than was initially projected which significantly exceeded the 3.76% industry median in 2018. The Sponsor reports that none of its "stabilized" funds have experienced a negative yield variation, a statistic which sets the Sponsor apart from its competition.

Merritt has historically not called upper tier asset management fees and/or deferred acquisition fees when they become payable under the terms of the various upper tier fund agreements. The rationale behind this practice was that Merritt felt it did not need the cash, and that doing so might negatively impact investment yield. The Sponsor took this practice to an extreme, with some early funds reporting 50%+ IRR variances. Merritt indicated it can call most of its fees as projected without causing yields to miss their target.

The Sponsor does not track its credit delivery variance since fund closing because its project-level IRR adjuster ensures deviations in credit delivery are IRR neutral to its funds; instead, Merritt's credit delivery projections are finalized when each property receives 8609s. *Since most syndicators we assess use the former approach, we therefore cannot compare the Sponsor's credit delivery track record against the industry median results.*

**11. What are the Sponsor's property portfolio operating metrics? How do they compare to the national medians?**

The Sponsor's portfolio reported very strong performance in all measurable categories. The 99% median economic occupancy, 1.79 median DCR and \$2,610 median per unit cash flow all exceed the preliminary 2019 national medians, and 2019 California median portfolio performance.

The Sponsor reports that, as of year-end 2019, 0.9% of its stabilized portfolio reported economic occupancy levels below 90%, 4.1% of its stabilized portfolio was operating at below breakeven, and 8.5% operated below \$0 cash flow, all of which were significantly more favorable than the 2019 industry medians.

**12. Have any of the Sponsor's investors suffered tax credit recapture or lost capital as the result of a foreclosure, income tax audit or been called upon to make an**

The Sponsor reports that none of the assets in its portfolio have been lost to foreclosure, which is a favorable aspect of the Sponsor.

The Sponsor has structured their funds such that working capital reserves cannot be used to fund asset management fees. To date, the Sponsor reported that the principal from reserves has not been used to fund property deficits. Interest earned on reserves for Fund VI were used to fund replacement reserves for a property in work out with the City of San Francisco.

**additional material  
capital contribution?**

**13. Has the Sponsor taken the necessary steps to ensure data security?**

Merritt uses a web-based database, SMT, a fund management and lower tier reporting service licensed by National Equity Fund, on a fee basis. Merritt's investors also have access to the investor portal via the Sponsor's website. SMT is hosted by Microsoft via its Azure service. Potential liability exposure is shared: NEF retains liability for their software, Microsoft retains liability for data protection, and Merritt has some responsibility for end-user access.

The Sponsor engages Technology Works, who is responsible for maintaining all of Merritt's information technology systems. In recent years Merritt has migrated all IT, networking, and user support to this contractor.

The vast majority of the Sponsor's IT (e.g., asset management database, investor reporting, email, phone system, payroll) has been migrated to commercial cloud platforms for ease of access and enhanced reliability/security. The Sponsor indicated that Technology Works reviews the Sponsor's security, ensures best practices are implemented and provides training (e.g., conducted simulated phishing efforts towards Merritt to create an awareness for such fraudulent activities).

**14. What steps is the Sponsor taking to proactively address investors' concerns re: COVID-19 as it relates to pre-closing, under construction and stabilized properties?**

The Sponsor has supplemented its underwriting procedures in the near term to add additional COVID-19 considerations and has been providing regular updates to investors on the health of the portfolio, including an analysis of portfolio operating reserves in March and monthly reports on occupancy and collections. The Sponsor noted that there have been limited additional requests from investors for portfolio-wide stress testing analyses.

For prospective investments, the Sponsor has adopted industry standard three- and six-month delay scenarios to assess the adequacy of deal liquidity, and the resulting impact on lease-up and credit delivery and adjusters. Additional consideration is also given to potential periods of extended elevated vacancy, and flatter AMI and FMR growth.

The Sponsor is also requesting its developers, general contractors and property managers have COVID-specific policies and procedures drafted for safe activity during the pandemic.

The Sponsor indicated that approximately 90% of its portfolio is rated "Green," which means it has over six-months of operating expenses reserves and/or can sustain very material reductions in rental income. To-date there have reportedly been no COVID-specific operating reserve draw requests. Further, monthly rent collection data continues to be strong, averaging no less than 95% across the Sponsor's portfolio since the onset of the pandemic.

## **II. Firm History & Overview**

Merritt Community Capital Corporation, originally incorporated as the Community Alliance for Syndicated Housing, Inc. ("CASH, Inc."), was formed as an instrumentality of the City of Oakland in 1989. The mission

of CASH, Inc. was to raise equity capital for housing developments built by non-profit corporations to serve low-income residents.

In 1995, what became the Sponsor was formally separated from the City of Oakland and the Board hired an independent staff. Through this transition the Board of Directors changed the name of the organization from Community Alliance for Syndicated Housing, Inc. to Merritt Community Capital Corporation. Although the Sponsor's original charter focused its efforts to exclusively serve the affordable housing needs of Alameda and Contra Costa counties, Merritt's mission has subsequently expanded to include the Bay Area and now the entire state of California.

Since inception, the Sponsor has syndicated 21 multi-investor tax credit funds and one proprietary fund, closed more than \$900 million of investor equity of and made 130+ property investments totaling more than 9,000 units on behalf of those funds.

Beginning with the retirement of its longtime President, Barney Deasy in 2017, the Sponsor experienced higher than typical turnover at key positions due to retirements of other staff members. Staffing transitions are discussed in greater detail in [Section IV\(ii\)](#). On September 18, 2017, Lisa Castillo, an industry veteran with more than 25 years of experience became Merritt's President. Ms. Castillo guided the Sponsor through the initial transition period from Mr. Deasy's leadership. Ms. Castillo resigned from the Sponsor in April 2019.

In July 2019, Ari Beliak became Merritt's new President and CEO. Mr. Beliak is a JD/MBA with more than 16 years of real estate experience and over 10 years in the housing credit industry. Prior to joining Merritt, Mr. Beliak was Senior Vice President in Bank of America's Community Banking Group, where he collaborated with affordable housing developers, investors and consultants in Northern California, and at Wells Fargo Bank, where he worked extensively in Southern California. Mr. Beliak's first hire was Chris Long as the Director of Investor Relations and Acquisitions, who brought over 38 years of real estate and investor experience, including 28 years of housing credit expertise, and had worked with Mr. Beliak at Bank of America. At the outbreak of COVID-19, Mr. Long retired for personal reasons and moved out of California. Since then the Sponsor hired Mr. David Dologite as Director of Acquisitions and Julie Quinn as Director of Investor Relations. Mr. Dologite brings twenty-one years of affordable housing preservation, development, and financing experience. Ms. Quinn brings over 15 years of experience in affordable housing development and capital raising. Maria Duarte, Director of Asset Management & Risk Officer, has been with Merritt for over 20 years and is credited with maintaining Merritt's strong portfolio performance; in 2019, her investment approving role was formalized when she assumed the Risk Officer title. Carl Nichols is the Chief Operating Officer/Chief Financial Officer and brings over 25 years of experience in fund management, finance, strategy, and operations.

The Sponsor's ability to attract experienced professionals to executive management helps to allay any ongoing fears about recent retirements and the Sponsor's long-term sustainability. Mr. Beliak is an experienced real estate professional with deep ties to the California market that has articulated a clear vision and plan for Merritt's near and long-term growth. The additions of Mr. Dologite and Ms. Quinn have solidified Merritt's leadership team, and positioned the firm to resume its growth plan.

### **III. Equity Volume History**

#### **A. Gross Equity under management**

As of December 31, 2019, the Sponsor's active portfolio included 15 multi-investor funds, representing nearly \$745 million in gross equity closed.

#### **B. Gross Equity Closed since inception**

Through the effective date of this report, the Sponsor has closed more than \$918 million of investor equity and made approximately 130 property investments totaling more than 9,000 units on behalf of those funds.

As of December 31, 2019, approximately 40 properties have been disposed of, leaving 91 properties under active management.

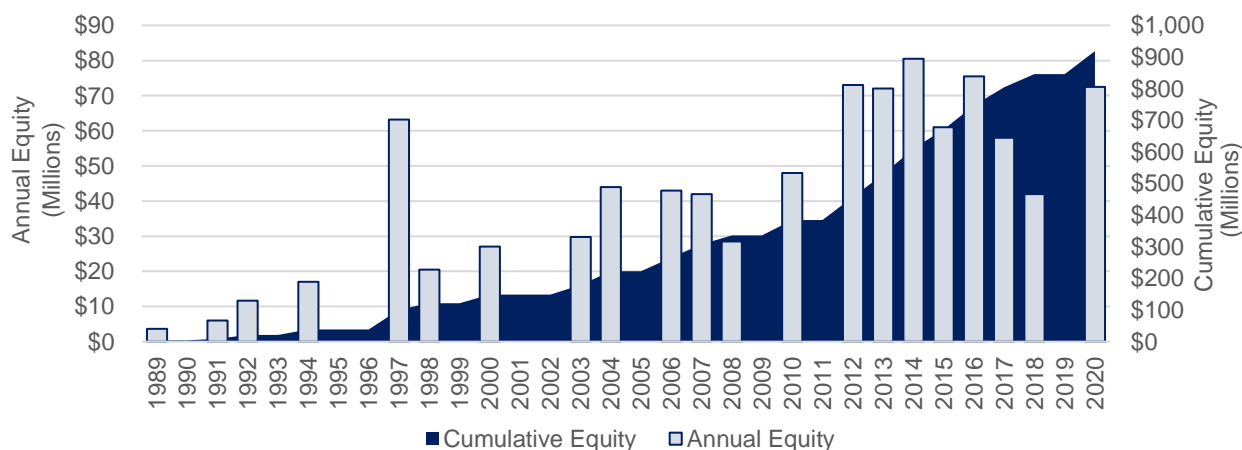
The exhibit below summarizes the gross equity volume closed by the Sponsor since 1989, when it began syndicating housing credit investments.

LIHTC Gross Equity Closed by Sponsor					
Year	Total Gross Equity Closed	Annual Change	Proprietary	Multi-investor	% Multi-investor
2020	\$72,500,000		\$0	\$72,500,000	100%
2019	\$0	-100%	\$0	\$0	NA
2018	\$42,000,000	-28%	\$0	\$42,000,000	100%
2017	\$58,000,000	-23%	\$0	\$58,000,000	100%
2016	\$75,500,000	24%	\$0	\$75,500,000	100%
2015	\$61,000,000	-24%	\$0	\$61,000,000	100%
2014	\$80,500,000	12%	\$0	\$80,500,000	100%
2013	\$72,000,000	-1%	\$0	\$72,000,000	100%
2012	\$73,000,000		\$0	\$73,000,000	100%
2011	\$0	-100%	\$0	\$0	
2010	\$48,000,000	-78%	\$0	\$48,000,000	100%
2000-2009	\$214,311,321		\$0	\$214,311,321	100%
1989-1999	\$121,995,275		\$42,715,275	\$79,280,000	65%
<b>Total</b>	<b>\$918,806,596</b>		<b>\$42,715,275</b>	<b>\$876,091,321</b>	<b>95.35%</b>

Between 1989 and 1999, the total gross equity closed by the Sponsor totaled \$122 million. Included in the \$122 million of total equity raise was a \$42.7 million proprietary fund, the Sponsor's only proprietary investment to date. Since then, the Sponsor has focused entirely on multi-investor funds at an average annual raise of \$46.4 million over the past 15 years.

The Sponsor achieved its strongest year from a capital raising perspective in 2014, and between 2015 and 2018, annual equity averaged \$59 million. Beginning with the pricing shock to the equity market in early 2017 caused by the Presidential election, coupled with the uncertainty surrounding tax reform mid-year through year-end, it is not surprising that the Sponsor did not close equity volume consistent with the 2016 total. In 2019 the Sponsor did not close a fund due to CEO turnover. The Sponsor's 2020 initial goal was approximately \$100 million but it was ultimately reduced due to COVID-19 impacts on the industry.

### Total Gross Equity: Annual & Cumulative



### C. Market Share

Using the national portfolio of properties compiled by CohnReznick, the Sponsor reported a 4.5% market share of the syndicated California housing credit market, by number of deals closed annually since 2000.

Due to Merritt's Mission focus and differentiated strategy, its goal has never been to be a volume leader. Instead, the Sponsor's planned growth is directly related to serving the increased need for affordable housing in the California market as communicated by its developers and investors.

## **IV. Business and Growth Strategy**

Mr. Beliak indicated Merritt will develop a five-year business plan in 2021 as part of the organization's strategic planning process. Strategic planning was originally expected to begin in March 2020, but the Sponsor tabled strategic planning amidst the COVID-19 outbreak. The planning process will begin in early 2021 and be led by Merritt's staff and Board with input from Merritt's other stakeholders, including investors, developers, government, industry associations, and other affordable housing leaders. In the meantime, Mr. Beliak, explained Merritt's goals in 2021 and beyond in our meeting. We were also furnished with an outline of the firm's strategic goals. Excerpts from the conversations with Mr. Beliak and the outline informed the following sections of the report.

At a high level, the overarching goals for 2020 and 2021 are to: 1.) maintain continuity within the syndication platform by offering and closing a multi-investor fund annually (potentially additional club or proprietary funds) and 2.) focus on updating policies and procedures and business plan. Longer-term goals, including revenue diversification through new products related to the core business competencies will be explored further during Merritt's strategic planning process.

### **i. Equity Volume Goals & Investor Base**

While Merritt's funds have not always adhered to typical year-end closing cycles, it has closed one fund per year since 2012 other than 2019, with actual closings occurring in the first quarter of the calendar year. Historically, Merritt utilized a Q1 closing schedule to accommodate several investors who prefer to avoid the typical year-end crunch. As noted, 2019 was unique in that a fund closed in December 2018 and staffing turnover delayed the subsequent fund's closing by one quarter to Q1 2020.

Mr. Beliak brings to Merritt significant prior experience with the investors, developers, and consultants in the California market, and will aim to leverage this familiarity into increased investment from existing investor relationships. Additionally, the Sponsor's board is representative of many of California's leading financial institutions. The Sponsor's three most recent funds included 50% of board-member organization equity on average.

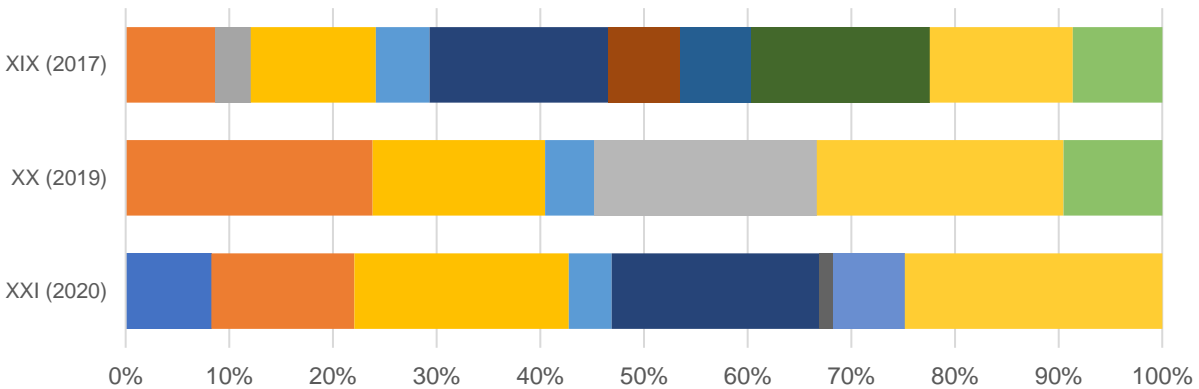
The Sponsor's most recent fund, which had its initial close in Q1 2020, was its largest since 2016. Despite the ongoing difficulties presented by COVID-19, the Sponsor feels that a \$100 million annual volume goal is appropriate and achievable. The Sponsor indicated that the delta between current levels and the goal is squarely on the investor demand side, rather the deal supply side. The Sponsor will continue to endeavor to expand existing investor relationships and add new investors to their roster.

The Sponsor indicated that its approximate "breakeven" annual equity volume is \$70 to 80 million, depending on fee structure. As noted, the Sponsor has targeted this level as a near term goal to reach \$100 million.

### **ii. Investor Base**

Since 2008, the Sponsor's investor base consists entirely of Community Reinvestment Act ("CRA") - incentivized investors. The Sponsor's most recent three-funds' investors, closed between 2017 and 2020, represented to us was as follows (each colored portion of the bars represent separate investors):

## Merritt Community Capital - Investor Diversity (2017-2020)



On a cumulative basis, the Sponsor has raised 95%+ of the total \$813 million from financial institutions in multi-investor funds, and the remaining 4.6% from Pacific Gas & Electric, with whom the Sponsor closed a \$42.7 million proprietary fund in 2002.

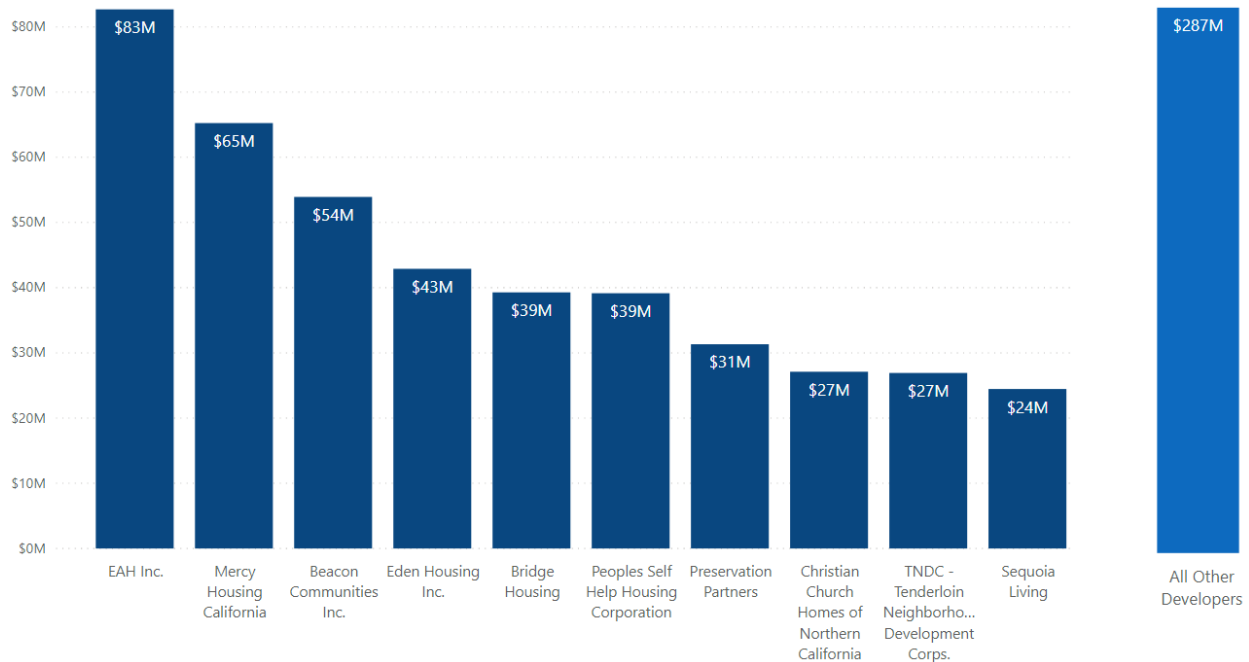
When Fannie Mae and Freddie Mac (collectively, the government-sponsored enterprises, or “GSEs”) exited the housing credit equity market, many syndication firms had to scramble to make up for their loss as well as the departure of other investors. The Sponsor had closed 10 prior funds (totaling \$63.6 million) with Freddie Mac as an investor and 10 with Fannie Mae (totaling \$42 million), and upon their departure, was forced to look elsewhere to fill this void. Collectively, the GSEs accounted for 40% of the Sponsor’s equity raised in Fund XI as of 2008 when they exited the market. Since 2008, Merritt has developed new investor relationships, and has more than filled the void created by the GSEs. The Sponsor mentioned that it is interested in working with the GSEs to address California’s rural housing needs.

While the Sponsor’s recent funds served many of its traditional investor partners, the funds also included a handful of smaller regional or local California banks that were new relationships for Merritt. Its latest closed fund however, Fund XXI, included eight repeat investors. The Sponsor’s recent volume history demonstrates moderate success in broadening its investor base. Merritt reported significant interest in its next fund because, for the first time, it will have multiple investment tiers. Merritt continues to monitor the CRA investor cycle of banks statewide to target new opportunities to attract investors. In addition, Merritt hopes to expand its investor base to include economic investors.

### iii. Developer Base

The Sponsor provided a listing of its property closing history by developer relationship since inception through December 31, 2019. The following area graph illustrates the distribution by its top 10 developers in terms of net equity over that period, and an aggregation of the remaining 36 additional developers.

Top 10 Developers by Equity



The Sponsor noted that nearly all the top 10 developers in its portfolio perform consistent with, or outperform its median performance metrics. Notably, the Mercy Housing developed properties in the Merritt portfolio is primarily supportive housing, so those properties are underwritten with low NOI and sizable reserves and are performing accordingly.

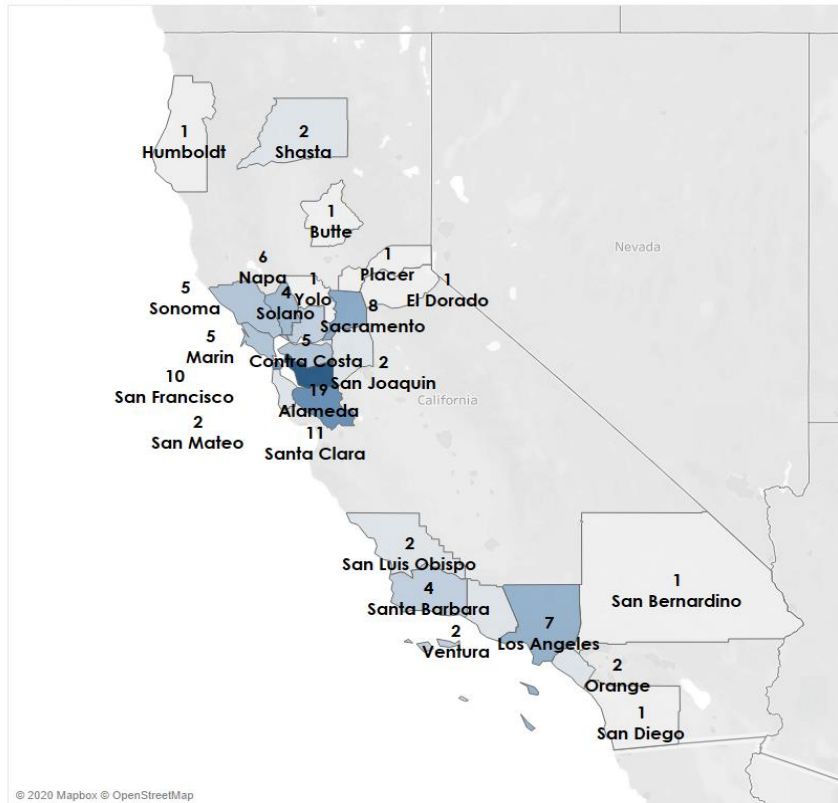
#### iv. Geographic Footprint

For a syndicator (state or national) to expand its geographic footprint is certainly not uncommon. However, as we have recently observed with some syndicators who have stepped outside of their “comfort zone,” if such plan is not executed properly and with caution, the attempt to expand may become a frustrating uphill battle that may be financially and operationally disappointing.

However, this has not been the case with Merritt. As noted, Merritt has historically syndicated properties in the San Francisco Bay area and Northern California. Beginning around 2004, the Sponsor carefully expanded its presence in Southern California by establishing new investor connections and leveraging existing developer relationships. The Sponsor also maintains a close working relationship with the financial consultants for the non-profit affordable housing community, California Housing Partnership Corporation (“CHPC”) and Community Economics, Inc. (“CEI”), that have strong ties across California. The following county map of California illustrates the geographic diversity of the Sponsor’s portfolio:



### Merritt - Property Concentration



At one point in time, the Sponsor entertained the idea of expanding its footprint into nearby states, specifically Arizona and Utah, but chose not to pursue the idea given the size of and opportunities within the California market. Mr. Beliak instead indicated a desire to continue to build on Merritt's success in California. There will be no specific geographic goals but will be led by investor CRA appetite, and Merritt's mission. Therefore, the Sponsor will continue to focus on the Bay Area, Los Angeles, Orange County, and San Diego and selectively increase investments in the Central Valley pending interest from prospective CRA or economic investors.

In the past three years, the average deal size of deals within Merritt's portfolio has increased by unit counts and net equity. The size of preservation investments, which have been the bulk of Merritt's work in the past three to five years, is essentially driven by the acquisition price of the properties. As property values increase in California, acquisition prices have increased. In addition, economies of scale have led developers to look for larger properties. Re-syndication of larger properties also pencils out better than smaller properties in a developer's portfolio. Merritt has historically worked with predominantly non-profit developers; 89% of the total portfolio is with non-profit developers. In recent years, the Sponsor has been more open to for profit developer relationships, consisting of 43% of the Sponsor's net equity closed in the last three years. When assessing a for-profit developer, Merritt carefully vets that developer's reputation and history to ensure that the developer is compatible with Merritt's culture and mission.

Merritt's Acquisition strategy under Mr. Dologite's leadership will remain focused on Merritt's long-term developer relationships while bringing new relationships into the fold. Balancing investments in a Fund is a goal of Acquisitions – making sure that more complicated properties are balanced by more 'vanilla' properties.

#### v. Other Business Lines

Throughout Merritt's history, it has been exclusively committed to syndicating equity interests in low-income housing tax credit projects. Unlike many of its for-profit and non-profit competitors, Merritt hasn't added new lines of business but has expressed interest in exploring opportunities that leverage its core competencies and are complimentary to its investor and developer base, such as permanent and acquisition loans.

As a general matter, we hold a strong bias in favor of syndicators that have demonstrated a long-term commitment to the housing credit program and plan to stay the course going forward. Our experience has been that when housing credit syndicators attempt to develop new lines of business such as financing renewable energy projects, or real estate development management's attention is inevitably diverted from its core business/mission.

## V. Financial Status

The financial capacity of a syndicator provides insights into the success of its business strategies as well as its ability to properly resource core business lines and retain senior staff. Housing credit syndicators do not have a contractual obligation to support troubled property investments. Nonetheless, investors have come to expect syndicators to act as the last line of defense if a developer ceases to fund deficits, fund level working capital and project performance reserves have been exhausted, and the next stop is foreclosure. Given the long-term obligations that syndicators take on in managing the delivery of tax credits and maintaining healthy portfolios over the 15-year compliance periods, investors are increasingly focused on the financial health of their sponsor / partners.

During the year ended December 31, 2018, the Sponsor adopted the Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU is meant to improve financial reporting by not-for-profit ("NFP") entities by simplifying the classification of net assets and changes in net assets, requiring not-for-profit entities to provide an analysis of expense by natural and functional classifications, and enhancing financial statement disclosures regarding an NFP's liquidity and availability of resources, self-imposed or donor-imposed limits on the use of resources. The Sponsor adopted the ASU effective January 1, 2018, which did not result in any restatements to net assets or changes in net assets. However, as a result of the accounting principle change, the Sponsor's 2017 and 2018 balance sheets are not directly comparable.

The following narrative is based on summaries of select financial data from the Sponsor's 2017, 2018 and 2019 audited financial statements.

### i. Statement of Financial Position

Select Balance Sheet and other information	2017	2018	2019
<b>Assets</b>			
Cash	\$189,999	\$1,335,161	\$3,091,822
Accounts receivable	\$498,180	\$574,786	\$1,127,538
Prepaid Expenses	\$27,264	\$8,384	\$8,384
Other Assets, net	\$16,158	\$16,667	\$4,167
Due from affiliates	\$23,507,215	\$11,482,431	\$11,738,945
<b>Total assets</b>	<b>\$24,238,816</b>	<b>\$13,417,429</b>	<b>\$15,970,856</b>
<b>Liabilities</b>			
Accounts Payable	\$0	\$128,193	\$12,065
Due to Funds	\$2,625,956	\$0	\$0
Line of Credit	\$10,000,000	\$0	\$0
Other liabilities	\$40,083	\$418,286	\$380,950
<b>Total liabilities</b>	<b>\$12,666,039</b>	<b>\$546,479</b>	<b>\$393,015</b>
<b>Total Net Assets</b>	<b>\$11,572,777</b>	<b>\$12,870,950</b>	<b>\$15,577,841</b>
<b>Total Liabilities and Net Assets</b>	<b>\$24,238,816</b>	<b>\$13,417,429</b>	<b>\$15,970,856</b>

Select financial ratios	2017	2018	2019
Capital Structure (Total Liabilities/Total Assets)	52%	4%	2%
Net worth / total assets	48%	96%	98%

The Sponsor's total assets were approximately \$16 million at year-end 2019. Of the \$16 million in assets, 19.4% (or \$3 million) was held as cash. The Sponsor's cash position is markedly improved from when we first assessed Merritt in 2013. The current balance, which is equal to approximately 11-months of operating expenses is reflective of a shift in the corporate culture, which previously focused on maximizing investor IRR, to the detriment of the Sponsor's free cash position. The rationale behind this practice was that Merritt did not need the cash on a current basis, and that doing so might negatively impact investment yield (i.e. funds might have missed their originally-projected yield target if Merritt were to have collected the fees it was entitled to on time). While the Sponsor has not historically called upper tier asset management fees and/or deferred acquisition fees when they become payable, Merritt indicated that it could call most of its fee while still maintaining fund yields. We applaud this change in approach, and support the Sponsor maintaining a minimum of six-months expenses as cash and equivalents.

Accounts receivable (asset management fee receivable) totaled \$1.12 million in 2019, representing 7.1% of the Sponsor's total assets. All of the receivables were determined to be current and collectible (based on the strong underlying property performance, discussed in [Section IX](#)) by the Sponsor.

Under fund partnership agreements, the Sponsor is entitled to a partnership management fee of up to 10% of the aggregate capital received from the limited partners and any amounts earmarked from the upper tier reserve. As of December 31, 2019, \$11.7 million of accrued investment and management fees were due to the Sponsor (net of operating expenses owed). The amounts due from affiliates accounted for greater than 73% of the Sponsor's assets in 2019. Given the Sponsor's new approach to calling accrued management fees, the balance of due from affiliates is down significantly since 2017 but is projected to remain at a similar level going forward per the Sponsor.

The Sponsor is virtually a debt free organization. As of December 31, 2019, the Sponsor reported \$393K of liabilities comprised of \$12K of accounts payable and \$381K of accrued expenses. The Sponsor maintains a \$10 million line of credit with Bank of the West, which is collateralized by its cash, receivables from the Funds and equipment. As of December 31, 2019, the line had been completely repaid and carried no outstanding balance. The Sponsor indicated that it would selectively utilize its line of credit to secure investments for its next multi-investor fund; to-date in 2020, Merritt utilized its cash and the available line of credit to secure investments for the forthcoming fund.

The Sponsor's ratio of total liabilities to total assets is much improved since 2017; reflective of the unused line of credit. The Sponsor's net worth to total asset ratio nearly doubled in 2018, which is reflective of the conversion of due from affiliates into cash, some of which remains held on the balance sheet, but most was redeployed to secure investments for the upcoming fund offering. Net assets increased by \$2.5 million in 2019.

## ii. Statement of Activities

Select income statement and other information	2017	2018	2019
<b>Revenues</b>			
Partnership Fees	\$3,170,372	\$4,902,580	\$5,960,439
- Direct Investment Service Fees	\$0	\$341,197	\$337,625
- Acquisition and Advisory Fee Income	\$0	\$778,314	\$254,870
- O&O Fee Income	\$0	\$688,789	\$0
- Asset Management Fee Revenue	\$0	\$563,903	\$553,957
- Administration Fee	\$0	\$0	\$209,977
- Performance Based Fees	\$0	\$2,530,377	\$4,126,895
- Other Revenues	\$0	\$0	\$435,115
Interest Income	\$0	\$19	\$57,419
Other Income	\$49,607	\$11,350	\$4,326
<b>Total operating revenue</b>	<b>\$3,219,979</b>	<b>\$4,913,949</b>	<b>\$6,022,184</b>

<b>Expenses</b>			
Salaries & Benefits	\$2,320,055	\$2,205,739	\$2,147,168
Office Rent and Parking	\$146,499	\$0	\$0
Office Expense	\$126,699	\$0	\$0
Dues and Subscriptions	\$17,395	\$0	\$0
Travel and Conferences	\$123,527	\$0	\$0
Marketing	\$167,243	\$0	\$0
Insurance and Taxes	\$7,960	\$0	\$0
Professional Fees	\$298,595	\$0	\$0
Bad Debt (recovery)	-\$134,924	\$0	\$0
Administrative	\$0	\$1,143,242	\$1,155,625
<b>Total operating expenses</b>	<b>\$3,073,049</b>	<b>\$3,348,981</b>	<b>\$3,302,793</b>
<b>Net operating income</b>	<b>\$146,930</b>	<b>\$1,564,968</b>	<b>\$2,719,391</b>

<b>Select financial ratios</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Net Operating Profit Margin	5%	32%	45%

The Sponsor's total revenue consists of partnership fee income (breakdown discussed below), interest income and other income. In prior years, the Sponsor's income statement differentiated fee income into partnership fees, and direct investment services fees; we have, for consistency between years, made the modification in the table above. As previously mentioned, the Sponsor is allowed a partnership fee of up to 10% of total equity for syndication and asset management services.

Partnership fees have consistently accounted for the majority of the Sponsor's annual revenue; averaging 97% since 2016. The Sponsor recognizes 45% of the total partnership fee as an acquisitions and advisory fee, which totaled \$3.3 million in 2018 (including \$2.5 million collected from partnerships that were acquired and placed in service in prior years), and \$4.4 million in 2019 (including \$4.1 million collected from partnerships that were acquired and placed in service in prior years). Thirty percent (30%) of the total fee is recognized as an organizing and offering ("O&O") fees payable from capital contributions; the Sponsor earned \$689K for such services in 2018. The remaining 25% of the total partnership fee is an annual upper tier asset management fee that is recognized throughout the compliance period. During the years ended December 31, 2018 and 2019, the Sponsor earned \$564K and \$554K respectively, for these services. The nominal partnership fee in 2018 was a significant increase from 2017; materially impacted by the size and profitability of the funds it syndicates in any given year.<sup>1</sup> Merritt Community Capital Fund XX in 2018 was the Sponsor's first following the uncertain period of tax reform, and was more profitable than its prior offering and generally consistent with 2016 partnership fee revenue.

Operating expenses decreased by 1%, and the Sponsor's net income position improved significantly in 2019, driven predominantly by the inflow of \$4.1 million of performance-based fees from prior years' funds. The Sponsor also posted a healthy net profit margin of roughly 45% in 2019. Ultimately, the near-term financial picture of the Sponsor is tied to the income related to performance-based fees, without which, the Sponsor would have operated at a deficit in 2019. The Sponsor is cognizant of this dynamic, and is taking strides to revamp its fund offering platform. Once reliable fund raising and closing cycles are re-initiated, the Sponsor will be less reliant on the performance-based fee revenue to achieve an operating profit.

The following table illustrates the Sponsor's revenue line items as a percentage of total annual revenue; which highlights Merritt's reliance on the syndication business. In 2019, recurring revenue accounted for 20.1% of total revenue and the ratio of transactional to recurring revenue was 4.0 to 1, which was higher than its peers if comparable size.

<b>Major operating revenue line items</b>	<b>2018</b>	<b>2019</b>
Transactional Revenues	\$3,997,480	\$4,381,765
Recurring Revenues	\$905,100	\$1,101,559

<sup>1</sup> Merritt Community Capital Fund XIX in 2017 was closed with a 35% corporate tax rate assumption – given that the tax rate settled at 21% after tax reform, the Sponsor agreed to waive its fees in Merritt Community Capital Fund XIX in order to enhance investors' IRR.

<b>Subtotal of major revenue lines</b>	<b>\$4,902,580</b>	<b>\$5,483,324</b>
Other revenue (deferred and other)	\$11,369	\$538,860
<b>Total revenue</b>	<b>\$4,913,949</b>	<b>\$6,022,184</b>

<b>Select financial ratios</b>	<b>2018</b>	<b>2019</b>
<i>Recurring Revenue / Total revenue</i>	18.5%	20.1%
<i>Major revenue lines / Total revenue</i>	99.8%	91.1%
<i>Ratio of transactional (syndic.) to recurring (AM) revenue</i>	4.4	4.0

The Sponsor aims to increase its asset management fee revenue by both increasing the per property fee, and increasing the number of assets under management. With a higher amount of per property asset management fee and as the Sponsor continues to build its portfolio of property investments, Merritt can expect to derive a larger portion of its revenue from recurring fees, but will likely continue to be driven (from a revenue perspective) by transactional syndication revenues in the near term.

## VI. Asset Management Sustainability Analysis

It is our practice to assess the financial viability of each syndicator's asset management operation on a stand-alone basis. This serves multiple purposes: a) it allows us to assess whether asset management is viewed within the company as either an integral component of the Sponsor's business or merely as a cost center; and b) it allows us to assess the likelihood that asset management and investor reporting services can be provided for a full fifteen-year period, if for whatever reason, the Sponsor were to lose its ability to generate transactional fees. Our preference is that syndicators improve their long-term sustainability by retaining a significant level of their earnings and by achieving a better balance between transactional and recurring revenues. Investors should be able to have confidence that the Sponsor with whom they are working can reliably collect sufficient recurring revenues to support the salaries and overhead expenses of the company's asset management services over the long term. This is now widely referred to as the "asset management sustainability analysis."

The following discussion is based on a no-growth sustainability model provided by the Sponsor. The model does not specifically adhere to the CohnReznick provided template but used the following assumptions that were largely consistent:

- No new funds will be syndicated after 2020, with Fund XXI being Merritt's last syndicated fund.
- Post 2020, Merritt will rely solely on the following sources of income to sustain asset management and investor reporting operations:
  - Asset management fees are based on \$3,000 to \$7,500 per property through the life of the analysis. The Sponsor utilized 91 properties in 2020 for this analysis and projected reduction of one to six assets per year going forward. We note that the Sponsor's older deals dating back to Fund XI often did not include asset management fees in their respective partnership agreements.
  - Partnership fees – Merritt's upper-tier non-recurring asset management fee paid from investor equity is equal to 25% of the total syndication fees earned over the 15-year compliance period on a straight-line basis; since Merritt historically paid itself a small portion of the upper tier asset management fees to which it is otherwise owed by the Funds, there is a large balance of partnership management fee collectible in 2020. In all likelihood, the Sponsor would continue to earn and accrue partnership management fees throughout the projection period, but using the most conservative approach, we have utilized only the earned and accrued balance as of the effective date of this report.
  - In addition, the Sponsor noted there are also fees available which Merritt has neither recognized nor drawn. The Sponsor represented that as of December 31, 2019, it expects

to earn an additional \$12,073,187 of the available fee (\$3,831,912 of partnership management fees, \$2,939,679 of partnership administration fees, and \$5,301,596 of performance based fees related to the remaining terms of the agreements with existing limited partnerships) based on performance benchmarks. *The Sponsor has conservatively not included these fees in the following analysis.*

- Operating expenses are reduced proportionately to staff reductions:
  - Beginning on January 1, 2021, the Sponsor’s staff would be reduced to four individuals, consisting of an asset management director, two asset managers, and an administrative assistant. The two asset managers can be reduced to one when the number of assets is reduced to around 50, projected to be year 10 of this analysis.
  - Per-FTE salary & benefits expense is increased by 2.5% annually– roughly in line with current compensation increases to staff.

Select years of the sustainability analysis are shown below:

	Year 1	Year 5	Year 10	Year 15
	2020	2024	2028	2034
Revenue				
Partnership Management Fees Collectible	\$13,809,860	\$0	\$0	\$0
Upper Tier Reserve Distribution (@ 25%)	\$0	\$209,694	\$221,424	\$420,015
Upper Tier AM Fees	\$448,018	\$346,407	\$270,047	\$41,781
Lower Tier AM Fees	\$368,597	\$393,542	\$392,399	\$29,380
<b>Total Revenue</b>	<b>\$14,626,475</b>	<b>\$949,643</b>	<b>\$883,870</b>	<b>\$491,176</b>
Operating Expenses	\$3,941,042	\$1,079,797	\$1,239,428	\$1,206,467
<b>Net Income</b>	<b>\$10,685,433</b>	<b>-\$130,154</b>	<b>-\$355,559</b>	<b>-\$715,291</b>
<i>Starting Cash Balance</i>	<i>\$3,077,822</i>	<i>\$13,763,255</i>	<i>\$13,633,102</i>	<i>\$13,277,543</i>
<b>Ending Cash Balance</b>	<b>\$13,763,255</b>	<b>\$13,633,102</b>	<b>\$13,277,543</b>	<b>\$12,562,252</b>

The asset management sustainability analysis suggests that Merritt’s asset management operations could be sustainable through the compliance period through relying combination of lower tier and upper tier asset management fees. Since Merritt historically paid itself a small portion of the upper tier asset management fees to which it is otherwise owed by the funds, to maintain investment yield, there is a large balance of earned and accrued partnership management fee which the Sponsor could collect should it choose to do so.

## VII. Organizational Overview and Executive Management

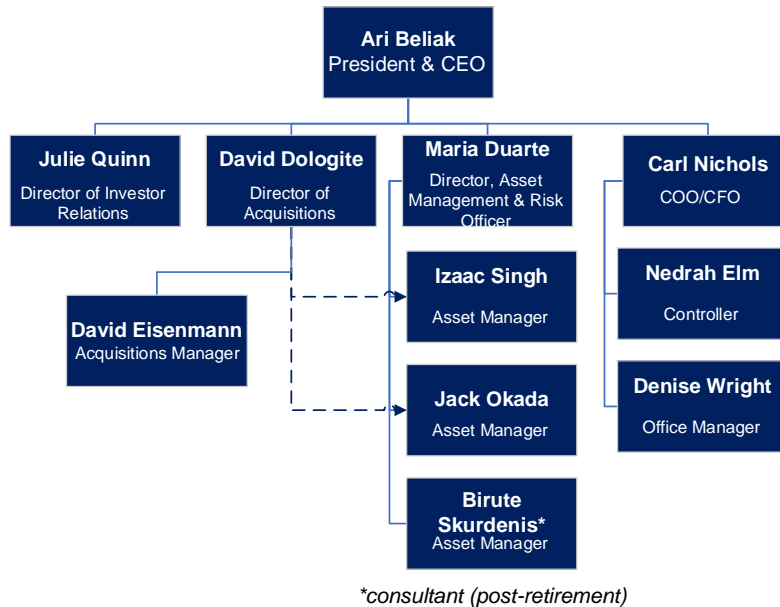
In July 2019, Ari Beliak assumed the position of the President and Chief Executive Officer of Merritt Community Capital. Lisa Castillo previously sat at the helm of the organization, serving a two-year period after the retirement of the Sponsor’s longtime President, Barney Deasy, in 2017.

Mr. Beliak oversees a team of 10 professionals, including one retired staff member who serves as a consultant. Mr. Beliak’s direct reports include the CFO/COO, Director of Acquisitions, Director of Investor Relations, and Director of Asset Management/Risk Officer. Maria Duarte, Director of Asset Management/Risk Officer, the longest-tenured employee whose 20+ years with the Sponsor is an invaluable asset and who is credited with maintaining Merritt’s exceptional portfolio performance. The professional experience of each of the senior executives is discussed in more detail in [Exhibit A](#).

The following staffing changes have occurred since our prior assessment:

- **David Dologite** joined Merritt in June 2020 and brings over 21-years of experience preserving, developing, and financing affordable housing. Mr. Dologite joined Merritt from McCormack Baron Salazar, a major national developer of affordable and mixed-income communities where he was a project finance executive focused on the West Coast market. Previously he served as Housing Finance Technical Director with the California Housing Partnership Corporation (“CHPC”), providing affordable housing finance consulting to the Partnership’s governmental and nonprofit clients, totaling over \$1.5 billion in equity and debt financing for the development of nearly 3,000 units of low-income housing. Mr. Dologite has also held senior real estate development roles with several nonprofit housing developers based in the San Francisco Bay Area and Seattle, where he oversaw the development of over 1,200 units of affordable housing and a quarter-million square feet of community facilities in a variety of award-winning projects.
- **Julie Quinn** joined Merritt in October 2020 and brings over 15 years’ experience in capital raising, affordable housing, community development, and portfolio management. Ms. Quinn joined Merritt from The Housing Trust of Santa Clara where she was the Chief Development Officer. There she was responsible for raising capital, fundraising for operating and program support, as well as events and marketing. Most notably, Ms. Quinn was recognized for being instrumental in transforming the Housing Trust into a major CDFI by raising over \$260 million from local companies, such as Apple, Google, and Facebook, and financial institutions. Prior to capital raising, Ms. Quinn was the key driver to expand the Housing Trust’s business lines, underwrote affordable housing projects and sponsors, and lead CDFI grant applications for the organization. Ms. Quinn also has experience working for local government in community development and as a project manager for an affordable housing developer.
- **David Eisenmann** joined Merritt in June 2020 and brings over nine years of experience at the intersection of public and private real estate and finance in both California and New York. He started his career in the public sector, working on public-private real estate transactions at the New York City Economic Development Corporation (“NYCEDC”). He then transitioned into the private sector and worked at BUILD SF and Extell Development Company where he managed the development of high-rise residential projects in San Francisco and Manhattan.
- **Chris Long**, a highly regarded industry veteran, joined the Sponsor in October 2019 as Director of Investor Relations and Acquisitions. Mr. Long brought more than 38 years of real estate investment expertise, including 28 years in the housing credit industry. Mr. Long also previously sat on Merritt’s Board of Directors. Mr. Long retired from Bank of America and planned on spending the last five years of his career at Merritt. At the outbreak of COVID-19 Mr. Long decided to retire and move out of California in advance of his original plan.

The Sponsor’s full organizational structure is presented below:



The following table summarizes each of the senior executives' years of relevant industry experience and years with the Sponsor. On average, the Sponsor's executive management team has 20 years of real estate experience, including 15 years of housing credit experience. Other than the Director of Asset Management, all senior management have been with the Sponsor for two years or less.

Name	Title	Years of Functional Experience	Years of Real Estate Experience	Years of LIHTC Experience	Years with the Sponsor
Ari Beliak (hired July 19)	President & CEO	17	15	11	1.3
David Dologite (hired May 20)	Director of Acquisitions	22	21	21	0.5
Maria Duarte (hired Jan 97)	Director of Asset Management	42	42	23	23
Julie Quinn (hired Oct 20)	Director of Investor Relations	18	18	18	0
Carl Nichols (hired Jan 19)	COO & CFO	34	2	2	2
<b>Average - Executive Management</b>		<b>27</b>	<b>20</b>	<b>15</b>	<b>5</b>

The Sponsor's six supporting staff (including one retired, part-time consultant) also reported favorable professional backgrounds, including nearly 15 years of real estate experience, 11 years of housing credit expertise and nearly eight years with the Sponsor.

Name	Title	Years of Functional Experience	Years of Real Estate Experience	Years of LIHTC Experience	Years with the Sponsor
Nedra Elm (hired 4/1/15)	Controller	17	5	5	5
Birute Skurdenis (hired 9/15/03)	Asset Manager Consultant	34	34	22	17
Izaac Singh (hired 8/20/18)	Asset Manager	11	11	11	2
Jack Okada (hired 2/1/19)	Asset Manager	6	6	2	2
David Eisenman (hired 5/11/20)	Acquisitions Manager	7	6	4	0.1
Denise Wright (hired 9/25/01)	Administrative Assistant	19	19	19	19
<b>Average - Supporting Staff</b>		<b>16</b>	<b>14</b>	<b>11</b>	<b>8</b>

#### i. Board of Directors

The Sponsor is governed by a self-appointed board of 10 directors. All directors must be residents of, employed in, or have an interest in and participated in community housing affairs in California. The directors



and officers of the Sponsor do not receive compensation from the Sponsor for serving as officers and directors. As described in prior assessments, the Board of Directors previously had the final authority on whether to invest in a proposed project. **However, the Sponsor recently transitioned project approval responsibility (up to \$30 million in equity) to the project / investment review committee, a four-member subset of the board described below. Any prospective project exceeding \$30 million in equity will still require full board approval.**

Current board members and sub-committee members include:

<b>Title</b>	<b>Name</b>	<b>Employer</b>
<b>Chairperson</b>	Andrea Ursillo	Senior Vice President, Bank of America Merrill Lynch
<b>Vice Chair</b>	Wendy Jacquemin	Vice President, Community Reinvestment for City National Bank
<b>Treasurer</b>	John Denton	Director, Community Development Finance for Bank of the West
<b>Secretary</b>	Nick Griffin	Director of AM, Resources for Community Development
<b>Members</b>	Robert E. Williams	Partner, Sheppard, Mullin, Richter & Hampton LLP
	Gina Leon	Affordable Housing Manager, CRE for Umpqua Bank
	Charles A. Cornell	Executive Director and CFO (retired) for Burbank HDC
	Paul Carney	CFO, Tenderloin Neighborhood Development Corporation
	Karen Tiedemann	Partner, Goldfarb & Lipman LLP
	Karen Smyda	Director of Acquisitions (retired) for Merritt Community Capital Corp.
<b>Sub-Committees</b>		<b>Sub-Committee Members (*Chair)</b>
<b>Executive Committee</b>	Andrea Ursillo*, Nick Griffin, and John Denton, and Wendy Jacquemin	
<b>Asset Management Committee</b>	Nick Griffin*, Gina Leon, Wendy Jacquemin, and Karen Tiedemann	
<b>Finance / Operations</b>	John Denton*, Paul Carney, Chuck Cornell, Andrea Ursillo	
<b>Audit Committee</b>	Chuck Cornell*, Nick Griffin, Gina Leon, and Robert Williams	
<b>Project / Investment Review Committee</b>	Andrea Ursillo*, Christine Carr, John Denton, Karen Smyda	
<b>Governance</b>	Robert Williams*, Karen Tidemann, Karen Smyda, and Gina Leon	
<b>Nominating Committee</b>	Paul Carney*, Christine Carr, Nick Griffin, and Karen Smyda	

Previously, we commented that the Board composition was dominated by Merritt's repeat bank investor clients. Since then, the Sponsor has taken steps to diversify Board representation, adding developer and legal perspectives. Furthermore, Karen Smyda, the Sponsor's long-time Director of Acquisitions joined the Board. Following completion of their terms two board members have departed since our prior assessment. The Sponsor indicated no additional board members are expected to term out by year-end 2020. The Sponsor mentioned that its new Board bylaws indicated that the Board can now support up to 25 individuals and no new board members are anticipated until after the completion of the strategic plan in 2021.

Historically, there has been a lack of clarity regarding Board involvement, oversight, and approval. The Sponsor responded by creating a matrix of decisions and responsible parties for Board approval that will inform when Merritt staff will consult the Board. Merritt also better defined the expectations of the Board by creating Board policies, processes, and procedures. The Sponsor indicated that the Board has primarily focused on strategy, project approvals, risk management and fiduciary responsibilities.

The Board of Directors meets quarterly with a view towards understanding strategic issues and delegating operational tasks. The Board also holds an annual retreat, and additional Board meetings are held on an as-needed basis during the year to approve property investments.

Standing committees include Executive, Asset Management, Finance/Operations, Audit, Project / Investment Review, Governance, and Nominating.

## ii. Succession Plan

We recommend that all sponsors develop and maintain a written succession plan document to help ensure that responsibilities are clearly understood within the organization should senior staff leave the company or become incapacitated in some fashion. On September 10, 2014, the Sponsor's Board of Directors approved the organization's first succession plan. We note that the development of a formal written and executed succession plan places the Sponsor among a minority of syndication firms and we view the adoption of such

plans as an industry best practice.

The terms of the President/CEO succession plan state that the Executive Committee of the Board shall be responsible for implementing the plan and annually reviewing and updating the plan as needed. In the event of leadership transition, the Executive Committee will serve as the Search Committee and shall plan and manage the transition, including the search for a new President/CEO (either internal or external) in consultation with the Board. To ensure the uninterrupted operations of the organization, the CEO's responsibilities have been allocated among the senior management and the Board has the authority to appoint an acting CEO among senior management or hire an interim CEO from outside the organization. The Chairman of the Board may add Board members to the Search Committee at his/her discretion. The Search Committee shall be composed of no more than seven members and shall represent past, present, and prospective future leaders of the Board.

### iii. Business Emergency Plan and Data Security

The Sponsor presented us with a Business Emergency Plan, which provides for sustainable operating environments during a crisis/incident or major business interruption that adversely impacts the organization's ability to conduct business. The Sponsor outlined the various redundancies built into its IT design to ensure data preservation and business continuity. Over the past 18 months the vast majority of the Sponsor's IT (e.g., asset management database, investor reporting, email, phone system, payroll) has been migrated to commercial cloud platforms for ease of access, enhanced reliability and added security; key outsourced vendors were selected that met SOC 2 requirements.

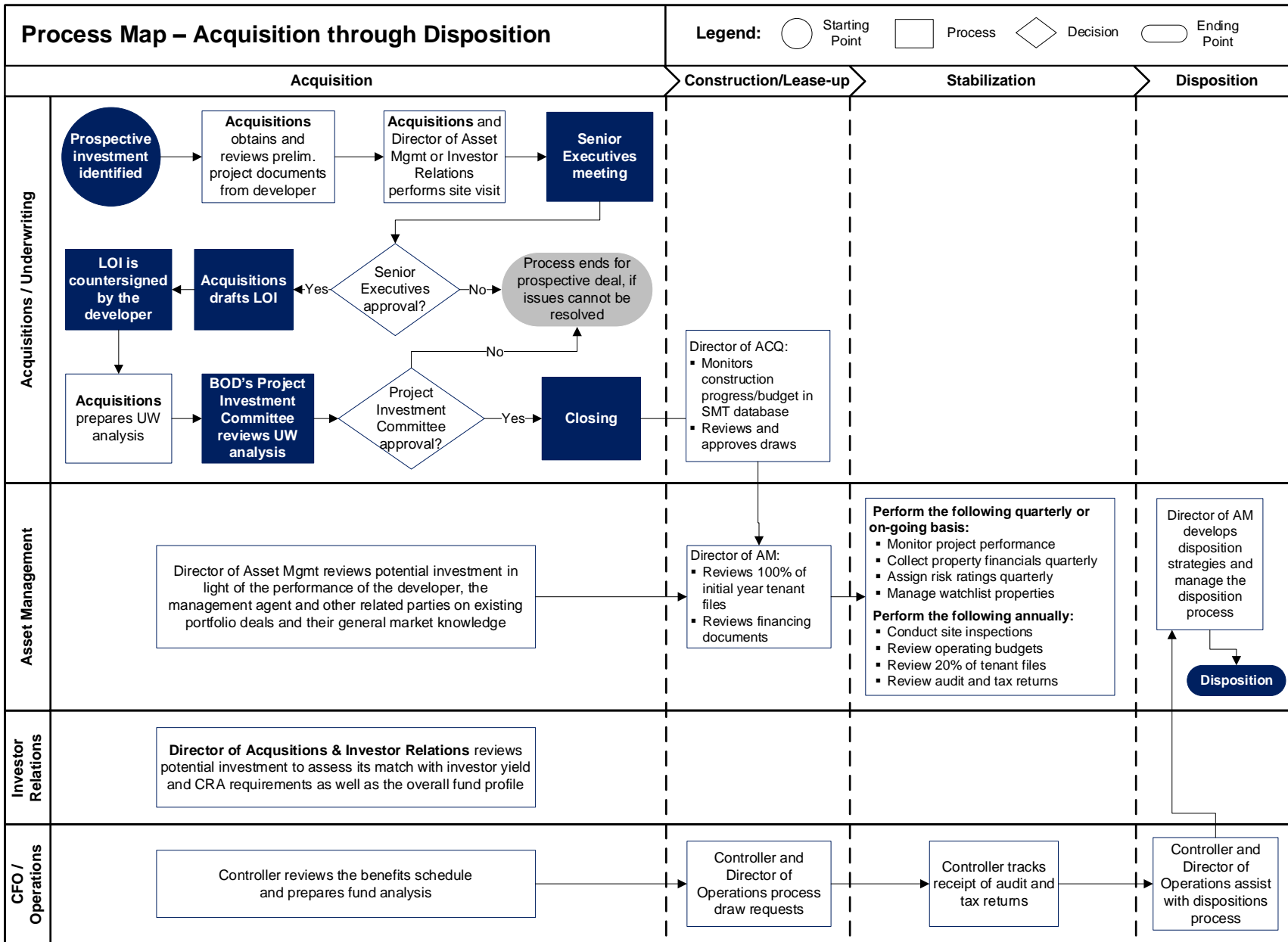
The only significant on-premise information technology that Merritt now maintains is a file server. Merritt ensures this information is safe through an on-site backup as well as a real-time mirror image of the data with roll-back capabilities that is stored externally in the Microsoft cloud. In the event of an emergency that disrupted access to the Merritt server, remote access to the Merritt server information is available through the Microsoft cloud, to which all employees have access. Should files become deleted or corrupted, Merritt also has the ability to restore them back to any recent point in time. Merritt indicated that its third-party provider, Technology Works, reviews the Sponsor's security, ensures best practices are implemented and provides training (e.g., conducted simulated phishing efforts towards Merritt to create an awareness for such fraudulent activities). In addition, Merritt utilizes AireSpring to continuously monitor and resolve any disruptions to its internet connectivity.

## VIII. Policies and Procedures

The Sponsor indicated that it aims to update its policies and procedures as needed, in real time. We reviewed the Sponsor's written policies and procedures for acquisition/underwriting that were recently updated in May 2020 as well as the asset management policies and procedures last updated in 2017. As a general matter we have found these to be largely consistent with those adopted by its competitors in most aspects. Notably, the Sponsors acquisition and underwriting policies have some deviations from industry standards, but not uncommon among its single-state NASLEF member peers.

Functions	Comparison to current industry standards
Acquisitions	Some deviations from current industry standards
Underwriting	Some deviations from current industry standards
Investment guidelines	Consistent with current industry standards
Asset management	Consistent with current industry standards
Disposition	Consistent with current industry standards

Below is a flowchart illustration of the Sponsor's internal process – from acquisition through disposition. This process is discussed in greater detail in the following pages.



**iv. Acquisition and Underwriting**

The role of Director of Investor Relations is currently open but being filled by Mr. Beliak in the interim. Mr. Dologite was hired in June 2020 as the Director of Acquisitions and Mr. Eisenman was hired in June 2020 as the Acquisitions Manager. Mr. Dologite and Mr. Eisenman’s are responsible for the origination and underwriting of all prospective investments.

<b>Origination and LOI Execution</b>		
<b>Step</b>	<b>Key Role(s) Involved</b>	<b>Notes</b>
Identifying Prospective Investments	Director of Investor Relations and Director of Acquisitions	<p>Competition for housing credit investments is so stiff in California, that in most cases the equity investor is selected through an RFP process. The Sponsor benefits in this regard from the organization’s long-tenured relationships with developers, lenders and consultants and works with certain developers on an exclusive basis.</p> <p>The Sponsor also monitors the California Tax Credit Allocation Committee (“CTCAC”) and any projects securing the Private Activity Bond Cap from the California Debt Limit Allocation Committee.</p>
Acquisition screening	Director of Investor Relations and Director of Acquisitions, President/CEO, Director of Asset Management, Fund Manager	<p>Upon receipt of the developer’s basic project information whether through an RFP or directly, the Director of Acquisitions (Mr. Dologite), Merritt’s President/CEO (Mr. Beliak) and the Director of Asset Management (Ms. Duarte) review the property’s basic parameters, guided by the Sponsor’s underwriting policies as reflected in Fund level investment criteria and CRA needs of the Fund’s investors. This review includes an evaluation of the experience and sophistication of the project’s developers, the investment’s location, the general market conditions or detailed market study if available, and the assumptions which form the basis for the deal’s projections, including sources and uses, proposed payment of developer fee, and amount of deferred developer fee.</p> <p>Sensitivity testing to determine the adequacy of proposed reserves is needed in cases where there will be deep affordability parameters and set-asides. Non-standard loss allocations or very complex financing structures are discussed with Merritt’s external tax advisors. Upon determination that the project meets the Sponsor’s criteria, a pricing review is conducted.</p> <p>The Fund Manager reviews the projected benefit schedule and prepares a fund analysis including projected pricing, fees, reserves, and capital call schedule. The Fund Manager also assesses fund availability and what impact the potential investment would have on the upper tier IRR. The initial benefit schedule is then saved by the Fund Manager on a secure basis and is uploaded to the server that will eventually migrate to the SMT database (described in greater detail in the Asset Management section). The Director of Investor Relations (Mr. Beliak for the immediate future) also reviews the project to assess</p>

		<p>its match with investor yield and CRA requirements as well as the overall fund profile.</p> <p><b><i>Because Merritt is a small organization of less than a dozen employees, it is not surprising to see senior management involvement at this early stage in the due diligence process, we nevertheless consider management’s early involvement an industry best practice.</i></b></p>
Pre-LOI & Negotiation	Director of Acquisitions and Asset management staff	<p>The Director of Acquisitions prepares the LOI including the proposed pricing, required guarantors, conditions upon which each equity contribution will be made, required reserves, guaranties, allowed fees, underwriting conditions which must be met along prior to issuance of a firm commitment to invest.</p> <p>The asset management department recommends any changes to the project or conditions be identified in the Letter of Intent (“LOI”).</p>
LOI Approval	President/CEO, Director of Asset Management, and Fund Manager	A committee comprised of the President/CEO, Director of Asset Management, and Fund Manager review the proposed project and approve the LOI.
Post-LOI	Director of Acquisitions and Acquisitions Manager	After a Letter of Intent has been countersigned, the acquisition team is responsible for overseeing and executing the closing process.

Key Tasks – LOI through Closing		
Step	Key Role(s) Involved	Notes
Due Diligence Collection	Director of Acquisitions and Acquisitions Manager	<p>Once the LOI is countersigned by the developer, the Director of Acquisitions and the Acquisitions Manager work together to prepare a due diligence list, which includes all documentation required for underwriting and syndication closing.</p> <p>The accepted LOI and reviewed financial projections are forwarded to Merritt’s legal counsel, usually Carle, Mackie, Power, and Ross, LLP, for incorporation into draft partnership agreements and initial review of potential project specific tax issues. Typical issues include true debt test structuring, partner minimum gain, and partner loss re-allocations. As due diligence documents are received, they are tracked and filed on the Merritt server.</p>
Market Analysis	Director of Acquisitions and Acquisitions Manager	<p>A review of the project site involves assessing the proposed site location, surrounding uses, neighborhood suitability and a review of the third-party market study (typically provided by the developer), appraisal, and site plan.</p> <p><b><i>We recommend that all Sponsor’s obtain market studies that they commission, that are NCHMA compliant, and dated within six-months of initial closing. Some argue that California is unique in the breadth of demand for affordable housing, and therefore market studies are less meaningful.</i></b></p>

		<b><i>Our contention is that micro market analysis can be very important to the success of an individual project, and therefore stand by our original recommendation.</i></b>
Site Visits	Director of Acquisitions, Acquisitions Manager, and Director of Asset Management	Merritt visits each project investment prior to initial closing, following execution of LOI and receipt of market study. Site visits include project site and immediately surrounding market area. For acquisition and rehabilitation properties proposed by new partners, a walk-through of the existing property is performed, generally including the Director of Asset Management.
Environmental Review	Director of Acquisitions and Acquisitions Manager	Phase I and II environmental reports are reviewed, and all required environmental clearances are obtained prior to initial closing. Where applicable, seismic analysis is required and reviewed for each property to determine if the probably maximum loss (“PML”) threshold for earthquake insurance is met.  Merritt relies on environmental site assessments prepared by the lender or developer, with Merritt being included as a reliance party. Merritt staff review Phase I/II reports during underwriting.
Pre-Construction Review	Director of Acquisitions and Acquisitions Manager	For rehab projects, a physical needs assessment and the proposed scope of work are reviewed by the Director of Acquisitions and third-party consultant when deemed necessary. The proposed scope and budget must be adequate to address all items raised in the physical needs assessment. Contingency funds must be adequate, and generally must be 5% for new construction and 10% for rehabilitation, which are consistent with affordable housing investors council (“AHIC”) industry standards.  Construction documents for all prospective deals are reviewed, plan and cost reviews are prepared by a third party to ensure consistency, and to determine that no “value engineering” is proposed for any system.
Counterparty Review	Director of Acquisitions and Acquisitions Manager	The Director of Acquisitions and the Acquisitions Manager reviews the developer/guarantor, including an analysis of organizational documents, and a minimum of three years of audited financials along with a schedule of real estate owned, contingent liabilities and developer fee payables. Staff and board experience are also reviewed for new partners.  Financial performance is assessed, including but not limited to evaluating net worth and liquidity and annual audits. Results must reflect the developers/guarantors’ ability to meet its obligations to the prospective investment while continuing their normal course of business. The Sponsor indicated that because its staff is familiar with most of the non-profit developers with whom it does business, background checks are typically not performed. The Sponsor relies upon OFAC checks performed by its lenders, rather than the Sponsor conducting them independently.  A new developer relationship is vetted by reference checks with lenders and consultants and is subject to credit checks and a more

		extensive background review. The Sponsor makes visits to the developer's office, and to several properties, especially older properties, and review board members' experience.
Preliminary Modeling	Director of Acquisitions, Acquisitions Manager, and Closing Attorney	<p>A review of the project's revenue and expenses involves an analysis of trending (minimum of 1% spread is required), vacancy rates in the market, projected operating expenses (which are compared with the data in Merritt's database for similar properties), a review of the lender's appraisal, along with an analysis of the proposed operating budget. Sensitivity testing performed on an as needed basis, including but not limited to section 8 overhang analysis, vacancy, and income growth testing.</p> <p>A review of proposed financing documents performed in conjunction with Merritt's closing attorney and partnership agreements are analyzed for consistency with regulatory requirements, investor protections, reserve requirements and any limitations on cash flow or distributions. Title and survey matters are also reviewed by Merritt's closing attorney.</p>
Investment committee approval	Director of Investor Relations, Director of Acquisitions, Acquisitions Manager, Project Investment Committee, President/CEO, Director of Asset Management, Fund Manager	<p>The Director Acquisitions and the Acquisitions Manager prepares a comprehensive project underwriting analysis and report for each project which is reviewed by the Project Investment Committee, a subset of the Sponsor's Board of Director membership.</p> <p>In cases where a Fund investor has the right to approve proposed investments, the Fund Manager also submits the project underwriting analysis to the investor and tracks the review/approval process by the investor. A potential investment requires a majority vote from the project investment committee. The Sponsor indicated that since each deal is thoroughly vetted prior to the committee presentation, the vote is typically unanimous.</p> <p><b><i>The project investment committee has full approval rights unless a prospective investment is more than \$30 million; in which case full board approval is also needed.</i></b></p>
Closing & transition to asset management	Director of Acquisitions, Acquisitions Manager, and Fund Manager	<p>Once approval is granted for a lower-tier property investment, the drafting, review, and approval of final partnership documents commences. Upon closing, the project is entered into the SMT database and thereafter is tracked through all stages of the investment process.</p> <p>In cases where a proposed investment has been approved by the committee prior to the close of the relevant fund, the proposed investment may be acquired by a Merritt affiliate or the fund. It is a requirement of the fund partnership agreements that all investors must be closed into the fund prior to the execution of a lower tier partnership agreement and prior to the initial capital call made on behalf of any lower tier partnerships. As such, project investments that must close prior to the close of the relevant upper tier fund are acquired by an affiliate, Merritt LLC, or assigned to</p>

		the fund. This process is supervised by the Director of Investor Relations and Fund Management.
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## Investment Guidelines

We reviewed the Sponsor’s guidelines in relation to the recommended standards published by the Affordable Housing Investors Council (“AHIC”) as well as what we consider to be industry best practices. We included a checklist in [Exhibit C](#) comparing the Sponsor’s acquisition/underwriting guidelines with AHIC/industry standards and we have listed below the deviations as a result of such comparison:

### Positive deviation:

- AHIC guidelines specify that a maximum of 85% of cumulative capital contributions can be funded at construction completion. The Sponsor’s form of the Fund Partnership Agreement indicates that project partnership agreements must not require a capital contribution until a notice of substantial completion of construction is received; although a project partnership agreement may be executed prior to that time. In the case of an occupied acquisition with moderate rehabilitation project, the project partnership agreement may require a capital contribution during rehabilitation so long as certain conditions are met.
- Whenever possible, there shall be a holdback of at least 12% of total equity until qualified occupancy, permanent loan conversion and breakeven; industry standard is 15%-20%.
- Rehabs should consist of a minimum of \$30K per unit of hard costs; vs. \$25K per unit industry standard.

A detailed comparison of the Sponsor’s underwriting guidelines to the AHIC standards is shown in [Exhibit C](#) of this report.

## v. Asset Management

Maria Duarte is the Sponsor’s Director of Asset Management and is supported by a team of three. Ms. Duarte’s team includes Izaac Singh, Senior Asset Manager, Jack Okada, Asset Manager and Birute Skurdenis, Asset Manager consultant. Izaac Singh was hired in 2018, and Jack Okada was hired in 2019. Birute Skurdenis who was a full time Asset Manager from 2003 until the end of 2019, at which time she became an Asset Management consultant.

Each Asset Management staff is responsible for monitoring approximately 22 properties (Ms. Skurdenis is responsible for 15 properties on a contract basis), which represents a lighter workload compared to the current industry practice of roughly 50 assets per asset manager. Merritt’s lighter workload is intentional and permits Merritt to institute a proactive asset manage strategy instead of reactive asset management focused on properties with deteriorating fundamentals. Merritt’s asset management is responsible for all aspects of monitoring each asset including housing credit compliance, financial analysis, site inspection, and tax and audit review.

Asset Management Step	Key Roles Involved	Notes
Construction & Pre-Stabilization Period		
Pre-Closing / Acquisition Period	Acquisitions Team and Asset Management	Prior to, or upon investment in a property partnership, project files are established to facilitate the availability and retrieval of relevant project information throughout the investment period. Project files contain all relevant agreements and other documentation relevant to monitoring future property operations. Certain files are maintained solely for purposes of monitoring operations as issues arise from time to time.



		Initially, project files include: equity investment/lower tier partnership closing binders, project finance documents, an executed regulatory agreement, a property management plan and management agreement, standard tenant lease agreements (with copies of all addenda), and the forms to be used for certification of tenant eligibility, and tenant application materials and disclosures.
Construction Monitoring	Acquisitions Team and Asset Management	<p>Once a property is under construction, monitoring responsibility is shared by the Acquisitions team (the Director of Acquisitions and the Acquisitions Manager) and Asset Management, all of whom are cross trained to track the construction progress, any variance with the construction budget, and the adequacy of construction contingencies.</p> <p>Key progress dates are tracked in SMT. When the Sponsor believes that there is a need for additional construction monitoring, the Director of Asset Management, Ms. Duarte, who has a construction background, assists in that process, or a third-party construction inspector is hired. A team member from Acquisitions or Asset Management will periodically attend monthly construction draw meetings onsite to monitor the construction process.</p>
Asset Management Transition	Asset Management	<p>The Director of Asset Management reviews the potential investment regarding the performance of the developer, the management agent and other related parties on existing portfolio deals and their general market knowledge. Asset Management also works with Acquisitions in assessing project expense budgets.</p> <p>Asset managers monitor progress throughout the development, construction and rehabilitation phase of each project investment and keeps management informed of progress and any issues that may have a material impact on project completion and credit delivery. During the Acquisitions Phase, Merritt Asset Management oversees the receipt and review of relevant reports and ensures that revised data are reflected prior to meeting capital calls from the project's sponsors. New construction projects transition to asset management at 80% completion to allow the asset manager to monitor lease up and initial occupancy. Acquisition/rehab projects are immediately transitioned to asset management at closing to begin monitoring performance and compliance. Once the project's Form 8609s are issued and the final capital contribution is made, oversight of the investment is transferred to the Asset Management unit for continued compliance monitoring and ongoing asset management.</p>
Lease-Up	Asset Management	As the construction phase is completed, the lease-up phase of the property is monitored at least monthly, with certain properties monitored more frequently. Asset managers work side-by-side with local property management staff during this period, providing marketing guidance designed to maximize credit delivery during the properties' initial years. Asset managers also work closely with general partners and management staff to ensure that effective strategies are deployed to minimize the risk of credit deferrals.

Once the property has achieved "Stabilized Operations" as defined under the partnership agreement, the Asset Manager is responsible for monitoring the following ongoing procedures throughout the remainder of the compliance period.

Stabilized Asset Management		
Financial Analysis	Asset Manager	Asset Managers are charged with monitoring budget to actual results by reviewing property level quarterly operating reports, regular interaction with the developer, property manager and other participants, in addition to site-visits. All financial reports are analyzed on a line-by-line basis, especially for purposes of evaluating budget variances. If total cash flow for any given period falls short of projections by more than 5%, additional measures are taken by the Sponsor's asset management team to address the source of the under-performance issues. If there is a material budget variance, appropriate explanations are requested from the general partner and/or the managing agent, as appropriate.
Reserve Management	Asset Manager	Asset Managers ensure that reserves (i.e. replacement, operating) are funded as originally projected. An inability to reimburse reserve withdrawals will trigger additional oversight by asset management staff and the initiation of an action plan.
Tax & Insurance	Asset Manager	Ongoing operational oversight includes monitoring insurance payments, costs, coverage, and renewal dates.
Site Inspections	Asset Manager	<p>The Sponsor's guidelines call for every property in its portfolio to be visited at least once every 12-18 months throughout the compliance period.</p> <p>A template property management review form is prepared to ensure standardized annual inspection procedures. Site inspections include a review of property operations, as well as financial and managerial performance. Both on-site and off-site members of the property management team are interviewed for purposes of evaluating the performance of property management staff and compliance procedures. Photographs are taken of the physical site during these inspections to provide a visual chronology of the property's physical condition. Additional less formal site visits may be performed if triggered by any operational concerns, or unusual or extraordinary circumstances.</p>
Compliance	Asset Management	When the initial lease-up and certification period is complete, 100% of the first-year tax credit tenant files are requested and sent to the assigned Merritt Asset Management contact for review. Thereafter, 20% of the most recent tenant files are requested and reviewed every other year, which is consistent with AHIC's best practice for ongoing review.
Risk Rating	Asset Management	<p>The Sponsor has adopted the AHIC suggested Asset Management risk rating system, which has been incorporated into the SMT database. Merritt's policy is that watch list properties – properties rated C, D or F – receive increased scrutiny by asset management and may necessitate more frequent site visits.</p> <p>All projects placed on the watch list are required to report monthly with financial and narrative updates. Each asset manager is responsible for evaluating the projects in his/her assigned portfolio and a meeting is held by asset management quarterly to discuss watch list projects and determine necessary actions to be taken.</p>
Tax Returns & Investor Reporting	Asset Management and Controller	Merritt uses a web-based database, SMT, a fund management and lower tier reporting service licensed by National Equity Fund, on a fee basis. Merritt's investors also have access to the investor portal via the Sponsor's website.

		<p>Currently, annual reminders are sent electronically to general partners regarding the various reporting deadlines; and the tracking of audits and tax returns are performed manually by the Controller using an excel spreadsheet.</p> <p>Merritt's fund LPAs stipulate a 150-day deadline following year-end for delivery of final K-1s to investors. With those fund deadlines in mind, all fund k-1s were reportedly delivered on time, except the newest fund (Fund XX) was delayed by one week past the deadline given a lower tier project was completing its first-year tax return.</p>
Dispositions	<p>Director of Asset Management, Director of Investor Relations, Chief Operating Officer, and Controller</p>	<p>In August 2013 (updated in 2017), the Sponsor formalized a set of policies and procedures governing disposition activities. Primary disposition responsibilities are undertaken by the Director of Asset Management, who starts the disposition process as a project nears the end of its compliance period, with input and support from the accounting and legal advisors as needed. This analysis will determine a dispositions strategy that represents the best interest of the Fund. Upon the exit of the last project from the fund partnership, the Controller and the Director of Investor Relations will work with the Director of Asset Management to determine the steps needed to dissolve the fund. The Controller then works with the external auditor to finalize the final K-1 and determine the final distribution of fund reserves in accordance with the upper tier partnership agreement. Lastly, the Controller and the Chief Operating Officer will coordinate with legal counsel to dissolve the fund partnership and notify all fund investors.</p> <p>As of December 31, 2019, six funds have been closed and dissolved (including the PG&amp;E proprietary fund) totaling 42 lower tier investments. Most of the investments disposed of to-date have had no residual value due to the balance of the remaining soft debt. In these instances, the Sponsor has charged a fee to cover third-party costs and staff time incurred involved with the disposition. The Sponsor indicated that until Fund XI, any issues with the investor's exit tax liability has been handled by the developer; beginning from Fund XII, language in the partnership agreement has been modified to state that Merritt will cover any exit tax liability that exceeds the amount estimated in the closing projections.</p>

**vi. Fund Management**

Carl Nichols, the Chief Operating Officer and Chief Financial Officer leads the Sponsor's fund management function. Mr. Nichols' direct reports include Nedrah Elm, Controller, and Denise Wright, Office Manager.

Fund Management Step	Key Role(s) Involved	Notes
Fund Management	<p>Director of Investor Relations, Fund Manager, Legal Counsel, President/CEO, Board of Directors, and</p>	<p>When the pipeline develops to specify at least 50% of the current fund, the prior fund structure is reviewed and any suggested modifications, additions or deletions to the structure of the proposed fund are discussed. A schedule is then set to produce draft fund documents, Board review and approval and distribution to current and potential investors.</p> <p>The Director of Investor Relations, the Fund Manager and the Sponsor's legal counsel work in tandem to complete the production of draft upper tier fund</p>

	Board of Operations,	<p>documents including the Private Placement memorandum, model Limited Partnership Agreement and Subscription Agreement, State of California partnership registration forms, and upon completion reviews the final product with the President and key staff.</p> <p>The Director of Investor Relations prepares a memo of recommendation and a resolution for approval of the upper tier fund documents to the Board of Directors at its next meeting which is coordinated by the Director of Operations. Upon approval by the Board of Directors, the Director of Investor Relations begins making calls to current and potential investors to secure their participation in the next fund.</p> <p>As investors indicate their level of participation in the new fund, relevant information is sent to legal counsel who will then draft the LPA, Subscription Agreement, side letters, etc. for execution. Once all potential investors have indicated their levels of participation in the current fund, the Director of Investor Relations establishes a closing schedule for the Fund.</p> <p>During the acquisitions phase of each fund, as individual projects are entered into the pipeline report, the impact of the project on the Fund's target IRR is included in an analysis carried out by the Fund Manager. As each project is analyzed, the Fund Manager updates the cumulative impact of each project reviewed on the prospective Fund IRR. The Fund Manager continues to monitor the projected Fund IRR throughout the acquisitions phase. A Fund IRR update is maintained by the Fund Manager and shared with the Director of Investor Relations.</p> <p>The Fund Manager also maintains a CRA spreadsheet that tracks the individual investor's potential CRA credit. Investors may request CRA credit by county in an individual fund. Typically, CRA set-asides by county are established through a side letter with each investor. Once the CRA priorities for each investor are established, a spreadsheet is created that tracks CRA credit by property and by investor to ensure that the CRA credit for each project is spread over the investor base in accordance with individual investor CRA preferences and to ensure that all CRA credit is reported but not double-counted.</p>
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**IX. Prior Performance**

It is important to consider the performance of housing tax credit funds in terms of actual income tax benefits realized versus the originally projected benefits. We have chosen to present investment performance in terms of yield, overall tax credit delivery, and the initial years of tax credit delivery relative to originally projected amounts.

*The Tax Reform and Jobs Act of 2017 (“TCJA”) reduced the corporate tax rate from 35% to 21%. The corporate tax rate reduction directly impacts the underlying value of the taxable losses generated by housing credit properties. Since housing credit investments’ benefits are derived from both tax credits and losses, IRRs for funds comprised of properties closed with a 35% (or higher than 21%) tax rate assumption will be depressed by the reduced value of losses.*

We have requested that the Sponsor provide two IRR reporting scenarios, with the intention of isolating the IRR variance attributable to performance of the underlying assets, and the IRR variance attributable solely to the tax rate change.

“IRR (Economic)” noted in [Exhibit D](#) illustrate the originally projected IRR, and the current IRR that contemplates the impact of tax reform.

“IRR (Performance)” noted in the tables below and in [Exhibit D](#) illustrate the originally projected IRR, and the current IRR if there had been no tax reform. This presentation captures the performance impact of the underlying assets to the investor’s IRR.

The Sponsor provided us with its original (at the time of investor closing) and most current performance data (as of December 31, 2019) for its prior housing credit funds. Those funds with more than 50% of its properties (by equity) that were either not stabilized yet or disposed have been excluded from our presentation. After those exclusions, our analysis showed a total of \$625.5 million in stabilized gross equity across 11 funds invested between 2004 and 2017. As previously noted, individual Fund performance tables are attached as [Exhibit D](#).

### Yield Delivery Performance

All Funds		Original	Current	Variance
Total Gross Equity \$625,500,000	IRR (Performance)	5.54%	5.92%	6.82%
	IRR (Economic)	5.54%	3.88%	-30.05%
Number of Funds 11	Total LIHTC Credits	\$510,264,492	\$507,779,952	-0.49%
	Total Other Credits	\$19,360,233	\$20,349,774	5.11%
	First Year LIHTC Credits	NA	\$13,878,250	NA
	Second Year LIHTC Credits	NA	\$37,428,045	NA
	Third Year LIHTC Credits	NA	\$46,870,726	NA
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
	Working Capital Reserve	\$12,510,000 / 2.00%	\$12,510,000 / 2.00%	\$12,510,000 / 2.00%

As we have defined the term, yield variance measures the difference between the originally projected yield at closing and the most current year-end yield projection.

For benchmarking purposes, we focused on multi-investor funds only; industry data is comprised of multi-investor funds closed between 2004 and 2017. **The Sponsor reported an overall weighted average positive yield variance of 6.82% across its 11 stabilized multi-investor funds which exceeded the 3.76% industry average. None of the Sponsor’s “stabilized” funds have experienced a negative yield variation, a statistic which sets the Sponsor apart from all its competition.**

Multi-Investor Funds	Merritt 2019 Average	Industry 2018 Average
IRR Variance	6.82%	3.76%

We note, in this context, that while most syndicators can claim that they have achieved yields close to or more than original projections, it is often because property operations have thrown off higher than expected losses. This is not the case with the Sponsor’s funds. Based on the Sponsor’s portfolio performance discussed below, it does not appear to be the case that the Sponsor’s positive yield performance is a result of underperforming assets.

However, as noted, Merritt has historically not called all permitted upper tier asset management fees and/or deferred acquisition fees when they become payable under the terms of the various upper tier fund agreements. As a result, the Sponsor was able to deliver increased IRR to investors with some early funds reporting 50%+ IRR variances.

## Credit Delivery Performance

Because housing tax credits are calculated based on qualified development costs, a property's future delivery of tax credits is somewhat predictable. The timing of tax credit delivery is more likely to create variances. Negative credit delivery variances are generally an indication of some combination of the following: construction delays, overly optimistic lease-up projections, and changes in portfolio composition post-closing. The negative variances in credit delivery in the early years are frequently dealt with through the adjuster mechanisms in the lower-tier partnership agreements which reduce capital contributions and act to moderate any negative impact from a delayed credit delivery.

***The Sponsor does not track its credit delivery variance since fund closing, instead, Merritt's credit delivery projections are finalized when each property receives 8609s. Since most syndicators we assess use the former approach, we cannot therefore compare the Sponsor's credit delivery track record against the industry median results.***

## Working Capital Reserves

In addition to capitalizing reserves at the project entity level, most housing tax credit funds are structured with upper-tier working capital reserves. Historically, housing tax credit funds were structured with working capital and project needs reserves that represented, on average, between 3.0% and 4.0% of the gross equity proceeds. Multi-investor fund working capital and project reserves, which were 4% post-recession, have since declined to approximately 3% in recent years.

Many fund working capital reserves were structured in a way that such reserves can be used to pay asset management fees to the syndicators but only to the extent that at least 1.0% remains earmarked for project deficit funding. Starting from approximately nine years ago, more fund syndicators began to incorporate the Affordable Housing Investor's Council's recommendation to segregate working capital reserves into several buckets, including a minimum of 1.5% in the project needs reserve. In an increasingly yield-compressed market, more syndicators have attempted to defer calling investor capital to fund working capital reserves to maintain yield. We advise that investors require full funding of at least the project needs reserve within five years of fund closing.

We note that the Sponsor is among a subset of syndicators who structure their funds in a way that the fund-level expenses and asset management fees are not paid from working capital reserves. Instead, the Sponsor relies on investor capital calls to pay its asset management fees. Therefore, its single working capital reserve account is used only for property needs.

A summary of this data is shown on the tables below, along with commentary describing the Sponsor's property reserve management performance relative to that of other housing credit syndicators we have analyzed.

Fund Name	Year Closed	Total Gross Equity	Initial WCR Balance	Current WCR Balance (as of 12/31/2019)	Current WCR as a % of Gross Equity	Projected WCR Balance at Year 10
MCC Fund IX	2004	\$44,000,000	\$880,000	\$880,000	2.00%	\$880,000
MCC Fund X	2006	\$43,000,000	\$860,000	\$860,000	2.00%	\$860,000
MCC Fund XI	2007	\$42,000,000	\$840,000	\$840,000	2.00%	\$840,000
MCC Fund XII	2008	\$28,500,000	\$570,000	\$570,000	2.00%	\$570,000
MCC Fund XIII	2010	\$48,000,000	\$960,000	\$960,000	2.00%	\$960,000
MCC Fund XIV	2011	\$73,000,000	\$1,460,000	\$1,460,000	2.00%	\$1,460,000
MCC Fund XV	2013	\$72,000,000	\$1,440,000	\$1,440,000	2.00%	\$1,440,000
MCC Fund XVI	2014	\$80,500,000	\$1,610,000	\$1,610,000	2.00%	\$1,610,000

MCC Fund XVII	2015	\$61,000,000	\$1,220,000	\$1,220,000	2.00%	\$1,220,000
MCC Fund XVIII	2016	\$75,500,000	\$1,510,000	\$1,510,000	2.00%	\$1,510,000
MCC Fund XIX	2017	\$58,000,000	\$1,160,000	\$1,160,000	2.00%	\$1,160,000
<b>Total</b>		<b>\$625,500,000</b>	<b>\$12,510,000</b>	<b>\$12,510,000</b>		<b>\$12,510,000</b>

Each Fund through Fund XIX has 2% of the gross capital maintained, for the benefit of the lower tier partnerships, as a property needs reserve. While not included in the table above because they are not yet stabilized, Fund XX and XXI call for 1% reserves (with an additional 0.5% potentially funded from excess cash flow). The reserve shall be used by the Sponsor in its discretion to pay any unanticipated costs associated with managing the partnerships or insuring compliance by any project limited partnerships with the terms of any project partnership agreement. **Despite a track record of never having to utilize its reserve to fund property deficits, the projected 1% reserve for Funds XX and XXI is on the low end of the industry range. The Sponsor often defers payment of its asset management fees that could be utilized if fund reserves are insufficient.**

As per the Private Placement Memorandum and Partnership Agreement for each fund, the reserve may not drop below 10% of its original reserve balance without a majority of investor approval.

### Property Level Performance

In addition to fund level performance data, we requested the Sponsor to provide us with the most current year-end operating performance data of the property investments it has syndicated.

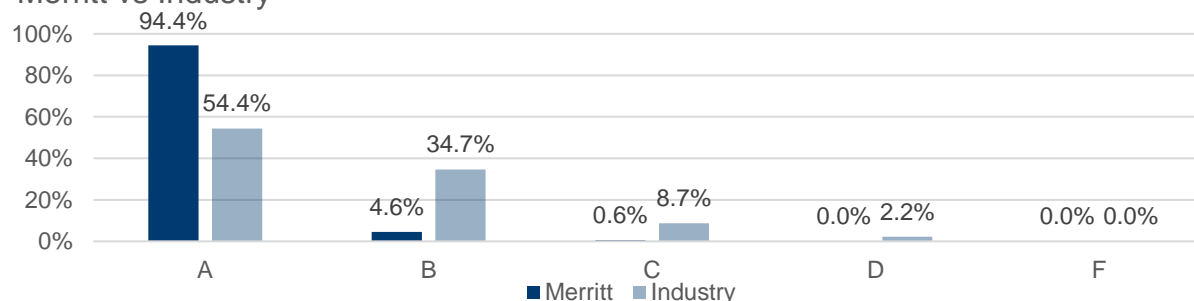
Our analysis of housing credit property performance is based on the three most important metrics for measuring property operations: *physical occupancy*, *debt coverage ratio* (DCR) and *net cash flow*. DCR is defined as net operating income after required replacement reserve deposits, divided by mandatory debt service payments. Net cash flow is defined as available cash flow after deducting mandatory debt service payments and required replacement reserve deposits. As a general matter, debt coverage ratios and net cash flows operate in parallel fashion, except for the fact that net cash flow is a more accurate performance measurement for properties that are entirely financed with so-called “soft debt”. The term soft debt refers to mortgage loans, typically made by state and local governments, which by their terms need only be serviced to the extent that the property generates sufficient cash flow.

The Sponsor’s portfolio as of December 31, 2019 was comprised of 91 active property investments, including 88 stabilized properties. The 88 stabilized properties represented 93.5% of the Sponsor’s active portfolio by net equity.

The table below reflects the watch list composition relative to the industry-wide distribution.

### AHIC Risk Rating Distribution

Merritt vs Industry

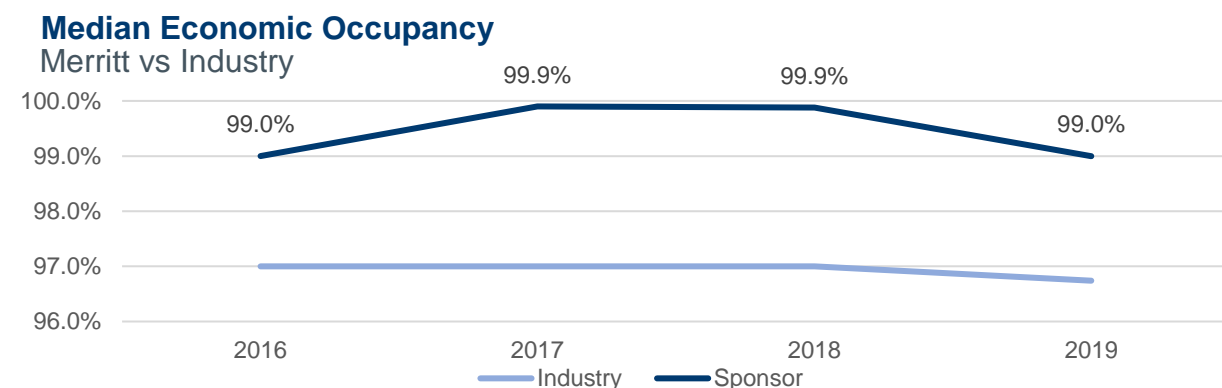


As of year-end 2019, only one property was included on the Sponsor’s watch list (rated “C”), a statistic that few other syndicators we are aware of can boast. The sole watch list property represents only 0.58% of the

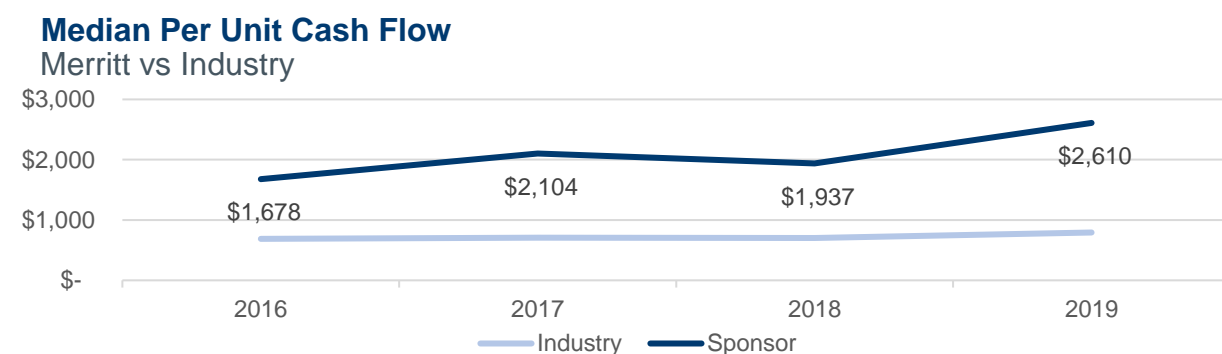
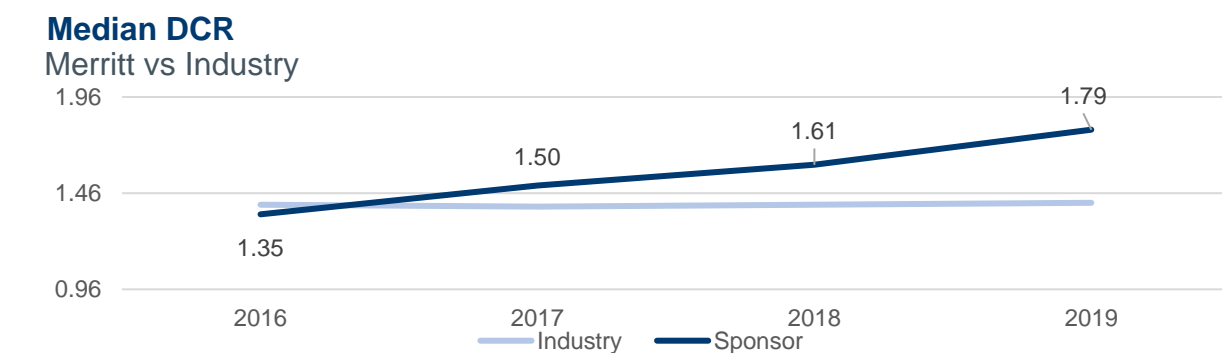
Sponsor’s entire portfolio (by net equity), which is significantly more favorable than the industry portfolio distribution. We note that sole property on the watch list was destroyed by a fire in a declared disaster area.

This ‘C’ rated property was destroyed by fire in the federally declared disaster area of Paradise, California. The “Camp” wildfire was the deadliest and most destructive wildfire in California history and the most expensive natural disaster in the world in 2018. The property’s destruction was certainly not unique, as it was among more than 18,000 structures destroyed by the rapidly spreading wildfire. The Sponsor noted that the Subject is being rebuilt using insurance and FEMA proceeds.

Properties in the Sponsor’s stabilized portfolio showed consistently strong median occupancy levels that are more favorable than the national median in 2016. National 2019 median data was preliminary, and based on a partial subset of the national portfolio.



In terms of median DCR and median Per Unit Cash flow, the Sponsor’s portfolio reports impressive results with DCR and per unit cash flow generally ahead of, or equal to the national medians.





We further segmented the Sponsor’s property performance data by isolating a cohort of properties that we characterize as “nonperforming” versus “performing.” For this analysis, we define “nonperforming properties” as those with physical occupancy below 90%, debt coverage below 1.00, negative cash flow and/or other issues such as housing credit program non-compliance.

The Sponsor reports that, as of year-end 2019, 0.9% of its stabilized portfolio reported economic occupancy levels below 90%, 4.1% of its stabilized portfolio was operating at below breakeven, and 8.5% operated below \$0 cash flow. The Sponsor’s incidence of underperformance was all significantly more favorable than the 2018 industry medians, which can also be implied from the impressive occupancy and per unit cash flow performance shown above.

<b>Underperformance</b>	<b>2018 Industry</b>	<b>2019 Sponsor</b>
<b>Less than 90% Economic Occupancy</b>	9.5%	0.9%
<b>Less than 1.00 DCR</b>	15.6%	4.1%
<b>Less than \$0 Per Unit Cash Flow</b>	16.6%	8.5%

### Foreclosure

The most significant investment risk for housing tax credit investors relates to foreclosure. If the owner of a qualifying housing tax credit project forfeits title to the property because of foreclosure or by tendering a deed in lieu of foreclosure, the transfer is treated as a sale of the property which could give rise to partial housing tax credit recapture. In the relatively rare instance of a housing credit project being taken by its lender, the foreclosure typically does not take place until the project sponsors have incurred and managed their way through large and sustained cash flow deficits over an extended period of years.

“Chronic” deficits in such properties may be attributable to low occupancy levels in shallow demand markets, poor sponsorship by their developers or property managers, defective construction or several other issues. However, because housing tax credit properties are structured with multiple levels of reserves and guarantees and because their lenders are highly motivated to restructure mortgage loans rather than to foreclose on an affordable housing project, a remarkably low number of properties are ultimately foreclosed upon in any given year.

As a general matter, even if a property is lost to foreclosure, if the foreclosure event occurs after year 10 of the compliance period, federal housing credit investors will have recovered their investment on an after-tax basis.

The participants in our recent study reported an aggregate foreclosure rate of 0.65% measured by property count.

The Sponsor reports that none of the assets in its portfolio have been lost to foreclosure, which is a favorable aspect of the Sponsor.

## Exhibit A – Executive Management Bios

**Ari Beliak – President / CEO.** Ari Beliak started his career in the housing credit industry more than 15 years ago. Mr. Beliak joined Merritt in July 2019. Prior to joining Merritt, he served as Senior Vice President for Bank of America, where he led a team of experts who provided debt and equity solutions to affordable housing developers in Northern California, Nevada, and Colorado. Mr. Beliak has been credited with reestablishing the bank as a leader in affordable housing in Northern California and expanding into Nevada. During his tenure at Bank of America, he facilitated over \$3 billion in debt and equity financing, including funding the nation’s largest affordable housing project, the San Francisco Rental Assistance Demonstration. Prior to Bank of America, Beliak practiced law for Sidley Austin, LLP, served in various real estate capacities for Wells Fargo Bank, including their affordable housing group, and was a management consultant for A.T. Kearney. During his career, Ari has been involved in developing over 7,000 units of affordable housing, spearheaded the cultivation of new business, expanded into new regional markets, and generated millions in revenue. In 2016, Mr. Beliak was recognized as a “Top 40 under 40” in the San Francisco Business Journal. Beliak holds a Master of Business Administration (MBA) from the UC Berkeley Haas School of Business, Juris Doctorate (JD) from UC Hastings College of the Law, and a Bachelor of Arts (BA) from the University of California at Berkeley.

**David Dologite – Director of Acquisitions.** Mr. Dologite joined Merritt in June 2020 with over twenty-one years of experience in the preservation, development, and financing of affordable housing and community facilities in California, Washington, Oregon, Massachusetts, and Connecticut. Mr. Dologite joined Merritt from McCormack Baron Salazar, a major national developer of affordable and mixed-income communities where he served as a project finance executive focused on the West Coast market. Previously he served as Housing Finance Technical Director with the California Housing Partnership Corporation (CHPC), providing affordable housing finance consulting to the Partnership’s governmental and nonprofit clients, totaling over \$1.5 billion in equity and debt financing for the development of nearly 3,000 units of low-income housing. He also provided technical assistance as well as legislative and regulatory advising on a range of Federal, state and local housing finance programs, while leading CHPC’s business expansion into the Pacific Northwest. Mr. Dologite has also held senior real estate development roles with several nonprofit housing developers based in the San Francisco Bay Area and Seattle, where he oversaw the development of over 1,200 units of affordable housing and a quarter-million square feet of community facilities in a variety of award-winning projects. Dologite holds a Juris Doctorate (JD) from University of Michigan Law School and a Bachelor of Arts (BA) from Boston University.

**Maria Duarte – Director of Asset Management/Risk Officer.** Ms. Duarte has over 40 years of experience in real estate, construction, and business management, and joined Merritt in 1997. As Director of Asset Management, she is responsible for asset management and tax-credit compliance of Merritt’s more than \$700,000,000 portfolio, and year 15 dispositions. As Risk officer, Maria approves new fund investments utilizing her decades of asset management experience. Maria also provides technical assistance to project staff on tax credit and related matters. Ms. Duarte holds an HCCP designation as well as National Compliance Professional Executive designation.

**Julie Quinn – Director of Investor Relations:** Ms. Quinn joined Merritt in October 2020 and brings over 15 years’ experience in capital raising, affordable housing, community development, and portfolio management. Ms. Quinn joined Merritt from The Housing Trust of Santa Clara where she served as the Chief Development Officer. There she was responsible for raising capital, fundraising for operating and program support, as well as events and marketing. Most notably, Ms. Quinn was recognized for being instrumental in transforming the Housing Trust into a major CDFI by raising over \$260 million from local companies, such as Apple, Google, and Facebook, and financial institutions. Prior to capital raising, Ms. Quinn was the key driver to expand the Housing Trust’s business lines, underwrote affordable housing projects and sponsors, and lead CDFI grant applications for the organization. Julie also has experience working for local government in community development and as a project manager for an affordable housing developer. Quinn holds a Master of Planning from the University of Southern California and a Bachelor of Arts (BA) from University of California at San Diego.

**Carl Nichols – COO/CFO.** Mr. Nichols brings over 25 years of experience in fund management, finance, strategy and operations working with nonprofits, investment firms and Fortune 500 companies. At Merritt Community Capital Mr. Nichols leads finance, operations, human resources and information technology. Most recently he served as the Chief Business Officer/Chief Financial Officer of the Girl Scouts of Northern California where he led finance, risk management, administration as well as the majority of revenues. Previously Mr. Nichols served for 17 years as a Managing Director and Chief Operating Officer at Outlook Ventures where he developed investment strategies, selected investment projects, managed funds and led finance operations for this investment firm. Prior to Outlook Ventures, Mr. Nichols led strategic planning and financial management at Pacific Bell (now AT&T) and served as a management consultant at Booz, Allen & Hamilton, where he provided guidance for Fortune 500 and nonprofit clients regarding financial management and operations improvement. Mr. Nichols has been active in supporting a variety of community-based nonprofits along with serving on the faculty of the University of California-Berkeley's Haas School of Business. Mr. Nichols was selected as the 2017 Bay Area nonprofit CFO of the Year by the San Francisco Business Times. He holds an MBA from Harvard University and a Bachelor of Science degree in Computer Science from Brown University.

**Nedrah Elm – Controller.** Nedrah Elm brings to Merritt more than 15 years of experience managing accounting systems, bookkeeping, financial planning, corporate and non-profit filings, tax preparation, and both State and Federal grant management. Most recently, Nedrah was working with the World Institute on Disability based in Berkeley, CA, as Director of Finance where she managed a budget of up to \$5 million annually. Nedrah's career with Merritt began in early 2015 as part of the Asset Management Team. There, she dove into the LIHTC world and earned her National Association of Home Builders Housing Credit Certified Professional designation in just four months. In early 2018, the opportunity at Merritt arose for a more financially focused position as Controller and both the Board and CEO agreed that Nedrah would be a great asset in this capacity. She was offered, and accepted, the position of Controller in January of 2018. A life-time resident of a small town on the edge of the San Francisco Bay Area, Nedrah brings a stable, community-focused approach to financial management.

## Exhibit B – Individual Fund Level Prior Performance

We requested that the Sponsor provide us with its original (at the time of investor closing) and most current available audit-supported performance data (as of 12/31/2019) for all prior housing credit funds.

Fund Name	Merritt Community Capital Fund IX	Original	Current	Variance
Total Gross Equity	\$44,000,000	IRR (Performance) 6.50%	7.18%	10.40%
Year Closed	2004	IRR (Economic) 6.50%	6.43%	-1.08%
Type of Fund	Multi-investor	Total LIHTC Credits \$36,204,146	\$35,997,399	-0.57%
Number of Properties	8	Total Other Credits \$0	\$0	
Stabilization Percentage	100.00%	First Year LIHTC Credits \$138,162	\$1,669,569	
		Second Year LIHTC Credits \$2,500,484	\$2,500,484	
		Third Year LIHTC Credits		
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$880,000 / 2.00%	\$880,000 / 2.00%	\$880,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund X	Original	Current	Variance
Total Gross Equity	\$43,000,000	IRR (Performance) 5.00%	5.92%	18.43%
Year Closed	2006	IRR (Economic) 5.00%	4.91%	-1.80%
Type of Fund	Multi-investor	Total LIHTC Credits \$35,136,583	\$35,130,345	-0.02%
Number of Properties	5	Total Other Credits \$0	\$0	
Stabilization Percentage	100.00%	First Year LIHTC Credits \$891,332	\$3,070,689	
		Second Year LIHTC Credits \$3,070,689	\$3,512,933	
		Third Year LIHTC Credits		
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$860,000 / 2.00%	\$860,000 / 2.00%	\$860,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XI	Original	Current	Variance
Total Gross Equity	\$42,000,000	IRR (Performance) 5.50%	5.53%	0.47%
Year Closed	2007	IRR (Economic) 5.50%	4.58%	-16.73%
Type of Fund	Multi-investor	Total LIHTC Credits \$34,904,175	\$34,892,743	-0.03%
Number of Properties	5	Total Other Credits \$20,194	\$65,481	224.26%
Stabilization Percentage	100.00%	First Year LIHTC Credits \$935,859	\$3,211,611	
		Second Year LIHTC Credits \$3,211,611	\$3,490,390	
		Third Year LIHTC Credits		
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$840,000 / 2.00%	\$840,000 / 2.00%	\$840,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XII	Original	Current	Variance
Total Gross Equity	\$28,500,000	IRR (Performance) 6.50%	7.93%	22.03%
Year Closed	2008	IRR (Economic) 6.50%	6.87%	5.69%
Type of Fund	Multi-investor	Total LIHTC Credits \$24,795,324	\$24,803,656	0.03%
Number of Properties	5	Total Other Credits \$0	\$0	
Stabilization Percentage	100.00%	First Year LIHTC Credits \$1,629,051	\$2,480,366	
		Second Year LIHTC Credits \$2,480,366	\$2,480,366	
		Third Year LIHTC Credits		
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$570,000 / 2.00%	\$570,000 / 2.00%	\$570,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XIII	Original	Current	Variance
Total Gross Equity	\$48,000,000	IRR (Performance) 10.00%	11.82%	18.24%
Year Closed	2010	IRR (Economic) 10.00%	10.42%	4.20%
Type of Fund	Multi-investor	Total LIHTC Credits \$46,841,320	\$46,250,821	-1.26%
Number of Properties	8	Total Other Credits \$1,003,593	\$1,099,950	9.60%
Stabilization Percentage	100.00%	First Year LIHTC Credits \$1,882,565	\$3,757,419	
		Second Year LIHTC Credits \$3,757,419	\$4,670,177	
		Third Year LIHTC Credits		
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$960,000 / 2.00%	\$960,000 / 2.00%	\$960,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
100.00%	98.00%	2.32	\$4,475

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
14.85%	14.85%	10.27%	8.75%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
99.00%	99.00%	1.80	\$3,193

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	11.57%	9.04%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
90.96%	9.04%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
97.00%	98.00%	1.78	\$815

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	0.00%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
97.00%	98.00%	1.78	\$1,393

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	0.00%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
99.50%	98.00%	1.39	\$1,229

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	0.00%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Fund Name	Merritt Community Capital Fund XIV	Original	Current	Variance
Total Gross Equity	\$73,000,000	IRR (Performance) 5.00%	5.01%	0.20%
Year Closed	2011	IRR (Economic) 5.00%	3.11%	-37.80%
Type of Fund	Multi-investor	Total LIHTC Credits \$56,386,541	\$56,088,905	-0.53%
Number of Properties	9	Total Other Credits \$7,863,495	\$7,862,904	-0.01%
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$27,320	
		Second Year LIHTC Credits	\$2,083,453	
		Third Year LIHTC Credits	\$4,399,595	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,460,000 / 2.00%	\$1,460,000 / 2.00%	\$1,460,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XV	Original	Current	Variance
Total Gross Equity	\$72,000,000	IRR (Performance) 5.15%	5.23%	1.55%
Year Closed	2013	IRR (Economic) 5.15%	3.15%	-38.83%
Type of Fund	Multi-investor	Total LIHTC Credits \$55,193,889	\$54,256,848	-1.70%
Number of Properties	15	Total Other Credits \$5,102,095	\$5,328,896	4.45%
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$1,108,227	
		Second Year LIHTC Credits	\$5,319,925	
		Third Year LIHTC Credits	\$5,492,897	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,440,000 / 2.00%	\$1,440,000 / 2.00%	\$1,440,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XVI	Original	Current	Variance
Total Gross Equity	\$80,500,000	IRR (Performance) 5.75%	5.75%	0.02%
Year Closed	2014	IRR (Economic) 5.75%	2.98%	-48.17%
Type of Fund	Multi-investor	Total LIHTC Credits \$60,983,963	\$60,841,278	-0.23%
Number of Properties	8	Total Other Credits \$1,956,382	\$2,167,929	10.81%
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$1,014,224	
		Second Year LIHTC Credits	\$2,240,004	
		Third Year LIHTC Credits	\$5,447,840	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,610,000 / 2.00%	\$1,610,000 / 2.00%	\$1,610,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XVII	Original	Current	Variance
Total Gross Equity	\$61,000,000	IRR (Performance) 5.00%	5.00%	0.00%
Year Closed	2015	IRR (Economic) 5.00%	2.34%	-53.20%
Type of Fund	Multi-investor	Total LIHTC Credits \$48,790,000	\$48,747,120	-0.09%
Number of Properties	7	Total Other Credits \$1,976,011	\$2,310,695	16.94%
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$1,115,385	
		Second Year LIHTC Credits	\$4,896,769	
		Third Year LIHTC Credits	\$4,796,171	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,220,000 / 2.00%	\$1,220,000 / 2.00%	\$1,220,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XVIII	Original	Current	Variance
Total Gross Equity	\$75,500,000	IRR (Performance) 4.25%	4.25%	0.00%
Year Closed	2016	IRR (Economic) 4.25%	1.20%	-71.76%
Type of Fund	Multi-investor	Total LIHTC Credits \$59,960,102	\$59,702,388	-0.43%
Number of Properties	7	Total Other Credits \$1,438,463	\$1,513,919	5.25%
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$2,594,915	
		Second Year LIHTC Credits	\$5,106,921	
		Third Year LIHTC Credits	\$6,003,744	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,510,000 / 2.00%	\$1,510,000 / 2.00%	\$1,510,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Fund Name	Merritt Community Capital Fund XIX	Original	Current	Variance
Total Gross Equity	\$58,000,000	IRR (Performance) 4.23%	4.77%	12.71%
Year Closed	2017	IRR (Economic) 4.23%	2.00%	-52.72%
Type of Fund	Multi-investor	Total LIHTC Credits \$51,068,449	\$51,068,449	
Number of Properties	5	Total Other Credits \$0	\$0	
Stabilization Percentage	100.00%	First Year LIHTC Credits	\$541,210	
		Second Year LIHTC Credits	\$3,591,319	
		Third Year LIHTC Credits	\$4,076,129	
		<b>Max Reserve</b>	<b>Available</b>	<b>Current</b>
		Working Capital Reserve \$1,160,000 / 2.00%	\$1,160,000 / 2.00%	\$1,160,000 / 2.00%
		Property Needs Reserve \$ / 0.00%	\$ / 0.00%	\$ / 0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
100.00%	98.50%	1.74	\$2,245

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	7.52%	5.39%

Risk Rating Distribution (all properties)				
A	B	C	D	F
94.61%	0.00%	5.39%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
100.00%	99.00%	2.39	\$6,744

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	14.38%	21.51%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
88.11%	11.89%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
99.50%	99.00%	1.61	\$3,438

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	23.83%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
76.17%	23.83%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
100.00%	100.00%	1.47	\$2,389

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	9.76%	9.76%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
100.00%	99.00%	1.66	\$2,927

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	0.00%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

Median Performance (stabilized properties)			
Physical Occupancy	Economic Occupancy	DCR	Cash Flow (Per Unit Per Annum)
98.00%	99.00%	1.70	\$3,907

Underperformance (stabilized properties)				
<90% Physical Occupancy	<90% Economic Occupancy	<1.00 DCR	<\$0 Cash Flow	% on Watch List
0.00%	0.00%	0.00%	0.00%	0.00%

Risk Rating Distribution (all properties)				
A	B	C	D	F
100.00%	0.00%	0.00%	0.00%	0.00%

## Exhibit C – Sponsor’s Underwriting Guidelines vs. AHIC/Industry Standards

Legend
Consistent
Positive deviation
Negative deviation
Unspecified

	Industry*	Merritt
<b>Capital Contributions Guideline</b>		
Construction Completion	Max. 85% (cumulative)	Generally, none paid prior to substantial completion; certain acq/rehab transactions may require capital contributions during construction if the investment meets a number of criteria
Stabilization	Min. 15% holdback; 20% recommended	25% holdback until stabilization
<b>Developer Fee Schedule Guideline</b>		
Construction Completion	Max. 50% (cumulative)	Max 75% (cumulative)
<b>Guarantor Financial Strength Guideline</b>		
Net worth	>= greater of \$5MM or 25% of TDC	>= greater of \$5MM or 25% of TDC
Liquidity	>= greater of \$1MM or 5% of TDC	>= greater of \$5MM or 25% of TDC
<b>Hard Rehabilitation Costs Guideline</b>		
	Minimum \$25,000 per unit	Minimum \$30,000 per unit
<b>Hard Cost Contingency Guideline</b>		
Investment Type: New construction	5%	5%
Investment Type: Rehabilitation	10%	10%
Investment Type: Historic Rehabilitation	15%	Unspecified
Construction Liquidity: New Construction ((Cash Developer Fee Holdback until Completion + Hard Cost Contingency + Guarantor Liquidity)/Hard Construction Costs)	15%	Unspecified
Construction Liquidity: Rehab	25%	Unspecified
Construction Completion Guarantee	Through stabilization; unlimited; not repayable	Through stabilization; unlimited; not repayable
<b>Capture Rate Guideline</b>		
Tenancy Type: Family	PMA - 5% for urban PMA - 10% for suburban PMA - 20% for rural	10%
Tenancy Type: Senior	PMA - 10% for urban PMA - 15% for suburban PMA - 25% for rural	20%

	Industry*	Merritt
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**Penetration Rate Guideline**

Tenancy Type: Family	PMA - 10% for urban; 20% for suburban; 50% for rural	Unspecified
Tenancy Type: Senior	PMA - 15% for urban; 25% for suburban; 55% for rural	Unspecified

**Operational Benchmarks**

Economic Vacancy	Min. 7%	Min. 5%
Economic Vacancy for Subsidized or Historically Highly Occupied Property in Strong Markets	Min. 5%	Min. 5%
Income Inflation	2%	2%
Expense Inflation	3%	3%
Rent Advantage	Min. 10% to market	Min. 10% to market
Property Management Fee	4% - 8% of total rental income; never more than 10%	Not more than 8%
Replacement Reserves: Family New Construction	\$300	At least \$300
Replacement Reserves: Senior New Construction	\$250	
Replacement Reserves: Rehabilitation	\$350-\$400	
Replacement Reserves: Single Family	\$400	
Investment Type 9% Credit: Stabilized DCR	Min. 1.15	Min. 1.15
Investment Type 4% Credit: Stabilized DCR	Min. 1.20	Min. 1.20
Investment Type No Hard Debt: Income to Expense Ratio	1.10 to 1.15 recommended	Min. 1.10

**Operating Reserve and Guarantee Guideline**

Operating Deficit Guarantee	3 to 5 years following stabilization;	3 to 5 years following stabilization;
	6-12 months of operating expenses, replacement reserves and hard debt service payments	Minimum of 6 months of operating expenses, replacement reserves and hard debt service payments
Operating Reserve	Through compliance period; 6 months of operating expenses, replacement reserves and hard debt service payments	6 months of operating expenses, replacement reserves and hard debt service payments
ACC Reserve	12-36 months of subsidy amount	Unspecified
Section 8 Re-stabilization Reserve	Dependent on the overhang amount & projected re-tenanting deficit	Dependent on the overhang amount & projected re-tenanting deficit

**Credit Adjustor and Guarantee Guideline**  
**Credit Adjustor - Downward Basis Adjustor**

Capital Adjustment Calculation	Reduction of capital contribution based on credit shortfall to maintain a constant per credit purchase price or neutral IRR; not subject to cash flow	Downward basis adjustor provision must be in place to maintain a neutral IRR
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**Credit Adjustor - Upward Basis Adjustor**

	Industry*	Merritt
Capital Adjustment Calculation	Addition of capital contribution based on credit excess to maintain a constant per credit purchase price	Addition of capital contribution based on credit excess to maintain a constant per credit purchase price or neutral IRR
Upward Cap	5% to 10% of total equity	5% of total equity
<b>1st/2nd Year Credit Timing Adjustor - Late Delivery Adjustor</b>		
Capital Adjustment Calculation	Reduction of capital contribution based on a specific price or yield maintenance calculation; not subject to cash flow	Reduction of capital contribution based on credit deficit to maintain a constant per credit purchase price or neutral IRR
<b>1st/2nd Year Credit Timing Adjustor - Early Delivery Adjustor</b>		
Capital Adjustment Calculation	Addition of capital contribution based on a specific price or yield maintenance calculation	Addition of capital contribution based on credit excess to maintain a constant per credit purchase price or neutral IRR
Upward Cap	5% to 10% of total equity	Unspecified
<b>Recapture Guarantee</b>	15 years; recaptured amount plus interest and penalties; not subject to cash flow	15 years; recaptured amount plus interest and penalties
<b>Repurchase Guarantee</b>	LP capital contributions made plus interest and expenses less tax benefits received by LP to date	LP capital contributions made plus interest and expenses less tax benefits received by LP to date

\* Industry underwriting guidelines were developed based on guidelines published by the Affordable Housing Investor's Council dated August 2018 and CohnReznick's industry experience. Only quantifiable guidelines were included in this grid. This grid is intended for informational and educational purposes only and is not intended to mandate any particular underwriting standards or supplant individual analysis.



## Exhibit D – List of Documents Reviewed

Document	Y	N	NA	Remarks
1. Business plan	X			Last updated in 2019
2. Written policies and procedures – acquisitions	X			Last updated in May 2020
3. Underwriting criteria / investment guidelines & exception approval policies	X			Last updated in May 2020
4. Written policies and procedures – asset management	X			Last updated in 2017
5. Written policies and procedures – disposition	X			Last updated in 2017
6. Sample site visit report	X			
7. Sample investment committee package	X			
8. Sample quarterly and annual investor reports	X			
9. Tracking information that illustrates the timeliness of delivering K-1s, audited financials and investor reports to investors	X			
10. Warehouse line schedule	X			
11. Organizational chart	X			
12. Bios of executive management	X			
13. Succession plan for key personnel	X			Last updated in 2020
14. Business continuity and disaster recovery plan	X			
15. Financial statements (Sponsor) – most recent three years (audited)	X			2017-2019 (audited)
16. Financial statements (Sponsor) – interim (unaudited)			X	NA
17. Financial statements (Parent Company) – most recent three years (audited)			X	NA
18. Sponsor track record	X			As of December 31, 2019
19. Current watch list report	X			As of Q4 2019
20. Form of Partnership Agreement and Private Placement Memorandum	X			
21. Annual report		X		