

Welcome



TEAMWORK

Together We Can Achieve the Extraordinary

2017 DCI WORKSHOPS

May 20, 2017

2018 Prep -Why Do We Need To Refinance?

Understanding Our Financial Position

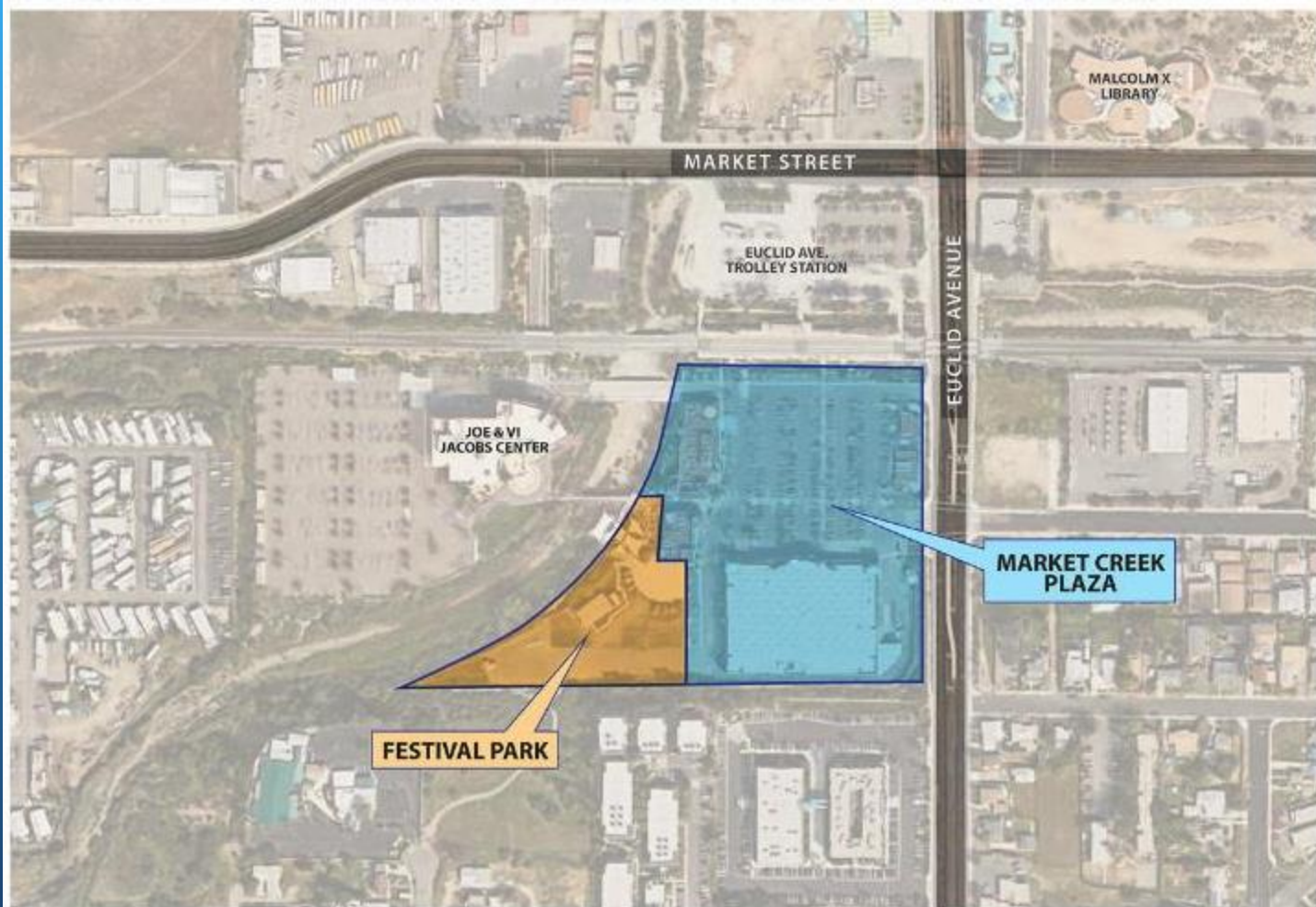
DCI EDUCATION COMMITTEE
WORKSHOP SERIES 2017



Introduction

N. Cooper
DCI AC Education Committee

DCI INVESTMENT



This map is intended for illustrative purposes only to demonstrate the approximate boundaries of Diamond Community Investor partial ownership in Market Creek Plaza and Festival Park. Official legal boundaries may be obtained from the County of San Diego Assessor's office.

WHAT IS MCP WORTH?

- HOW IS VALUE DETERMINED
 - Depends on who you ask!
 - Valuations & Appraisals are different types of financial reviews that calculates the value of the assets (MCP on this case), we then divide that by the units for a price
 - Valuation calculates the fair market value 2 ways
 - Income flows
 - Potential Sale of property

WHAT DOES REFINANCE MEAN?

- Market Creek Plaza was financed through loans (leveraging)
 - As the Loan terms end either it must be paid off or replaced with a new loan
 - The new loan may be with the current lender or a new lender
 - DMI researches potential lenders
 - DMI/MCP Agrees to New Loan Terms

WHAT DIFFERENCE DOES IT MAKE WHEN WE REFINANCE THE MALL?

- AFFECTS EXPENSES
 - AFFECTS DEPRECIATION
- AFFECTS PROFITABILITY
 - AFFECTS DIVIDENDS
- AFFECTS VALUE
 - THE MORE WE OWE, THE LESS WE OWN!

PROFIT FACTORS

$$\text{Income} - \text{Expenses} = \text{PROFIT}$$

- Income - Rents, CAMs
- Expenses - Operating Expenses, Depreciation, General & Administrative Expenses
- Loan Payments are an Expense
- Leveraging - too much debt affects profitability

HOW DOES REFINANCING AFFECT OUR PROFITABILITY

- DEBT
 - LOAN PAYMENTS
 - VALUE
 - DIVIDENDS

MCP NET INCOME

- 2012 -\$(227,210)
- 2013 -\$(180,333)
- 2014 -\$(307,910)
- 2015 -\$(117,818)
- 2016 -\$(435)

NEW LOAN TERMS

- LENDER -PEMBROOK/DEUTSCHE BANK
- AMOUNT - \$11M
- INTEREST -4.825%
- TERMS
 - INTEREST ONLY- 3 YEARS
 - PRINCIPAL AND INTEREST
 - 30 YEAR AMORTIZATION

PROFITABILITY OPPORTUNITIES

- QUALITY TENANTS
 - FULL SERVICE RESTAURANTS
 - REGIONAL/NATIONAL TENANTS
- FESTIVAL PARK
 - LONGTERM LEASE W/ JACOBS CENTER
 - OPEN SPACE PARK POSSIBILITY
 - ADDITIONAL RETAIL POTENTIAL
 - DESTINATION RETAIL
 - Requires High Parking Ratio

HOW DOES THE REFI AFFECT 2018

- LOAN IS BASED ON JCNI CREDIT
- WHOEVER REPLACES JCNI NEEDS STRONG CREDIT/CASH
- MARKET CREEK PARTNERS HAVE TO AGREE
- 2018 CHANGES THE FINANCIAL STRUCTURE OF THE COMPANY

Financial Structure 2007
Original Sources of Capital

Equity Investors INVESTMENT

Diamond Community Investors (20%)	\$	500,000
Neighborhood Unity Foundation (20%)	\$	500,000
JCNI (56%)	\$	1,400,000
DMI (4%)	\$	100,000
JCNI/PRI Partner (non-ownership equity)	\$	1,000,000

Debt

PRI Partners	\$	3,000,000
Jacobs Family Foundation	\$	2,000,000
Clearinghouse CDFI (NMTC)	\$	15,000,000

Current Financial Structure 2017 Sources of Capital

Equity Investors INVESTMENT

<u>Diamond Community Investors</u>	\$	<u>350,500</u>
------------------------------------	----	----------------

<u>Neighborhood Unity Foundation</u>	\$	<u>378,700</u>
--------------------------------------	----	----------------

<u>DMI</u>	\$	<u>107,500</u>
------------	----	----------------

<u>JCNI (non-ownership equity)</u>	\$	<u>3,900,800</u>
------------------------------------	----	------------------

CURRENT DEBT

Pembroke/Deutsche Bank	\$	11,000,000
------------------------	----	------------

PROGRESS REPORT

- REDUCED DEBT
 - LOANS (reduced principal)
 - PRI (paid off)
- IMPROVED PROFITABILITY
 - CLOSE TO BREAK EVEN AFTER 5 YEARS OF DEFICITS
- OUR INVESTMENT
 - WE NEED TO BE PROACTIVE AS INVESTORS

QUESTIONS?





DCI WORKSHOP SERIES

LOOK FOR NOTICES 2017-2018

- SIGN UP AND PARTICIPATE;
 - What is the 2018 Buyout?
 - What are our 2018 Options?
 - What is the 2018 Proposal?
 - How does the Sunset Plan affect my Investment?

SAVE THE DATES!

- **Remind other Investors- Today's Topic Repeats**
 - Thursday May 25 @ 6pm in Room 347
- **Next Workshop Topic -2018 Buyout**
 - Thursday July 27 @ 6pm in Room 347
 - Saturday July 29 @ 9am in Community Room



Adjournment

Thank You



TEAMWORK

Together We Can Achieve the Extraordinary

2017 WORKSHOP SERIES