

APPRAISAL REPORT

OF THE
STREET RETAIL BUILDING

LOCATED AT
116 W. 6TH STREET
HANFORD, CA, 93230

ASSESSOR PARCEL NUMBER
012-054-014



REPORT # 03032022

**Webb Appraisals, Inc.
35764 Red Leaf Lane
Murrieta, CA 92562**

March 8, 2022

Silverback Capital Inc.
7405 Greenback Ln., #175
Citrus Heights, CA 95610

Re: Appraisal of street retail building located at 116 W. 6th Street, Hanford, CA 93230. The property is further identified as assessor's parcel numbers 012-054-014.

Gentlemen:

The appraiser has completed an appraisal of the above referenced commercial property at your request. The purpose of this appraisal is to develop an opinion of the market value of the fee simple estate, as of March 3, 2022. Two approaches to value, The Sales Comparison Approach, and the Income Approach were developed in arriving at an opinion of the subject's market value. The Cost Approach was not developed due to a lack of comparable land sales and the inherent difficulties in accurately estimating accrued depreciation.

The appraisal is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations.

To report the assignments results, we use the appraisal report option of Standards Rule 2-2 of USPAP. Accordingly, this report contains summary discussions of the data, reasoning, and analyses that are used in the appraisal process whereas supporting documentation is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and the intended use of the appraisal.

The value opinion reported below is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report. The Dictionary of Real Estate Appraisal defines an extraordinary assumption as "An assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions..." A hypothetical condition is defined in the same dictionary as "That what is contrary to what exists but is supposed for the purpose of analysis..." The following extraordinary assumptions and hypothetical conditions were invoked while developing the value opinion contained herein:

Extraordinary Assumptions: None.

Hypothetical Conditions: None.

The property under appraisal consists of a one story street retail building with approximately 20,050 square feet of gross building area (GBA) per CoStar. The net rentable area (NRA) is

15,000 square feet. There is a 5,050 square foot basement that comprises the difference. The improvements are considered to be in good condition.

The subject site consists of one parcel of land which encompasses a total of approximately 15,000 square feet or 0.34 acres.

Based on the investigation and analyses undertaken, and subject to the assumptions and limiting conditions, extraordinary assumptions, hypothetical conditions, certifications and definitions, I have formed the opinion that as of March 3, 2022, the market value of the fee simple interest in the Subject was:

<p style="text-align: center;">ESTIMATED "AS-IS" VALUE: \$2,100,000 TWO MILLION ONE HUNDRED THOUSAND DOLLARS</p>

The opinion of market value includes the land and the improvements. The appraiser assumes that the building will remain open and operational.

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analysis contained in this report, and these differences may be material. Thus, while my analysis was conscientiously prepared based on my experience and the data available, I make no warranty of any kind that the conclusions presented will in fact be achieved. Additionally, I have not been engaged to evaluate the effectiveness of management and I am not responsible for future marketing efforts and other management actions, upon which actual results may depend.

I did not ascertain the legal, engineering, and regulatory requirements applicable to the property including state and local government regulations, permits and licenses. No effort has been made to determine the possible effects on the property of present or future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, my work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

I believe, based on my selection of investment parameters, that the value opinion concluded represents a market price achievable within three to six months exposure prior to the date of the appraisal.

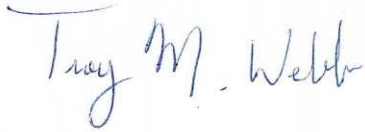
The appraisal report that follows sets forth the identification of the property, comparable data, the results of the investigations and analyses, and the reasoning leading to the conclusions of value.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits and addenda.

USPAP requires an appraiser to disclose any appraisal or other services performed on the subject property within three years of the effective date of value. I have not performed any service of the subject property within three years of the effective date of this appraisal.

Thank you for this opportunity to be of service. We hope you find the details of this appraisal report relevant to your decisions regarding the property.

Respectfully submitted,

A handwritten signature in blue ink that reads "Troy M. Webb". The signature is written in a cursive style with a large initial "T" and "W".

Troy Webb
State Certified General Appraiser
AG043285
Exp. 11/06/2023

SUMMARY OF SALIENT FEATURES

PROPERTY DESCRIPTION:	Street Retail Building	
LOCATION:	116 W. 6th Street, Hanford, CA	
PROPERTY TYPE:	Retail	
OWNER OF RECORD:	Mazin Yako	
CENSUS TRACT NO.:	0009.00	
ASSESSOR PARCEL NUMBER:	012-054-014	
FEMA FLOOD ZONE:	X, Map 060088/06031C/0185C	
ZONING:	DC - Downtown Commercial	
GROSS BUILDING AREA (SF):	20,050	
NET RENTABLE AREA (SF):	15,000	
PARCEL SIZE (SF):	15,000	
CONSTRUCTION TYPE:	Class D - Wood Frame	
YEAR BUILT:	1946	
% BUILDING AREA TO LAND:	100%	
PHYSICAL CONDITION:	Good	
PROPERTY RIGHTS APPRAISED:	Fee Simple	
HIGHEST AND BEST USE:	As if Vacant: Street Retail Building	
	As Improved: Street Retail Building	
	Conclusion: As Improved	
VALUATION CONCLUSIONS:	PER SF:	
COST APPROACH:	N/A	N/A
COMPARABLE SALES APPROACH:	\$2,100,000	\$104.74
INCOME APPROACH:	\$2,100,000	\$104.74
MARKET VALUE CONCLUSION (AS-IS):	\$2,100,000	\$104.74
EFFECTIVE DATE OF VALUATION:	March 3, 2022	
DATE OF THE REPORT:	March 8, 2022	

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PROFESSIONAL QUALIFICATIONS

I. INTRODUCTION

PURPOSE AND NATURE OF THE INVESTIGATION

The purpose of this appraisal per the request of Silverback Capital Inc., is for loan underwriting. The investigation undertaken and the report following are representative of the analysis and conclusions made while taking into consideration all the factors which could be learned in a reasonable amount of time. The investigations undertaken are reported in an Appraisal Report in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) Standards Rule 2-2. The property rights appraised are the fee simple interest of the subject property. This investigation has included, but has not been limited to, the subject property and its relation to its community and environment, land value, building value, comparable sales, the ability of the property to produce income or rents, and market trends.

COMPETENCY PROVISION

A specific requirement of FIRREA is "that real estate appraisals utilized in connection with federally related transactions are performed...by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision." This competency provision calls for certain educational courses, minimum hours of experience, and the passage of an examination in order to attain certification.

The appraiser signing this appraisal report is currently certified under the state of California and has attained a level of competency necessary to complete the assignment, using all the commonly recognized analysis techniques considered normal for a prudent evaluation effort. Please refer to the Appraiser Qualification addendum to this report for confirmation of adequate technical training.

PURPOSE AND INTENDED USE OF THE REPORT

The purpose of this report is to estimate the market value of the subject property herein described at the request of the client. The intended use of the report is to assist the client for loan underwriting purposes. The applicable date of valuation is March 3, 2022.

DEFINITION OF VALUE

Market Value¹ The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

¹This definition of market value is predicated on the Uniform Standards of Professional Appraisal Practice and fully complies with those requirements mandated by the Office of the Thrift Supervision (OTS), Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and the Federal Reserve Board (FRB).

- (i) buyer and seller are typically motivated;
- (ii) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (iii) a reasonable time is allowed for exposure in the open market;
- (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

* Adjustments to the comparable properties must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs that are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender who is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustments should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

DEFINITIONS OF PROPERTY RIGHTS APPRAISED

Fee Simple Estate² An absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate. It is regarded as having a good and merchantable title, responsible ownership, and competent management.

Leased Fee Value² A property that is held in fee with the right of use and occupancy conveyed by lease to others. It consists of the right to receive rental income over a period of time, plus the right of ultimate repossession at the termination of the lease or leases. However, both tenant to the property and landlord to the property hold in combination all rights that can be lawfully owned, with the exception of the four powers which forever will remain with the sovereign, being taxation, escheat, eminent domain, and police power (zoning). It is regarded as having a good and merchantable title, responsible ownership, and competent management.

Leasehold Estate² The value of a leasehold interest: the right to use, enjoyment, and profit existing by virtue of the rights granted under a lease instrument. The value of a leasehold interest is the present (discounted) worth of the rent savings, when contractual rent at the time of appraisal is less than the current market (economic) rent. If land is improved by the lessee, then the value of the leasehold interest is the present value of the saving in ground rent, if any, in addition to the value (not cost) of the improvements of the lessee. If the contractual rent is greater than the currently established market rent, the present worth of the difference is subtracted from the value of the

²**Real Estate Terminology**; American Institute of Real Estate Appraisers; Burl N. Boyce, Ph.D.; Ballinger Publishing Company; 1975.

improvements. All rights to the leased fee estate as well as the reversion of the real estate at the termination of the ground lease remain vested in the land owner.

PROPERTY RIGHTS APPRAISED

The property rights appraised are those constituting the fee simple interest of the subject property. Per public records information, the present vesting is: Mazin Yako.

SCOPE OF THE APPRAISAL

The scope of the appraisal refers to the extent of the process of collecting, analyzing and reporting data.

A search was made of multiple sources to collect relevant market data and research market trends and other pertinent factors relevant to the subject property and its market area. These sources may include First American Real Estate Solutions (information extracted from public data), Commercial & Industrial Database (LoopNet, CoStar), Multiple Listing Service (MLS), NDCDATA, the appraisers own files, appropriate County Planning and Building Departments, Marshall and Swift's Commercial and Industrial Cost Handbook, Local Builders, Real Estate Brokers, Appraisers, Investors, Tenants, and other sources of information relevant to evaluating the property and market environment.

The appraiser performed a thorough inspection of the subject property. The surrounding area was inspected, and the relevant market area defined.

Pertinent market data was collected, and the exterior of each market data comparable inspected. Relevant information regarding the market data was sought from the listing agent, selling agent, property managers, leasing managers, or a principal to the transaction when possible.

Following is an Appraisal Report explaining the appraisal process and value of the subject property. This report includes some facts, figures, and explanations. This report should not be used for any purpose other than that for which it is explicitly written.

STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

(Unless Otherwise Stated in this Report)

The estimate of value for the property analyzed in the attached report is subject to the following limiting conditions:

APPRAISAL REPORT

This is an Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. **The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.**

The information given by the title companies without a preliminary title report was assumed to be correct.

The subject property is identified by the Kings County Assessor's Office as Parcel Number 012-054-014. APN 012-054-014 is rectangular in shape. The address for APN 012-054-014 is 116 W. 6th Street, Hanford, CA. No responsibility was assumed for matters legal in character, nor was any opinion rendered as to title. All existing liens and encumbrances, if any, have been disregarded, and the property has been analyzed as though free and clear and under responsible ownership and competent management.

The boundaries of the land and the dimensions and size thereof as indicated to the appraisers were assumed to be correct, no provision having been made for a special survey of the property. Valuation has been reported without regard to questions of encroachments.

The information contained in this report and identified as having been furnished by others is believed to be reliable, but no responsibility has been assumed for its accuracy.

No responsibility has been assumed, nor was any guarantee made as to the structural soundness of the improvements.

All inspections regarding the subject property were requested by the appraiser. A thorough interior and exterior inspection was performed. The following report assumes the subject property to be free of insect infestation and dry rot. No other study or report was provided for this appraisal. It is hereby recommended that all appropriate environmental reports and studies be further researched and obtained by the client. There is no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions that would make the property more or less valuable. Should the appraiser receive any additional reports, indicating a higher or lower degree of adversity, the value of the property could be substantially changed. The

appraiser has assumed that there are no other such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that exist or for any engineering or testing that might be required to discover whether such conditions or any other conditions exist. Because the appraiser is not an expert in the field of environmental hazards, including mold and fungi infestation, the appraisal report must not be considered as an environmental assessment of the property.

This appraisal was done at the request of Silverback Capital Inc. for loan underwriting purposes. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any other purposes by the applicant without the previous written consent of the appraiser. The appraiser reserves the right to deny such a request.

The appraiser, because of this report, is not required to give testimony or attendance in court, or any other hearing regarding the property in question, unless arrangements therefore have been previously made. At the time of this report, there have been no such arrangements and it is the understanding of the appraiser that no such testimony will be needed. If arrangements are made and agreed to, there will be additional fees incurred by the applicant for same. The appraiser reserves the right to deny such a request.

The distribution of the total valuation in this report between the land and the improvements applies only under the existing program of utilization. The separate valuations for land and improvements should not be used in conjunction with any other appraisal and are invalid if so used.

Unless otherwise stated in the appraisal report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable. The appraiser has assumed that there are no other such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that exist or for any engineering or testing that might be required to discover whether such conditions or any other conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property.

The appraiser has no present or contemplated future interest in the property that is not specifically disclosed in this report. Neither the employment for making this analysis nor the fee to be received is contingent upon the valuation placed on the property.

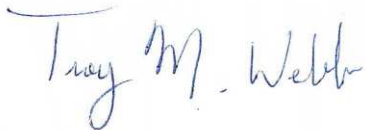
CERTIFICATION

Dated: March 8, 2022

The undersigned do hereby certify that to the best of their knowledge and belief:

- The statements of fact contained in this report regarding the Subject property, as described in this report, are, to the best of our knowledge, true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
- I have no present interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Office of the Comptroller of the Currency, the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and in conformity with the Uniform Standards of Professional Appraisal Practice. (USPAP - January 1, 2016)
- Troy Webb has made a personal inspection of the Subject property. No one has provided significant professional assistance to the person signing this report.
- The appraisers have the knowledge and experience to complete this appraisal assignment and have appraised this property type before. Please see Appraisal Qualifications data included with this report.
- The appraiser's compensation is not contingent on reporting of a predetermined value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event. Furthermore, the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The appraiser has not performed an appraisal or any other service regarding the subject property within three years of the effective date of this appraisal.

Respectfully submitted,



Troy Webb
State Certified General Appraiser
AG043285
Exp. 11/06/2023

II. IDENTIFICATION OF SUBJECT PROPERTY

OVERVIEW

The subject property is located at 116 W. 6th Street, Hanford, in the county of Kings, and the state of California.

The property under appraisal consists of a one story street retail building with approximately 20,050 square feet of gross building area (GBA) per CoStar. The net rentable area (NRA) is 15,000 square feet. There is a 5,050 square foot basement that comprises the difference. The improvements are considered to be in good condition.

This valuation considers the subject in its as-is state as of the date of inspection, March 3, 2022. Public records indicate the improvements were constructed in 1946. Due to routine maintenance conducted over the years, we have assigned an effective age of 40 years. The lot coverage area is 100%.

The subject property sites consist of Assessor's Parcel # 012-054-014. The site is rectangular in shape and contains approximately 15,000 square feet. The topography of the site is level. The site appears to have adequate drainage.

PROPERTY HISTORY

We are not aware of any listings, contracts of sale, or transfers of the subject property in the three years prior to the effective date of this appraisal.

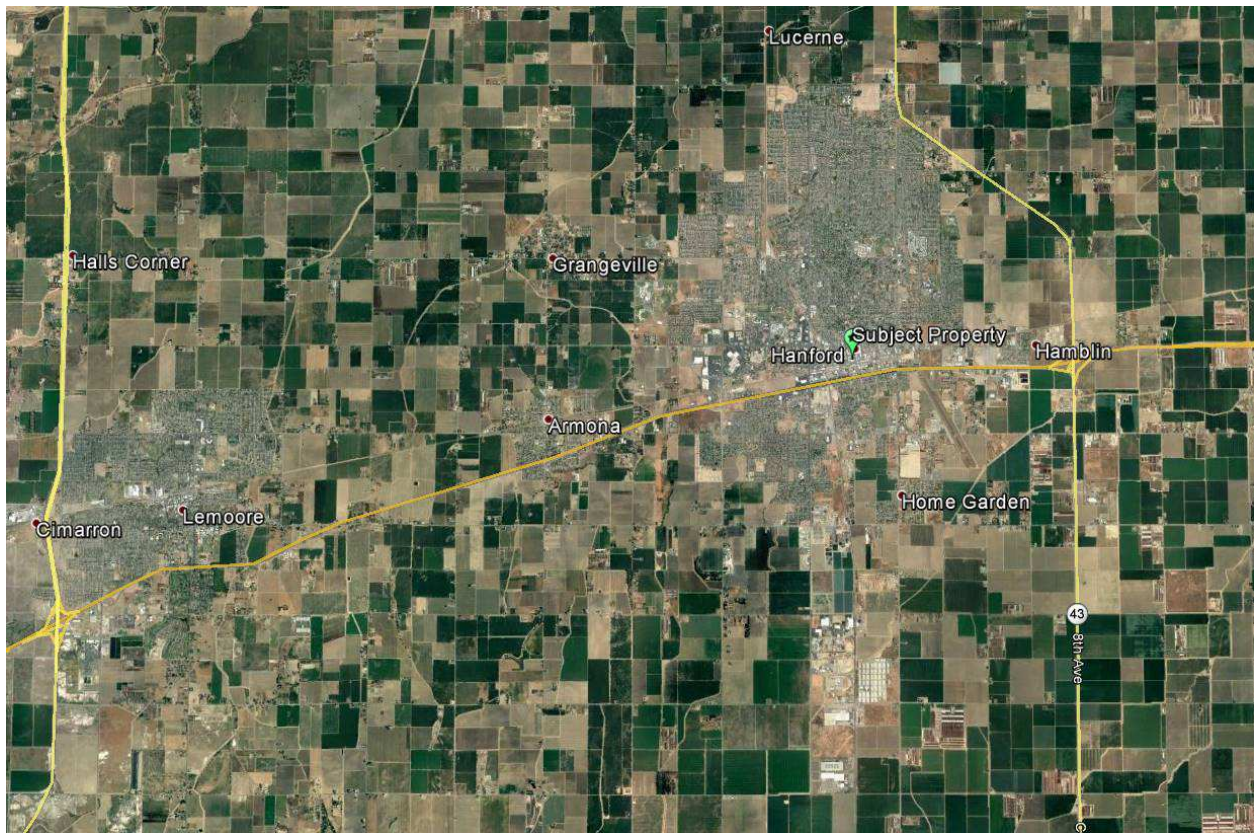
III. ECONOMIC ANALYSIS

AREA ANALYSIS

Kings County is a county located in the U.S. state of California. The population was 152,982 at the 2010 census. The California Department of Finance estimated that the county's population was 149,721 as of January 1, 2015. The county seat is Hanford.

Kings County comprises the Hanford-Corcoran, CA Metropolitan Statistical Area, which is also included in the Visalia-Porterville-Hanford, CA Combined Statistical Area. It is in the San Joaquin Valley, a rich agricultural region.

LOCATION AERIAL



History

The area was inhabited for thousands of years by American Indians including the Tachi Yokuts tribe. It was colonized by Spain, Mexico and the United States. An 1805 expedition probably led by Spanish Army Lieutenant Gabriel Moraga recorded discovering the river, which they named El Rio de los Santos Reyes (River of the Holy Kings) after the Three Wise Men of the Bible. At the time of the United States conquest in 1848, the new government changed the name to Kings River after which the county was named. In 1880, a dispute over land titles between settlers and the Southern Pacific Railroad resulted in a bloody gun battle on a farm 5.6 mi (9.0 km) northwest of Hanford; seven men died. This event became known as the Mussel Slough Tragedy.

Kings County was formed in 1893 from the western part of Tulare County. In 1909, by an act of the state legislature, 208 square miles (540 km²) of Fresno County territory was added to the northwest portion of Kings County.

Settlers reclaimed Tulare Lake and its wetlands for agricultural development. In surface area, it was formerly the largest body of freshwater west of the Great Lakes and supported a large population of migratory birds as well as local birds and wildlife. Monoculture has sharply reduced habitat for many species.

In 1928, oil was discovered in the Kettleman Hills located in the southwestern part of Kings County. The Kettleman North Dome Oil Field became one of the most productive oil fields in the United States.

In 1933 during the Great Depression, cotton pickers in the southern San Joaquin Valley, mostly migrant Mexican workers, went on strike. During the strike, 3,500 striking farm workers lived in a four-acre camp on the land of a small farmer on the outskirts of Corcoran. Ultimately, the federal government intervened to force both sides to negotiate a settlement.

Lemoore Army Airfield was established for training and defense during World War II. In 1961, the U.S. Navy opened NAS Lemoore 9 miles (14 km) west of Lemoore, not far from the earlier site.

The completion of the California Aqueduct in the early 1970s brought needed water for agriculture and domestic use to the west side of the county.

Geography

Per the U.S. Census Bureau, the county has a total area of 1,392 square miles (3,610 km²), of which 1,389 square miles (3,600 km²) is land and 2.1 square miles (5.4 km²) (0.2%) is water.

Kings County is bordered on the north and northwest by Fresno County, on the east by Tulare County, on the south by Kern County and a small part of San Luis Obispo County and on the west by Monterey County.

Most of the historic Tulare Lake was within Kings County. Although reclaimed for farming late in the 19th century, it was the largest freshwater lake west of the Great Lakes.

Demographics

The 2010 United States Census reported that Kings County had a population of 152,982. The census included inmates of the three men's state prisons. Per the California Department of Corrections and Rehabilitation, there were 18,640 inmates in Kings County prisons on March 31,

2010, which was 12.2% of the population. The inmate population had been reduced to 13,894 on December 31, 2013. The racial makeup of Kings County was 83,027 (54.3%) White, 11,014 (7.2%) African American, 2,562 (1.7%) Native American, 5,620 (3.7%) Asian, 271 (0.2%) Pacific Islander, 42,996 (28.1%) from other races, and 7,492 (4.9%) from two or more races. Hispanic or Latino of any race were 77,866 persons (50.9%).

The U.S. Census does not identify how many residents are undocumented immigrants. However, the Public Policy Institute of California issued a report in July 2011, which estimated there were 9,000 illegal immigrants living in Kings County in 2008, which would be 5.8% of the county's population.

Per the California Board of State and Community Corrections, Kings County had the highest incarceration rate of California's 58 counties in 2014 at 1,384 per 100,000 population. Statewide, the rate was 567 per 100,000.

As of the 2000 census, there were 129,461 people, 34,418 households, and 26,983 families residing in the county. However, the California Department of Finance estimates that the population had grown 154,434 as of January 1, 2008, the population density based on the 2000 census was 36/km² (93/sq. mi.). There were 36,563 housing units at an average density of 26 per square mile (10/km²). The racial makeup of the county was 53.7% White, 8.3% Black or African American, 1.7% Native American, 3.1% Asian, 0.2% Pacific Islander, 28.3% from other races, and 4.8% from two or more races. 43.6% of the population were Hispanic or Latino of any race. 7.1% were of Portuguese, 6.2% German, 5.3% Irish and 5.1% American ancestry according to Census 2000. 63.6% spoke English, 30.9% Spanish, 1.4% Tagalog, 1.4% Portuguese and 1.3% Samoan as their first language.

There were 34,418 households out of which 46.4% had children under the age of 18 living with them, 58.0% were married couples living together, 14.3% had a female householder with no husband present, and 21.6% were non-families. 17.0% of all households were made up of individuals and 6.8% had someone living alone who was 65 years of age or older. The average household size was 3.18 and the average family size was 3.56.

In the county the population was spread out with 29.0% under the age of 18, 11.8% from 18 to 24, 35.0% from 25 to 44, 16.8% from 45 to 64, and 7.4% who were 65 years of age or older. The median age was 30 years in 2000, which had increased to 31.1 by the time of the 2010 census. For every 100 females there were 134.8 males. For every 100 females aged 18 and over, there were 148.8 males. The ratio may be attributed to the presence of three men's state prisons in the county.

Economy

The economy is based on agriculture. The gross value of all agricultural crops and products produced during 2014 in Kings County was \$2,471,746,000. Kings County was 8th among California counties in agricultural production that year. The top commodity was milk with a value of \$970,330,000.

Important employers include NAS Lemoore, the U.S. Navy's newest and largest master jet base, a Del Monte Foods tomato processing plant, Adventist Health, the J. G. Boswell Company, an Olam International tomato processing facility, Leprino Foods, the largest mozzarella cheese maker in the world, the Kings County Government and the California Department of Corrections and Rehabilitation which operates three state prisons in Kings County.

In 2011-2013, the U.S. Census Bureau estimated that the median household income in the county was \$47,035 and that 17.6% of the population was below the poverty line. In 2013, according to the U.S. Bureau of Economic Analysis, average per capita income was \$32,635 in Kings County, which ranked it 52nd of California's 58 counties. According to the California Department of Finance, in 2012, the median household income was \$45,935 and 17.3% of households were below the poverty line.

The homeownership rate was 54.2% at the time of the 2010 census. According to Zillow Real Estate Research, an estimated 24% of homeowners in the county owned their homes free and clear in the third quarter of 2012.

Taxable sales in 2011 totaled \$1.32 billion.

Kings County did not escape the effects of the Great Recession. The unemployment rate in May 2012 was 14.9%, up from 10.1% in July 2008. However, the rate had dropped to 9.7% in October 2015. According to the California Employment Development Department, as of December 2012, civilian employment totaled 53,100 and an additional 8,900 people were unemployed. Many residents of Kings County were employed in services (31,900 persons, including 14,800 government employees) and agriculture (5,500 employees) as well as in some manufacturing enterprises (4,300 employees) and construction (1,000 employees). Jeffrey Michael, director of the Business Forecasting Center at the University of the Pacific, stated in an October 2010 newspaper interview that nearly half of Kings County's personal earnings come from government jobs, which pay more than agricultural employment. From 2007 to 2009, government jobs held steady while the county's agricultural sector took the biggest hit. Kings County's dairy industry dropped from \$670 million in milk sold in 2008 to \$411 million in 2009 - a 39% drop. By mid-2009, the price paid to milk producers had dropped to a point that was far below the cost of production according to a July 2009 quote from Bill Van Dam, CEO of the Alliance of Western Milk Producers. By December 2010, milk prices had increased to about \$13

per hundredweight from a low of below \$10 in 2009. However, the price of corn used for feed had increased because of its use by the ethanol industry. Van Dam was quoted that month as saying that at current prices, dairy operators are at or close to the break-even point. By the summer of 2012, it was reported that despite a milk price of about \$15 per hundredweight, the rising cost of cattle feed had caused many dairy farmers to sell all or part of their herds and even file for bankruptcy. However, in 2014 milk prices were topping \$22 per hundredweight and the value of milk sold rose to \$970 million in that year.

Transportation

Public transportation

Kings Area Rural Transit (KART) operates regularly scheduled fixed route bus service, vanpool service for commuters and Dial-A-Ride (demand response) services throughout Kings County as well as to Fresno.

Amtrak trains stop in Corcoran and Hanford.

Orange Belt Stages provides inter-city bus service to and from Hanford. Connections with Greyhound can be made in Visalia or Paso Robles.

Airports

Hanford Municipal Airport is a general aviation airport located just southeast of Hanford. The privately-owned airport in Avenal is the home of the Central California Soaring Club.

IV. PHYSICAL ANALYSIS

ZONING

According to the Kings County Planning Department, the subject property is located within the DC-Downtown Commercial zoning district. This designation allows for a variety of commercial uses including the subject's current use.

HAZARDS

Per the Federal Emergency Management Agency (FEMA), the subject property is not situated within an identified flood hazard zone. It is located in FEMA zone designation X which signifies the property is not at high risk of flooding according to the 100 and 500-year flood studies. It is located on map 060088/06031C/0185C dated June 16, 2009.

ADVERSE ENVIRONMENTAL FACTORS

No environmental report has been provided or obtained by the appraiser. It has been assumed for this report that no adverse environmental conditions exist which would affect the final estimates of value contained herein. Should any reports obtained indicate any adverse conditions, which may affect the desirability or marketability of this property; the final determination of value will be affected.

The subject site consists of one parcel of land which encompasses a total of approximately 15,000 square feet.

SUBJECT PHOTOGRAPHS



FRONT



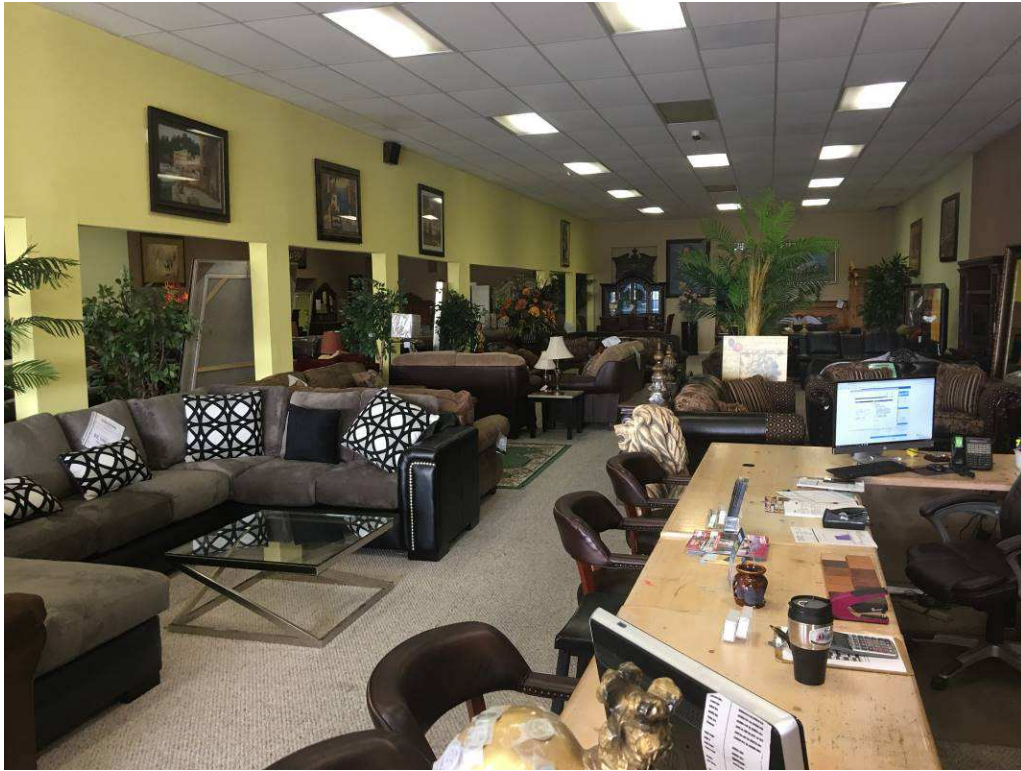
REAR



STREET SCENE



STREET SCENE



INTERIOR



INTERIOR



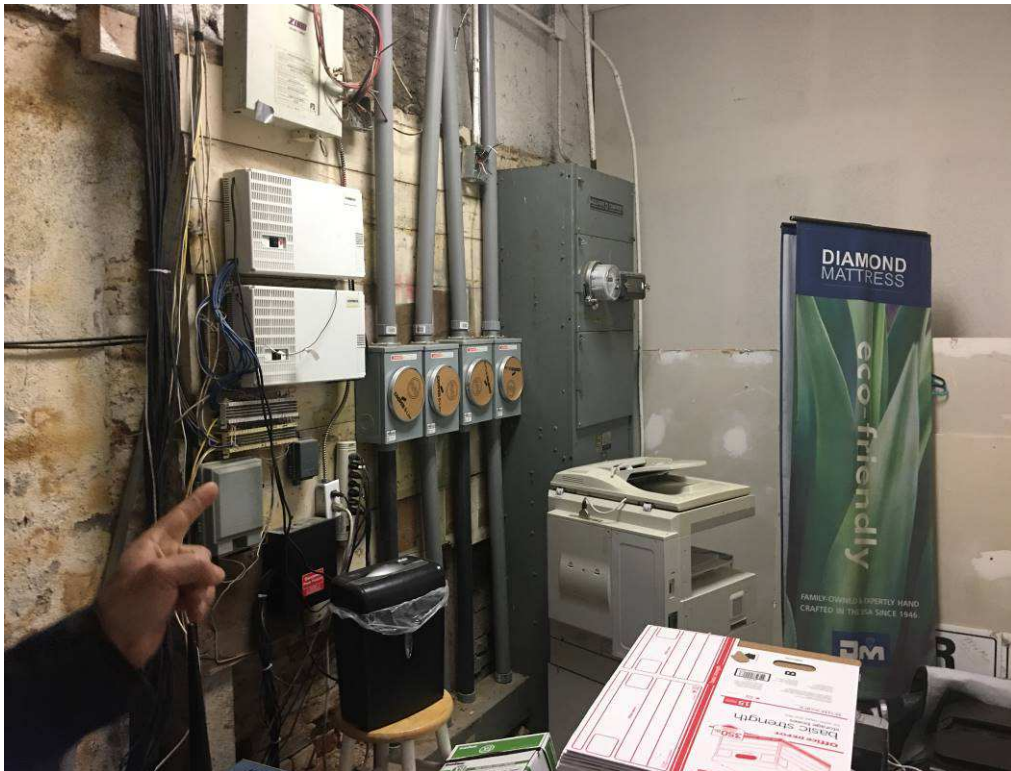
INTERIOR



INTERIOR



INTERIOR



INTERIOR



INTERIOR



BAEMENT

SITE ANALYSIS

The subject property site consists of Assessor's Parcel #s 012-054-014 comprising a 15,000 sf site. The site is rectangular. The topography of the site is level. The site appears to have adequate drainage.

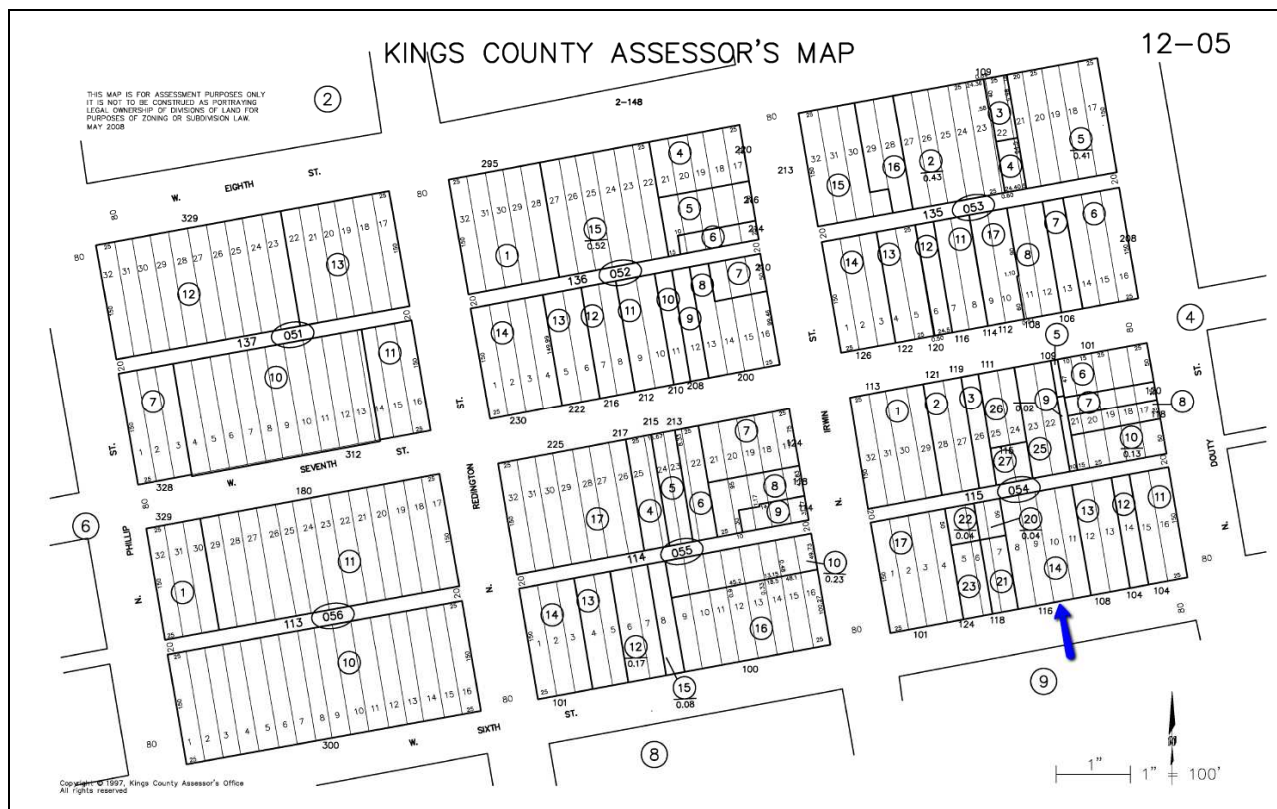
POSITIVE SITE CONDITIONS

The subject property is located along a commercial street in Hanford. Surrounding improvements are retail uses.

ADVERSE SITE CONDITIONS

None noted.

PLAT MAP



HIGHEST AND BEST USE

As If Vacant

"Highest and Best Use" is that use which may be reasonably expected to produce the greatest net return to the land over a given period. It is that use which will yield to the land the highest present value at the effective date of the appraisal. The use must be a legal use allowable under current zoning ordinances or a use in a zoning proposal that may be reasonably expected to attain. Simply said, it is the optimum use for the land that is currently allowable or reasonably probable.

Alternatively, it is that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest and best use. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use of the land may very well be determined to be different from the existing use. However, the existing use will continue, unless and until the highest and best use of the land exceeds the total value of the property in its existing use.

The subject property is situated within a commercial zone surrounded by industrial improvements of varying design and density and an abundance of vacant land. It is in zone DC - downtown commercial. The subject property currently has a street retail building use.

In consideration of what is legally permitted, economically feasible, and physically possible, it was concluded that the highest and best use of the land "as if vacant and ready for use" would be to develop it to a commercial use to the maximum density permitted by zoning.

As Improved

The subject's current use as street retail building is a financially feasible use and the current improved site exceeds the value of the site as if it were vacant. As a result, the Highest and Best Use of the site "As Improved" is its current use as street retail building.

V. VALUATION SECTION

Valuation is based on general and specific background experience, opinions of qualified, informed persons, considerations of all data gathered during the investigative phase of the appraisal, and analysis of market data available to the appraiser. The data is classified and interpreted into a final opinion.

The Cost Approach is a particularly valuable tool in the estimation of market value for either new or proposed properties or for special-purpose properties. It bears specific relevance because of the principle of substitution, which states, "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution." However, as a property ages, the Cost Approach loses its reliability due to the complexities involved with estimating depreciation. Nevertheless, through comparable sales, the underlying land value is estimated as if it were vacant and available to be put to its highest and best use. Then the replacement costs for the subject improvements are estimated, and if applicable, depreciation is estimated and subtracted.

The Sales Comparison Approach bears specific relevance to many properties for several reasons. In the case of some property types, the primary criterion for purchase decisions is based on a common denominator such as price/SF, price/unit, or price/room, for example. This is particularly true when properties are not primarily purchased for their income-generating potential, as in the case of owner-occupants or users. Major shortcomings in this approach occur when the type of property being appraised falls in a class that has fewer directly comparable properties and these "common denominator" units of measurement are not well defined, having large variances in their indicators. This usually occurs when properties are traded primarily based on their income-generating capabilities and is more pronounced in multi-tenant buildings or improvements that are specifically suited for a specialized use (such as highly-designed restaurant facilities or financial buildings). These differences notwithstanding, the Sales Comparison Approach may still have good relevance by means of other indicators such as ratios of gross income to sale price, capitalization rate indicators, etc.

The Income Approach has some unique capabilities that make it the most relevant approach for many properties, especially when the owner and occupants are not the same. While this is almost always the case for multi-tenant buildings, a presumption can also be made that given the proper circumstance any building could be leased. A determination was made as to what that likely lease rate would be (taking into consideration actual leases where applicable), determined net income, and rendered a value conclusion based on assumptions that will be further elaborated.

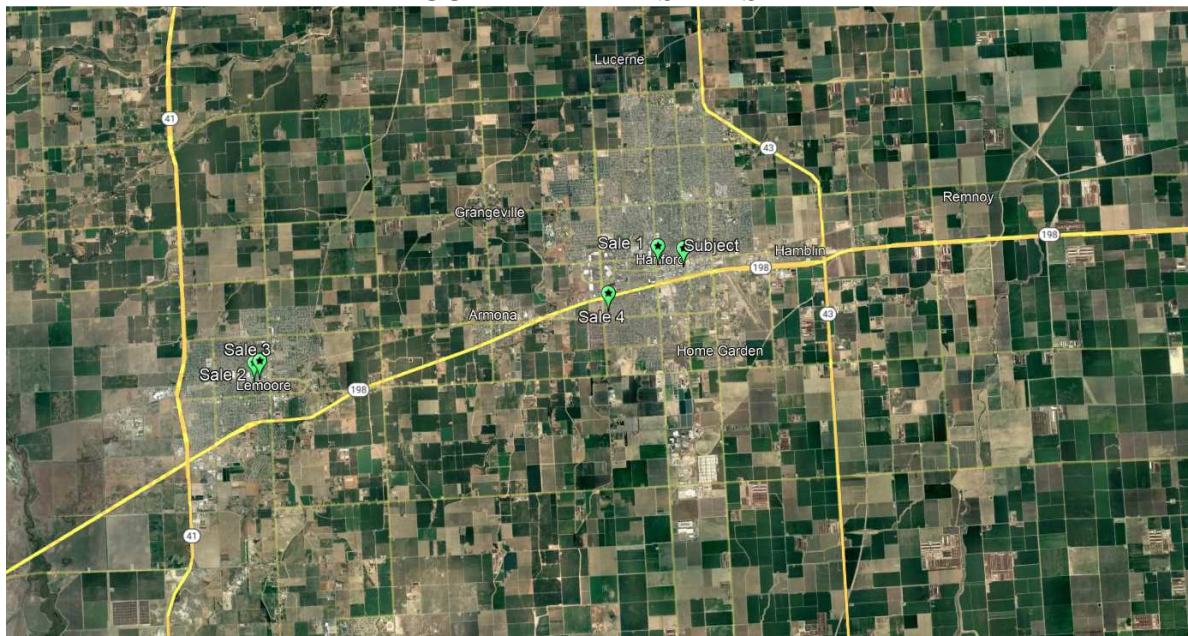
VI. COMPARABLE SALES APPROACH

The Comparable Sales Approach is the only method to be used in this appraisal, also known as the Market or Market Data Approach. The Market Approach is based on the Principle of Substitution, i.e., based on the hypothesis that an informed purchaser will pay no more for a property than the cost to acquire an equally desirable substitute property of equal utility. The subject property has been evaluated in its "as is" condition. An extensive regional study has been made to find comparable improved sales that would reflect the actions of buyers and sellers in the market place regarding similar buildings. The market data has been reviewed in terms of its similarity in nature to the subject property, e.g., similar in location, set back or depth of improvement, type of construction, use, size of parcel, size of building, age, quality, etc. Adjustments have been made to compensate for the differences between the comparable properties and the subject property. The terms of the sale were analyzed in each case and adjustments were made for cash equivalency if necessary. The results of this process have produced an indicated value range for the subject property. Using this square foot value, the indicated value of the subject property was determined.

An expanded search for comparable sales included a survey of the public records, data services, discussions and personal interviews with knowledgeable real estate brokers, property managers, appraisers, buyers, sellers, and tenants familiar with the greater marketing area.

We have analyzed four sales, all of which are retail buildings in Kings County. Two are in Hanford and the other two are in the neighboring, competitive city of Lemoore. Following is a location map showing the subject property and the comparable sales followed by an adjustment summary of the comparable sales.

COMPARABLE SALES MAP



COMPARABLE SALES SUMMARY

MARKET COMPARABLES ADJUSTMENT GRID				
116 W. 6th Street, Hanford, CA				
SUBJECT SF (GBA)	20,050 SF	AS OF:		
SUBJECT SF (NRA)	15,000 SF	3/3/2022		
EST. SUBJECT VACANCY	20%			
EST. SUBJECT EXPENSES	3%			
EST. SUBJ. RENT/UNIT	\$0.76			
EFFECTIVE GROSS INCOME	\$130,168			
NET OPERATING INCOME	\$126,263			
	COMP #1	COMP #2	COMP #3	COMP #4
	323 N. 11th Avenue, Hanford	224 W. D Street, Lemoore	338 W D Street, Lemoore	1625 W Hayden Avenue, Hanford
DATE OF SALE	9/30/2021	3/19/2021	4/28/2021	2/14/2022
COMP SALES PRICE	\$1,770,000	\$575,000	\$1,200,000	\$6,436,500
COMP SF	6,000	5,308	10,720	19,169
PRICE PER SF	\$295.00	\$108.33	\$111.94	\$335.78
FINANCING ADJUSTMENT	0%	0%	0%	0%
CONDITIONS OF SALE	0%	0%	0%	0%
ADJUSTED TIME OF SALE PRICE	\$1,770,000	\$575,000	\$1,200,000	\$6,436,500
LESS: EXCESS LAND	\$0	\$0	\$0	\$0
ADJUSTED COMP SALES PRICE	\$1,770,000	\$575,000	\$1,200,000	\$6,436,500
ADJUSTED PRICE PER SQUARE FOOT	\$295.00	\$108.33	\$111.94	\$335.78
# OF MONTHS SINCE SALE	5	12	10	1
# OF MONTHS IN ESCROW	0	0	0	0
MONTHS SINCE PRICE STABL.	0	0	0	0
TOTAL MONTHS OF ADJUSTMENT	5	12	10	1
SALES TIME ADJUSTMENT	0.0%	0%	0%	0%
TIME ADJUSTED PRICE/SF	\$295.00	\$108.33	\$111.94	\$335.78
OTHER ADJUSTMENTS:				
LOCATION	0%	0%	0%	0%
QUALITY/DESIGN/APPEAL	0%	0%	0%	0%
SIZE	-10%	-10%	-5%	3%
CONDITION	0%	0%	0%	0%
EFFECTIVE AGE	-10%	0%	0%	-18%
ACCESS	0%	0%	0%	0%
COVERAGE	-10%	0%	0%	-15%
ZONING	0%	0%	0%	0%
ECONOMIC CHARACTERISTICS	0%	0%	0%	-25%
TOTAL ADJUSTMENT	-30%	-10%	-5%	-55%
ADJUSTED PRICE/SF	\$206.50	\$97.50	\$106.34	\$151.10
	Mean	Concluded	Rounded	
INDICATED PRICE/SF	\$140.36	\$140.00		
INDICATED PRICE/SF VALUE	\$2,105,000	\$2,100,000	\$2,100,000	

The comparables analyzed were the most reliable indicators of the subject's value that could be uncovered during the research phase of this assignment. In all, four sales were selected for analysis. All four comparables are in the submarket. Each sale was adjusted for significant differences between them and the subject. A discussion of these adjustments follows below.

Location refers to the importance of the site in the market. Usually, all properties in a neighborhood have the same or very similar locational relationships. All four sales are in the subject's submarket and no adjustments were deemed necessary.

Quality pertains to the construction of the comparable building in terms of both the structural components of the building and the finish improvements. All four sales are similar wood frame buildings.

Design/Appeal considers the overall configuration of the unit or building to measure efficiency of the floor plan and general appeal of the property. None of the sales required adjustment.

Size refers to the overall size of the improvements. Generally, the market will pay more per square foot for a smaller building than a larger one due to economies of scale and the law of diminishing returns. Each sale was adjusted accordingly.

Condition refers to the state or degree of maintenance of the improvements. Sales 1 and 3 were adjusted under condition due to deferred maintenance.

Effective Age adjustments account for the general age of the improvements, considering any deferred maintenance, the chronological age of the improvements, and the estimated remaining economic life of the structure. Each sale was adjusted accordingly.

Coverage refers to the amount of site area remaining after accounting for the building footprint. The market values the extra yard area for storage, expansion, buffer space, etc. Each sale was adjusted accordingly.

Zoning refers to the use of the land. No adjustments were necessary.

Considering the above analysis, we have concluded a price per square foot for the retail portion of the subject property as follows:

VALUE	PRICE/SF	METHOD
15,000 SF x \$140.00/SF = \$2,100,000 (Rounded)		

Therefore, our conclusion by the Sales Comparison Approach is:

INDICATED VALUE BY THE SALES COMPARISON APPROACH:
\$2,100,000

Comparable Building Sale 1

ADDRESS: 323 N. 11th Avenue, Hanford
AP NO.: 012-013-008

BUYER: Harold Rolin
SELLER: Robin Boriack

ZONE: SC Land: 22,438
IMPROVEMENTS: GBA: 6,000 Coverage: 27% Year Built: 1988

RECORDED: September 30, 2021 Doc. No.: 21467
SALE PRICE: \$1,770,000 Price/SF: \$295.00
CONFIRMATION: CoStar, Realist Adj. Price/SF: \$206.50



Comparable Building Sale 2

ADDRESS: 224 W. D Street, Lemoore
AP NO.: 020-053-009, 010

BUYER: Avenal Communit Health
SELLER: Kevin & Faith Jones

ZONE: CC
IMPROVEMENTS: GBA: 5,308 Land: 7,048 Year Built: 1960

RECORDED: March 19, 2021 Doc. No.: 6004
SALE PRICE: \$575,000 Price/SF: \$108.33
CONFIRMATION: CoStar, Realist Adj. Price/SF: \$97.50



Comparable Building Sale 3

ADDRESS: 338 W D Street, Lemoore
AP NO.: 020-054-002, 04

BUYER: Helios Dayspring
SELLER: Randal Simas

ZONE: DC

IMPROVEMENTS: GBA: 10,720 Land: 21,750 Year Built: 1959

RECORDED: April 28, 2021 Doc. No.: 9325
SALE PRICE: \$1,200,000 Price/SF: \$111.94
CONFIRMATION: CoStar, NDCDATA Adj. Price/SF: \$106.34



Comparable Building Sale 4

ADDRESS: 1625 W Hayden Avenue, Hanford
AP NO.: 011-060-056

BUYER: Realty Income Corp
SELLER: Ira Scholnick

ZONE: CC

IMPROVEMENTS: GBA: 19,169 Land: 126,324 Year Built: 2015

RECORDED: February 14, 2022 Doc. No.: 2911
SALE PRICE: \$6,436,500 Price/SF: \$335.78
CONFIRMATION: NDCDATA, CoStar Adj. Price/SF: \$151.10



VII. INCOME APPROACH

The Income Approach to indicate the value of property is based on the premise that the value of the property is directly related to how much income (rents) the property will generate. In other words, what a ready willing buyer will pay for a property (the value) is related to what the investor expects to receive from the investment. Using the Income Approach to estimate value is usually the most useful method of estimating value when the property being appraised is an income producing property. Often, when doing appraisal work, the appraiser finds that what one property has most in common with another is that they produce income. It is for this reason that the amount, quality, and duration of income produced needs to be studied so carefully. This approach to estimate value is comprised of four elements, Income, Vacancy, Expenses, and Capitalization Rate.

RENT ROLL

Subject Property Rent Roll									
Unit #	Square feet	Current Rent	Annualized	PER SQ.FT.	Lease Start	Market Rent	Annualized	Market Rent/SF	
1	15,000	\$9,500	\$136,500	\$0.76	01/01/22	\$12,750	\$153,000	\$0.85	
Basement	5,050	\$2,100	\$25,200	\$0.42	MO TO MO	\$12,750	\$153,000	\$0.85	
TOTALS:	20,050	\$11,600	\$161,700	\$0.67		\$25,500	\$306,000		

The subject property is currently leased through 2022. The lease is currently below market rents for this area.

RENTAL ANALYSIS

We have queried similar buildings in attempt to find appropriate rental comps. We have uncovered three lease comparables in the Kings County Retail submarket. Below is a rental comparable adjustment grid.

RENTAL ADJUSTMENT GRID - RETAIL				
116 W. 6th Street				
	SUBJECT	COMP #1	COMP #2	COMP #3
	116 W. 6th Street	110 S. 11th Avenue	126 W. 7th Street	100 W. 7th Street
	Hanford	Hanford	Hanford	Hanford
LEASE START DATE		2/1/2017	9/1/2016	7/1/2016
LEASE TERM (MONTHS)		60	60	36
LEASED SF	20,050	3,263	2,000	3,600
LEASE TYPE	NNN	NNN	MG	NNN
BASE RENT PER RENTABLE SF		\$1.25	\$0.75	\$0.55
EXPENSE STRUCTURE		\$0.00	\$0.00	\$0.00
CONDITIONS OF LEASE		\$0.00	\$0.00	\$0.00
MARKET CONDITIONS		\$0.00	\$0.00	\$0.00
TOTAL ADJUSTMENTS		\$0.00	\$0.00	\$0.00
CUMULATIVE ADJUSTED RENT		\$1.25	\$0.75	\$0.55
OTHER ADJUSTMENTS:				
LOCATION		\$0.00	\$0.00	\$0.00
ACCESS/EXPOSURE		\$0.00	\$0.00	\$0.00
SIZE		\$0.00	\$0.00	\$0.00
BUILDING QUALITY		\$0.00	\$0.00	\$0.00
AGE/CONDITION		\$0.00	\$0.00	\$0.00
ECONOMIC CHARACTERISTICS		\$0.00	\$0.00	\$0.00
TOTAL ADJUSTMENT		\$0.00	\$0.00	\$0.00
ADJUSTED PRICE/SF		\$1.25	\$0.75	\$0.55
		Mean	Concluded	
INDICATED RENT/SF (ANNUALLY)		\$0.85	\$0.85 Annually	

The retail rents indicate a mean of \$0.85/SF monthly or \$10.20/SF annually. We arrived at a market rental rate of \$10.20/SF annually on a triple net (NNN) basis.

COMPARABLE RENTS



RENT #1

COMPARABLE RENTS



RENT #3



RENT #2

VACANCY AND EXPENSES

From the gross income estimates derived from the rental survey, anticipated operating expenses (based on historical operating expenses when available) are then deducted to arrive at an estimated net operating income. Some factors that have been considered when establishing the capitalization rate are the quality and duration of the income. The subject is owner occupied; therefore, no income or expense history was provided. Thus, we relied on our extensive database for properties of this type. Another factor involved is vacancy and collection loss. Conversations with real estate brokers, building owners, and other appraisers have indicated a vacancy factor between 3% - 15% for similar retail properties in the subject's submarket. The subject property was in good condition and it appeared to compete adequately with similar buildings. Based on this, a vacancy factor of 19.5% is opined.

CAPITALIZATION RATE

The potential value of the property is related to this anticipated net income through the mechanism of an overall capitalization rate (OAR). An individual investor (prospective purchaser) would typically develop his rate of capitalization based on his own requirements for equity yield and upon the financing, which could be secured for the purchase of the property. For appraisal purposes the overall capitalization rate is commonly extracted from analyses of sales of

other comparable properties, which are judged to be representative of the current market and similar to the property being appraised.

None of the sales we analyzed in the Sales Comparison Approach indicated CAP rates. We queried CoStar for sales of retail buildings in the submarket that had sold since January 2016. We found 7 sales with CAP rates ranging from 3.92% to 8.77% with a mean of 5.10%. The subject property has an average location and is in average overall condition. It competes adequately with its subset, but it has a below market lease. We have selected a CAP rate of 6.00% which is slightly lower than the mean indicated by the CoStar survey.

INCOME APPROACH ANALYSIS

The following assumptions were used in the income approach analysis:

INCOME APPROACH				
PROJECT:	116 W. 6th Street		DATE OF APPRAISAL:	3/3/2022
ASSUMPTION TABLE				
Value/Loan Estimates			Direct Cap./Mortgage Equity Assumptions	
ESTIMATED VALUE	\$2,100,000		YIELD RATE	10.0%
INVESTMENT/EQUITY	\$525,000	25%	APPR/DEPR FACTOR	12.0%
MORTGAGE AMOUNT	\$1,575,000	75%	MORTGAGE EQUITY OAR	6.8%
INTEREST RATE	6.5%	.542% monthly	MARKET EXTRACTED OAR	6.00%
# OF YEARS	25	300 months		
ANNUAL MORTGAGE PAYMENT	\$127,614	\$10,635 monthly		
DEBT COVERAGE RATIO	0.99			
Income/Property Assumptions			Discounted Cash Flow Assumptions	
GROSS BUILDING AREA	20,050		DISCOUNT RATE	8.5%
NET RENTABLE AREA (RETAIL)	15,000		HOLDING PERIOD (years)	10
ESTIMATED ECONOMIC LEASE RATE/SF	\$0.76 NNN		SALES COST	6.0%
POTENTIAL ANNUAL INCOME	\$136,500	\$13,475 monthly	% LEASED	100%
ADDITIONAL INCOME (BASEMENT)	\$25,200	\$2,100 monthly	LEASE-UP PERIOD	N/A
TOTAL POTENTIAL GROSS INCOME	\$161,700		LEASING COMMISSIONS (RENEWAL) *	3.0%
VACANCY	19.5%	\$31,532	LEASING COMMISSIONS (NEW TENANT) *	6.0%
EFFECTIVE ANNUAL INCOME	\$130,168	\$10,847 monthly	* based on conversations with leasing agents in the area	
INCOME CHANGE (YRS 1 & 2)	0.0%			
INCOME CHANGE (YRS 3 - 10)	2.0%			
Expense Estimates			Income Approach Value Estimates	
TAX RATE	0.0110065	Annual	DIR. CAP VALUE	\$2,104,383
DIRECT ASSESSMENTS	\$0.00	Increase		
REAL ESTATE TAXES	\$23,114	2.0%	CONCLUDED - INCOME APPROACH	\$2,100,000
INSURANCE	\$0.75 /sf	2.0%		
UTILITIES	\$0.15 /sf	2.0%		
MANAGEMENT	3.0% % EGI	2.0%		
REPAIRS & MAINTENANCE	\$0.25 /sf	2.0%		
JANITORIAL	\$0.25 /sf	2.0%		
GENERAL ADMINISTRATIVE	\$0	2.0%		
MISC.	\$0.00 /sf	2.0%		
RESERVES	0.0% % EGI	2.0%		
TENANT REIMBURSEMENTS	\$47,902	2.0%		

The income and expense analysis is presented next:

INCOME STATEMENT			
	FORECAST	PERCENT. OF EFF. GROSS	PER NET SF
INCOME:			15,000
TOTAL ANNUAL INCOME	\$136,500		
ADDITIONAL INCOME	\$25,200		
TOTAL ANNUAL INCOME	\$161,700		
LESS: VACANCY & COLLECTION LOSS	\$31,532	19.5%	
EFFECTIVE GROSS INCOME	\$130,168		\$8.68
EXPENSES:			
REAL ESTATE TAXES	\$23,114	17.8%	\$1.54
INSURANCE	\$15,038	11.6%	\$0.75
UTILITIES	\$2,250	1.7%	\$0.15
MANAGEMENT	\$3,905	3.0%	\$0.26
REPAIRS & MAINTENANCE	\$3,750	2.9%	\$0.25
JANITORIAL	\$3,750	2.9%	\$0.25
TOTAL EXPENSES	\$51,807	39.8%	\$3.45
PLUS: TENANT REIMBURSEMENTS	\$47,902	36.8%	\$3.19
ADJUSTED EXPENSES	\$3,905	3.0%	\$0.26
NET ANNUAL OPERATING INCOME	\$126,263		

To convert the income produced by the subject into a value indication we simply adopt the following formula:

$$\text{Value} \times \text{Rate (OAR)} = \text{Income}$$

Using the Income Approach to indicate the value of a property, one simply uses an inverse derivation of the same formula.

$$\frac{\text{Income}}{\text{Rate}} = \text{Value}$$

In consideration of the above, the indicated value using the income approach was determined using a 6.00% overall capitalization rate. Net rentable area was determined by measurement at 15,000 square feet. Using subject rental rates yielded a Gross Potential Annual income of \$136,500. Vacancy and collection factors were estimated to be \$31,532 . Effective Gross Income was determined to be \$130,168 . Expenses of \$3,905 were deducted. Respectively, the Net Operating Income was determined to be \$126,263 assuming no other major influences affecting the stream of income. Capitalizing the Net Operating Income at 6.00% indicates an estimated value of \$2,100,000 (rounded).

<i>DIRECT CAPITALIZATION WORKSHEET</i>		
Potential Gross Income	=	\$136,500
- Vacancy & Collection @ 19.5%	=	\$31,532
Effective Gross Income	=	\$31,532
- Expenses @ 3.0%	=	\$3,905
Net Operating Income	=	\$126,263
NOI Income		
-----	=Value	
Rate		
<u>\$126,263</u>	=	\$2,100,000 (rounded)
6.00%		

INCOME APPROACH CONCLUSION

The indicated value for the Subject property by the Direct Capitalization Method is \$2,100,000

INDICATED VALUE BY THE INCOME APPROACH \$2,100,000 (rounded)

VIII. RECONCILIATION

Recapitulation of the Indications of Value

Cost Approach:	N/A
Comparable Sales Approach:	\$2,100,000
Income Approach:	\$2,100,000

COST APPROACH

Weaknesses: Replacement cost less the accrued depreciation is not always a good indicator of value with regards to market trends.

Strengths: In the market place the value per square foot of land (assuming no extreme adverse conditions) is easily determined. When market conditions (time) were adjusted, there was adequate support for a land value opinion. The replacement costs of the improvements were the most easily supported figures of all three approaches to estimate value. The improvements are for the most part new and therefore have little depreciation.

COMPARABLE SALES APPROACH

Weaknesses: Lack of strict comparability. There were no sales similar in all respects to make strong direct comparison to the subject. It was difficult to account for many variables with only one unit of comparison. Multi-tenant buildings are mostly marketed to investors who base their decisions on the income producing factors of the property.

Strengths: Adjustments between properties were easily made to account for differences in sale properties when similar. All the comparables were retail/residential, multi-tenant properties.

INCOME APPROACH

Weaknesses: There is no public data on which to rely. Adjustments for quality and duration of the income must be made. Locational differences are complex, and adjustments must be made with caution. Durability of the income is important, but adjustments need to be made with caution.

Strengths: The subject property provided the best indication of current rents and expenses. What one property may have most in common with another may very well be that it produces income. Multi-tenant buildings are mostly marketed to investors who base their decisions on the income producing factors of the property.

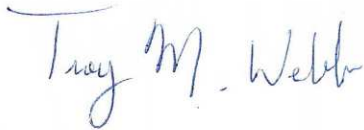
CONCLUSION

Of the two approaches used to estimate value for retail buildings, generally the Sales Comparison Approach would be the approach used by most market participants. The most likely buyer of this property type is an owner-user. However, because the subject is encumbered by a long-term lease, the Income Approach is given more weight. The Cost Approach is not used.

Considering the foregoing investigation and analysis, it is my/our opinion that the market value of the street retail building situated on the 15,000 sf site, located at 116 W. 6th Street, Hanford, CA, on March 3, 2022 was:

<p>TWO MILLION ONE HUNDRED THOUSAND DOLLARS \$2,100,000</p>

Date of Valuation: March 3, 2022
Date of Report: March 8, 2022
Respectfully submitted,



Troy Webb
State Certified General Appraiser
AG043285
Exp. 11/06/2023

Qualifications of Troy Webb

Webb Appraisals, Inc.

Real Estate Valuation



State Licenses

State of California

Certified General Real Estate Appraiser

License No. AG 043285

Education

Irvine Valley College

Orange Coast College

Saddleback College

Appraisal Institute

Contact Information

Webb Appraisals, Inc.

35764 Red Leaf Lane

Murrieta, CA 92562

(949)-400-0924

troywebb@twc.com

Appraisal Institute Courses

Basic Appraisal Principals & Procedures, Real Estate Finance, Statistics, and Valuation Modeling, General Appraiser: Income Part I, Income Part II, Market Analysis Highest and Best Use, Sales Comparison Approach, Site Valuation & Cost Approach, Report Writing and Case Studies, National Uniform Standards of Professional Appraisal Practice, Advanced Market Analysis Highest & Best Use

Appraisal Experience

Senior Appraiser

(1997-Present)

Competency

Mr. Webb has been actively engaged in real estate valuation and consulting since 1997. His diverse background includes general and special purpose real estate appraisals, portfolio valuations, due diligence investigation, condemnation consulting, lease-by-lease analysis, highest and best use studies, consulting for financing, workouts, sale, purchase, lease negotiations and feasibility analysis. Mr. Webb has been involved with numerous property types with individual asset values exceeding \$150,000,000 and portfolio asset values exceeding \$250,000,000.



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Troy M. Webb

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 043285

Effective Date: November 7, 2021
Date Expires: November 6, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

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