

Oakwood Appraisal Company



AN APPRAISAL OF
A Multi-Family Building
3231 Telegraph Avenue
Oakland, CA 94609

PREPARED FOR
Marilyn Vicino-Bergerhouse, SRA
Fremont Bank
2580 Shea Center Drive, Suite B
Livermore, CA 94551

Oakwood Appraisal Company



August 23, 2019

Marilyn Vicino-Bergerhouse, SRA
Fremont Bank
2580 Shea Center Drive, Suite B
Livermore, CA 94551

Dear Ms. Vicino-Bergerhouse:

Per your request, Oakwood Appraisal Company has prepared a narrative appraisal report of the subject property, a six-unit multi-family building located at 3231 Telegraph Avenue, CA 94609. The gross building area (GBA) is 5,260 square feet. The unit mix consists of one studio, four 1-bedroom units, and one 3-bedroom plus unit. The gross leasable area (GLA) of the units, not including the interior hallways, is 5,007 square feet. Please reference the executive summary on page i for additional details.

The purpose of this appraisal is to form an opinion of the as-is market value of the leased fee interest in the subject property. The intended user of this appraisal report is Fremont Bank. No other party is authorized to use this appraisal report for any purpose. The appraiser and Oakwood Appraisal Co. LLC shall not be held responsible for damages incurred by any unauthorized parties. The intended use of this appraisal report is for loan underwriting by Fremont Bank. It may also be used for asset management or asset disposition by Fremont Bank. This appraisal is not authorized for any other use. The contents of this report and all addenda are proprietary and protected by copyright. Any reproduction or unauthorized use is expressly prohibited unless prior written consent is obtained from Oakwood Appraisal Co. LLC.

Based on the investigation of the subject property and market, and subject to the Contingent and Limiting Conditions cited at the end of this report, the exposure time, and assuming cash to the seller, the opinion of the as-is market value of the leased fee interest in the subject property, as of the date of inspection of July 22, 2019, is **\$1,620,000**.

This letter of transmittal is not a complete appraisal report. The attached appraisal report and addenda contains the research and analysis that forms the basis of the opinion of value cited above. The information contained in this report is qualified entirely by the stated Contingent and Limiting Conditions. They are an integral and vital part of this report and any value conclusions. The client is hereby advised to carefully read this report and addenda in its entirety, including the Contingent and Limiting Conditions. The use of this report shall constitute a full acceptance of the terms stated in the report unless written notification to the contrary is received by Oakwood Appraisal Co. LLC within 30 calendar days of the date of this report.

It has been a pleasure to be of service. Should you have any further questions regarding this appraisal, please do not hesitate to contact our office.

Respectfully submitted,

A handwritten signature in blue ink, reading "Peter M. Van Den Broeck", is written over a horizontal line.

Peter M. Van Den Broeck, MAI, SRA
Certified General Real Estate Appraiser
State of California License # AG029400
Expires: September 10, 2020

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF SALIENT FACTS AND CONCLUSIONS	i
SUBJECT PHOTOS	ii
INTRODUCTION	1
Property Identification	1
Legal Description	1
Property Ownership and History.....	1
Dates of Valuation.....	1
Intended Use and User of the Appraisal.....	1
Property Rights Appraised	2
Purpose of the Appraisal	2
Personal Property and Non-Realty Items	2
Competency.....	2
Scope of Work	3
Valuation Methodology.....	3
LOCATION AND PROPERTY DESCRIPTION	5
City Description.....	5
Neighborhood Description.....	6
Market Analysis.....	8
Exposure Time.....	10
Site Description.....	11
Zoning.....	13
Taxes and Assessments	14
Description of the Improvements.....	15
Highest and Best Use	17
SALES COMPARISON APPROACH	18
Improved Comparable Sales Adjustment Grid.....	20
Discussion of Comparable Sales and Adjustments	21
Conclusion - Sales Comparison Approach	22
INCOME CAPITALIZATION APPROACH	24
Rent Comparables Adjustment Grid.....	26
Income and Operating Expenses	28
Overall Rate of Capitalization.....	31
Conclusion - Income Capitalization Approach	32
RECONCILIATION	33
Final Opinion of Value.....	34
INSURABLE COST ESTIMATE	35
CONTINGENT AND LIMITING CONDITIONS	36
APPRAISER CERTIFICATION	43
ADDENDA	44

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Address:	3231 Telegraph Avenue Oakland, CA 94609
Property Owner of Record:	Maureen Nam
Client / Intended User:	Fremont Bank
Property Type:	A 6-unit mixed use building
Gross Building Area (GBA):	5,260 SF
Gross Leasable Area (GLA):	5,007 SF
Site Area:	4,000-square foot interior site
Topography:	Level
Assessor's Parcel Number:	009-0716-002-00
Census Tract Number:	4013.00
Thomas Bros. Map Code:	649 G1
Actual Age / Effective Age:	1906 / 25 Years
Remaining Economic Life:	30 Years
Zoning:	CC-2: Community Commercial Zone 2
Conformity to Zoning:	Legal, non-conforming; insufficient parking
Highest and Best Use:	Multi-family
FEMA Flood Hazard Zone:	Zone X - panel number 06001C-0059G dated 08/03/2009
Unusual Seismic Hazards:	Not located in an earthquake fault zone
Purpose of the Appraisal:	Form an opinion of as-is market value
Ownership Valued:	Leased fee estate
Replacement Cost New (rounded):	\$600,000

Approaches to Value:

Cost Approach:	Not developed
Sales Comparison Approach:	\$1,775,000
Income Capitalization Approach:	\$1,645,000
Reconciled To:	<u>\$1,675,000</u> (As-Repaired Value)
Less Repair and Lease-up Costs:	<u>-\$53,600</u>
Calculated To:	\$1,621,400
Rounded To: (Stabilized Value)	\$1,620,000 (As-Is Value)
Exposure Time:	Two months

Financial Characteristics:

Potential Gross Income:	\$136,224
Vacancy / Collection Loss (4%):	<u>-\$5,449</u>
Effective Gross Income:	\$130,775
Expenses (40.2% of EGI):	<u>-\$52,612</u>
Net Operating Income:	\$78,163

Units of Comparison (Based on As-Repaired Value):

Price per Square Foot:	\$318.44
Capitalization Rate:	4.67%
Inspection Date:	July 22, 2019
Effective Date of the Appraisal:	July 22, 2019
Date of the Appraisal Report:	August 23, 2019

SUBJECT PHOTOS



Subject Front View



Subject Rear View



Subject Alternate Front View



Subject Electric Meters



Street Scene



Street Scene

Subject Interior Photos



Typical Living Room



Typical Bedroom



Typical Kitchen



Typical Bathroom



Typical Living Room



Typical Kitchen

Subject Interior Photos



Typical Bedroom



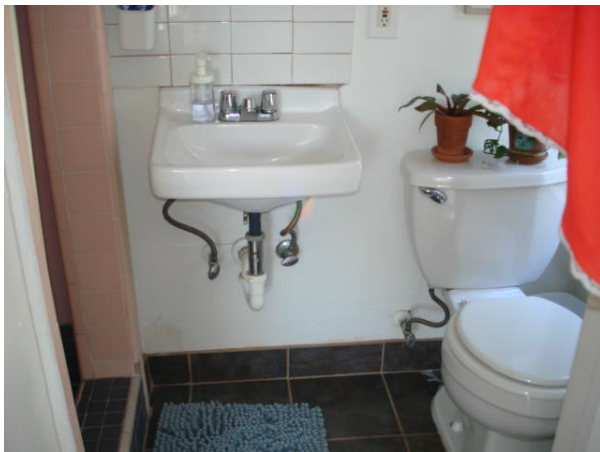
Typical Kitchen



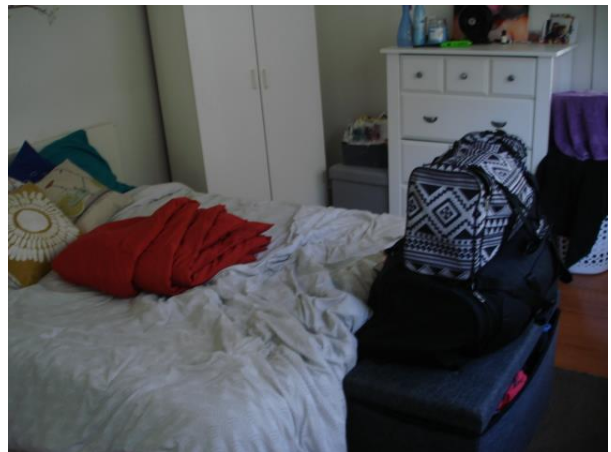
Typical Bathroom



Studio Unit 3227-A



Typical Bathroom



Typical Bedroom

INTRODUCTION

Property Identification

The subject is a three-story multi-family building situated on a 4,000-square foot interior lot. The unit mix currently consists of one studio, two 1-bedroom units, one 3-bedroom plus unit, and one office unit. County records indicates the subject is a 6-unit multi-family property. The owner indicated that two 1-bedroom units were converted into one office unit in 2008. The legal address of the subject is 3231 Telegraph Avenue, Oakland, CA 94609. The subject has a street address of 3225-3231 Telegraph Avenue. The subject is further identified by Alameda County as assessor's parcel number (APN): 009-0716-002-00.

Legal Description

A preliminary title report was not provided. No responsibility is assumed for legal matters. The lender/client is advised to reference the title report for the legal description and verify its accuracy before recordation of any deeds of trust. This responsibility remains with the lender/client and is not maintained by the appraiser. The accuracy of the legal description cannot be guaranteed by the appraiser. Please reference the Contingent and Limiting Conditions section of this report. Any conclusions of value are based on the assumption that the title of the property is free and clear of any liens, easements, encroachments, encumbrances, special assessments, covenants, conditions, restrictions, or any other items, other than those stated in this report, which would adversely affect the value and marketability of the subject.

Property Ownership and History

According to public records, title to the property is currently vested in Maureen Nam. There are no transfers of the subject property noted in public records in the past 36 months. No listings of the subject property were found within the past year.

Dates of Valuation

The subject property was inspected on July 22, 2019. The effective date of the appraisal is July 22, 2019. The date of this appraisal report is August 23, 2019.

Intended Use and User of the Appraisal

The intended user of this appraisal report is Fremont Bank. No other party is authorized to use this appraisal report for any purpose without the prior written consent of the appraiser and Oakwood Appraisal Co. LLC. The appraiser and Oakwood Appraisal Co. LLC shall not be held responsible for damages incurred by any unauthorized parties. The intended use of this appraisal report is for loan underwriting by Fremont Bank. It may also be used for asset management or asset disposition by Fremont Bank. This appraisal is not authorized for any other use, including basis for sale, limited partnership, litigation, etc., without the prior written consent of the appraiser and Oakwood Appraisal Co. LLC.

Property Rights Appraised

The property rights appraised are the leased fee interest in the subject property. Leased fee interest is defined as an ownership interest held by a landlord with the rights of use and occupancy conveyed by the lease to others. The rights of the lessor (leased fee owner) and the leased fee are specified by contract terms with the lease.¹

Purpose of the Appraisal

The purpose of this appraisal is to form an opinion of the as-is market value of the leased fee interest in the subject property.

Personal Property and Non-Realty Items

The appraised value of the subject property does not include items of personal property. The values of intangible assets, if any, are not included in the appraisal of the subject property. No consideration is given to inventory or business elements such as goodwill.

Compliance

This appraisal report has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Office of the Comptroller of the Currency (OCC) Code of Federal Regulations (CFR) Title 12 Part 34, the Federal Deposit Insurance Corporation (FDIC) CFR Title 12 Part 323, and the instructions provided by the client.

Competency

The subject property is located within the coverage area of Oakwood Appraisal Company, which maintains the required resources necessary to complete the assignment in an appropriate manner. This includes access to the local multiple listing service (MLS), county assessor's records, local zoning ordinances, a network of area brokers, local appraisers, and other market participants, various real estate databases, and our own proprietary database. In accordance with USPAP, the appraiser notes and warrants that they possess the resources, knowledge, expertise, and ability to competently appraise the subject property as requested by the client.

Definitions

Please reference the Definitions section included as an addendum to this appraisal report.

¹ [The Dictionary of Real Estate Appraisal](#), Fourth Edition, 2002, The Appraisal Institute, page 161

Scope of Work

As defined by USPAP Standards Rule 2.2, this is considered an appraisal report. It includes summary descriptions of the subject property and the local market for the subject property type, as well as a practical explanation of the research, data, and analysis used to develop the opinion of value presented in a summary format.

The scope of work for this appraisal includes the research and analysis that is necessary to develop credible assignment results. This includes meeting or exceeding what actions would be expected of the appraiser's peers in the area, or by parties who regularly are intended users for similar assignments.

Pursuant to the appraisal process, the following steps were taken for this assignment:

1. Inspection of the subject site, interior and exterior of the improvements*;
2. Review and analysis of the neighborhood, city, and regional data;
3. Research and analysis of comparable sales and rentals, including confirmation with relevant parties when possible;
4. Interviews with brokers, principals, managers, appraisers, county and city officials, and review published market data reports;
5. Exterior observation of the comparables from street frontage;
6. Extraction of operating expenses and ratios, capitalization rates, and other pertinent information from comparable sales when possible, and use of published data sources as support when available;
7. Analysis of the data leading to an indicator of value for each approach to value considered applicable, and reconciliation to a final opinion of value.

*Please reference the Contingent and Limiting Conditions section of this appraisal report. Only a visual observation of readily accessible areas was made, which does not constitute a complete building inspection. This appraisal shall not be relied upon to disclose all defects and/or adverse conditions of the property. A thorough examination of the subject foundation, structural components, and mechanical systems was not made. The adequacy of these items is not guaranteed or warranted.

Valuation Methodology

The appraisal process uses a series of well-defined steps in order to form an opinion of value. The process involves the use of three widely-accepted approaches to value. They are the cost approach, the sales comparison approach, and the income capitalization approach. Each of these approaches to value is considered, and then included or omitted based on their applicability to the property being appraised and the quantity and quality of the pertinent data available to the appraiser. The approaches considered applicable are conducted independently of each other. The results of each approach are then reconciled into a single opinion of value based on a weighted consideration of their relative applicability, significance, and reliability as it relates to the subject property. The three basic approaches are summarized briefly as follows:

Cost Approach

The cost approach is based on the principle of substitution and the rationale that an informed buyer would pay no more for a property than the cost to produce a substitute property of the same utility. This approach assumes that the site is developed to its highest and best use. In the cost approach, an opinion of site value as well as the reproduction or replacement cost of the building, as of the date of the appraisal, is developed. Also considered are all possible types of depreciation that has taken place due to wear and tear, design and plan, or neighborhood influences. The cost approach is typically employed when a property includes new or recent improvements, or is so unique as to render a comparison to recent sales or leases of similar properties problematic.

Sales Comparison Approach

The sales comparison approach is also based on the principle of substitution and the rationale that an informed buyer would pay no more for a property than the cost to purchase a substitute property of the same utility. In this approach, the subject property is compared to recent sales and listings of similar properties in the market area. The sales approach is particularly relevant when there is recent activity in the market, and information on comparable sales is readily available and reliable. Data extracted from the comparables is analyzed and related to the subject property. The most relevant comparisons are utilized to provide an indication of value for the subject property. This approach is typically emphasized for smaller properties, or when periodic income is not of primary concern.

Income Capitalization Approach

The income capitalization approach is based on the principle of anticipation by capitalizing the future income of the property into an opinion of value. The net operating income (NOI) is developed by calculating the current or market annual rental income, known as the potential gross income (PGI), and making deductions for vacancy, collection loss, and operating expenses. Operating statements for current and previous years are reviewed and compared with available operating expense data for similar properties. Depending on the income characteristics of the property being appraised, either direct capitalization or yield capitalization is then selected as the appropriate method of converting the income into an opinion of value. Direct capitalization is most applicable when forming an opinion of market value of a property at stabilized occupancy. This method employs a capitalization rate in converting the first-year net operating income into an indication of value. Yield capitalization is often more reliable for properties with variable periodic income. This method utilizes yield rates in discounting future cash flows over a time period into a present value, including any reversion. The income capitalization approach is considered to be particularly relevant for a larger income producing property as the individual expenses and net income are taken into account.

Approaches Utilized

The sales comparison approach and the income capitalization approach are utilized for the subject property. These two approaches are the most relevant for the subject property type. The cost approach is not considered applicable due to the lack of comparable land sales in the subject neighborhood, the age of the subject, the subjectivity involved in measuring accrued depreciation, and the fact that a likely purchaser would not typically consider this approach.

LOCATION AND PROPERTY DESCRIPTION

City Description

Introduction: Oakland is the third largest sub-metropolitan area in the San Francisco Bay region behind San Jose and San Francisco. The city covers 79.14 square miles, is located eight miles east of San Francisco and bounded by the San Francisco Bay (19 miles of coastline) to the west, the Oakland hills to the east, Berkeley to the north, and San Leandro to the south. Oakland is the county seat for Alameda County. Due to its central location, it has been dubbed the hub of the East Bay.

Transportation: Oakland's central East Bay location is a very positive factor in the future growth of the city. It is the transportation hub for the greater Bay Area. The three East Bay routes of the Bay Area Rapid Transit (BART) converge in Oakland and connect to San Francisco. AC Transit, an extensive bus service, as also services the city. The Bay Area's freeway system also flows through Oakland, including the 880 and 580 Freeways as well as Highways 24 and 13. Both 580 and 880 provide linkage north to the 80 Freeway, connecting to the major cities of San Francisco and Sacramento. The 880 Freeway connects south to the Oakland airport and into the South Bay including Fremont and into the Silicon Valley. The 580 Freeway connects north to Marin County and southeast to eastern Alameda County. Oakland is also a rail center for transcontinental lines, including Union Pacific, Southern Pacific, and Santa Fe railroads that connect to the Oakland Port. The Oakland Port is one of the world's largest port and container shipping facilities. The Port Authority has spent \$100 million to expand its maritime terminals and its infrastructure. Accommodations are being made for the "super tanker" container ships.

Demographics: According to census 2010 data, the City of Oakland has a population of 390,724 and is a decrease of -2.2% since 2000.

Development Patterns: Downtown Oakland is a major metropolitan commercial center, with numerous Class A office buildings and ongoing renovations of older buildings. As San Francisco is becoming intensely developed with little room for expansion, Oakland is positioned as an alternative business center, with a broad employment base and central location convenient to other Bay Area employment centers and residential communities.

Typically, the western flatland area of the city, transcended by Interstate 880, is developed with a mix of older housing, commercial thoroughfares, and heavy industry and distribution facilities. To the east, along Interstate 580 and Highway 13 and into the roughly north/south running foothills, land uses are predominantly average to good quality single-family residences. The downtown area is located in the northwestern portion of the city. The main developments of central Oakland include Jack London Square, the Federal Buildings, and the City Center - a mixed-use office/retail/housing development over the BART station in downtown Oakland.

The Economy: Oakland provides far more jobs than any other city in Alameda County, with a larger downtown business district. The largest employers in the city are as follows: Kaiser Permanente/Kaiser Foundation, Alameda County, City of Oakland, Bay Area Rapid Transit, State of California, SF Benioff Children's Hospital – Oakland, Alameda Health Systems (Highland Hospital), Southwest Airlines, Oakland Unified School District, and Sutter Health.

San Francisco and Silicon Valley, both major regional employment centers, are within easy commute distance. Access to employment is considered good.

Shopping: Oakland is responsible for a large portion of retail dollars spent in Alameda County. The main retail districts include City Square located at 14th Street and Broadway, Chinatown centered on Webster Street at 9th Street, Uptown Oakland along Telegraph Avenue from 16th Street to West Grand Avenue, Rockridge extending along College Avenue from 51st Street at Broadway to the Berkeley border, and Fruitvale centered on Fruitvale Avenue on International Blvd. Other shopping areas include Old Oakland, Grand Lake, Piedmont Avenue, Jack London Square, Temescal, Montclair Village, Dimond, and Laurel. Strip neighborhood retail is located on the major arterials including Broadway, San Pablo Avenue, Telegraph Avenue, International Blvd., and Macarthur Blvd.

Conclusion: Oakland was established as an industrial and transportation center. Its port renders it a major center of commerce on the west coast. A focus on revitalization has resulted in an economy that is now more service-oriented. Oakland's prime location, varied transportation network, cultural diversity, and progressiveness render it attractive from both a location and employment perspective.

Neighborhood Description

The subject property is located adjacent to an area historically known as the Pill Hill neighborhood. This area centered around Alta Bates Medical Center is located south of the 580 Freeway between Telegraph Avenue and Broadway and includes a concentration of medical office uses. Retail uses are concentrated along Telegraph Avenue and Broadway, with residential properties mixed in throughout the neighborhood.

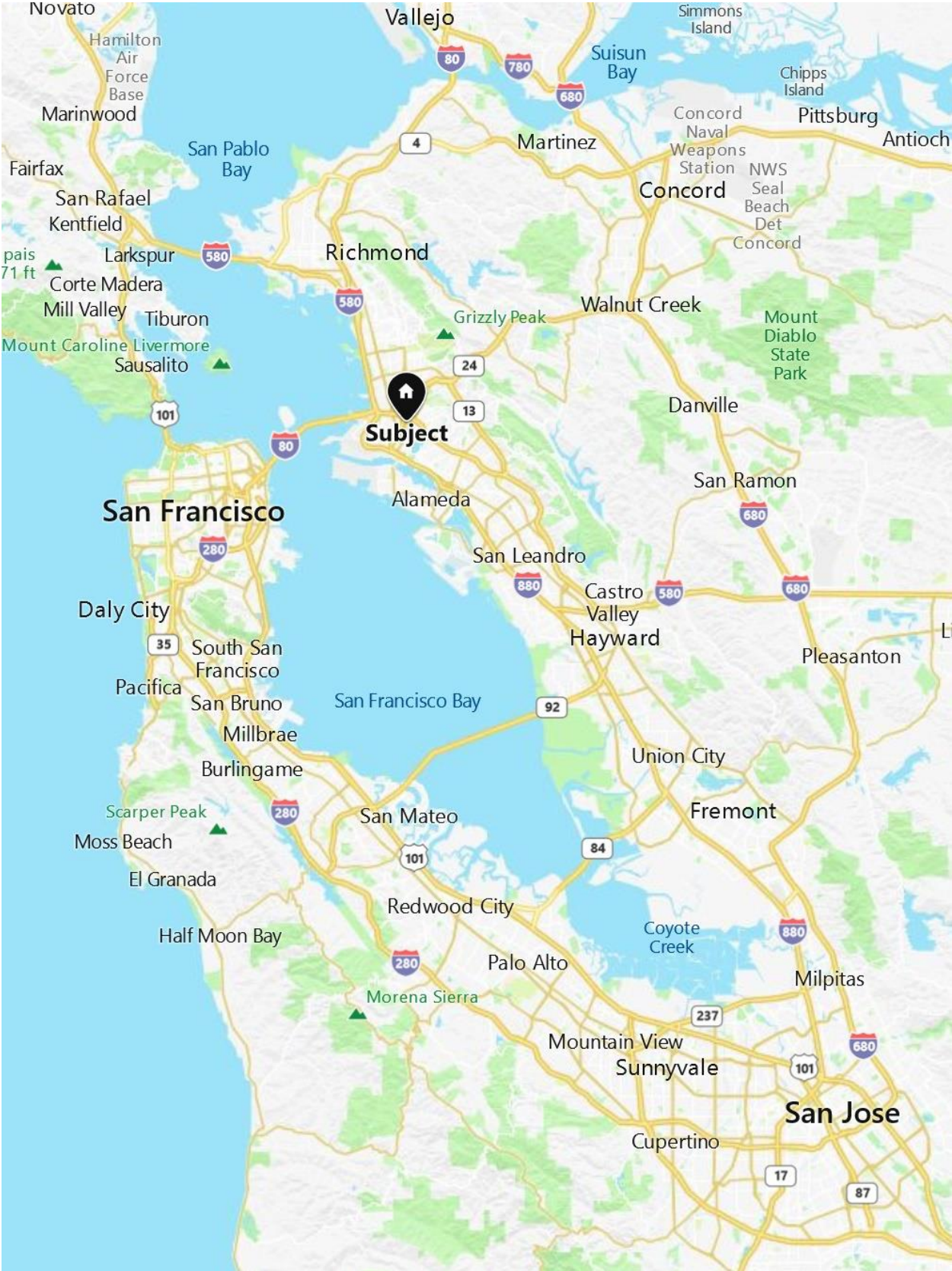
Most properties along Telegraph Avenue and Broadway are built along their street frontage leaving little room for landscaping or off-street parking. Most of the properties in the neighborhood are over sixty years old and typically in fair to good condition, often commensurate with the age of a property. The newer buildings, typically low to mid-rise mix-use buildings with lower floor commercial uses and upper level residential, are generally in good condition. The buildings in the subject's immediate neighborhood show a varied level of maintenance, though generally average to good. Some older properties suffer from deferred maintenance while others exhibit a high level of maintenance by their owners and are in good condition.

Adjacent to the east of Pill Hill is Oakland's Broadway Auto Row, a location of car dealerships and other automotive service businesses. New construction in recent years has focused on mixed-use developments. South of 27th Street is a greater concentration of light industrial properties as well office, retail, and multi-family uses.

The subject neighborhood is nearly fully built-out. Development is largely limited to renovation of older properties. With regard to the neighborhood's stage of development, the area is regarded as being in its stable stage of the life cycle. The stable stage is defined as the time in a neighborhood's life cycle in which the neighborhood experiences equilibrium without market gains. No detrimental external conditions or adverse neighborhood influences were observed.

Summary: The area's primary appeal is its central location and improved neighborhood amenities coupled with easy access to transportation and major employment centers in the San Francisco Bay Area. The area has particularly strong appeal for medical office users. Overall the subject neighborhood is rated above average.

Location Map



Market Analysis

Several large brokerage houses track the multi-family residential market for the Bay Area region. Marcus & Millichap has released a comprehensive research report² for the Bay Area Metro market covering the second quarter of 2019, divided into submarkets. The subject is located in the Oakland/Berkeley submarket. Marcus & Millichap reports the average rental rate for apartments in the East Bay/Oakland Metro market is \$2,314 per month, up 3.5 percent from a year ago. The current vacancy rate is 3.9 percent, down 20 basis points from 4.1 percent a year ago. The average rental rate for apartments in the Oakland/Berkeley submarket is \$2,853 per month, up 3.0 percent from a year ago. The current Oakland/Berkeley vacancy rate is 4.4 percent, up 20 basis points from 3.9 percent a year ago.



Investment Trends: Marcus & Millichap reports the average price per unit in the Oakland/Berkeley submarket is reaching the \$270,000 per unit range. Despite a slowdown in transaction activity, dollar volume still exceeded \$2.2 billion as the higher cap rates in the East Bay relative to San Francisco continues to attract buyer interest. Investors are drawn to well-located class C properties in the urban core at prices in the mid-\$250,000 range. The report states locations in East Oakland and Berkeley are at the highest demand due to proximity to mass transit. Fremont and Hayward are also drawing increased interest from investors as pricing there is well below

the urban core locations.

Development: Marcus & Millichap reports construction activity has decreased, with builders completing 2,320 units in the past twelve months, down from over 2,850 units completed the prior twelve months. However, completions are expected to reach a new cycle high in 2019. Development is primarily focused in the Oakland/Berkeley submarket.



² Marcus & Millichap Bay Area Metros Multifamily Research Report

Oakland Rent Control: The City of Oakland has residential rent control that applies to most residential tenants. This is regulated by the Rent Stabilization Board. Owner occupied properties with fewer than four units are exempt from rent control. Dwelling units with certificates of occupancy issued after January 1, 1983, or with substantial rehabilitation after this date, are also exempt. Otherwise, rents for controlled units can only be raised by a certain allowed amount per year, and requires notification to the tenant and the Rent Board. Increases may be banked for up to three years, but a banked increase cannot exceed three times the current year allowable increase. Additionally, the cost of certain capital improvements may also be passed through to tenants, provided the Rent Board grants approval. Tenant evictions are permitted only with one of several defined “just cause” reasons, such as failure to pay rent. Voluntary vacancy will result in the landlord’s ability to increase rents to market levels.

The effect of rent control is that contract rents effectively become market rents. There is a direct correlation between a tenant’s length of occupancy, dates when significant capital improvements were made, and the allowable effective rent. Actual rents can range widely from unit to unit depending on length of occupancy. Long-term tenancies can result in a very low rental structure with no time frame for increases to market levels. This can place downward pressure on values, though properties with below market rent structures can also sell at high multipliers in anticipation for future vacancies and the upside of a low rent structure.

The allowable annual rent increase amount is recalculated each year, and currently stands at 3.5% effective July 1, 2019.³ The allowable increase for prior years was 3.4% in 2018, 2.3% in 2017, 2.0% in 2016, 1.7% in 2015, 1.9% in 2014 and 2.1% in 2013.

Each of subject’s units are subject to rent control.

[Remainder of Page Intentionally Left Blank]

³ <http://www.oaklandca.gov>

Exposure Time

USPAP Standard 1-2(c) states:

“When developing an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion”

Reasonable exposure time is one of a series of conditions in most market value definitions. It is always presumed to precede the effective date of the appraisal.

Exposure time may be defined as:

“The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. This statement focuses on the time component. The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy estimated from the effective date of the appraisal.”⁴

Exposure times for the comparables utilized in this report range from 41 to 80 days. In general, most well-priced comparables have exposure times less than three months. Based on its location, quality and condition, occupancy characteristics, and the current market, the opinion of the subject’s exposure time is **two months**.

[Remainder of Page Intentionally Left Blank]

⁴ Standards of Professional Appraisal Practice of The Appraisal Institute, The Appraisal Institute, page 71

Site Description

The subject site is a 4,000-square foot interior parcel that is rectangular in shape with a level topography. All typical public utilities are available to the site including water, sewer, storm drain, electrical, gas and telephone. Electrical and telephone service are below ground. Immediately surrounding properties are office/retail and multi-family residential. No incompatible uses are noted in the immediate area.

Assessor's Parcel Number:	009-0716-002-00
Site Area:	4,000 square feet
Thomas Bros. Map Code	649 G1
Census Tract:	4013.00
Street Frontage:	43 feet along Telegraph Avenue
Landscaping:	Average, typical for the area

All off-site improvements are in place. Street improvements include asphalt paved streets, concrete sidewalks, curbs and gutters, and overhead lights. Freeway access (I-80) is within one mile. The MacArthur BART station is within ½ mile.

Flood Zone: According to FEMA Community Panel Number 06001C-0059G dated August 3, 2009, the subject property is located in zone X. Flood zone X is defined as areas outside the 100-year flood plain. Flood insurance is not required.

Seismic Information: The subject is located on the Alquist-Priolo Map⁵ for the Oakland West Quadrangle, near a defined earthquake fault zone though not within the zone according to the map. The subject is noted to be in a liquefaction zone. Included in this zone are "areas where historic occurrence of liquefaction, or local geological, geotechnical and groundwater conditions indicate a potential for permanent groundwater displacements such that mitigation...would be required."⁶ No geological survey was submitted for review. The appraiser is not to be considered an expert in this regard. A structural inspection by a licensed engineer is generally recommended to determine the ability of the subject property to withstand seismic activity.

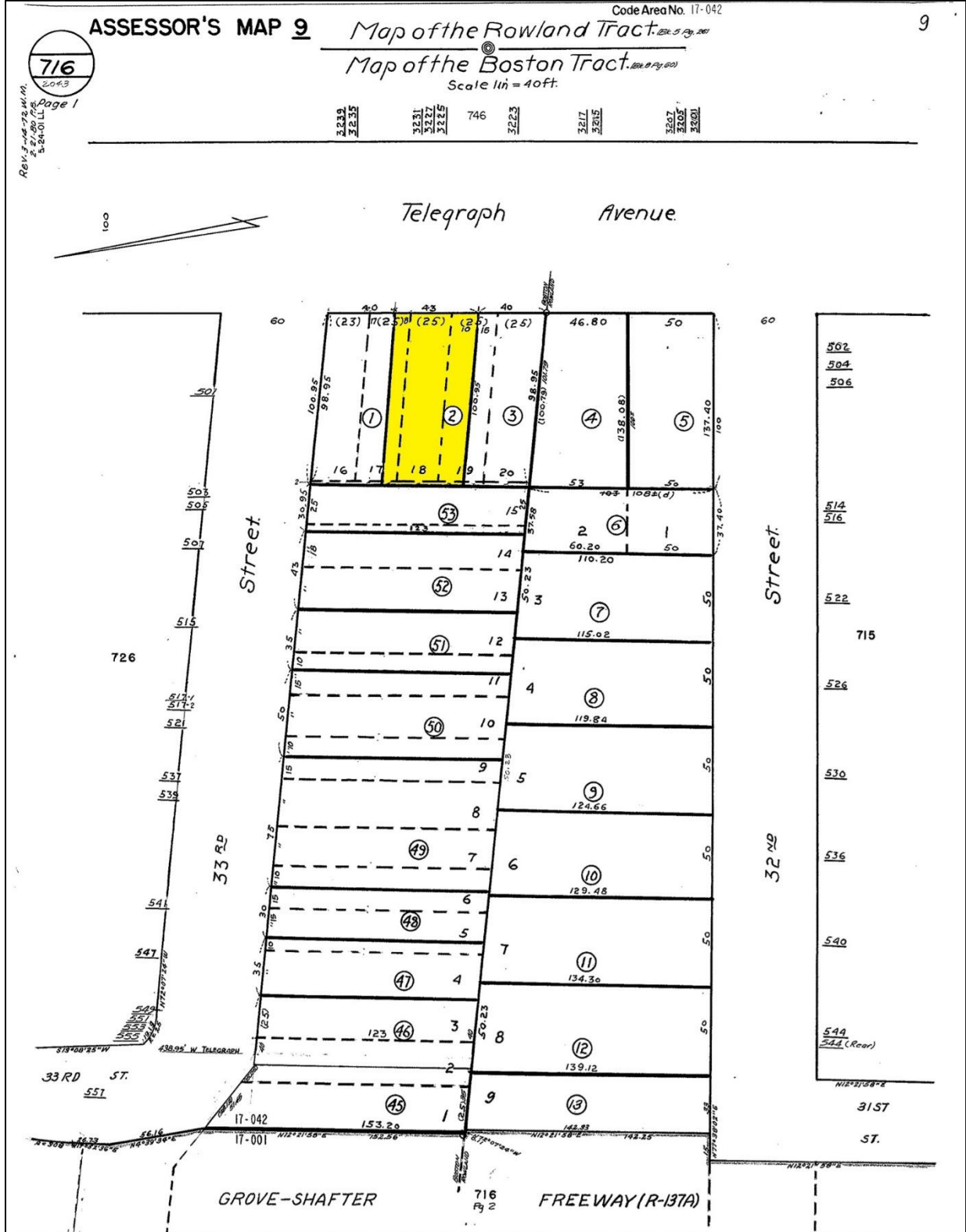
Environmental Conditions / Toxic Materials: No environmental reports or soil studies were provided. Soils conditions are generally considered stable. A visual observation of the subject property by the appraiser did not indicate any site hazards. The appraiser is not qualified to detect pests or environmental issues, or to determine the presence of toxic materials in or around the subject property. No responsibility is assumed for such matters. No adverse conditions are known that would preclude most types of development. This appraisal and any conclusions of value are predicated on the assumptions that the subject site has adequate soils for development, the subject site and improvements lack the presence of any hazardous materials or toxic/chemical ground or building contamination as a result of drainage or leakage in connection with any production/operation on or near the subject property, and the subject is not adversely affected by any environmental conditions. It is generally recommended that lending institutions review all environmental issues concerning any property utilized as collateral in a mortgage transaction.

Wetlands / Agricultural Preserve: The subject property does not appear to be located in or near wetlands or an agricultural environment. There is no evidence to suggest the subject property negatively impacts such an environment.

⁵ State of California Department of Conservation online map

⁶ Ibid.

Assessor's Parcel Map



Zoning

The subject is zoned **CC-2: Community Commercial Zone 2**. The intent of this zoning designation is to “*create, maintain, and enhance areas with a wide range of commercial businesses with direct frontage and access along the City’s corridors and commercial areas.*”⁷

Main Permitted Uses (Partial List): Two-Family Residential, Multi-Family Residential, General Food Sales, Full Service Restaurants, Limited Service Restaurant and Café, Medical Service, General Retail Sales, Consumer Service, Consultative and Financial Service, Consumer Cleaning and Repair Service, Personal Instruction and Improvement Services, Administrative, Research Service, Automobile and Other Light Vehicle Sales and Rental, Animal Care, Limited Child-Care, Recreational Assembly, among others.

Main Conditionally Permitted Uses (Partial List): Residential Care, Community Assembly, Fast-Food Restaurant, Convenience Market, Alcoholic Beverage Sales, Mechanical or Electronic Games, Check Cashier and Check Cashing, Consumer Dry Cleaning Plant, Group Assembly, Automobile and Other Light Vehicle Gas Station and Servicing, Automobile and Other Light Vehicle Repair and Cleaning, Automotive Fee Parking, Animal Boarding, Custom Manufacturing, Light Manufacturing, among others.

Main Prohibited Uses (Partial List): One-Family Residential, Large-Scale Combined Retail and Grocery Sales, General Wholesale Sales, Industrial, among others.

PROPERTY DEVELOPMENT REGULATIONS			
Minimum Lot Size:	4,000 square feet	Front Setback:	0 to 10 feet
Max. Density: Residential:	450 sq.ft. per unit	Corner:	0 to 15 feet
Commercial:	2.5	Rear:	0 feet
Maximum Building Height	45 feet	Side:	0 feet
Parking:	Residential: One space per unit		

Multi-family uses are permitted. Development requirements include a minimum lot area of 4,000 square feet, maximum residential density of one unit per 450 square feet of site area, maximum commercial FAR of 2.5, and maximum building height of 45 feet. Under our interpretation of zoning requirements, the subject requires six parking spaces. The subject has no off-street parking.

Conclusion: Under our interpretation of zoning, the subject is considered a legal, non-conforming use due to insufficient parking. This is not uncommon of older properties as zoning ordinances are updated. The City of Oakland allows the restoration of a non-conforming facility by right if damage or destruction is less than 75% of the facility. If damage or destruction is greater than 75%, restoration may still be allowable with a required design review if damage was involuntary and restoration commences within two years. Otherwise, restoration must conform to current zoning standards. We know of no deed restrictions that limit the subject property’s use. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants.

⁷ City of Oakland Planning Code Chapter 17.35

Taxes and Assessments

The following is an internet copy of the subject's tax bill for the current tax year. It shows the subject parcel number (APN) along with the assessed value, ad valorem property taxes, and associated special assessments of the property. The subject tax rate is \$1.3666 per \$100 of the assessed value as determined by the Alameda County Assessor's Office.

2018-2019 INTERNET COPY				Fixed Charges and/or Special Assessments																																			
For Fiscal Year Beginning July 1, 2018 and Ending June 30, 2019				Description	Phone	Amount																																	
<p>ALAMEDA COUNTY SECURED PROPERTY TAX STATEMENT Henry C. Levy, Treasurer and Tax Collector 1221 Oak Street, Room 131 Oakland, California 94612</p>				MOSQUITO ABATEMENT	800-273-5167	8.74																																	
<table border="1"> <thead> <tr> <th>Parcel Number</th> <th>Tracer Number</th> <th>Tax-Rate Area</th> <th>Special Handling</th> </tr> </thead> <tbody> <tr> <td>9-716-2</td> <td>02266500</td> <td>17-042</td> <td></td> </tr> </tbody> </table>				Parcel Number	Tracer Number	Tax-Rate Area	Special Handling	9-716-2	02266500	17-042		CSA PARAMEDIC	800-441-8280	197.16																									
Parcel Number	Tracer Number	Tax-Rate Area	Special Handling																																				
9-716-2	02266500	17-042																																					
Location of Property 3231 TELEGRAPH AVE, OAKLAND Assessed to on January 1, 2018				CSA VECTOR CONTROL	800-273-5167	36.00																																	
ASSESSEE NAME AND ADDRESS ARE NOT AVAILABLE ONLINE PER CA GOV CODE §6254.21				CITY EMERG MEDICAL	510-238-2942	74.36																																	
<p style="text-align: center;">THIS IS NOT AN OFFICIAL BILL</p>				CITY PARAMEDIC SRV	510-238-2942	59.20																																	
<table border="1"> <thead> <tr> <th colspan="3">Tax-Rate Breakdown</th> </tr> <tr> <th>Taxing Agency</th> <th>Tax Rate</th> <th>Tax Amount</th> </tr> </thead> <tbody> <tr> <td>COUNTYWIDE TAX</td> <td>1.0000 %</td> <td>9,686.66</td> </tr> <tr> <td>VOTER APPROVED DEBT SERVICE:</td> <td></td> <td></td> </tr> <tr> <td>COUNTY WIDE GO BOND</td> <td>0.0112 %</td> <td>108.48</td> </tr> <tr> <td>CITY OF OAKLAND 1</td> <td>0.1982 %</td> <td>1,919.90</td> </tr> <tr> <td>SCHOOL UNIFIED</td> <td>0.1176 %</td> <td>1,139.15</td> </tr> <tr> <td>SCHOOL COMM COLL</td> <td>0.0269 %</td> <td>260.57</td> </tr> <tr> <td>BAY AREA RAPID TRANSIT</td> <td>0.0070 %</td> <td>67.81</td> </tr> <tr> <td>EAST BAY REGIONAL PARK</td> <td>0.0057 %</td> <td>55.21</td> </tr> <tr> <td>TOTAL</td> <td>1.3666 %</td> <td>13,237.78</td> </tr> </tbody> </table>				Tax-Rate Breakdown			Taxing Agency	Tax Rate	Tax Amount	COUNTYWIDE TAX	1.0000 %	9,686.66	VOTER APPROVED DEBT SERVICE:			COUNTY WIDE GO BOND	0.0112 %	108.48	CITY OF OAKLAND 1	0.1982 %	1,919.90	SCHOOL UNIFIED	0.1176 %	1,139.15	SCHOOL COMM COLL	0.0269 %	260.57	BAY AREA RAPID TRANSIT	0.0070 %	67.81	EAST BAY REGIONAL PARK	0.0057 %	55.21	TOTAL	1.3666 %	13,237.78	CSA LEAD ABATEMENT	510-567-8280	60.00
Tax-Rate Breakdown																																							
Taxing Agency	Tax Rate	Tax Amount																																					
COUNTYWIDE TAX	1.0000 %	9,686.66																																					
VOTER APPROVED DEBT SERVICE:																																							
COUNTY WIDE GO BOND	0.0112 %	108.48																																					
CITY OF OAKLAND 1	0.1982 %	1,919.90																																					
SCHOOL UNIFIED	0.1176 %	1,139.15																																					
SCHOOL COMM COLL	0.0269 %	260.57																																					
BAY AREA RAPID TRANSIT	0.0070 %	67.81																																					
EAST BAY REGIONAL PARK	0.0057 %	55.21																																					
TOTAL	1.3666 %	13,237.78																																					
				SCHOOL MEASURE G	510-879-8884	195.00																																	
				PERALTA CCD MEAS B	800-792-8021	48.00																																	
				* OUSD MEASURE N	510-879-8884	120.00																																	
				* OUSD MEASURE G1	510-879-8884	120.00																																	
				VIOLENCE PREV TAX	510-238-2942	445.92																																	
				KOREATOWN BID	510-238-3201	1,104.76																																	
				CITY LIBRARY SRV-D	510-238-2942	307.44																																	
				SFBRA MEASURE AA	888-508-8157	12.00																																	
				FLOOD BENEFIT 12	510-670-6615	24.00																																	
				HAZ WASTE PROGRAM	800-273-5167	44.40																																	
				CSA VECTOR CNTRL B	800-273-5167	7.82																																	
				MOSQUITO ASSESS 2	800-273-5167	4.80																																	
				AC TRANSIT MEAS VV	800-273-5167	96.00																																	
				CITY LIBRARY SERV	510-238-2942	429.96																																	
				EBMUD WETWEATHER	866-403-2683	103.74																																	
				* EAST BAY TRAIL LLD	888-512-0316	16.32																																	
				* Possible Sr Exemption - Call Agency																																			
				Additional Total from Reverse Side		386.54																																	
				Total Fixed Charges and/or Special Assessments		3,902.16																																	
				Tax Computation Worksheet																																			
				Description	Full Valuation	x Tax Rate	= Tax Amount																																
				LAND IMPROVEMENTS	289,746																																		
				FIXTURES	677,615																																		
				TOTAL REAL PROPERTY	967,361																																		
				PERSONAL PROPERTY	1,305																																		
				GROSS ASSESSMENT & TAX	968,666	1.3666 %	13,237.78																																
				HOMEOWNERS EXEMPTION																																			
				OTHER EXEMPTION																																			
				NET ASSESSMENT AND TAX	968,666	1.3666 %	13,237.78																																
							13,237.78																																
				First Installment	Second Installment	Total Amount Due																																	
				PAID \$ 8,569.97	PAID \$ 8,569.97	\$ 17,139.94																																	

Under the provisions of Article XIII A (Proposition 13), properties are assessed based on their market value as of March 1, 1975, the base year lien date. Assessment increases are limited to 2% per year until such time as the property is sold, substantial new construction takes place, or the use of the property is changed. Under the foregoing circumstances, the property may be reassessed to its market value. Future taxes will be based upon the added cost of the improvements or the market value of the property. This law has had the effect of encouraging longer property ownership and benefits long time property owners, particularly in an inflationary economy.

Tax rates are also limited by Proposition 13 to 1% of the property's assessed value. Increases in this rate can only be achieved by special assessments approved by the voters. Additional assessments cannot be legislated.

Taxes are levied annually for a fiscal year of July through June. They are paid in semi-annual installments being delinquent in December and April, respectively.

Per to the Alameda County Tax Collector, the subject's property taxes are current.

Description of the Improvements

The subject is improved with a three-story building of average quality wood frame construction built in 1906. The gross building area (GBA) is 5,260 square feet, including 1,310 square feet of finished attic space. The unit mix consists of one studio, two 1-bedroom units, one 3-bedroom plus unit, and one office unit. The gross leasable area (GLA) of the units, not including the interior hallways, is 5,007 square feet. One of the one-bedroom units also has a plus room. The 3-bedroom unit includes a large finished attic space with two bedrooms plus a third plus room as well as a very large family room. The additional attic space is reflected in the building area and bedroom count listed in county records, and is therefore included in the GBA and GLA of the subject. The office unit 3231 A & B was converted from two 1-bedroom units in 2008 per the owner, who was unable to provide permits for the conversion. As a result, the subject is appraised as a 6-unit multi-family building per request of the client, with a unit mix of one studio, four 1-bedroom units, and one 3-bedroom plus unit. Each unit was viewed during the site visit, and there were no vacant units on the date of inspection.

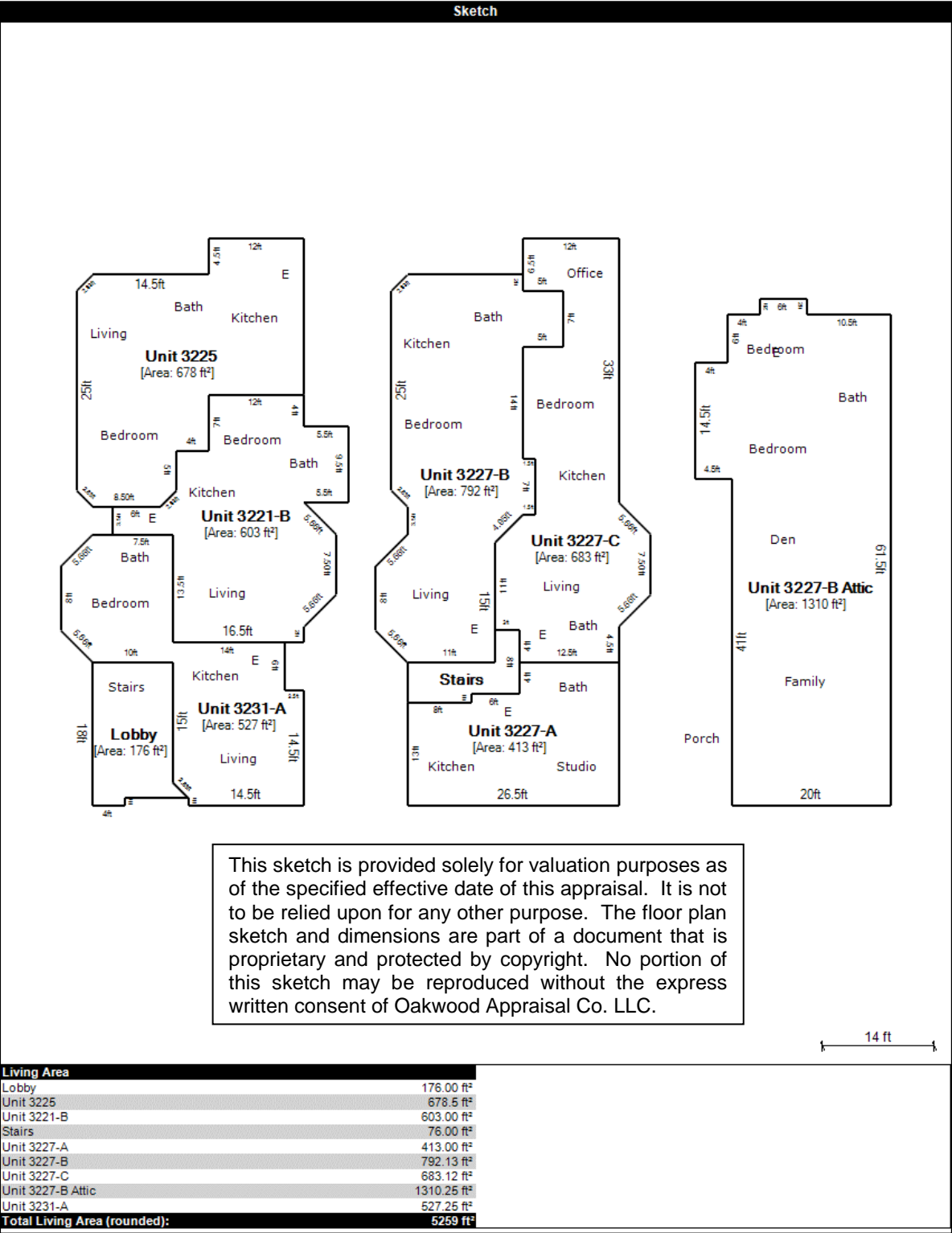
The units have typical amenities with some updating. Kitchens have tile floors, newer cabinetry, tile or granite counters, and a gas range/oven combo. Bathrooms typically have tile flooring, tile or fiberglass wainscoting, and a wood vanity with cultured marble counters or pedestal sink. Units have hardwood or laminate wood flooring. The building has wood siding with a comp shingle roof. The rear yard includes a 28' x 10' storage shed with laundry. There is minimal landscaping - typical of the area. All units are separately metered for gas and electric service. Water service and garbage collection is provided by the landlord. There is no off-street parking. The subject property is rated in above average condition overall due to updating.

Building Type:	Multi-family
Construction Type / Quality:	Wood frame / Average quality
Year Built / Age:	1906 / 113 yrs.
Effective Age / REL:	15 yrs. / 35 yrs.
Gross Building Area:	5,260 sq. ft
Gross Leasable Area:	5,007 sq. ft.
Exterior Walls / Roof:	Wood / Composition Shingle
Building Foundation:	Concrete
Flooring:	Hardwood, laminate wood
Yard Improvements:	Minimal, typical for the area

Building Codes / ADA Compliance: Unless otherwise noted, it is assumed the subject property complies in its entirety with all applicable building codes and permit requirements. Should the subject be determined to require significant modifications in order gain full compliance, any conclusions of value may need to be adjusted in order to reflect the costs of such modifications. The adequacy of the subject in this regard is not guaranteed or warranted. ADA compliance is not within the scope of this appraisal. The appraiser is not qualified determine ADA compliance, and no compliance survey was provided. This appraisal is based on the assumption that the subject does not require substantial modifications in order comply with ADA. ADA compliance is typically not required unless the property involves remodeling or renovation. Then the budget would require a portion be used towards ADA compliance. Readers/users of this appraisal should consult a qualified expert in this field if this is a concern. It is possible that a detailed ADA compliance survey could reveal that the subject does not meet one or more of the various detailed requirements of the ADA. If so, this fact could have a negative impact upon the value of the

subject property. Any possible non-compliance was not considered in forming an opinion of market value for the subject property.

Floorplan Sketch (based on prior 6-unit layout)



Highest and Best Use

Highest and best use is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value"⁸

The highest and best use of a particular parcel of land is determined by the competitive forces at work in the market where it is located. This determination is not a subjective analysis, nor is it based on conjecture or speculation. The four criteria used to determine the subject's highest and best use are as follows:

1. legally permissible
2. physically possible
3. financially feasible
4. maximally productive

The one legal use that is physically possible, financially feasible, and produces the highest net value represents the highest and best use. Market value may vary with different conclusions of highest and best use. The highest and best use analysis is first applied specifically to the use of a site as though vacant. The conclusion indicates how the land should be utilized if it were vacant of any improvements. The functional utility of any existing improvements is then considered in determining the highest and best use as-improved. This includes the possibility of conversion, renovation, alteration, or demolition of the existing improvements. In cases where a site has existing improvements, the concluded highest and best use as-vacant may be different from the highest and best use as-improved. A highest and best use analysis may also serve in measuring the value contribution of any existing improvements based on the rationale that a property's value equals the sum of the land plus the improvement value under highest and best use.

Highest and Best Use As-Vacant

The subject's zoning allows a wide variety of uses, including multi-family and various retail and office uses. The subject site has a level topography and allows full utility. It is located in a neighborhood of retail and office uses mixed with multi-family residential. A multi-family residential use or a mixed-use with residential would be most appropriate for the subject site. A multi-family residential or mixed-use property would be legally permissible, physically possible, and financially feasible. A multi-family property is likely the maximally productive use of the site, and is considered the highest and best use of the site. The typical buyer would be an investor.

Highest and Best Use As-Improved

The subject's improvements are rated in above average condition. Demolition is not considered warranted or financially feasible. The subject property as-improved can adequately compete with other properties in the local market. An analysis of the subject indicates that converting the office unit back into 1-bedroom units would increase net income. The highest and best use, as existing, would be reversion to a multi-family property. This will bring greater return than if the site was vacant and available for an alternate use. The typical buyer would be an investor.

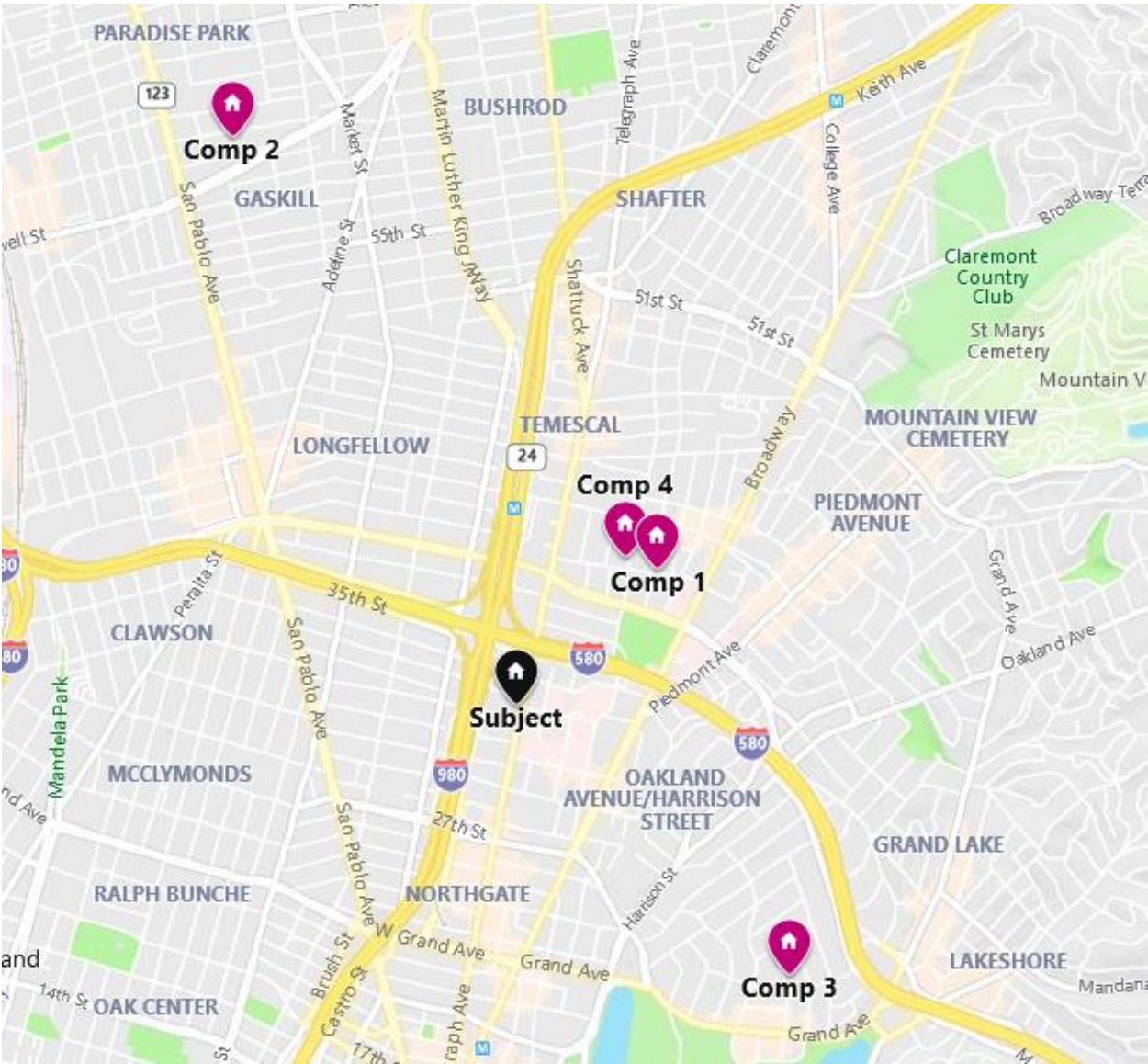
⁸ The Appraisal of Real Estate, Twelfth Edition, The Appraisal Institute, 2001, page 305

SALES COMPARISON APPROACH

In the sales comparison approach, the subject property is compared to recent sales and listings of similar properties in the market area. Data extracted from the comparables is analyzed and related to the subject property. For the subject, the relevant units of comparison are the price per square foot of building area, the gross income multiplier (GIM), and the price per unit. These units of comparison are then reconciled to form an indication of value for the subject property.

A search for comparables focused on multi-family buildings in the central and northern sections of Oakland. The following pages feature a comparable sale adjustment grid and a discussion of the selected comparables. Three closed sales and one listing were selected for comparison. They adequately bracket the subject and provide a reasonable basis for analysis. Below is a location map indicating the location of the selected comparables.

Comparable Sale Location Map



Comparable Sale Photos



396 38th Street, Oakland



1033 60th Street, Oakland



386 Staten Avenue, Oakland



3815 Webster Street, Oakland

Improved Comparable Sales Adjustment Grid

	Subject				Sale 1				Sale 2				Sale 3				Sale 4			
Property Address	3231 Telegraph Avenue Oakland, CA 94609				396 38th Street Oakland, CA 94609				1033 60th Street Oakland, CA 94608				386 Staten Avenue Oakland, CA 94610				3815 Webster Street Oakland, CA 94609			
Property Type	Three-story multi-family property, six units				Two-story multi-family property, five units				Two-story multi-family property, six units				Two-story multi-family property, five units				One and part 2-story multi family prop., 8 units			
APN:	009-0716-002-00				012-0978-023-01				015-1339-010-00				010-0783-017-01				012-0973-015-00			
Thomas Bros.	649 G1				649 H1				629 F5				649 J3				649 H1			
Proximity	****				~ ½ mile NE				~ 1¼ mile NW				~ 1 mile SE				~ ½ mile NE			
Sales Price	****				\$850,000				\$1,257,000				\$2,190,000				\$1,435,000			
Price Per Unit	\$279,167				\$170,000 / unit				\$209,500 / unit				\$438,000 / unit				\$179,375 / unit			
Price Per SF	\$318 / SF				\$282 / SF				\$214 / SF				\$581 / SF				\$390 / SF			
Data Source	Owner / Inspection				CoStar# 4511316				CoStar# 4080299				MLS#40842684				MLS#40867615			
Verification Source	County Recorder				County Rec. / Broker OM				County Rec. / Broker OM				County Rec. / Broker OM				County Rec. / Broker OM			
Document Number	****				2018-179514				2017-276510				2018-245944				****			
List Price	****				\$998,000				\$1,295,000				\$2,500,000				\$1,435,000			
DOM	****				Approx. 1 month				Approx. 1 month				80 days				41 days			
Property Rights	Leased Fee				Leased Fee				Leased Fee				Leased Fee				Leased Fee			
Financing	****				None noted				Conventional				Conventional				****			
Cond. Of Sale	****				None noted				None noted				None noted				****			
Expenditures	****				None noted				None noted				None noted				****			
Date of Sale	****				9/14/2018				12/15/2017				12/28/2018				Pending Sale -20%			
Adj. Price/SF	\$318 / SF				\$282 / SF				\$214 / SF				\$581 / SF				\$312 / SF			
Location	Above Average				Similar				Similar				Superior -10%				Similar			
Lot Size	4,000 SF				4,300 SF				11,050 SF				7,500 SF				7,300 SF			
Parking	Street Only				Garage & surface				Surface				Carport & surface				Street only			
Year Built	1906				1954				1966				1926				1926			
Number of Units	6 units				5 units				6 units				5 units				8 units			
Size (GBA)	5,260 SF				3,013 SF -5%				5,865 SF				3,767 SF -5%				3,679 SF -5%			
Avg. Unit Size	877 SF				603 SF -5%				978 SF				753 SF				460 SF -10%			
Avg. Income/Unit	\$1,892				\$1,026				\$1,051				\$2,946				\$961			
Condition	Above Average				Sl. Inferior 5%				Sl. Inferior 5%				Sl. Superior -5%				Sl. Inferior 5%			
Quality/Appeal	Average				Similar				Similar				Superior -5%				Similar			
Adj. Price/SF	\$318 / SF				\$268 / SF				\$225 / SF				\$436 / SF				\$281 / SF			
Unit Breakdown	# of Units	Room Count			# of Units	Room Count			# of Units	Room Count			# of Units	Room Count			# of Units	Room Count		
		Tot.	BR	BA		Tot.	BR	BA		Tot.	BR	BA		Tot.	BR	BA		Tot.	BR	BA
	1	6	3+	2	5	3	1	1	6	4	2	1.5	2	4	2	1	4	3	1	1
	4	3	1	1									3	3	1	1	4	2	0	1
	1	2	0	1																
Gross Income (PGI)	\$136,224				\$61,560				\$75,684				\$176,775				\$92,220			
GRM	12.30				13.81				16.61				12.39				15.56			
NOI	\$78,163				\$32,370				\$39,467				\$107,637				\$39,239			
Expense % (of PGI)	39.6%				46.4%				46.9%				35.1%				56.5%			
Cap Rate	4.67%				3.81%				3.14%				4.91%				2.73%			
Expense Per Unit	\$8,780 exp / unit				\$5,715 exp / unit				\$5,910 exp / unit				\$12,413 exp / unit				\$6,507 exp / unit			
NOI per Unit	\$13,027 NOI / unit				\$6,474 NOI / unit				\$6,578 NOI / unit				\$21,527 NOI / unit				\$4,905 NOI / unit			
Prior Transfer Date	No transfers in the past 36 months				No transfers in the 36 mos. prior to COE				No transfers in the 36 mos. prior to COE				No transfers in the 36 mos. prior to COE				No transfers in the past 36 months			
Prior Transfer Price																				
Data Source	County Recorder				County Recorder				County Recorder				County Recorder				County Recorder			

Discussion of Comparable Sales and Adjustments

The comparables are adjusted for differences relative to the subject. After adjusting for transactional characteristics including property rights conveyed, financing terms, conditions of sale, buyer's expenditure, and market conditions, the comparables are then adjusted for physical characteristics such as building area, efficiency, condition, and overall appeal.

Property Rights Conveyed: No adjustments are warranted.

Financing Terms: All of the sales were cash to the seller via market financing or all cash; no adjustments were considered necessary.

Conditions of Sale: There were no conditions of sale reported for the comparables that would warrant any adjustments.

Buyer's Expenditure: No expenditures by the buyers were reported for the sales that would warrant any adjustments.

Market Conditions: Comp 4 is a pending sale considered to be overpriced and adjusted -20% based on typical negotiations between market participants. The remaining sales are considered sufficiently recent with no adjustment warranted.

Location: Location adjustments reflect the overall superiority or inferiority of the local market of the comparables. This is determined by influences such as competition, future/potential activity, rent levels, sale prices, income levels, and accessibility. Elements, like access to thoroughfares and public transportation, other supporting uses, and other development in the immediate area, are also considered. The primary criterion for the adjustments was overall land value, prices and rents in the area of the comparables. Comp 3 has a superior location than the subject and is adjusted -10%. The remaining comparables have sufficiently similar locations as the subject with no adjustments warranted.

Year Built: Differences in effective age are applied as a condition adjustment below.

Size: In general, the larger the building, the lower the price per square foot and vice versa. Comps 1, 3, and 4 are slightly smaller than the subject and adjusted -5%. Comp 2 is sufficiently similar in size to not warrant an adjustment.

Average Unit Size: Buildings with smaller units have greater efficiency and generally a higher price per square foot. Comps 1 and 4 have smaller units than the subject on average warranting a -5% to -10% adjustment. The remaining comparables are sufficiently similar in average unit size to not warrant an adjustment.

Condition: The subject is rated in above average condition. Comps 1, 2, and 4 are rated slightly inferior and adjusted +5%. Comp 3 is rated slightly superior and adjusted -5%.

Quality / Appeal: The quality and appeal of the subject is considered average. Comp 3 is of superior appeal and adjusted -5%. The remaining comparables are rated of sufficiently similar quality and appeal as the subject with no adjustments warranted.

Conclusion - Sales Comparison Approach

As previously noted, the relevant units of comparison for the subject are the price per square foot of building area, the gross income multiplier (GIM), and the price per unit. These units of comparison are analyzed and then reconciled to form an indication of value for the subject property via the sales comparison approach. The property characteristics that influence each unit of comparison are described below:

Price per Square Foot (GBA): The price per square foot is generally influenced by property condition, age, location, and appeal. In general, smaller buildings also command a higher price per square foot than a building of greater size that is otherwise similar. Buildings with efficient units such as studios and small 1-bedrooms also typically generate more income per square foot and therefore a greater price per square foot. Conversely, a below-market rent structure can suppress the price per square foot, especially for rent-controlled buildings where rental upside is not readily achievable.

The comparables indicate a range of \$214 to \$581 per square foot, with a pending sale at \$390 per square foot. After adjustments, the range tightens to between \$225 and \$436 per square foot, with a pending sale at \$281 per square foot. The upper bound is Comp 3, a superior property with a superior location in slightly superior condition with a near market rent structure. Comp 2 is the lower bound of the range and has significantly below market rents. Comps 1 and 4 also have significantly below market rents. No single comparable stands out as the most reliable indicator, so equal weight is placed on each. The subject is reconciled to the middle of the range established by the comparables at **\$350 per square foot**.

Potential Gross Income Multiplier: The GIM is influenced by factors such as location, property condition, and appeal. For properties in rent control areas like the subject, the greater the variance between underachieving rents and market rents, generally the higher the multipliers. This is due to buyers are often being willing to pay a premium now for the potential of a greater return in the future. Smaller buildings also tend to have higher multipliers. Smaller buildings also tend to have higher multipliers.

The subject has a slightly below market rent structure, with rental upside of approximately 11%. The comparables have the following rental upsides: Comp 1 at 95%, Comp 2 at 137%, Comp 3 at 5%, and Comp 4 at 80%.

The GIM range for the comparables used in this report is 12.39 to 16.61, with a pending sale at 15.56. Comp 2 is the upper bound of the GIM range and has the most rental upside. Comp 3 is the lower bound of the range and has no little upside. Comp 3 has the most similar rental upside and is considered the most reliable indicator. The GIM is reconciled to the low end of the range at **13.00**.

Price per Unit: The price per square foot is generally influenced by property condition, age, number of units, location, and appeal. Buildings with larger units and more bedrooms also typically command a higher price per unit as they earn more income per unit. A below-market rent structure can also suppress the price per unit, especially for rent-controlled buildings where rental upside is not readily achievable.

The comparables indicate a range of \$170,000 to \$438,000 per unit, with a pending sale at \$179,375 per unit. The upper bound is Comp 3, a superior property with a superior location in slightly superior condition with a near market rent structure. Comp 1 is the lower bound of the range, with smaller units and a significantly below market rent structure.

As an additional check of reasonableness, the price per unit for the comparables is further adjusted based on income per unit. The calculation is shown below, resulting in a higher and tighter range to between \$281,271 and \$377,080 per unit, with a pending sale at \$353,288 per unit. The variance in rental upside remains a factor in the range. The subject's price per unit is reconciled to **\$300,000 per unit**.

Gross Income Ratio Analysis					
#	Income per Unit		Adjustment Factor	Comp Price per unit	Adjusted Price per Unit
	Comp	Subject			
1	\$1,026	\$1,892	1.84405	\$170,000	\$313,489
2	\$1,051	\$1,892	1.79990	\$209,500	\$377,080
3	\$2,946	\$1,892	0.64217	\$438,000	\$281,271
4	\$961	\$1,892	1.96955	\$179,375	\$353,288

Conclusion

The unit of comparison usually most indicative of the investment potential for the subject property type is the GIM. It is widely utilized by market participants. The price per unit is also given some consideration. The price per square foot is given the least weight as it is relied upon less frequently by market participants.

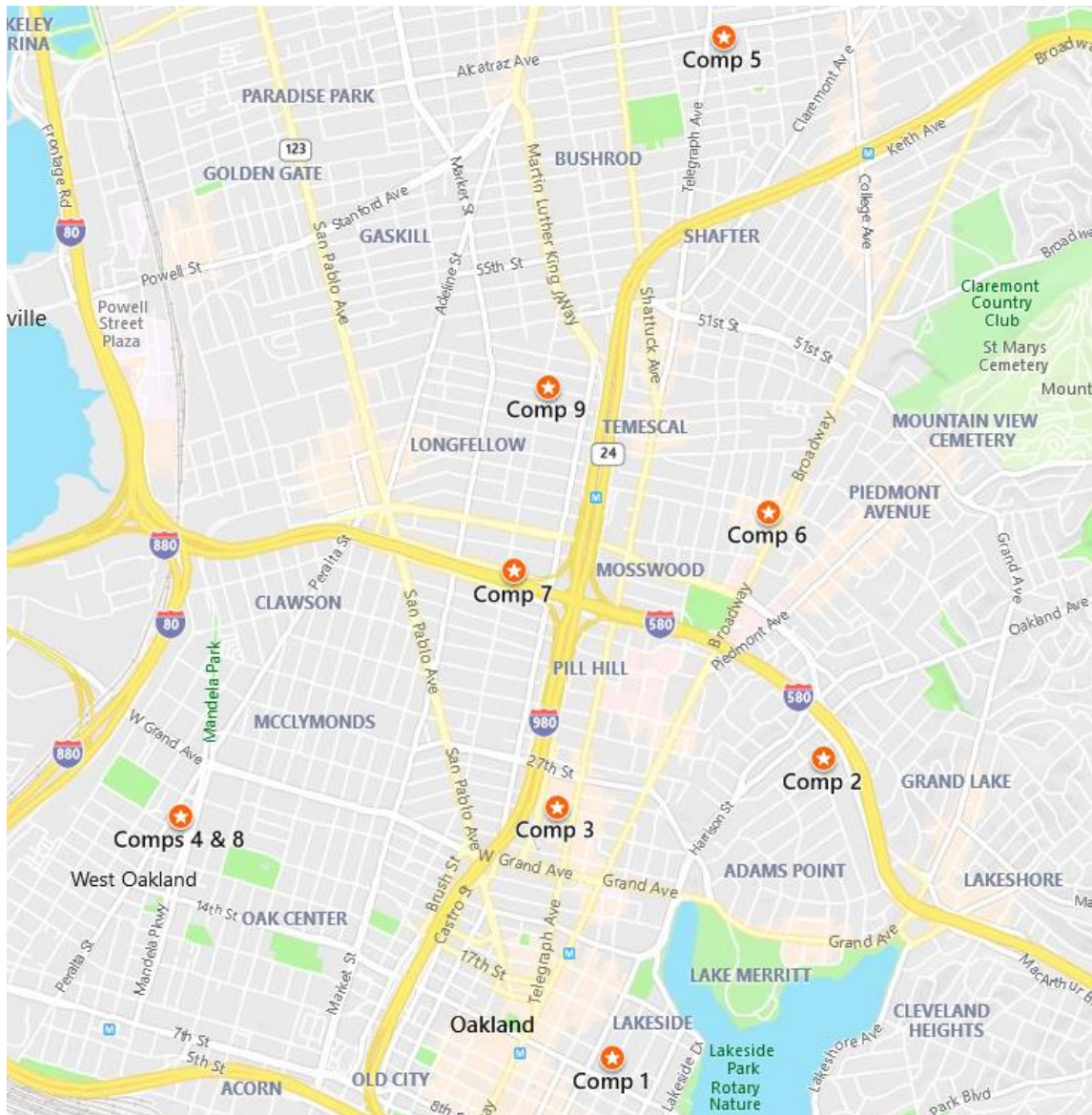
Sales Comparison Approach						
Price per SF:	5,260 SF	x	\$350 per SF	=	\$1,841,000	rounded to \$1,800,000
GIM:	\$136,224	x	13.00	=	\$1,770,912	rounded to \$1,770,000
Price per Unit	6 units	x	\$300,000 / unit	=	\$1,800,000	rounded to \$1,800,000
Reconciled To:						\$1,775,000

INCOME CAPITALIZATION APPROACH

In the income capitalization approach, the subject's potential gross income (PGI) is calculated by comparing the subject units to recent lease signings and listings of similar units in the market area. Deductions are made for vacancy, collection loss, and operating expenses. The resulting net operating income (NOI or I_o) is then capitalized into an indication of the value for the subject property.

The local rental market was surveyed in order to determine a reasonable range of market rent for the subject units. Our survey identified nine units for comparison. They are presented in the following pages, including a discussion of the adjustments. The comparables adequately bracket the subject and provide a reasonable basis for analysis. Below is a location map of the rent comparables followed by comparable photos.

Rent Comparable Location Map



Rent Comparable Photos



1461 Alice Street, Oakland



424 Orange Street, Oakland



541 Sycamore Street, Oakland



1832 Peralta Street, Oakland



475 Alcatraz Avenue, Oakland



339 41st Street, Oakland

Rent Comparables Adjustment Grid

	Rental 1		Rental 2		Rental 3	
Property Address	1461 Alice Street Oakland, CA 94612		424 Orange Street Oakland, CA 94610		541 Sycamore Street Oakland, CA 94612	
Rent	\$1,595		\$1,600		\$1,475	
Lease Date	Mar-18		May-19		Listing	
Location	Sl. Superior	-\$100	Sl. Superior	-\$100	Similar	
Size (GBA)	266 SF		525 SF		500 SF	
Floorplan	0-bd / 1-ba		0-bd / 1-ba		0-bd / 1-ba	
Age/Condition	Similar		Similar		Inferior	\$75
Parking	Street Only		Garage	-\$100	Street Only	
Quality/Appeal	Similar		Similar		Similar	
Total Adj'ments		-\$100		-\$200		\$75
Adj. Rent/SF	\$1,495		\$1,400		\$1,550	

	Rental 4		Rental 5		Rental 6	
Property Address	1832 Peralta Street Oakland, CA 94607		475 Alcatraz Avenue Oakland, CA 94609		339 41st Street Oakland, CA 94609	
Rent	\$1,795		\$2,250		\$1,950	
Lease Date	Apr-19		Aug-18		Listing	
Location	Similar		Superior	-\$200	Sl. Superior	-\$100
Size (GBA)	700 SF*		600 SF		530 SF	\$50
Floorplan	1-bd / 1-ba		1-bd / 1-ba		1-bd / 1-ba	
Age/Condition	Inferior	\$100	Similar		Similar	
Parking	Street Only		Carport	-\$75	Street Only	
Quality/Appeal	All Utils Paid	-\$150	Similar		Similar	
Total Adj'ments		-\$50		-\$275		-\$50
Adj. Price/SF	\$1,745		\$1,975		\$1,900	

*estimated

Rent Comparable Photos



3608 West Street, Oakland



1832 Peralta Street, Oakland



4504 West Street, Oakland

	Rental 7		Rental 8		Rental 9	
Property Address	3608 West Street Oakland, CA 94608		1832 Peralta Street Oakland, CA 94607		4504 West Street Oakland, CA 94608	
Rent	\$3,300		\$3,500		\$3,400	
Lease Date	Jun-19		Aug-18		Listing	
Location	Similar		Similar		Similar	
Size (GBA)	960 SF	\$400	1,400 SF*	\$200	1,100 SF	\$300
Floorplan	3-bd / 1-ba	\$50	3-bd / 1.5-ba		3-bd / 1-ba	\$50
Age/Condition	Sl. Superior	-\$150	Inferior	\$200	Similar	
Parking	Surface	-\$50	Garage	-\$100	Street Only	
Quality/Appeal	Similar		All Utils Paid	-\$200	Similar	
Total Adj'ments		\$250		\$100		\$350
Adj. Price/SF	\$3,550		\$3,600		\$3,750	

*estimated

Income and Operating Expenses

Monthly Rent Schedule: A rent roll with current rents was provided and is assumed to be accurate. The following table is a reconstruction of the monthly rent schedule. It lists the monthly income for contract rent, as well as a calculation of the market rent. Contract rent is the actual rental income specified on a lease. Market rent may or may not be equal to the contract rent.

Monthly Rent Schedule								
Unit	Type	Size	Contract Rent		Market Rent		Rent Forecast	
			\$	per SF	\$	per SF	\$	per SF
3225	1 / 1	679 SF	\$1,800	\$2.65	\$1,800	\$2.65	\$1,800	\$2.65
3227-A	0 / 1	413 SF	\$1,500	\$3.63	\$1,500	\$3.63	\$1,500	\$3.63
3227-B	3+ / 2	2,102 SF	\$2,562	\$1.22	\$3,600	\$1.71	\$2,562	\$1.22
3227-C	1+ / 1	683 SF	\$1,800	\$2.63	\$2,000	\$2.93	\$1,800	\$2.63
3231-A*	1 / 1	527 SF	\$1,800*	\$3.41	\$1,800	\$3.41	\$1,800	\$3.41
3231-B*	1 / 1	603 SF	\$1,800*	\$2.99	\$1,800	\$2.99	\$1,800	\$2.99
TOTALS:	6 units	5,007 SF	\$11,262	\$2.25	\$12,500	\$2.50	\$11,262	\$2.25
Laundry			\$100		\$90		\$90	
TOTALS:		5,007 SF	\$11,362		\$12,590		\$11,352	

*Units 3221-A & B are current occupied by an office tenant. They are appraised as 1-BR units leased at market rent for the purposes of this analysis.

Concluded Rental Value

Studio Unit: Comps 1, 2, and 3 were utilized in estimating the market rent for the subject's studio unit. They indicate a market rent range of \$1,400 to \$1,550 per month. The lower end is the most recent indicator. The upper end is a listing. The subject's studio unit is recently rented for \$1,500 per month. This is within the indicated range and considered reasonable. Market rent for the subject's studio units is reconciled to the upper middle of the range at **\$1,500 per month**.

One-bedroom Units: Comps 4, 5 and 6 were utilized in estimating the market rent for the subject's 1-bedroom units. They indicate a market rent range of \$1,745 and \$1,975 per month. The lower end is the most recent indicator, while the upper end has a superior location. The subject's 1-bedroom units are rented for \$1,800 per month. This is within the indicated range and considered reasonable. Market rent for the subject's 1-bedroom units is reconciled to the lower end of the range at **\$1,800 per month**.

Three-bedroom Unit: Comps 7, 8, and 9 were utilized in estimating the market rent for the subject's 3-bedroom unit. They indicate a market rent range of \$3,550 to \$3,750 per month. The lower end is a recent indicator though superior in condition. The upper end is a listing. Comp 11 is the most similar. The subject's 3-bedroom unit is currently rented for \$2,562 per month. This is below market. Market rent for the subject's 3-bedroom unit is reconciled toward comp 11 at the lower middle of the indicated range at **\$3,600 per month**.

Due to City of Oakland rent control, the lower of contract rent and market rent for the subject units is processed as the forecasted rent for analysis. Overall the subject has a below market rent structure, with a rental upside of approximately 11%.

Vacancy and Collection Loss

Actual annual rent collection is normally somewhat less than the gross potential income. This is due to vacancy periods between tenancies and the occasional failure of tenants to pay rent. The estimated vacancy factor is based upon a stabilized rate over the holding period of the property. The subject is a multi-family property. Multi-family vacancy in the East Bay/Oakland Metro market is 3.9% as of the second quarter of 2019, and the Oakland/Berkeley submarket reported a vacancy rate of 4.4%. A vacancy and collection loss rate of 4% is reasonable for the subject property over a typical holding period.

Operating Expenses

Forecasts of operating expenses are based upon both the subject's historical performance and the typical expense levels a potential buyer would consider appropriate in their analysis of the subject's financial characteristics. The subject's operating expense history for 2016, 2017, 2018, and year-to-date 2019 was provided and reviewed. This information provided is assumed to be accurate. The actual expenses were compared to typical operating expenses for similar properties in our database. Published surveys were also referenced for additional support. The following is a discussion of the major expense categories for the subject property.

Real Estate Taxes: This forecast is based on the concluded opinion of value via the income capitalization approach, and calculated by dividing the pre-tax net operating income by a loaded rate comprised of the 1.3666% tax rate plus the overall capitalization rate of 4.75%. The result is then multiplied by the tax rate. Pre-tax NOI of \$100,651 ÷ the loaded rate of 0.061166 = \$1,645,538 x tax rate of 0.013666 = real estate taxes of \$22,488 per year.

Other Taxes or Assessments: This forecast is based on the amount reported by the Alameda County Tax Collector of \$3,902 per year.

Insurance: This forecast is based on a comparison of actual cost with the typical cost for similar properties in the market area. ABOEG reports a typical range of \$0.40 to \$0.60 per square foot for pre-1960 buildings, while our own survey reports a range of \$0.40 to \$0.75 per square foot. The subject reported insurance costs of \$3,770 in 2016 (\$0.72 per square foot), \$3,827 in 2017 (\$0.73 per square foot), \$4,084 in 2018 (\$0.78 per square foot), and \$1,311 so far in 2019. The subject's actual costs are fairly consistent, and reconciled to a market cost of \$0.75 per square foot. Forecasted insurance costs include real property only and assume no insurance claims within the past 3 years.

Licenses: This forecast is based on \$13.95 per \$1,000 of gross receipts collected per the City of Oakland fee schedule plus \$34 per residential unit in rent board fees. Based on the subject's effective gross income (EGI), this expense totals \$2,028.

Gas & Electricity: This forecast is based on a comparison of actual cost with the typical cost for similar properties in the market area. The typical range is \$50 to \$500 per unit annually. Large center-hall buildings with laundry and common boilers tend towards the upper end of this range, while small properties with exterior hallways, a small or no laundry room, and individual water heaters tend towards the lower end. The subject units are individually metered for electricity and gas service. There is a small laundry room. The subject did not itemize gas & electricity expenses, though did report combined utility costs of \$7,640 in 2016 (\$1,273 per unit), \$8,065 in 2017 (\$1,344 per unit), and \$13,247 in 2018 (\$2,208 per unit), and \$7,002 so far in 2019. An annual cost of \$350 per unit is considered representative of the subject's gas and electricity costs.

and used for analysis. This is a common area expense that includes operation of the laundry room, interior lighting of the hallways, and exterior lighting.

Water & Sewer: This forecast is based on a comparison of actual cost with the typical cost for similar properties in the market area. The typical range is \$400 to \$700 per unit annually for low to high consumption. Buildings with large units tend towards the upper end of the range. The subject did not itemize water & sewer expenses. The subject has relatively large units overall, and an annual cost for this expense of \$600 per unit is considered reasonable and utilized for analysis.

Garbage Removal: This forecast is based on a comparison of actual cost with the typical cost for similar properties in the market area. The typical range is \$15 to \$50 per unit monthly. The subject did not itemize garbage removal expenses. The subject's cost is reconciled to \$45 per unit monthly.

Pest Control: This forecast is based on the typical cost for similar properties in the market area. The typical range is \$30 to \$50 per unit. The subject did not itemize pest control costs. The subject's cost is reconciled to \$30 per unit. This expense is typically contracted out.

Building Maintenance & Repair: This forecast is based on the typical cost for similar properties in the market area. The typical range is \$150 to \$600 per unit, or \$0.40 to \$0.75 per square foot. Older buildings generally have higher repair and maintenance expenses, while newer buildings tend towards the low end of the range. The subject reported actual maintenance costs of \$3,550 in 2016 (\$592 per unit), \$26,145 in 2017 (\$4,358 per unit), and \$14,260 in 2018 (\$2,377 per unit), and \$4,713 so far in 2019. The reported costs for 2017 and 2018 are excessive though there is no reported cost for reserves, which is a category itemized separately below. The subject's reported cost may also include capital improvements. The subject is reconciled toward the middle of the market range at \$300 per unit. This is a stabilized estimate.

Supplies: This expense is included in the building maintenance and repair costs.

Cleaning: This forecast is based on a 4-year average tenancy at a cost of \$800 per turnover unit, or $1\frac{1}{2}$ turnovers x \$800 = \$1,200 per year. This includes interior painting and cleaning. The subject reported actual cleaning costs of \$3,600 in 2016 and \$800 in 2017. No cleaning costs were reported for 2018 or 2019.

Landscaping: The subject did not report actual landscaping costs. The subject has minimal landscaping, and this cost is grouped in with maintenance costs reconciled above.

Property Management: This forecast is based on the typical cost for similar properties in the market area. Typical off-site management rates range from 3% to 8% of income depending on the level of services. The subject did not report management. A management expense of 5% is considered reasonable for the subject.

Resident Manager: Apartment buildings with less than 15 units are not required by law to have a resident manager. It is not typical for small apartment buildings to have a resident manager, and no such expenses were applied to the subject.

Legal & Audit: This forecast is based on the typical cost for similar properties in the market area. This expense can vary widely year to year depending on the frequency of evictions. The subject did not report legal costs. The subject is reconciled to a market cost of \$40 per unit.

Replacement Reserves: This forecast is based on the typical cost for similar properties in the market area. This cost typically ranges from \$150 to \$350 per unit. This includes carpets and blinds, appliances, and a roof reserve. A replacement reserve of \$225 per unit is considered appropriate.

Summary: The subject's potential gross income (PGI) is \$136,224 per year. After deducting vacancy/collection loss, the effective gross income is \$130,775. Expenses not including vacancy total \$52,612. The subject's expense ratio, not including vacancy, as a percentage of effective gross income is 40.2%. This is within the typical range.

Overall Rate of Capitalization

For the purposes of this appraisal, direct capitalization is selected as the most applicable method of the income capitalization approach in forming an opinion of market value for the subject property. In direct capitalization, the first year net operating income is converted into an indication of value by utilizing an overall capitalization rate (R_o).

There are several methods for determining an appropriate capitalization rate. Often the most reliable way to reconcile a cap rate is from comparable sales. The comps reported cap rates based on actual income ranging from 3.14% to 4.91%, with a listing at 2.73%. When analyzing comparables based on actual rent, the greater the variance between underachieving rents and market rents, generally the lower the cap rate as buyers are often willing to pay a premium now for the potential of a greater return later. The subject has a slightly below market rent structure, with rental upside of approximately 11%. The comparables have the following rental upsides: Comp 1 at 95%, Comp 2 at 137%, Comp 3 at 5%, and Comp 4 at 80%.

Comp 3 reports the highest cap rate and has little rental upside. Comp 4 reports the lowest cap rate, a listing with significant rental upside and high expenses. Comp 2 is the lower bound among the closed sales, and has significant rental upside and reported high expenses. Comp 1 also has substantial rental upside. Comp 3 has similar upside as the subject, though reported low expenses.

Another method of reconciling an appropriate capitalization rate is to reference investor surveys. Several sources survey major investors to determine their investment criteria in the marketplace. The Real Estate Research Corporation (RERC) has released its latest Real Estate Report is based on 1st quarter 2019 data. The report notes the national range of going-in capitalization rates is 4.0% to 8.8% for first-tier apartments, with the average of 5.7% down 10 basis points from the previous quarter. Institutional investors reported a range of 4.0% to 6.0% for apartments, with the average of 5.1% unchanged from the previous quarter. The western region reported a range of 4.0% to 6.5% for first-tier apartments, with the average of 5.3% up 20 basis points from the previous quarter. Second-tier apartment properties ranged from 4.5% to 7.0%, with the average of 5.6% unchanged from the previous quarter. Third-tier apartment properties ranged from 5.0% to 7.5%, with the average of 6.2%, up 20 basis points from the previous quarter. The RERC estimate for the East Bay / Oakland region is 5.6% for first-tier apartments, unchanged from the previous quarter.

The subject is a multi-family property. It is rated in above average condition and has an above average location. A capitalization rate towards the upper middle of the range at 4.75% would be appropriate and most representative of the subject's physical and financial characteristics and investment appeal.

Conclusion - Income Capitalization Approach

The income capitalization approach is based on capitalizing the net operating income of the property into an opinion of market value. Direct capitalization employing a capitalization rate was utilized for the subject property. The indication of market value via the income capitalization approach is calculated by dividing the net operating income by the capitalization rate.

Income Approach						
Total Monthly Economic Rent						\$11,262
Additional Laundry Income:						\$90
Total Monthly Income:						\$11,352
Potential Gross Income (PGI):						\$136,224
Less Vacancy @ 4%						\$5,449
Effective Gross Income (EGI):						\$130,775
Expenses	Actual 2018	Market Forecasts	% of EGI	Market Proforma		Total
Property Taxes	\$17,140	1.3666%	17.2%	\$3,748	\$4.28	\$22,488
Special Assessments	incl. above	Actual	3.0%	\$650	\$0.74	\$3,902
Insurance	\$4,084	\$0.75 per SF	3.0%	\$658	\$0.75	\$3,945
Business License		1.395% EGI + \$34/unit	1.6%	\$338	\$0.39	\$2,028
Gas & Electric		\$350 per unit	1.6%	\$350	\$0.40	\$2,100
Water/Sewer		\$600 per unit	2.8%	\$600	\$0.68	\$3,600
Garbage Collection		\$45 per unit/mo	2.5%	\$540	\$0.62	\$3,240
Pest Control		\$30 per unit	0.1%	\$30	\$0.03	\$180
Maintenance	\$14,260	\$300 per unit	1.4%	\$300	\$0.34	\$1,800
Cleaning		\$800 per turnover	0.9%	\$200	\$0.23	\$1,200
Property Management		5% EGI	5.0%	\$1,090	\$1.24	\$6,539
Legal & Audit		\$40 per unit	0.2%	\$40	\$0.05	\$240
Reserves		\$225 per unit	1.0%	\$225	\$0.26	\$1,350
Total			40.2%	\$8,769	\$10.00	\$52,612
Net Operating Income (NOI):						\$78,163
Overall Capitalization Rate						4.75%
Concluded Value by the Income Approach						\$1,645,538
Rounded To:						\$1,645,000

RECONCILIATION

For the purposes of this appraisal, the sales comparison approach and income capitalization approaches are used to form an opinion of market value for the subject. These two approaches are the most commonly utilized in the local market. There was adequate and reliable sales and rental data available to perform a reasonable analysis of the subject property. The cost approach is not considered applicable due to the lack of comparable land sales in the subject neighborhood and the fact that a likely purchaser would not typically consider this approach. The cost approach was not necessary to produce credible results and therefore not utilized. Elements of the cost approach were utilized in determining an insurable cost estimate for the subject as noted in the following section.

As stated previously, two of the subject's 1-bedroom units have been converted into an office unit, with no permits provided. The client has requested a valuation considering a reversion of the office unit back into two 1-bedroom units. Such an analysis requires a cost to cure analysis of installing a demising wall and a restoration of the kitchen facilities for the two units, as well as rent loss during the construction period. This analysis is summarized in the table below.

Repair and Lease-up Costs							
Unit	Size	Market Rent	Vacancy Period	Rent Loss	Repair Cost	Profit @ 25%	Total
3231-A*	1,130 SF	\$3,600	4 mos.	\$14,400	\$40,000	\$13,600	\$53,600
3231-B*							
Rounded to:							\$54,000

The rent loss is calculated at a monthly market rent of \$1,800 per unit during the construction period and time to lease-up the restored units, which is estimated at 4 months. Marshall Valuation Service (MVS) was consulted in order to estimate the cost of removing the office kitchen that was installed during the conversion, constructing a demising wall, and restoring kitchen facilities to the two units. These estimated costs are then deducted from the reconciled opinion of "as-repaired value", including appropriate entrepreneurial incentive, in order to calculate the subject's opinion of as-is market value, as shown in the table on the following page.

[Remainder of Page Intentionally Left Blank]

The subject is a 6-unit multi-family property. The sales comparison approach and the income capitalization approach are both commonly utilized by market participants for smaller properties like the subject. The subject's primary appeal is to an investor, and the income capitalization approach is given the most weight. The sales comparison approach is given secondary consideration.

The opinion of market value is reconciled as follows:

Value Conclusions	
Cost Approach	- N/A -
Sales Comparison Approach	\$1,775,000
Income Capitalization Approach	\$1,645,000
Reconciled to: (As-Repaired Value):	\$1,675,000
Less Repair and Lease-up costs:	<u>-\$53,600</u>
Calculated to:	<u>\$1,621,400</u>
Rounded to: (As-Is Value):	\$1,620,000

Final Opinion of Value

Based on the investigation of the subject property and market, and subject to the Contingent and Limiting Conditions cited at the end of this report, the exposure time, and assuming cash to the seller, the opinion of the as-is market value of the leased fee interest in the subject property, as of the date of inspection of July 22, 2019, is:

**ONE MILLION SIX HUNDRED TWENTY THOUSAND DOLLARS
(\$1,620,000)**

The appraisal of the subject property does not include any Extraordinary Assumptions or Hypothetical Conditions. Any opinions of value and the conclusions stated above are qualified entirely by the Contingent and Limiting Conditions stated in the following section. They are an integral and vital part of this appraisal report

INSURABLE COST ESTIMATE

Marshall Valuation Service (MVS) is a widely accepted construction cost estimating service. Costs may be estimated based on a calculator method or a segregated cost (quantity survey) method. The calculator method has been selected for this analysis. Though this is the less detailed of the two methods MVS offers, it is considered comprehensive and representative of typical project costs. The calculator method is generally based on overall replacement cost per square foot of building area. These costs include provisions for contractor's overhead and profit, construction financing interest and fees, cost of labor and materials, and soft costs including architectural, engineering, legal, accounting and title fees. On-site grading and site preparation is included in the MVS base cost, though landscaping is not. The base cost per square foot is refined with consideration for class and quality of construction, size, occupancy, and perimeter of the floor area. The base cost is further adjusted via locale and time multipliers.

Insurable Cost Estimate	
Source: Marshall Valuation	
	<u>Multi-Residential</u>
Building Class	D
Construction Quality	Average
Number of Stories	Three
Exterior	Wood
<u>Reference</u>	<u>Sec. 12, pg. 16</u>
Building Area Base Cost	\$76.50
Sprinklers	\$3.51
Total Building Area	5,260 SF
Total Building Area Cost	\$420,853
Area multiplier (Sec. 12, pg. 18)	1.004
Current cost multiplier (Sec. 99, pg. 3)	1.01
Local cost multiplier (Sec. 99, pg. 6)	1.39
Adjusted Cost	\$593,198
FF&E	\$5,000
Less exclusions	\$0
Insurable Cost	\$598,198
Total Insurable Cost	\$598,198
Rounded To:	\$600,000

Note: The Replacement Cost New calculations were based on information taken from Marshall Valuation Services. It is a preliminary approximation and not guaranteed to be sufficient in replacing the subject if destroyed. The services of an insurance company or contractor cost estimator should be engaged if a more accurate number is desired. The appraiser shall not be considered an expert in estimating insurable values, and does not warrant use of this appraisal report for insurance purposes.

CONTINGENT AND LIMITING CONDITIONS

Acceptance of and use of this appraisal report constitutes a full acceptance of the following Contingent and Limiting Conditions, and any other conditions and assumptions stated in the body of this appraisal report. In using this appraisal report, the client and any intended users must carefully read the entire report including all assumptions, data, relevant calculations, and conclusions within thirty (30) days after the date of delivery of this report, and immediately notify the appraiser and Oakwood Appraisal Co., LLC in writing of any questions, errors, or concerns. The appraiser and Oakwood Appraisal Co., LLC will have no obligation to revise or amend this report to reflect events or conditions that occur after the effective date of the report; however, the appraiser and Oakwood Appraisal Co., LLC will be available to discuss the necessity for revising and amending the report due to any subsequent events. The appraiser and Oakwood Appraisal Co., LLC does not assume responsibility for any situation that may arise out of the client's and any intended user's failure to become familiar with and understand this appraisal report and its contents. All typed matter in this entire report supersedes any standard text in a pre-printed form report. If additional information is required beyond that contained in this appraisal report, the client and any intended users are advised to retain experts in those areas that fall outside the scope of the real estate appraisal/consulting profession.

The Certification of the Appraiser section appearing in the appraisal report is subject to the following conditions and to such other Contingent and Limiting Conditions as are set forth in this appraisal report. Reference to the appraiser in this and the following sections refers to the person or persons named in the Certification of the Appraiser section of this appraisal report as well as Oakwood Appraisal Co., LLC.

1. This appraisal is an economic study to form an opinion of value as defined herein. It is not a geotechnical, engineering, construction, legal, or architectural study, nor survey, and expertise in these areas, among others, is not implied. The appraiser is not trained as a home inspector, licensed contractor, structural engineer, roof specialist, termite inspector, soils engineer, or any other specialist. The appraiser is not an expert in these and related fields, and is not competent to judge such matters. This appraisal report should not be misconstrued as to containing the type of information found in reports provided by such specialists. It shall be agreed that the appraiser and Oakwood Appraisal Co., LLC were not retained or contracted by the client for these types of inspections and does not take financial responsibility for such.
2. This appraisal assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The appraiser and Oakwood Appraisal Co., LLC assume no responsibility for such conditions, or for engineering which might be required to discover such factors. Unless otherwise noted, it is assumed that the subject property has no mineral or subsurface rights of value (e.g. gas, liquid or solid).
3. Unless otherwise stated, this appraisal report was completed without the benefit of the following reports, among others, (if available); a roof report, a pest report, a property inspection report, a soils report, or a structural report. The appraiser has inspected as far as possible, by observation, the land and the improvements, where not blocked by personal property or landscaping. The appraiser is not an engineer, or expert in construction matters, and is not competent to judge such matters. The appraiser and Oakwood Appraisal Co., LLC were not retained or contracted for structural, mechanical, engineering, or soils reports, and does not take financial responsibility for such. It is recommended that the client hire trained professionals for any additional information that may be necessary in these respective fields.

The appraiser has not critically inspected the mechanical or structural components of the improvements, and no representations are made as to these matters unless specifically stated and considered in the report. All mechanical (HVAC, elevator, plumbing, electrical, etc.) and structural components (foundation, walls, roof, etc.) are considered to be in working order and commensurate with the condition of the balance of the improvements and in operable condition, unless otherwise stated. It is also assumed, unless otherwise stated, that all the improvements conform to local, state, and federal building codes and ordinances. Please note that no advice is given regarding mechanical equipment, or structural integrity or adequacy, nor soils, and potential for settlement, drainage, and

such (seek assistance from qualified professionals). Unless otherwise noted, the appraisal is based on the assumption that there are no adverse items which would become evident with the appropriate inspections that would render the subject more or less valuable. The lender and owner (or potential owner) should inspect the subject property before any disbursements of funds. Further, it is the responsibility of the client, lender, buyer, seller, and/or the owner to determine if any mechanical or structural inspections by qualified professional are warranted. The appraiser and Oakwood Appraisal Co., LLC reserve the right to modify and amend the conclusions of this appraisal if negative findings are reported by engineering, structural, or soils consultants.

4. The concluded opinion of value is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, molds, fungi, petroleum leakage, or agricultural chemicals, or other environmental conditions, which may or may not be present on the property, were not called to the attention of nor did the appraiser become aware of such during the inspection. The appraiser has no knowledge of the existence of such substances or conditions on or in the property unless otherwise stated. Furthermore, the appraiser is not qualified to detect and/or test for such substances or conditions.

Dwellings built prior to 1978 may contain lead-based paint. The appraiser does not have the professional knowledge required to make this determination. During the inspection of the subject property, the appraiser looked for items of concern that would be evident to a layperson. The appraiser's routine inspection of and inquiries about the subject property did not produce any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would negatively affect the property unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental experts would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value. The concluded opinion of value is predicated on the assumption that there are no such substances and/or conditions on or in the property, above or below ground, or in such proximity thereto, that would affect the value of the property. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

If additional information is required than what is indicated in this appraisal report, then the client and any intended users are advised to retain an expert in the field of study in question.

5. The legal description, if provided, is assumed to be correct. The appraiser and Oakwood Appraisal Co., LLC assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the appraiser render any opinion as to the title. The property is appraised as though under responsible ownership. The legal description, if provided, is assumed to be correct. Unless otherwise noted in the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.
6. Any structure or portion of a structure that is among the subject property improvements is assumed to be in conformance with applicable zoning ordinances and local, state, and federal ordinances and building codes, unless otherwise noted in the appraisal report. No specific investigation of these issues has been undertaken by the appraiser. It is recommended that the client secure appropriate legal opinion if these issues pose any concern.

7. No opinion is intended to be expressed or implied on matters that may require legal expertise, specialized investigation or knowledge beyond that is customarily employed by real estate appraisers in the local area in which the property is located. Unless otherwise noted, values and opinions indicated in this report presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to: seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No representation or warranty is made concerning or obtaining these items. The appraiser and Oakwood Appraisal Co., LLC assume no liability or responsibility for any cost associated with obtaining or determining the need for or lack of need for flood or earthquake insurance. Appropriate entities (e.g. Federal Flood Insurance Program) should be contacted to determine the actual needs.
8. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, unless otherwise noted in the report. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, the appraiser did not consider noncompliance with the requirements of the ADA in estimating the value of the property.
9. The client is hereby advised that as of July 1, 2001, the provisions of the Gramm-Leach-Bliley Act (GLB) require the client to take the necessary actions to inform their clients (borrowers) that non-public, personal information will be disseminated for use in an appraisal report. The client shall notify the appraiser and Oakwood Appraisal Co., LLC of any confidential information that should not be disclosed in the appraisal report. In this case the burden of disclosure is with the client. By the acceptance of this appraisal report, the client gives their specific permission and understands that Oakwood Appraisal Co., LLC may use this appraisal report as a work sample for the purpose of placement on a lender approved appraisal panel or list.
10. The appraiser has made a physical inspection of the property and has noted no readily visible defects unless otherwise noted in the appraisal report. Although generally familiar with real estate, the appraiser is not an architect or structural engineer who should have detailed knowledge of building design and structural integrity. The appraiser only performed a visual inspection of accessible areas of the subject site and improvements that were not blocked by personal property, landscaping, or any other obstructions. The Appraiser has not critically inspected the mechanical or structural components of the improvements, and no representations are made as to these matters unless specifically stated and considered in the report. Accordingly, the appraiser is not offering an opinion regarding the structural integrity of the property, including its conformity to specific governmental code requirements (i.e. fire building and safety, earthquake and occupancy), or any physical defects that were not readily apparent to the appraiser during the inspection. Unless otherwise noted, this appraisal is based on the assumption that there are no adverse items which would become evident with the appropriate inspections that would render the subject more or less valuable.

The client, any intended user, lender, buyer, seller, owner (or potential owner) all should inspect the subject property before any disbursements of funds. Furthermore, it is the responsibility of the client, any intended user, lender, buyer, seller, and owner (or potential owner) to determine if any mechanical or structural inspections by qualified professional are warranted. Please note that no advice is given regarding mechanical equipment, structural integrity or adequacy, nor soils, and potential for settlement, drainage, and related aspects of the subject property. All mechanical (HVAC, elevator, plumbing, electrical, etc.) and structural components (foundation, walls, roof, etc.) are considered to be in working order and commensurate with the condition of the balance of the improvements and in operable condition, unless otherwise stated. This appraisal report cannot be relied upon to disclose or discover hidden conditions and/or defects or those conditions and/or defects that are not apparent from a casual visual observation of the subject property from standing height, not unlike the observations made by potential buyers. Any such problems or defects undisclosed or unknown to the appraiser and Oakwood Appraisal Co., LLC are to be considered conditions of this report and the appraiser and

Oakwood Appraisal Co., LLC reserve the right to modify and/or amend the conclusions of this appraisal and opinion of value upon such discovery or disclosure. It is strongly advised that any and all interested parties reading this report hire trained professionals in their respective fields for any additional information in these areas that may be deemed necessary.

11. The appraiser has made no survey of the property, its boundaries or the placement of improvements on the site. All areas and dimensions furnished by the client, borrower, or obtained from public records are presumed to be correct unless otherwise noted. It is further assumed that no encroachments exist unless otherwise noted in the report. All maps, plats, graphs, photographs and exhibits included in this appraisal report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this appraisal report. The appraiser has made no surveys of the property and assumes no responsibility in connection with such matters. Stable soil conditions are assumed. Water and mineral rights have not been considered unless otherwise noted in the appraisal report. No apparent adverse easements, encroachments, special assessments, or slide areas negatively affecting the value of the subject property were noted unless otherwise noted in this appraisal report. The appraiser is not knowledgeable in surveying topography or soils engineering. It is recommended that the client secure appropriate professional opinion if these issues pose any concern.
12. Unless otherwise noted in the report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised under the current zoning ordinances and regulations governing use. Any valuation that differs from this would require hypothetical conditions. Neither the appraiser nor Oakwood Appraisal Co., LLC are aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject unless otherwise noted. The appraiser and Oakwood Appraisal Co., LLC reserve the right to amend and revise the report if initiatives, development/rent controls are brought our attention.
13. A sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. In most cases, portions of the subject property will be unavailable for measurement due to landscaping, furniture, or other objects which serve to impede an accurate measurement of the subject improvements. The sketch included herein is not an architectural drawing as noted in the Appraiser's Certification. The walls and room sizes, if included, are not to scale and are provided only to show functional obsolescence should it exist. Interested parties should seek the aid of a qualified draftsman or architect to establish the exact size of the gross building area (GBA), gross living area (GLA), net rentable area (NRA), garages, and out buildings.
14. The appraiser used the local multiple listing services (MLS) in the appropriate market, public records data, current or former property owners and their representatives, and various other sources deemed necessary and useful to locate information on the subject property and the comparables used in this appraisal report. This appraisal is based on the assumption that the information provided is reliable and accurate. Flood information was obtained from public records sources. Information, estimates and opinions furnished to the appraiser, and contained in this appraisal report, were obtained from sources considered reliable and believed to be true and correct. Unless otherwise stated, the appraiser has no reason to believe any information provided is incorrect. The source deemed most reliable has been used when conflicting information was provided. Data believed to be unreliable was excluded from the report or not relied upon as a basis for the value conclusion.

It is assumed that all information provided by the client, owner, seller, broker, public records, city officials, county officials, is accurate and correct, unless otherwise indicated in the report. Such information includes, but is not limited to: Assessor's Parcel Numbers (APN), addresses, land dimensions, site areas, gross building areas (GBA), gross living areas (GLA), net rentable areas (NRA), rent schedules, income & expense information, budgets, and related data. Any substantial errors or omissions in the above referenced data could have a material effect on value; as such, the appraiser and Oakwood Appraisal Co., LLC reserve the right to modify and amend this report if made aware of any such errors or omissions. The appraiser and Oakwood Appraisal Co., LLC do not assume responsibility for the accuracy of such items that were furnished by other parties. In cases where an original photo was impossible to produce due to factors such as roadside maintenance, the presence

of individuals in the field of view or other obstructions, some photographs in this report may be from the our database or, if necessary, from the Multiple Listing Service (MLS).

15. Certain counties do not publish the square footage of properties, bedroom counts, bathroom counts and other property information on their county reports. In addition, the Multiple Listing Services of these counties and others often do not reveal the square footage of properties listed. In many cases, the listing agent and/or the owner/sellers do not know the square footage contained within the property. After exhausting the public records, the listing information, the listing agent and owner/sellers, the appraiser, in some cases has estimated the approximate square footage of the comparable sales or rentals. In some instances, the county shows the document number and date of sale but does not report the selling price. The MLS indicates the selling price but not the document number. Both sources are therefore used to determine the transfer information of a comparable property. In many cases the listing agent does not respond to the appraiser's requests for additional information, including identification of the title company, title officer or escrow numbers in order to obtain a document number on a comparable sale. The appraiser and Oakwood Appraisal Co., LLC shall not be held responsible for information that is unavailable or withheld from the appraiser. Certain assumptions are made according to local market activities and conditions as to the information received.
16. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
17. On all appraisals subject to satisfactory completion, repairs, alterations, modifications or additions, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner. The appraiser and Oakwood Appraisal Co., LLC reserve the right to amend or revise the report upon re-inspection of the property subsequent to the completion of the repairs, alterations, modifications or additions.
18. Any opinion of value provided in the report applies to the entire property, and any pro ration or division of the title will invalidate the opinion of value, unless such pro ration or division of interests has been set forth in the report. If this appraisal report contains a valuation relating to a portion of a larger parcel of real estate, the value reported for such portion relates to that portion alone. It should not be construed as applying with equal or proportionate value to other portions of the larger parcel.
19. Unless otherwise noted, all furnishings, equipment, and business operations have not been considered in the valuation of the subject property. Only the real property has been valued.
20. All comparable sales are within close proximity to the subject property and/or located in the same or similar market area unless otherwise stated. Selected comparables were chosen and based on qualities similar to the subject property. While no one property contains all of the characteristics of the subject property, comparable sales selected are chosen to reflect as many characteristics that affect value as possible. With some unique properties it is necessary to select comparable sales available within a reasonable period that have similar, but not identical, dominant characteristics as the subject property. In the event when no suitable comparables were found within the subject's immediate market area, comparables within similar market areas over one mile distant were used. The adjustments (if any) made for improvement size for the comparables can be found in the main body of this report. Unless otherwise noted in the Site Improvements section of this report, the site values are included in this figure. All other adjustments (if any) were made for differences in normal amenities and in accordance with local market demands. Unless an adjustment represents an atypical or unusual condition, an explanation for the adjustment may not be included.

Time adjustments, if used, were based on the current conditions. Time adjustments were based on increases or decreases in MLS (Multiple Listing Service) records from the last three months compared to the previous three months. Current market conditions use pending sales and listings in the immediate market area as well as past sales comparables to determine the appropriate adjustment as percentage or lump sum. The size, shape and landscaping of this site is typical of sites in this neighborhood unless otherwise noted in the report form of this appraisal. All site and view adjustments consider not only the size of the site and view amenity, but also topography, usable land, access, privacy, sun exposure, site access and overall utility.

21. Any opinion of market value is subject to change with market fluctuations over time. Market value is highly related to exposure, promotion efforts, terms, motivation, and conclusions surrounding the offering. Any opinion of market value considers the subject's physical and economic productivity and relative attractiveness in the open market. This appraisal assumes that the subject property will be under prudent and competent management and ownership, neither inefficient nor super-efficient. Any projections of income, expenses, and economic conditions utilized in this report are not predictions of the future. Rather they are estimates of current market expectations of future income and expenses. Actual results may vary from the projections stated in the report, and the appraiser and Oakwood Appraisal Co., LLC do not warrant these forecasts will in fact occur.
22. This appraisal report has been prepared for the exclusive use and benefit of the client named as the intended user. The client, however, may provide only complete, final copies of the appraisal report in its entirety to third parties who may review such reports in connection with the stated intended use of this appraisal report. The appraiser shall not be required to explain or testify as to appraisal results other than to respond to the client for routine and customary questions. The client shall indemnify and hold harmless the appraiser and Oakwood Appraisal Co., LLC from any claims, expenses, judgments or other items or costs resulting from the client's failure or the failure of any of the client's agents to provide a complete copy of this appraisal report to third parties.
23. By the acceptance and/or use of this appraisal report, the client hereby agrees the liability of the appraiser and Oakwood Appraisal Co., LLC is limited to the client only, even if others own the property jointly, and to the fee actually received (total per appraisal). Furthermore, the appraiser and Oakwood Appraisal Co., LLC assume no obligation, liability, or accountability to any third party, even if the third party is the owner of the property and has paid the fee directly to the appraisal company. The client agrees to hold the appraiser and Oakwood Appraisal Co., LLC harmless in the event of a lawsuit brought by any other party.

If this report is revealed to anyone but the client, then client shall make such parties aware of all assumptions made in the appraisal and Contingent and Limiting Conditions stated in the appraisal report. The appraiser and Oakwood Appraisal Co., LLC are in no way responsible for costs incurred to discover or correct any deficiencies of any type present in the property, physicality, financially, and/or legally. The client also agrees that in the case of a lawsuit arising from or in any way involving this appraisal assignment (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), the client shall hold the appraiser and Oakwood Appraisal Co., LLC harmless from and against any liability, loss, costs or expense incurred or suffered by the appraiser and Oakwood Appraisal Co., LLC in such action, regardless of its outcome.

24. The client, as the originator of the report, receives one electronic transmission of the report unless written instructions are made otherwise in the letter of engagement at the time of the order was placed. Otherwise, no duplicate transmission of this report will be made and no delivery of a hard copy will be made. The "originator" is the person or organization that has directly ordered the appraisal to be performed, even if the owner/borrower or any other entity owns and/or has paid for the appraisal. Owners, borrowers and others, by law, should request a copy of the report from the "originator". The appraiser and Oakwood Appraisal Co., LLC will not provide additional copies or disseminate information on the report without written consent from the "originator" in accordance with USPAP. Additional copies provided the originator may be subject to an additional fee per copy. According to California State law, a borrower is entitled to a copy of the appraisal report.

25. By the acceptance of this appraisal report, the client gives their specific permission and understands that the appraiser and Oakwood Appraisal Co. LLC may use this report as a work sample for the purpose of placement in a lender approved appraisal panel or list. Otherwise, distribution of this report is at the sole discretion of the client and any intended users specifically named in this report. The appraiser and Oakwood Appraisal Co., LLC will make no distribution without the specific direction of the client. However, no reproduction of this report, in part or in whole, shall be made without prior approval from Oakwood Appraisal Co., LLC. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the appraiser and Oakwood Appraisal Co., LLC. This appraisal report shall not be conveyed by anyone to the public relations, news, sales, solicitation, or other media, without the written consent and approval of the appraiser and Oakwood Appraisal Co., LLC, particularly as to the valuation conclusion, the identity of the appraiser, the firm with which the appraiser is connected, or any reference to affiliate membership or the designation. Any other third party who uses or relies upon any information in this report, without the written consent of the appraiser and Oakwood Appraisal Co. LLC, does so at their own risk.
26. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.
27. The client agrees that the appraiser shall not be required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless written instructions have been made previously in the letter of engagement at the time of the order was placed and explicitly agreed to in writing by the appraiser and Oakwood Appraisal Co. LLC.
28. Unless specifically set forth in the body of the appraisal, nothing contained herein shall be construed to represent any direct or indirect recommendation of the appraiser and Oakwood Appraisal Co. LLC to buy, sell, or hold the properties at the values stated.
29. In the event that any one or more of the Contingent and Limiting Conditions contained in this appraisal report shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other Contingent and Limiting Conditions contained herein, but the remaining Contingent and Limiting Conditions shall be construed as if such invalid, illegal or unenforceable Contingent and Limiting Conditions had never been contained herein, unless the deletion of such Contingent and Limiting Conditions would result in such a material change so as to cause completion of the Contingent and Limiting Conditions contemplated herein to be unreasonable.
30. If digital signatures were applied to this report by the appraiser and/or supervisory appraiser (if applicable), the signing parties certify that the signatures applied are true and original. This report is released in a "locked" or "read only" format. As such signing parties are the sole individuals able to amend or change this report. The appraiser and Oakwood Appraisal Co., LLC acknowledge and agree in connection with electronic submission of appraisals to the client or any of its affiliates that this appraisal complies with USPAP and, when applicable, to other agency standards and requirements. Furthermore, the software utilized by the appraiser includes a digital signature security feature for each appraiser signing the report. Each appraiser maintains sole control of his/her related signature through a password, hardware device, or other means. Software is utilized by the appraiser to transmit this encrypted, PDF-formatted appraisal. This software secures data from editing by means of a password, hardware device, or other means that remains in the sole control of the transmitting appraiser. All transmissions shall be routed only to the client at the email address provided in the letter of engagement at the time of the order was placed.

APPRAISER CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct, and I have not knowingly withheld any significant information.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved
4. I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Practice (USPAP).
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. The analyses, opinions and conclusions were developed, and this report has also been prepared, in conformity with Office of the Controller of the Currency's (OCC) Minimum Appraisal Standards.
10. I have personally inspected the subject property. My educational background, appraisal experience and knowledge are sufficient to appraise the type of property being valued in this report unless otherwise noted.
11. No one provided significant professional assistance to the person signing this report.
12. The opinion of market value in the appraisal report is not based in whole or in part upon the race, color, religion, sex, handicap, familial status, health, or national origin of the present or prospective owners, occupants or users of the properties in the vicinity of the property appraised.
13. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
14. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
15. I have not performed any services regarding the subject property within the prior three years, as an appraiser or in any other capacity.

Signed,



Peter M. Van Den Broeck, MAI, SRA
Certified General Real Estate Appraiser
State of California #AG029400
Expires: 9/10/2020

ADDENDA

Appraiser Qualifications
Appraiser License
Definitions
Engagement Letter
Rent Roll
Operating Expense History

APPRAISER QUALIFICATIONS

Peter M. Van Den Broeck, MAI, SRA
Oakwood Appraisal Company
Certified General Real Estate Appraiser
California State License AG029400
peter@oakwoodappraisal.com

4 Casa Vieja
Orinda, CA 94563
Tel: (925) 588-4170
Fax: (925) 940-8687
www.oakwoodappraisal.com

Experience

- **Oakwood Appraisal Company** Orinda, California
Owner, Chief Appraiser 2008 - present
- **Town & Country Real Estate Appraisal Group** Walnut Creek, California
Managing Partner, Senior Appraiser 2004 - 2008
- **William Rodriguez & Associates** Clayton, California
Associate Appraiser 2002 - 2004

Recent Appraisal Courses

- **Appraisal Institute**
Advanced Concepts and Case Studies General Appraiser Report Writing and Case Studies
Advanced Appraiser Income Approach General Appraiser Site Valuation and Cost Approach
Business Practices and Ethics General Market Analysis and Highest & Best Use
General Appraiser Income Approach General Appraiser Sales Comparison Approach
- **Allied Schools**
2018-19 National USPAP Update Course Economics for Appraisers
Federal and State Laws and Regulations Real Estate Appraisal Trainee/Supervisor
Analyzing Markets Appraiser's Guide to Real Estate Principles
Analyzing Income Properties Appraiser's Guide to Real Estate Law
Complex Residential Appraisal Appraiser's Guide to Property Management
Case Studies in Complex Appraisal

Education

- **Saint Mary's College of California** Moraga, California
Bachelor's of Science Degree in Physics, Cum Laude 2000
- **Northgate High School** Walnut Creek, California
High School Diploma 1996

Professional Licenses and Affiliations

- MAI Designated Member of the Appraisal Institute
- SRA Designated Member of the Appraisal Institute
- California Certified General Real Estate Appraiser
- HUD/FHA Approved

APPRAISER LICENSE



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

Peter M. Van Den Broeck

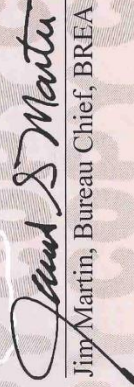
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“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 029400

Effective Date: September 11, 2018
Date Expires: September 10, 2020


Jim Martin, Bureau Chief, BREA

3039996

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

DEFINITIONS

As-Complete Market Value

"Market value as is complete on the appraisal date in an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants."

As-Is Market Value

"The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning."¹

As-is Premise

"Market Value "as is" on appraisal date means an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date the appraisal is prepared."²

Cash Equivalence

"A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts. Calculating the cash-equivalent price requires an appraiser to compare transactions involving atypical financing to transactions involving comparable properties financed at typical market terms."³

Excess Land

"In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future

expansion of the existing or anticipated improvement."⁴ See also surplus land.

Extraordinary Assumption

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- a) It is required to properly develop credible opinions and conclusions;
- b) The appraiser has a reasonable basis for the extraordinary assumption;
- c) Use of the extraordinary assumption results in a credible analysis; and
- d) The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions."⁵

Fee Simple Estate

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."⁶

Floor Area Ratio (FAR)

"The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area."⁷

¹ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 306

² Federal Register, 12 CFR Part 34 Subpart C

³ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 43

⁴ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 103

⁵ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, pages 106-107

⁶ The Appraisal of Real Estate, Twelfth Edition, 2001, The Appraisal Institute, page 69

⁷ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 117

Gross Building Area (GBA)

"The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded."⁸

Hypothetical Condition

"That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- a) Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- b) Use of the hypothetical condition results in a credible analysis; and
- c) The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions."⁹

Insurable Value

"Insurable Value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. Insurable value is that portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. This value is often controlled by state law and varies from state to state."

Lease

"A written contract in which the rights to use and occupy land or structures are transferred by the owner to another for a specified period of time in return for a specified rent."¹⁰

Leased Fee Interest

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by the lease to others. The rights of the lessor (leased fee owner) and the leased fee are specified by contract terms with the lease."¹¹

Leasehold Interest

"The interest held by the lessee (the tenant/renter), through a lease conveying the rights of use and occupancy for a stated term under certain conditions."¹²

Liquidation Value

"The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a severely limited future marketing period specified by the client.
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject.
3. The buyer is acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. The buyer is acting in what he or she considers his or her best interest.
7. A limited marketing effort and time will be allowed for the completion of a sale.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

Note that this definition differs from the most commonly used definitions of market value or fair market value."¹³

⁸ The Appraisal of Real Estate, Twelfth Edition, 2001, The Appraisal Institute, page 131

⁹ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 141

¹⁰ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 161

¹¹ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 161

¹² The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 162

¹³ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute

Market Rent

"The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction."¹⁴

Market Value

"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 stimuli. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by creative financing or sale concessions granted by anyone associated with the sale."¹⁵

Marketing Period/Time

"The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal."¹⁶

Prospective Future Value "upon completion of construction"

"Prospective future value "upon completion of construction" is the prospective value of a property on the future date that construction is completed, based upon market conditions forecast to exist, as of the forecasted completion date. The value estimate at this stage is stated in current dollars unless otherwise indicated."

Prospective Future Value "upon reaching stabilized occupancy"

"Prospective future value "upon reaching stabilized occupancy" is the prospective value of a property at a future point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. The value estimate at this stage is stated in current dollars unless otherwise indicated."

Special Purpose Property

"A limited-market property with a unique physical design, special construction materials, or a layout that restricts its utility to the use for which it was built; also called 'special-design property."¹⁷

Surplus Land

"Land not necessary to support the highest and best use of the existing improvements, but because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement."¹⁸ See also excess land.

Use Value

"The value of a property as it is currently used, not its value considering alternative uses, may be used where legislation has been enacted to preserve farmland, timberland, or other open space land on urban fringes; also known as 'value in use."¹⁹

¹⁴ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 176

¹⁵ Code of Federal Regulations 12 CFR Part 34.42(g) as of January 1, 2012

¹⁶ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 175

¹⁷ The Appraisal of Real Estate, Twelfth Edition, 2001, The Appraisal Institute, page 25

¹⁸ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, page 284

¹⁹ The Appraisal of Real Estate, Twelfth Edition, 2001, The Appraisal Institute, page 25



2580 Shea Center Drive, Suite B, Livermore CA 94551

August 19, 2019

**RE: Maureen Nam
3231 Telegraph Avenue
Oakland, CA**

Dear Peter M. Van Den Broeck, MAI, SRA - Oakwood Appraisal Company

This is ***Fremont Bank's Engagement Letter*** for appraisal services of the property referenced above. Upon execution of this agreement, you are authorized to perform the requested appraisal services as detailed within. **The appraisal report must be signed and the property inspected by an appraiser in good standing on Fremont Bank's approved appraiser panel.**

Any changes in this engagement letter must be authorized in writing by the undersigned. Fremont Bank is the client for this report unless otherwise requested. You shall perform this report as an independent contractor and not as an employee/partner, principal nor agent of Fremont Bank. The appraisal may not be subcontracted to an outside individual firm without prior written consent of the undersigned. In addition, by signing this engagement letter you certify that you have no direct or indirect personal interest, financial or otherwise, in the property to be appraised or transaction, or relationship with the ownership or borrower, and that you will abide by the terms as described herein. The Fremont Bank Appraisal Request, to follow, will provide contact(s) for access to and information about the subject property.

Required Scope and Format:

	Appraisal Report	Restricted Appraisal Report
	X	

Report Format	
Narrative	X – re-write
FHLMC-71A	
FHLMC-71B	

Due Date	08/26/2019	
Fee		PO#208390-24800
Additional Comments	PLEASE VALUE AS REQUESTED BELOW:	
	1. "As Is" , Market Value	

Regardless of the format being used, the report shall conform to the minimum reporting requirements of USPAP and any other appropriate Federal and State regulations. All reports shall comply with the Fremont Bank Appraisal Policy and Guidelines. All form reports shall be completed in accordance with the appropriate published guidelines. All form reports should include narrative supplements in accordance with the needs of the assignment and in order to comply with all supplemental USPAP guidelines.

PLEASE CAREFULLY READ AND COMPLY WITH ALL OF THE BANK REQUIREMENTS BELOW

Supplemental Requirements:

- All narrative reports shall contain a Table of Contents.
- The intended use of the appraisal should be stated as follows:
This report is intended for the use by Fremont Bank for loan underwriting purposes. It may also be used for asset management or asset disposition. It is not intended for the any other use or users.
- The appraisal report must conform to the most recent version of the Uniform Standards of Professional Appraisal Practice (USPAP).
- The appraisal report shall make an affirmative statement that the appraiser(s) is/are competent to complete this report in accordance with the competency provision as stated within USPAP. In the absence of an affirmative statement, the appraiser must disclose any lack of knowledge and/or experience for this assignment and any necessary steps taken to comply with the competency provision as stated within USPAP.
- Provide your license or certification number and expiration date under each signature line in the report.
- Appraisal Reports must include sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported. The appraisal shall be sufficiently descriptive to enable the reader to ascertain the opinion of market value and the rationale for the opinion and shall provide detail and depth of analysis reflecting the complexity of the real estate appraised.
- "As Is" Value should be of the property in its current condition as of the date of the appraisal. The "As Is" Value should reflect appropriate deductions and discounts for any partially leased or leased at other than the market rents, partially completed buildings, or any tract developments with unsold units. Such deductions are intended to account for all holding costs, leasing commissions, tenant improvement costs, repairs and costs to complete the construction where appropriate. Any reference to deferred maintenance must be disclosed in the improvement description of the appraisal, with photos of the deferred maintenance. The cost to cure must be deducted when presenting an "As Is" Value.
- "As Complete" Value (Hypothetical) assumes the proposed property is complete as of the current date. This value should reflect appropriate deductions and discounts for any proposed construction as of the date of the appraisal. Such deductions are intended to account for all holding costs, leasing commissions, tenant improvement costs and/or repairs.
- "As Stabilized" Value (Prospective) assumes the proposed improvements have been completed and leased to a stabilized occupancy level at a future date. The anticipated time required for the property to achieve a stabilized occupancy should be supported with market evidence.
- Please provide an Insurable Replacement Cost of the improvements in the body of the appraisal report, regardless of whether a Cost Approach is included.
- Please include the Fremont Bank Engagement Letter in the addenda of the report.
- Include a legal description of the real estate being appraised, in addition to the property identification required by USPAP.

- ❑ Color photographs of the subject exterior and interior, and comparable sales and rentals are required with each report. Front, rear and street scenes are a minimal requirement for the subject. Photographs should include any physical or site amenity or detriment where a substantial adjustment has been made in the market (i.e. view, pool, outbuildings, damage, etc.). Street scenes should show the real estate adjacent to the subject property. If you are not able to view and photograph any of the comparables or the required subject views, please comment accordingly.
- ❑ An estimate of the subject's effective age and remaining economic life must be provided. The estimate of effective age should be defensible with a description of updating, refurbishing or remodeling that has been completed or is needed. In cases or renovation (remodeling and/or updating), pre and post renovation descriptions are required.
- ❑ Accurate and supportable building sizes are extremely important to all three approaches to value. An improvement building sketch or plan reductions must be included within the appraisal report. The sketch must include legible measurements such that calculation of the building area may be independently verified. This sketch should include calculations of both gross and net square footages showing the locations of each unit. In the case of apartments or other residences, the sketch should identify unit numbers, unit type and sample room layout. The residential sketch should also include garages and/or out buildings given value in the appraisal.
- ❑ For new construction, reductions of the site plan, building elevations and floor plans must be included in the report. The architect's name, job number and date of plans must be legible.
- ❑ A minimum of three (3) closed sales must be used, verified on the report by reference to public records and all data sources used, with recorder's document numbers for sales, multiple listing number for residential listings/pending's, name and phone number of individual (broker, buyer, seller) verifying the data. The full date of sale, including month, day and year must also appear in the report.
- ❑ A prior sale of the subject and/or current contract of the subject may be presented along with other sales data, however, it can not constitute as being one of the three closed sales.
- ❑ In the Income Approach, the subject's actual historic income and expenses must be analyzed and reconciled when forecasting income and expenses. Please comment if these were not obtainable or not applicable. Also, provide your sources if using any outside support for income and expense projections.
- ❑ Maps must be provided for all comparables and the market area (regional and neighborhood). Streets and location of the comparables must be legible. Maps of the comparable sales and rentals should appear in the body of the appraisal.
- ❑ Adjustment grids for all comparable sales used in commercial appraisals are required. Wherever possible, quantitative adjustments should be made. Dollar adjustments and single word descriptive adjustments are not self explanatory. The rationale for adjustments must be discussed in narrative form.
- ❑ In residential subdivision or condominium appraisals where single family or condominium dwellings are valued, adjustments applied to the comparable sales need to reflect typical adjustments made by local residential appraisers. Therefore, dollar adjustments supported by the market, are required.

Your acceptance of this appraisal assignment will confirm that Fremont Bank owns the appraisal reports which you provide, and that Fremont Bank will be under no restrictions regarding their distribution to the interested parties of Fremont Bank choice.

All appraisal reports prepared for the Bank are subject to review. This agreement implies you agree to adhere to the comments and/or corrections resulting from a review of the report. Corrections are to be made to the report in a timely manner. Payment for services rendered will be based on a completed review and acceptance of the report by the Chief Appraiser of the Bank, or its designee.

Fremont Bank will accept electronic copies or else a minimum of three hard copies. Should the appraisal not be delivered on or before the specified due date, Fremont Bank reserves the right, at its sole discretion, to either cancel the assignment for cause without payment of the fee; or deduct a penalty of one percent (1%) per business day until the hard copy or electronic copy of the report is received. Penalties will not be imposed for delays resulting from circumstances beyond the appraiser's control if timely notice is provided.

Fremont Bank reserves the right not to accept your report, and will not be responsible for any expenses incurred in the completion of this assignment, if wording or disclaimers is included in the report that limit your professional liability to Fremont Bank.

Fremont Bank may, at its option and for any reason, terminate this agreement. Payment for services rendered will be limited to the lesser of the Appraisal Fee or actual vendor time plus out-of-pocket costs incurred in connection with the performance of this agreement, as of the date of termination.

The appraiser may not discuss the appraisal or the results thereof with anyone outside of Fremont Bank without the prior approval specifically from Fremont Bank's Appraisal Department.

The appraisal shall be delivered to the Appraisal Department of Fremont Bank and payment shall be made directly from the client to the appraiser unless other arrangements have been made. All documents furnished to the appraiser by the client are to be considered confidential information to the appraiser pursuant to the disclosure requirements in the confidentiality section of the Ethics Rule of USPAP.

In the course of performing the above-mentioned appraisal you and your employees, subcontractors and agents may be exposed to Confidential Information from Fremont Bank. This shall include, but not be limited to, any personal and/or financial information concerning Fremont Bank's customers or potential customers. By accepting this assignment, you agree that neither you nor any of your employees, subcontractors or agents shall use such Confidential Information for any purpose other than to perform the appraisal requested herein and that the sale, transfer, disclosure, or other use of any Confidential Information is prohibited. You will use the same standard of care to protect the Confidential Information as you use to protect your own confidential and proprietary information. You also agree to impose the confidentiality obligations set forth herein on each of your subcontractors, agents and employees. The provision shall survive the completion of this assignment.

Thank you for accepting this appraisal assignment. Questions or clarifications related to this assignment should be directed to Marilyn Vicino-Bergerhouse (925) 315-3701 and/or

Marilyn.Vicino-Bergerhouse@fremontbank.com

Sincerely,



Marilyn Vicino-Bergerhouse, SRA
Vice President, Chief Appraiser
Fremont Bank, Appraisal Department

Acceptance

If this letter correctly reflects your understanding of the engagement, please confirm your acceptance by returning a signed copy.

Appraiser's Signature: _____ Date: _____

Appraiser Certification #: _____ Expiration Date: _____

V 12/14/2017

Total # of Units: 6

Current as the following Date: 6/22/19

Applicant Name: Maureen Nam
 The following Statement of Rents is for the Property located at:

Unit Number	Tenant Name	# Bed-rooms	# Baths	Monthly Rent	Deposit Amount	Check if Vacant	Past Due Amount	Check if in Eviction Process	Date Rented	Lease Exp. Date	Date of Last Increase	Rent Control Y/N	Section 8 Y/N
3227-A	MYAN DUONG ARMAN SALMIAN	1	1	\$1,500	\$1,500		0		5/1/19			Y	
3227-C	Victoria SEPE Jacqueline Coulev	1	1	\$1800	\$2800		0		10/30/18			Y	
3225	Karyn Rainier	1	1	\$1800	\$2300		0		5/25/18			Y	
3227-B	Lee Via McLean Francis Nolan Joe Hardy Chad Tis	4	2	\$2562	\$2400		0		6/1/18			Y	
3231-A+B	LSY ACUPUNCTURE CORP. (SEUNG Y. LEE)	2	2	\$2000.00	\$2000		0		5/1/19			Y	
Total Rent:				\$	-								

Resident Manager: _____ Unit # _____ Name: _____
 Number: _____
 Contact for Appraiser: Name: _____
 Number: _____
 Cell: _____
 Email: _____

Indicate additional Sources of Income:
 Laundry: \$100
 Garage: _____ # of spaces
 Carports: _____ # of spaces
 Storage: _____ # of units
 Other: _____ # of _____
 Total Other Income: 0
 Total Rental Income: \$9762
 Grand Total: \$9762

Are Rent Concessions Offered on Vacant Units: Yes: _____ No: _____
 Describe all Rent Concessions offered and units impacted: (use additional Sheets if necessary): If None write "None"

none

Describe Occupancy & Leases (if any) & any restrictions on Children, Pets, etc: - If none write "None"

none

If any Utilities or Services are included in the Monthly Rent, please insert the number of apartments receiving such services after each of the following:
 Water: # _____ Sewer: # _____ Trash: # _____ Gas: # _____ Electricity: # _____ Other: (Please Describe) _____

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Maureen Nam 6/22/19
 Owner's Signature Date

 Buyer's Signature Date

 Owner's Signature Date

 Buyer's Signature Date

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss

OMB No. 1545-0074

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)
 Attach to Form 1040, 1040NR, or Form 1041.

2016

Department of the Treasury
Internal Revenue Service (99)

Information about Schedule E and its separate instructions is at www.irs.gov/schedulee.

Attachment
Sequence No. **13**

Name(s) shown on return

Your social security number

MAUREEN NAM

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

- A Did you make any payments in 2016 that would require you to file Form(s) 1099? (see instructions) Yes No
 B If "Yes," did you or will you file required Forms 1099? Yes No

1a	Physical address of each property (street, city, state, ZIP code)				
A	3225 TELEGRAPH OAKLAND, CA 94609				
B	2751 HOLIDAY CT PINOLE, CA 94564				
C					
1b	Type of Property (from list below)	2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	Fair Rental Days	Personal Use Days	QJV
A	2		A		<input type="checkbox"/>
B	7		B		<input type="checkbox"/>
C			C		<input type="checkbox"/>

Type of Property:

- 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3	88,893	7,325	
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	3,600		
8 Commissions	8			
9 Insurance	9	3,770		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	22,701		
13 Other interest	13			
14 Repairs	14	2,950		
15 Supplies	15	600		
16 Taxes	16	17,506		
17 Utilities	17	7,640		
18 Depreciation expense or depletion	18	20,024		
19 Other (list) ▶ See attached statement	19	105		
20 Total expenses. Add lines 5 through 19	20	78,896	0	
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	9,997	7,325	
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
23 a Total of all amounts reported on line 3 for all rental properties	23a		96,218	
b Total of all amounts reported on line 4 for all royalty properties	23b		0	
c Total of all amounts reported on line 12 for all properties	23c		22,701	
d Total of all amounts reported on line 18 for all properties	23d		20,024	
e Total of all amounts reported on line 20 for all properties	23e		78,896	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			17,322
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	()	()	()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			17,322

For Paperwork Reduction Act Notice, see the separate instructions.

Schedule E (Form 1040) 2016

2014

Line 19 (Sch E (1040) Page 1) - Other Expense for 01

		Total	
Description		Full Amount	Allowed
1	Gardening		0
2			0
3	Amortization		105

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

OMB No. 1545-0074

2017

Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040, 1040NR, or Form 1041.

▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Name(s) shown on return

Your social security number

MAUREEN NAM

Part I **Income or Loss From Rental Real Estate and Royalties** Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

- A** Did you make any payments in 2017 that would require you to file Form(s) 1099? (see instructions) Yes No
B If "Yes," did you or will you file required Forms 1099? Yes No

1a	Physical address of each property (street, city, state, ZIP code)
A	3225 TELEGRAPH OAKLAND, CA 94609
B	2751 HOLIDAY CT PINOLE, CA 94564
C	

1b	Type of Property (from list below)	2	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	
			Fair Rental Days	Personal Use Days
A	2		<input type="checkbox"/>	<input type="checkbox"/>
B	7		<input type="checkbox"/>	<input type="checkbox"/>
C			<input type="checkbox"/>	<input type="checkbox"/>

Type of Property:

- 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3	107,265		
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7	800		
8 Commissions	8			
9 Insurance	9	3,827		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	24,135		
13 Other interest	13			
14 Repairs	14	26,145		
15 Supplies	15			
16 Taxes	16	18,285		
17 Utilities	17	8,065		
18 Depreciation expense or depletion	18	20,225		
19 Other (list) ▶ See attached statement	19	4,905		
20 Total expenses. Add lines 5 through 19	20	106,387	0	
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	878	0	
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
23 a Total of all amounts reported on line 3 for all rental properties	23a	107,265		
b Total of all amounts reported on line 4 for all royalty properties	23b	0		
c Total of all amounts reported on line 12 for all properties	23c	24,135		
d Total of all amounts reported on line 18 for all properties	23d	20,225		
e Total of all amounts reported on line 20 for all properties	23e	106,387		
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			878
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	()	()	()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			878

For Paperwork Reduction Act Notice, see the separate instructions.

Schedule E (Form 1040) 2017

Line 19 (Sch E (1040) Page 1) - Other Expense for 01

		Total	
		4,905	
	Description	Full Amount	Allowed
1	Gardening	4,800	4,800
2			0
3			0
4	Amortization		105

**SCHEDULE E
(Form 1040)**

Supplemental Income and Loss

OMB No. 1545-0074

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

2018

▶ Attach to Form 1040, 1040NR, or Form 1041.

Attachment
Sequence No. **13**

Department of the Treasury
Internal Revenue Service (99)

▶ Go to www.irs.gov/ScheduleE for instructions and the latest information.

Your social security number

MAUREEN NAM

Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

- A** Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) Yes No
B If "Yes," did you or will you file required Forms 1099? Yes No

1a	Physical address of each property (street, city, state, ZIP code)
A	3225 TELEGRAPH OAKLAND, CA 94609
B	2751 HOLIDAY CT PINOLE, CA 94564
C	

1b	Type of Property (from list below)	2	For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.	
			Fair Rental Days	Personal Use Days
A	2		A	<input type="checkbox"/>
B	7		B	<input type="checkbox"/>
C			C	<input type="checkbox"/>

Type of Property:

- 1 Single Family Residence 3 Vacation/Short-Term Rental 5 Land 7 Self-Rental
 2 Multi-Family Residence 4 Commercial 6 Royalties 8 Other (describe)

Income:	Properties:	A	B	C
3 Rents received	3	103,693	10,260	
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9	4,084		
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12	25,439		
13 Other interest	13			
14 Repairs	14	13,560		
15 Supplies	15	700		
16 Taxes	16	19,002		
17 Utilities	17	13,247		
18 Depreciation expense or depletion	18	20,220		
19 Other (list) ▶ See attached statement	19	105		
20 Total expenses. Add lines 5 through 19	20	96,357	0	
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198	21	7,336	10,260	
22 Deductible rental real estate loss after limitation, if any, on Form 8582 (see instructions)	22	()	()	()
23 a Total of all amounts reported on line 3 for all rental properties	23a		113,953	
b Total of all amounts reported on line 4 for all royalty properties	23b		0	
c Total of all amounts reported on line 12 for all properties	23c		25,439	
d Total of all amounts reported on line 18 for all properties	23d		20,220	
e Total of all amounts reported on line 20 for all properties	23e		96,357	
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			17,596
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	()		()
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2	26			17,596

2018

Line 19 (Sch E (1040) Page 1) - Other Expense for 01

		Total	105
	Description	Full Amount	Allowed
1	Gardening		0
2			0
3			0
4			0
5	Amortization		105