

A NARRATIVE STYLE
REAL ESTATE
APPRAISAL REPORT



RACHAEL'S DOWRY
BED AND BREAKFAST
637 WASHINGTON BOULEVARD
CITY OF BALTIMORE, MD

Prepared for:

Lauren Keeney
Oakmont Commercial
Delaware Valley Office
501 Knowles Avenue
Southampton, PA 18966

Effective Date of Appraisal
March 31, 2023
Date of Report
April 10, 2023

CORNERSTONE APPRAISAL GROUP, INC.

101 Briar Lane, Suite B
Newark, DE 19711

Phone #302 / 368-9020
Fax #302 / 368-9102

Lauren Keeney
Oakmont Commercial, LLC
Delaware Valley Office
501 Knowles Avenue
Southampton, PA 18966

April 10, 2023

Re: A Six Unit Bed and Breakfast and Apartment Property
Rachael's Dowry
637 Washington Boulevard
City of Baltimore, MD

Dear Lauren,

In response to your request, we have prepared an Appraisal Report appraisal on the above described property located in the city of Baltimore, MD. We have personally made an inspection of the property for the purpose of estimating the requested market value, as defined in this report, of the fee simple interest in the property, as of the date of the inspection. The effective date of this appraisal is March 31, 2023.

The subject of this valuation involves a site containing an area of .1418 acres and is improved with a six-unit bed and breakfast operation and long term apartment structure containing a gross building area of 8,000 s.f. A complete description of the site and improvements have been presented in the report. The accompanying report details our market value estimate assuming an arm's length sale with typical market financing. Through an analysis of the pertinent market factors, we estimated the exposure/marketing time of the property "As Is" at six (6) months or less months.

Reference is made to the accompanying report, including exhibits and addenda which describe the approaches to value and the conclusions derived by application of those approaches. This letter of transmittal does not constitute an appraisal of the property. Please note the assumptions and limiting conditions contained herein. This report has been prepared in a narrative format according to the requirements of FIRREA and USPAP as well as those of the Oakmont Commercial, LLC.

Based on our investigation and analysis of the data gathered with respect to this assignment, we have estimated the following market value of the fee simple interest in the subject property as of March 31, 2023:

MARKET VALUE "AS IS" - FEE SIMPLE INTEREST
RACHAEL'S DOWRY BED AND BREAKFAST⁽¹⁾

ONE MILLION THREE-HUNDRED SEVENTY THOUSAND DOLLARS
(\$1,370,000)

1) Reflects the Market Value of the property in its present condition and state of utility.

ALLOCATION OF FURNITURE, FIXTURES AND EQUIPMENT

The value of the property includes an allocation of value to the real estate component of the operation as well as to the Furniture Fixtures and Equipment. The value of the later has been estimated at \$8,000 per room and long term apartment. The table below summarizes our allocation of those value components.

| Value Component Allocations | |
|------------------------------------|--------------------|
| Real Estate Component | \$1,322,000 |
| Value of FF and E | \$48,000 |
| Total Property Value | \$1,370,000 |

CONDITIONS OF THE APPRAISAL

All site and building information and data provided by Oakmont Commercial, LLC and the client are assumed to be current and correct. Should it be found that the data is not accurate, there is the likelihood that revisions to the appraisal analysis will be needed. Cornerstone Appraisal Group, Inc. last inspected the subject on March 31, 2023. The inspection included a tour of the site and improvements. The valuation contained herein is effective as of that date only.

The appraiser's valuation analysis assumes that the Property encompasses a total area of .1418 acres with a gross building area of 8,000 square feet. The site and building areas were verified based on a review of site and building plans provided to the appraiser and our field inspection of the premises. However, if it is established that the subject property's site or floor area differs from that which is stated above, then the value estimate herein may require adjustment.

No soil tests were supplied with this assignment and none have been undertaken by the appraiser. Cornerstone Appraisal Group, Inc. assumes subsoil conditions are adequate to support the existing improvements as there is no visual evidence to the contrary. The value estimate, therefore, assumes that the property is in compliance with all Community, State and Federal laws governing hazardous waste. If it is later determined that the site is contaminated, the value estimates may require adjustment.

Hypothetical Conditions - None cited for Valuation Purposes

Extraordinary Assumptions - None cited for Valuation Purposes.

The Appraisal Report is presented in a Narrative Format intended to comply with the reporting requirements set forth under the Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice and the requirements set forth in Title XI of the Federal Financial Institutions Reform, Recovery and Enforcement Act of 1989. As such, this report contains reasonably detailed descriptions of the necessary supporting documentation and discussions needed to identify and describe the real estate being appraised, as well as a sufficiently detailed description of the physical and economic characteristics of the real property.

The sources of information developed and bases of the estimates and assumptions are stated in the body of this report. Some assumptions will not materialize and unanticipated events and circumstances may occur.

Therefore, actual results achieved could vary from those described in the report. We have no responsibility for events and circumstances occurring after the date of our report.

Cornerstone Appraisal Group, Inc. has enjoyed the opportunity to conduct this important valuation assignment. If you have any questions regarding this appraisal report, please do not hesitate to contact us.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffrey H. Merrick". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent.

Jeffrey H. Merrick, MAI

President - Cornerstone Appraisal Group, Inc.
State Certified General Real Property Appraiser

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PROPERTY

| | |
|----------------------------|--|
| Location | A Six Unit Bed and Breakfast and Long Term Apartment Property 637 Washington Boulevard East of Martin Luther King Boulevard city of Baltimore, MD |
| Type | Multiple User Hospitality and Apartment Property |
| Type of Appraisal Document | Narrative Format Real Estate Appraisal Report. |

PROPERTY DESCRIPTION

| | |
|----------------------|--|
| Improvements: | The subject is a three level colonial style structure constructed in the 18 th Century totaling to a gross building area of 8,000 square feet. The interior design is quite varied and features six (6) bed and breakfast unit rooms, a long term efficiency unit as well as a separate loft style apartment. |
| Site | The subject site contains an area of approximately .1418 acres (6,175 s.f.) consisting of a single parcel of land. The property has an average degree of visibility and accessibility and is an interior site. |
| Occupancy | Occupied by several tenants as described herein. |
| Flood Plain Location | See Comments Within Body of Appraisal Report. The property is positioned within Zone X on Map 2400870018G, dated June 2021. |
| Titled Ownership | 637 Washington Boulevard, LLC |
| Tax ID Number | Ward 22, Section 5, Block 686, Lot 32 |
| Underlying Zoning | R-9 (Single Family Semi Detached Housing) |

APPRAISAL ASSIGNMENT

| | |
|---------|---|
| Purpose | The purpose of this appraisal is to estimate the "As Is" value of the property. |
|---------|---|

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

| | |
|-----------------------------|---|
| Use | The function of this appraisal is to assist the client for asset valuation and mortgage financing purposes. |
| Intended User | Oakmont Commercial, LLC and other authorized users through prior agreement. |
| Interest Appraised | Fee Simple Interest |
| Date of Valuation As Is | March 31, 2023 |
| Marketing and Exposure Time | Approximately 6 months or less |
| Highest and Best Use | Continuation of the present use(s) |
| Estimated Value | \$1,370,000 (Including FF and E) |

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

IDENTIFICATION, OWNERSHIP AND PROPERTY HISTORY

The subject of this appraisal comprises an existing Bed and Breakfast property with two short/long term apartment living units. The real estate is identified in the following table along with the pertinent property history.

| | | |
|--|---|--|
| Property Identification and History | Property Name/Type | Rachel's Dowry Bed and Breakfast |
| | Property Location | 637 Washington Blvd. Ridgely's Delight neighborhood City of Baltimore, MD |
| | General Use/Occupancy Zoning | R-9 - General Residence District - Apartment-Hotels / Rooming- Houses |
| | Ownership Entity | 637 Washington Boulevard, LLC |
| | Tax Parcel Number(s) | Ward-22 Sec-05 Block-0686 Lot-032 |
| | Total Floor Area | 8000 sq. ft. |
| | Property Sale History | |
| | Grantor | Not Applicable |
| | Grantee | Not Applicable |
| | Sale Date | Not Applicable |
| | Consideration | Not Applicable |
| | Deed Reference | Not Applicable |
| | Comments | Not Applicable |

Source: City of Baltimore, MD Assessment Dept.

The property has not transferred within the three (3) years preceding the valuation date. We found no instances of the property being offered for sale including a review of brokerage web sites and online portals including CoStar and Loop Net. We found no instances of the property being offered for sale including a review of brokerage web sites and online portals including CoStar and Loop Net

DATE OF VALUE, AUTHORIZATION AND INSPECTION

Authorization for the preparation of this report was from Lauren Keeney of Oakmont Commercial. The subject site was last inspected by Jeffrey H. Merrick, MAI on March 31, 2023. At the time of inspection, the appraiser toured the site and made general notes regarding the property. This date serves as the effective date of valuation. Information pertaining to the assignment was also obtained from a representative of the current ownership entity during the property tour.

SCOPE OF WORK

As defined within the Uniform Standards of Professional Appraisal Practice (USPAP 2020/21 Edition,

Effective January 1, 2020), The "Scope of Work Rule" states: "For each appraisal, appraisal review and appraisal consulting assignment, an appraiser must:

- 1) "Identify the problem to be solved;
- 2) Determine and perform the scope of work necessary to develop credible assignment results; and
- 3) Disclose the scope of work in the report."

The client has requested that the appraiser develop and prepare a "Real Estate Appraisal Report" that is in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the supplemental standards as cited in the letter of engagement as exhibited in addenda. This appraisal has been prepared in a narrative format in conformance with the applicable standards. The final value opinion contained within this appraisal is subject to the Assumptions, Limiting Conditions and Certificate, as previously cited.

A Real Estate Appraisal Report is defined within the Uniform Standards of Professional Appraisal Practice (USPAP 2020/21 Edition, Effective January 1, 2020), as presented below:

A written report prepared under Standards Rule 2-2, 8-2 or 10-2.

This Appraisal Report, presents summaries of the data, reasoning, and analysis that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analysis is retained in the appraiser's work file. The depth of discussion contained within this report is specific to the needs of the client or the intended users of this document. The appraiser is not responsible for unauthorized use of this appraisal report.

The nature of this assignment requires an unbiased opinion of market value for the fee simple estate in identified real property. The process leading to the final value opinions includes a review of governmental, social, physical, and economic factors impacting the subject property as of the effective date of valuation. A careful study of the surrounding regional and local real estate markets were made. The appraiser physically inspected the subject property and all comparable sales; researched governmental controls such as zoning, land development regulations, other use restrictions, the availability of utilities, real estate assessments and taxes, and has forecasted the effect of these factors on the value and marketability of the identified real property. The appraiser has also considered additional factors such as market trends for Bed and Breakfast properties in the Mid Atlantic Region as well as the availability of mortgage financing.

Competitive market data is sought for many factors in the development of any value opinion. The data typically includes; reproduction cost estimates for physical improvements, sales and offerings of parcels of vacant land and improved property similar or competitive to the subject, rentals of similar or competitive properties and their operating expenses if available, current rates of return on similar or competitive real estate investments, and market demand and general economic conditions as of the date of valuation.

The process of data collection used in developing the appraiser's conclusions and final value opinions involved obtaining information from real estate professionals, public officials, grantors and grantees, public records and data from the appraiser's internal files. This information was augmented by the appraiser's personal knowledge of the subject's market and knowledge of active real estate transactions.

The first step in the valuation process is to determine and identify the highest and best use of the real property as of the effective date of valuation. The second step is the development of the applicable methods or approaches to solve the question(s) sought in the appraisal assignment. "Market Value" is typically arrived at by the traditional three (3) methods of valuation: Cost, Sales Comparison, and Income Capitalization Approaches.

The Cost Approach is predicated on the concept that the total value of improved property is equivalent to the market value of the land plus the cost of the improvements, less depreciation from physical, functional and external deficiencies.

The Sales Comparison Approach is predicated on comparable sales data which tends to reflect what willing and knowledgeable, but uncoerced, seller and buyer would agree upon as the price at which a property should exchange.

The Income Capitalization Approach is predicated on the foundations that value is based on the net income the property is capable of producing and which derives an estimate of present worth from the capitalization of such net income.

With respect to the valuation question sought in this assignment, all three (3) approaches were considered. However, the Sales Comparison and Income Approaches were viewed for being the most applicable to the valuation at hand.

The final step in the valuation process is the reconciliation of data analyzed and the value(s) developed by the applicable approaches into a final opinion of value for the fee simple estate in the identified real property. A thorough review of the entire valuation process precedes the development of a final reconciled value indication. Reconciliation is the part of the valuation process in which the appraiser most directly draws on his or her experience, expertise and professional judgment to resolve any differences between the market data analyzed. The conclusions drawn in the reconciliation are based on the appropriateness, accuracy, quantity and quality of the available data and other evidence set forth in the appraisal process.

DEFINITION OF MARKET VALUE

The value being sought in this appraisal consists, in part, of the Market Value of the property. The current definition of Market Value accepted by agencies that regulate financial institutions in the United States is as follows¹;

¹ Office of the Comptroller of Currency (OCC), 12 CFR Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute 2010), 122-123. This definition is also compatible with RTC, FDIC, FRS and NCUA definitions of Market Value as well as the updated Inter-Agency Appraisal and Evaluation
File 23-2605 ***5*** ***Cornerstone Appraisal Group, Inc.***

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

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, knowledgeably and assuming that the price is not affected by undue stimulus. 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;

- *Buyer and seller are typically motivated.*
- *Buyer and seller are well informed or well advised and acting in what they believe to be their own best interest.*
- *A reasonable time is allowed for exposure in the open market.*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.*
- *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.*

INTENDED USE OF THE APPRAISAL REPORT

The function of this appraisal is to estimate the following:

- *The Market Value of the property "As Is" for mortgage financing and related functions.*

The use of this appraisal is to render guidance to the client for asset evaluation and internal planning purposes. The judgments and conclusions which form the basis of our valuation may not necessarily pertain to other functions which require estimates of market value for the subject property. The final value estimate contained within this report applies as of our valuation date, March 31, 2023. Completion of the report was on April 10, 2023.

INTENDED USERS OF THE APPRAISAL REPORT

Intended users rely on the report for a variety of reasons. A definition of Intended User(s) is as follows².

Guidelines of 2010.

²The Appraisal of Real Estate, Appraisal Institute, 13th Edition (Chicago: Appraisal Institute, 2008), 132
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The intended user is the person, or entity, who the appraiser intends will use the results of the appraisal. A client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.

The intended user of this Appraisal includes the Quaint Oak Bank. This Appraisal was also developed consistent with the scope specified by the Uniform Standards of Professional Appraisal Practice (USPAP).

PROPERTY RIGHTS APPRAISED

The scope of this valuation assignment also dictates that the property rights being appraised comprise a "fee simple interest" in the land and improvements as described herein. A "fee simple interest" is defined in the Dictionary of Real Estate Appraisal, third edition, published by the Appraisal Institute, as follows.

"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."

The "fee simple estate" is subject to taxation, normal right-of-ways granted to governmental agencies and public utility companies for the placement and maintenance of utility distribution and drainage systems, and other easements and agreements of record.

DISCLOSURE OF COMPETENCY

The appraisal standards promulgated by the Appraisal Standards Board of The Appraisal Foundation contain binding requirements and specific guidelines that deal with the procedures to be followed in developing an appraisal, analysis or opinion. The Uniform Standards of Professional Appraisal Practice (USPAP) requires the appraiser to communicate his or her analysis, opinions and conclusions in a manner that will be meaningful and not misleading in the marketplace. The appraiser is required to observe the highest standards of professional ethics which includes conduct, management, confidentiality and record keeping. In addition, the appraiser is required to properly identify the appraisal question or problem, have the knowledge and experience to complete the assignment competently, or disclose the lack of knowledge and/or experience to the client before accepting the assignment. The appraiser may however, retain the assistance of others who possess the required knowledge and/or experience, provided disclosure of such is made to the client. The appraiser acknowledges that he understands the ethics and competency provisions set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), and certifies that he has the necessary experience and knowledge needed to complete the assignment at hand. No steps were required of the appraiser to satisfy the Competency Provision.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following assumptions and limiting conditions:

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be marketable unless otherwise stated.
- The property is appraised free and clear of any or all liens or encumbrances unless other stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. No warranty, however, is given for its accuracy.
- All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
- It is assumed that there were no hidden or unapparent conditions on the property, such as the subsoil, or structures that may render it more or less valuable. No responsibility is assumed for such conditions or for arranging engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless a noncompliance is stated, defined and considered in the appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined and considered in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consent, or other legislative or administrative authority from any local, state or national government or private entity or organization has been, or can be obtained or renewed, for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements are within the stated boundaries and that there is no encroachments or trespass on the property unless noted in the report.
- The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated valuation parameters. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are rendered invalid if so used.
- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

written consent of the appraiser, and in any event only with proper written qualification and only its entirety.

- The appraiser herein by reason of this appraisal is not required to give further consultation, testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) will be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent or approval of the appraiser.
- Unless otherwise stated in this report, the existence of potentially hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, was not called to the attention, nor did the appraiser become aware of such conditions during his or her inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, which may affect the value of the property. The value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
- This appraisal and analysis are of real property only. No consideration was given to the present worth of any business or enterprise, and/or any personal property and/or inventories that are or may be related to the businesses located on the subject property.
- This appraisal and analysis assume that no waste dumping of disposal activities has occurred upon the subject property; that there are no underground storage tanks situated on the subject property; and no activities have occurred or conditions been maintained on adjacent lands which have resulted in the contamination of the surface water, ground water or soils at the subject property.
- This appraisal and analysis assume that no ruins, artifacts or items of historical or archaeological significance have been discovered or exist on the subject property.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of the subject property to determine whether or not it is in conformity with the various detailed requirements of the ADA. 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 this act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence

relating to this issue, he did not consider a possible noncompliance with the requirements of ADA in estimating the value of the property.

- Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing assumptions and limiting conditions along with any other assumptions and/or conditions recited within the body of the report.

EXTRAORDINARY ASSUMPTIONS

An Extraordinary Assumption is defined as “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.”³

Extraordinary Assumption - No Extraordinary Assumptions cited for the purposes of this Appraisal Report.

HYPOTHETICAL CONDITIONS

A Hypothetical Condition is defined as “that which is contrary to what exists but is supposed for the purposes of the 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 the analysis.”⁴

Hypothetical Conditions - No Hypothetical Conditions cited for the purposes of this Appraisal Report.

³ The Dictionary of Real Estate Appraisal, 5th Edition(Chicago: Appraisal Institute, 2010), 73.

⁴ Dictionary of Real Estate Appraisal, 97.

DATE OF VALUE

The subject property was last inspected on March 31, 2023. This date serves as the effective date of value. Information regarding the property was obtained from a person representing the ownership entity.

MARKETING PERIOD/EXPOSURE TIME

A normal marketing period is the amount of time necessary to expose a property to the open market in order to achieve a sale. Implicit in this definition are the following characteristics:

- * The property will be actively exposed and aggressively marketed to potential purchasers through the appropriate channels commonly used by buyers and sellers of similar properties.
- * The property will be offered at a price reflecting the most probable markup over market value used for opening negotiation by sellers of similar properties.
- * A sale will consummate under terms and conditions of the definition of market value.

A reasonable marketing period is generally considered to be the time (number of months or years) from the date the property was listed to the date a contract for sale is signed. It is the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.

Despite a current drop in occupancy levels and property values, conditions in the mid Atlantic region Bed and Breakfast property market appears to be relatively stable with competitive return levels. Within the subject's market, occupancy levels appear to be stable as are the current market rents although some areas of the market have been impacted by the regional and national downturn. As such and in light of local market conditions as of the date of value, an appropriate marketing period for the subject should be in the range of six (6) months to achieve a sale at the appraised value. This estimate is based on opinions of brokers in the local market and the sales histories of the comparables used in the analysis.

The market value estimate given in this report corresponds to a nominal, contract, sales price; as if agreement of sale had occurred on the date of value. It does not take into account carrying costs (e.g., real estate taxes, utilities, maintenance, etc.) or settlement costs associated with marketing the subject property or potential offsetting income to the seller during the marketing period.

Exposure time is 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."⁵ Based on the information discussed earlier, we conclude that exposure time for the subject is likely to be in the range of six (6) months.

⁵ According to the Dictionary of Real Estate Appraisal, Appraisal Institute(1993)
File 23-2605

MOST PROBABLE TYPE OF BUYER

The conclusion of the most probable type of buyer for the property, in this market, has been based upon the following factors:

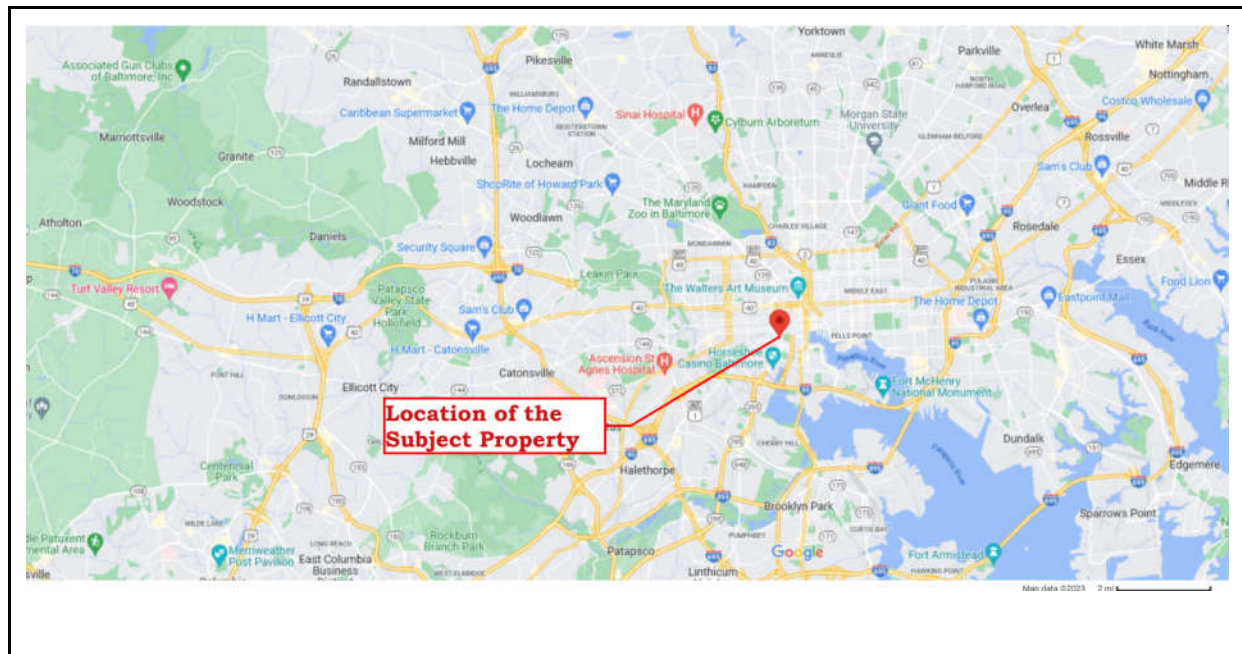
- * Confirmation of the improved sales used in this appraisal report.
- * Conversations with brokers, appraisers, and other real estate professionals.
- * Analysis of the region, district, and subject neighborhood.

Based on the size of the property and its orientation, the most probable type of buyer for the subject is an investor in Bed and Breakfast Properties within the Mid Atlantic Region. This view is further supported by marketing trends which indicate acquisition programs by similar companies/partnerships and by the grantees listed in the improved sales in this report.

REGIONAL AND LOCAL AREA OVERVIEW

GENERAL DEMOGRAPHICS AND LOCATION

The subject property is positioned in the city of Baltimore east within the downtown area. The following paragraphs and sections discuss the nature of the greater market area through the use of narrative and exhibits. The regional location of the subject property is indicated in the following map.



The immediate area of the subject is one component of the Baltimore MSA which serves as a cohesive economic unit. The data in the following tables illustrates pertinent economic and demographic aspects of this significant East Coast metro area⁶.

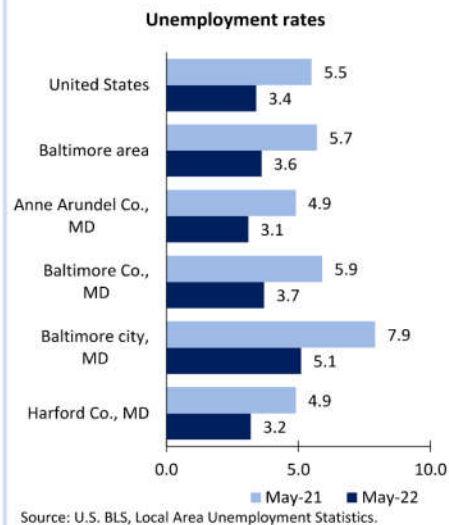
⁶ Mid Atlantic Information Office, Bureau of Labor Statistics information Philadelphia, Mid Atlantic Region.
File 23-2605

Baltimore area Economic Summary

Updated July 06, 2022

This summary presents a sampling of economic information for the area; supplemental data are provided for regions and the nation. Subjects include **unemployment, employment, wages, prices, spending, and benefits**. All data are not seasonally adjusted and some may be subject to revision. Area definitions may differ by subject. For more area summaries and geographic definitions, see www.bls.gov/regions/economic-summaries.htm.

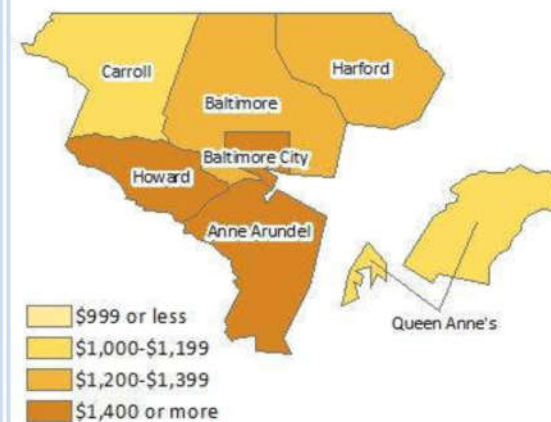
Unemployment rates for the nation and selected areas



Average weekly wages for all industries by county

Baltimore area, fourth quarter 2021

(U.S. = \$1,418; Area = \$1,490)



Source: U.S. BLS, Quarterly Census of Employment and Wages.

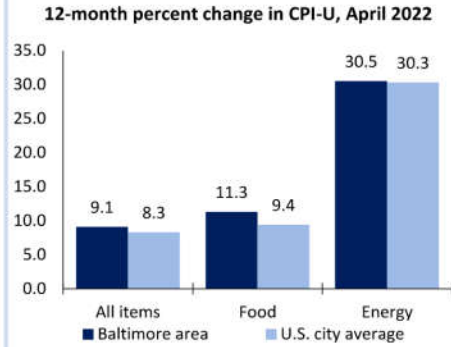
Over-the-year changes in employment on nonfarm payrolls and employment by major industry sector



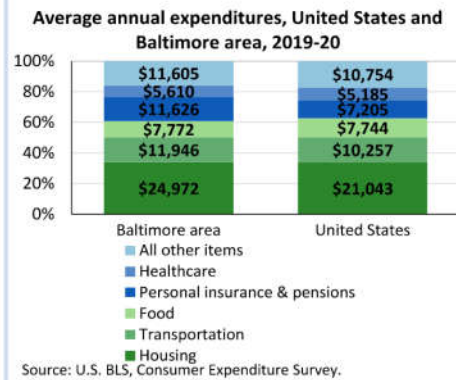
| Baltimore area employment (number in thousands) | May 2022 | Change from May 2021 to May 2022 | |
|--|----------|----------------------------------|---------|
| | | Number | Percent |
| Total nonfarm | 1,415.8 | 52.8 | 3.9 |
| Mining, logging, and construction | 82.1 | 1.9 | 2.4 |
| Manufacturing | 61.6 | 3.5 | 6.0 |
| Trade, transportation, and utilities | 257.2 | 14.4 | 5.9 |
| Information | 16.8 | 0.3 | 1.8 |
| Financial activities | 76.5 | -0.8 | -1.0 |
| Professional and business services | 250.7 | 8.1 | 3.3 |
| Education and health services | 262.0 | 0.3 | 0.1 |
| Leisure and hospitality | 132.2 | 20.7 | 18.6 |
| Other services | 48.5 | 1.8 | 3.9 |
| Government | 228.2 | 2.6 | 1.2 |

Source: U.S. BLS, Current Employment Statistics.

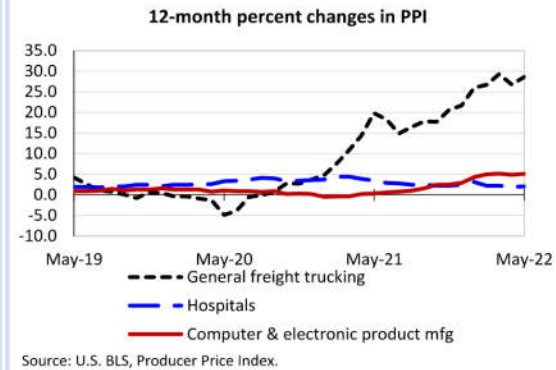
Over-the-year change in the prices paid by urban consumers for selected categories



Average annual spending and percent distribution for selected categories



Over-the-year changes in the selling prices received by producers for selected industries nationwide



Average hourly wages for selected occupations

| Occupation | Baltimore area | United States |
|----------------------------|----------------|---------------|
| All occupations | \$31.01 | \$28.01 |
| Lawyers | 67.14 | 71.17 |
| Management analysts | 52.40 | 48.33 |
| Accountants and auditors | 39.78 | 40.37 |
| Electricians | 29.10 | 30.44 |
| Billing and posting clerks | 20.84 | 20.55 |
| Retail salespersons | 15.10 | 15.35 |

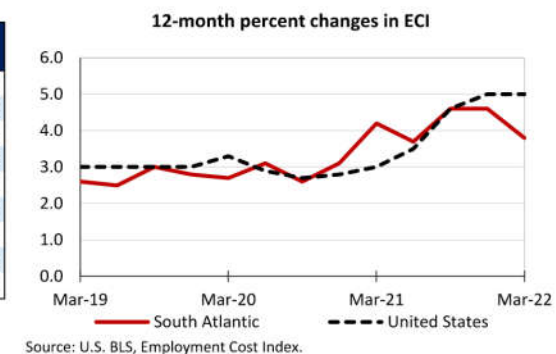
Source: U.S. BLS, Occupational Employment and Wage Statistics, May 2021.

Employer costs per hour worked for wages and selected employee benefits by geographic division

| Private industry, March 2022 | South Atlantic | United States |
|------------------------------|----------------|---------------|
| Total compensation | \$35.26 | \$38.61 |
| Wages and salaries | 25.50 | 27.19 |
| Total benefits | 9.76 | 11.42 |
| Paid leave | 2.63 | 2.88 |
| Vacation | 1.34 | 1.47 |
| Supplemental pay | 1.10 | 1.37 |
| Insurance | 2.34 | 2.93 |
| Retirement and savings | 1.05 | 1.33 |
| Legally required benefits | 2.64 | 2.91 |

(1) The states that compose the South Atlantic census division are: DE, DC, FL, GA, MD, NC, SC, VA, and WV.
Source: U.S. BLS, Employer Costs for Employee Compensation.

Over-the-year changes in wages and salaries



Mid-Atlantic Information Office • BLSinfoPhiladelphia@bls.gov • <https://www.bls.gov/regions/mid-atlantic> • 215-597-3282



Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

For Baltimore, MD, a summary of the area's recent economic and demographic profile is positioned on the next several pages⁷.

⁷ ***Brief Economic Facts - Anne Arundel County Second Quarter 2019***, Maryland Department of Commerce, World Trade Center, 401 East Pratt Street, Baltimore, MD 21202.

Brief Economic Facts

BALTIMORE CITY, MARYLAND

Baltimore is centrally located in the Mid-Atlantic region with easy access via highways, port, rail and air travel, which makes the city highly attractive to both residents and businesses. Baltimore has six key industry sectors that present further growth opportunities – financial and professional services, health and bioscience technology, culture and tourism, information and creative services, logistics, and advanced manufacturing.

Approximately 2.8 million people live in Baltimore and its surrounding region. Major businesses located in the city include Under Armour, Pandora Americas, Legg Mason, Exelon and Morgan Stanley. The City's private sector industries generate \$36.7 billion in economic output.

More than 60 federal agencies and research labs are within 30 miles, bringing substantial federal spending and jobs to the city. Johns Hopkins University and Hospital is the largest recipient of federal academic research dollars. The City has two state-of-the-art biotechnology parks, as well as numerous other



business and industrial parks. Baltimore is home to 12 colleges and universities, providing an abundance of intellectual and workforce talent.

The Port of Baltimore and Foreign-Trade Zone #74 (FTZ) are also significant economic engines for the region. The Port of Baltimore is the number one roll-on/roll-off port in the U.S., and FTZ #74 is a non-contiguous duty free area with more than 1,200 acres. These assets provide great benefits for conducting business globally.

LOCATION

| Driving distance from Baltimore: | Miles | Kilometers |
|----------------------------------|-------|------------|
| Atlanta, Georgia | 658 | 1,059 |
| Boston, Massachusetts | 397 | 639 |
| Chicago, Illinois | 688 | 1,108 |
| New York, New York | 186 | 299 |
| Philadelphia, Pennsylvania | 97 | 156 |
| Pittsburgh, Pennsylvania | 225 | 362 |
| Richmond, Virginia | 144 | 232 |
| Washington, DC | 39 | 63 |

CLIMATE AND GEOGRAPHY¹

| | |
|-------------------------------|------------------|
| Yearly Precipitation (inches) | 41.7 |
| Yearly Snowfall (inches) | 20.2 |
| Summer Temperature (°F) | 77.5 |
| Winter Temperature (°F) | 37.8 |
| Days Below Freezing | 66.2 |
| Land Area (square miles) | 80.3 |
| Water Area (square miles) | 11.7 |
| Shoreline (miles) | 61 |
| Elevation (feet) | sea level to 480 |

POPULATION^{2,3}

| | Baltimore City Households | Baltimore City Population | Baltimore Metro ² | Maryland |
|--------|---------------------------|---------------------------|------------------------------|-----------|
| 2000 | 257,996 | 651,154 | 2,552,994 | 5,296,486 |
| 2010 | 249,903 | 620,961 | 2,710,489 | 5,773,552 |
| 2020** | 254,259 | 616,300 | 2,851,100 | 6,141,900 |

²Baltimore City, Anne Arundel, Baltimore, Carroll, Harford, Howard and Queen Anne's counties

³Projections

POPULATION DISTRIBUTION^{2,3} (2018)

| Age | Number | Percent |
|-------------|---------|------------|
| Under 5 | 37,992 | 6.3 |
| 5 - 19 | 101,677 | 16.9 |
| 20 - 44 | 231,882 | 38.5 |
| 45 - 64 | 146,557 | 24.3 |
| 65 and over | 84,387 | 14.0 |
| Total | 602,495 | 100.0 |
| Median age | | 35.6 years |



888-246-6736 | [Open.Maryland.gov](https://open.maryland.gov)

2019.2

Brief Economic Facts BALTIMORE CITY, MARYLAND

LABOR AVAILABILITY^{3,4,5} (BY PLACE OF RESIDENCE)

| Civilian Labor Force (2018 avg.) | Labor Mkt. | |
|--|-------------------|------------------|
| | City | Area* |
| Total civilian labor force | 289,758 | 1,233,616 |
| Employment | 273,304 | 1,183,088 |
| Unemployment | 16,454 | 50,528 |
| Unemployment rate | 5.7% | 4.1% |
| Residents commuting outside the city to work (2013-2017) | Number 104,631 | Percent 38.3% |
| Employment in selected occupations (2013-2017) | | |
| Management, business, science and arts | 117,106 | 42.1% |
| Service | 57,638 | 20.7% |
| Sales and office | 60,717 | 21.8% |
| Production, transp. and material moving | 27,679 | 10.0% |

* Baltimore City and Anne Arundel, Baltimore and Howard counties

MAJOR EMPLOYERS^{6,7} (2018-2019)

| Employer | Product/Service | Employment |
|---|-------------------------|------------|
| Johns Hopkins Hospital & Health System* | Medical services | 20,485 |
| Johns Hopkins University | Higher education | 18,600 |
| University of Maryland Medical System* | Medical services | 11,450 |
| Univ. System of Maryland** | Higher education | 8,965 |
| MedStar Health* | Medical services | 6,175 |
| LifeBridge Health* | Medical services | 5,315 |
| Amazon.com | Fulfillment center | 4,500 |
| Mercy Health Services | Medical services | 4,030 |
| St. Agnes HealthCare | Medical services | 3,265 |
| Exelon | Energy products, svcs. | 2,950 |
| Kennedy Krieger Institute | Health services | 2,600 |
| Maryland Inst. College of Art | Higher education | 2,140 |
| Veterans Health Admin.*+ | Medical services | 2,060 |
| FutureCare | Nursing care | 1,710 |
| Morgan State University | Higher education | 1,700 |
| U.S. Social Security Admin.+ | Income security prog. | 1,600 |
| H&S Bakery | Commercial food prods. | 1,575 |
| Under Armour | HQ / athletic apparel | 1,575 |
| Broadway Services | Support services mgmt. | 1,540 |
| Horseshoe Casino | Casino gaming | 1,360 |
| Loyola University Maryland | Higher education | 1,360 |
| T. Rowe Price Group | HQ / financial services | 1,300 |

Excludes post offices, state and local governments, national retail and national foodservice; includes higher education

* Includes multiple facilities

** Includes UMB, UB and Coppin State University

+ Employee counts for federal and military facilities exclude contractors to the extent possible; embedded contractors may be included

EMPLOYMENT¹ (2018, BY PLACE OF WORK)

| Industry | Estab- lishments | Annual Avg. Empl. | Emp. % | Avg. Wkly. Wage |
|-------------------------------------|---------------------|----------------------|-----------|--------------------|
| Federal government | 78 | 10,595 | 3.1 | \$1,678 |
| State government | 123 | 34,198 | 9.9 | 1,254 |
| Local government | 220 | 23,883 | 6.9 | 1,225 |
| Private sector | 13,275 | 275,293 | 80.0 | 1,253 |
| Natl. resources and mining | 4 | 8 | 0.0 | 639 |
| Construction | 762 | 11,068 | 3.2 | 1,314 |
| Manufacturing | 430 | 10,806 | 3.1 | 1,176 |
| Trade, transportation and utilities | 2,772 | 41,374 | 12.0 | 1,055 |
| Information | 206 | 4,234 | 1.2 | 1,799 |
| Financial activities | 1,275 | 16,267 | 4.7 | 2,928 |
| Professional and business services | 2,660 | 47,510 | 13.8 | 1,284 |
| Education and health services | 1,773 | 103,829 | 30.2 | 1,267 |
| Leisure and hospitality | 1,753 | 29,547 | 8.6 | 595 |
| Other services | 1,633 | 10,647 | 3.1 | 815 |
| Total | 13,969 | 343,970 | 100.0 | 1,264 |

Includes civilian employment only

HOURLY WAGE RATES¹ (2018)

| Selected Occupations | Median | Entry | Experienced |
|--|---------|---------|-------------|
| Accountants | \$33.42 | \$24.02 | \$42.43 |
| Biological technicians | 20.13 | 15.86 | 24.82 |
| Bookkeeping/accounting clerks | 21.58 | 16.28 | 24.85 |
| Computer systems analysts | 43.14 | 29.77 | 51.42 |
| Customer service representatives | 17.46 | 12.86 | 20.93 |
| Electrical engineers | 55.08 | 32.98 | 70.03 |
| Electronics engineering technicians | 33.58 | 23.26 | 34.88 |
| Freight, stock and material movers, hand | 14.36 | 10.67 | 22.35 |
| Industrial truck operators | 18.07 | 13.89 | 21.31 |
| Inspectors, testers, sorters | 19.76 | 12.27 | 25.58 |
| Maintenance workers, machinery | 22.39 | 14.11 | 25.99 |
| Network administrators | 46.65 | 33.23 | 56.02 |
| Packaging and filling machine operators | 14.47 | 9.84 | 16.13 |
| Packers and packagers, hand | 13.02 | 11.03 | 14.39 |
| Secretaries | 19.64 | 14.42 | 22.57 |
| Shipping/receiving clerks | 16.35 | 12.38 | 19.90 |
| Stock clerks and order fillers | 11.41 | 10.24 | 14.61 |
| Team assemblers | 13.68 | 11.29 | 16.20 |

Wages are an estimate of what workers might expect to receive in Baltimore City and may vary by industry, employer and locality

Brief Economic Facts BALTIMORE CITY, MARYLAND

SCHOOLS AND COLLEGES^{1,8}

Educational Attainment - age 25 & over (2013-2017)

| | |
|--------------------------------|-------|
| High school graduate or higher | 84.2% |
| Bachelor's degree or higher | 30.4% |

Public Schools

| |
|---|
| Number: 39 elem.; 64 middle/combined; 20 high; 34 charter |
| Enrollment: 79,297 (Sept. 2018) |
| Cost per pupil: \$15,376 (2017-2018) |
| Students per teacher: 16.1 (Oct. 2018) |
| High school career / tech enrollment: 9,514 (2017) |
| High school graduates: 4,108 (July 2018) |

Nonpublic Schools Number: 125 (Sept. 2018)

| Higher Education (2018) | Enrollment | Degrees |
|-----------------------------------|------------|---------|
| 2-year institution | | |
| Baltimore City Community College | 4,557 | 443 |
| Major 4-year institutions | | |
| Coppin State University | 2,738 | 479 |
| Johns Hopkins University | 26,152 | 8,377 |
| Loyola University Maryland | 5,645 | 1,699 |
| Maryland Institute College of Art | 2,181 | 572 |
| Morgan State University | 7,712 | 1,475 |
| Notre Dame of Maryland University | 2,373 | 613 |
| University of Baltimore | 5,041 | 1,454 |
| University of Maryland, Baltimore | 6,777 | 2,221 |

TAX RATES⁹

| | Baltimore City | Maryland |
|--|----------------|-------------|
| Corporate Income Tax (2019) | none | 8.25% |
| Base – federal taxable income | | |
| Personal Income Tax (2019) | 3.20% | 2.0%-5.75%* |
| Base – federal adjusted gross income | | |
| *Graduated rate peaking at 5.75% on taxable income over \$300,000 | | |
| Sales & Use Tax (2019) | none | 6.0% |
| Exempt – sales for resale; manufacturer's purchase of raw materials; manufacturing machinery and equipment; purchases of materials and equipment used in R&D and testing of finished products; purchases of computer programs for reproduction or incorporation into another computer program for resale | | |
| Real Property Tax (FY 20) | \$2.248 | \$0.112 |
| Effective rate per \$100 of assessed value | | |
| In addition to this rate, there are some miscellaneous taxes and/or special taxing areas in the city | | |
| Business Personal Property Tax (FY 20) | \$5.62 | none |
| Rate per \$100 of depreciated value | | |
| Exempt – manufacturing and R&D machinery, equipment, materials and supplies; manufacturing, R&D and warehousing inventory | | |
| Major Tax Credits Available | | |
| One Maryland, Enterprise Zone (including Focus Area), Job Creation, More Jobs for Marylanders (Tier 1), R&D, Biotechnology and Cybersecurity Investment, Brownfields, Arts & Entertainment District | | |

INCOME³ (2013-2017)

| Distribution | Percent Households | | U.S. |
|-------------------------|--------------------|-----------|-------------|
| | Baltimore City | Maryland | |
| Under \$25,000 | 29.5 | 14.2 | 21.3 |
| \$25,000 - \$49,999 | 23.2 | 17.1 | 22.5 |
| \$50,000 - \$74,999 | 16.8 | 16.5 | 17.7 |
| \$75,000 - \$99,999 | 10.5 | 13.1 | 12.3 |
| \$100,000 - \$149,999 | 10.9 | 18.7 | 14.1 |
| \$150,000 - \$199,999 | 4.5 | 9.7 | 5.8 |
| \$200,000 and over | 4.6 | 10.7 | 6.3 |
| Median household | \$46,641 | \$78,916 | \$57,652 |
| Average household | \$68,623 | \$103,845 | \$81,283 |
| Per capita | \$28,488 | \$39,070 | \$31,177 |
| Total income (millions) | \$16,455 | \$226,495 | \$9,658,475 |

HOUSING^{3,10}

Occupied Units (2013-2017) 239,791 (47.4% owner occupied)

Housing Transactions (2018)*

| | |
|----------------------|-----------|
| Units sold | 8,450 |
| Median selling price | \$139,723 |

*All multiple listed properties; excludes auctions and FSBO

BUSINESS AND INDUSTRIAL PROPERTY⁶

Business and Industrial Parks

| | |
|----------------------------|--------------------------------|
| Cross Roads Business Park | Carroll Camden Industrial Park |
| Hollander 95 Business Park | Chesapeake Commerce Center |
| Seton Business Park | Johns Hopkins Bayview |
| Holabird Business Park | Research Campus |
| Park Circle Business Park | |

Biotechnology Parks

| |
|---|
| Science + Technology Park at Johns Hopkins – 20 acres |
| University of Maryland BioPark – 12 acres |

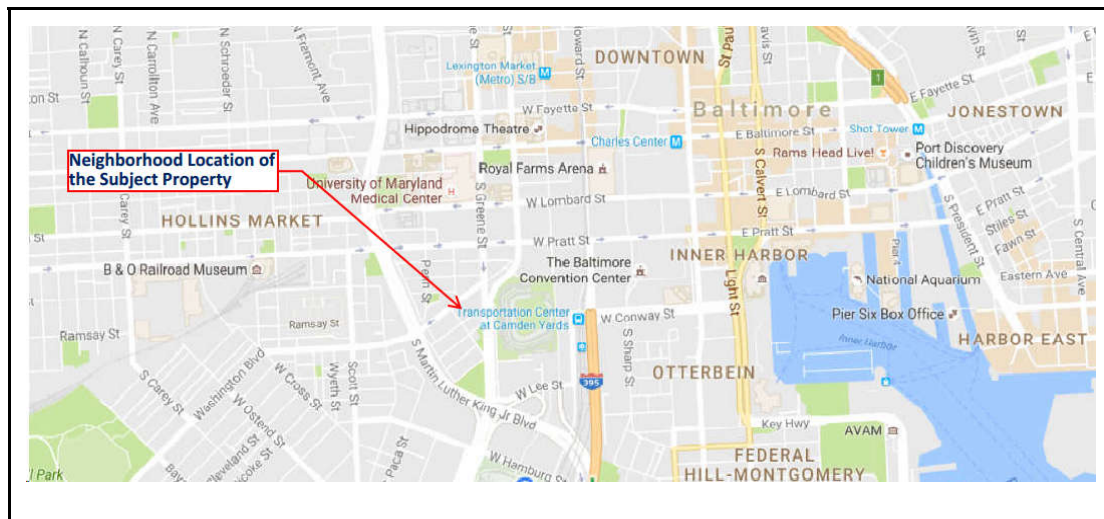
Business Incubators

| | |
|------------------------------|-----------------------|
| Baltimore Food Hub | Maker Spaces |
| Betamore | Baltimore Hackerspace |
| BioInnovation Center | Baltimore Node |
| BMore Kitchen | Open Works |
| Emerging Tech. Centers (ETC) | |
| FastForward | |
| Harbor Launch at IMET | |
| LifeBridge BioIncubator | |

| Market Profile Data (2018) | Low | High | Average |
|---------------------------------------|---------|----------|---------|
| Land – cost per square foot | | | |
| Industrial | \$6.75 | \$200.00 | \$39.73 |
| Office | NA | NA | NA |
| Rental Rates – per square foot | | | |
| Warehouse / Industrial | \$1.01 | \$21.50 | \$6.50 |
| Flex / R&D / Technology | \$1.00 | \$23.00 | \$10.90 |
| Class A Office | \$20.77 | \$26.26 | \$22.83 |

LOCAL AREA OF THE SUBJECT PROPERTY

The subject property is positioned in a very prominent mixed use area peripheral to the downtown area of the city of Baltimore. A series of maps and illustrations have presented which illustrates the positioning of the subject property.



The above map indicates the positioning of the subject property in close proximity to the downtown and Inner Harbor area of Baltimore. The boundaries of the subject's immediate market area are described as follows;

| | |
|-------------------|------------------------------|
| Northern Boundary | East Baltimore Street |
| Southern Boundary | Interstate 95 |
| Eastern Boundary | The Inner Harbor District |
| Western Boundary | Martin Luther King Boulevard |

The development and economic zones within this area provide the most direct competition to the subject property and range of supporting services. The subject certainly benefits from this local area position. The subject is within walking distance of the downtown core, the touristic Inner Harbor area and the two major professional sports venues in the city. The aerial view illustrates the proximity of these locations in comparison to the subject.



The presence of these neighborhood features certainly impacts the orientation, appeal and occupancy characteristics of the subject property.

Access to the property is facilitated via the several feeder and core area transportation routes in the downtown area with their origins near to Interstate 395 and Interstate 83. The property is close to Lombard Street, Pratt Street and Howard Street. Washington Street, past the subject, is a small neighborhood right of way with the Martin Luther King Boulevard within 100 feet of the subject. The overall accessibility features of the subject are considered to be good.

Properties in close proximity to the subject include single family residences, corner commercial properties, a convenience store and personal service establishments. Washington Boulevard in the defined market area is a relatively quite enclave in an otherwise very active transportation and commercial area. Additionally, the subject and this portion of Washington Boulevard are positioned within immediate view of the Orioles Baseball stadium.

CONCLUSION - REGIONAL AND LOCAL AREA OVERVIEW

The city of Baltimore has a widely diversified economic environment and is a competitive area for business and industry. Total employment growth, population and personal income growth are expected to remain stable during the next five years. The costs of living, wage and salary levels, labor supply and building construction costs are reasonable and very competitive with surrounding areas such as Washington, DC, Philadelphia and other MSA's. The area continues to be a good location for commerce and industry with low employment levels and an adequate infrastructure system.

The subject property is located in a well-established mixed residential and commercial use section of the downtown area. The subject, and the immediate area, have a good degree of access to several major transportation routes. Improved land and building prices, as well as rents, are generally at a point within the mid to upper portion of the overall market range. We feel that the nature and characteristics of the immediate neighborhood generally support the existing and continued use of the property as a bed and breakfast type property.

PROPERTY DATA AND ANALYSIS

The subject site is positioned in within a developed and well-established section of the city of Baltimore. The salient features of the site and improvements are described in the following paragraphs. Later, real estate taxes and zoning considerations are presented. This information was taken from a physical inspection of the property, data provided by Oakmont Commercial, LLC and information from the ownership entity. The material is not meant to be exhaustive but a reasonably detailed summary description of the site and the existing improvements.

SITE DESCRIPTION

| | |
|---------------------------------------|---|
| <i>Location:</i> | The subject property is positioned on the south side of Washington Boulevard. It is an interior site. Please refer to the tax map and site plan enclosed which illustrates the physical dimensions of the property and the positioning of the site. |
| <i>Land Area:</i> | The site contains an area of approximately .1418 acres (6,175 square feet) in gross according to the subject's the tax assessment records. The property comprises a single tax parcel. |
| <i>Shape:</i> | The subject site has an elongated but functional shape extending from the aforementioned road frontage. Although somewhat irregular, the shape of the site is adequate for the existing usage and other potential occupancies. |
| <i>Topography/Subsoil:</i> | The topography of a majority of the site is basically level, open and above street grade. We are assuming that the underlying soils are capable of supporting the existing use and any future occupancies. The existing ground cover consists of building footprint, pedestrian access and improved common area. |
| <i>Road Frontage/Access:</i> | The property has approximately 32.5 feet of frontage along Washington Boulevard. A similar amount of frontage exists on the small Eislen Street at the rear of the property. Only pedestrian access is available via from Washington Boulevard. Both pedestrian access and vehicular access are available from Eislen Street. |
| <i>Storm Water Management:</i> | We are assuming that drainage, erosion, sediment control and storm water management are provided in accordance with the Maryland Sediment and Storm Water Regulations and the city of Baltimore Drainage Code. |

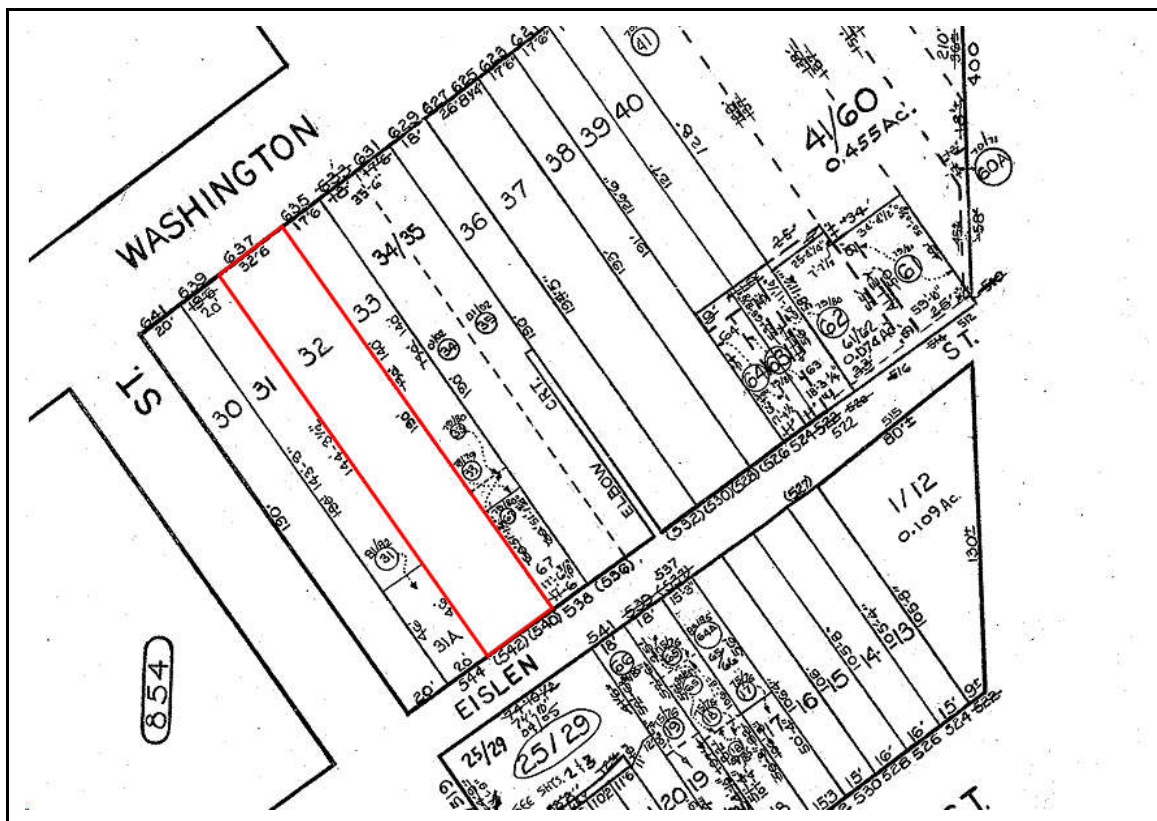
Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

Easements /Encroachments:

Aside from normal utility easements, there appears to be no abnormal easements impacting the subject property. No encroachments on the property were noted from our field inspection.

Utilities:

The property is served by electric, water, public sewerage, and telephone. The capacity and quality of the available utilities appear to be adequate to support the existing improvements. The services are similar to comparable neighborhoods in the area.



Portion of Tax Parcel Map (Subject Property Outlined in Red)

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

Flood Plain/Wetlands:

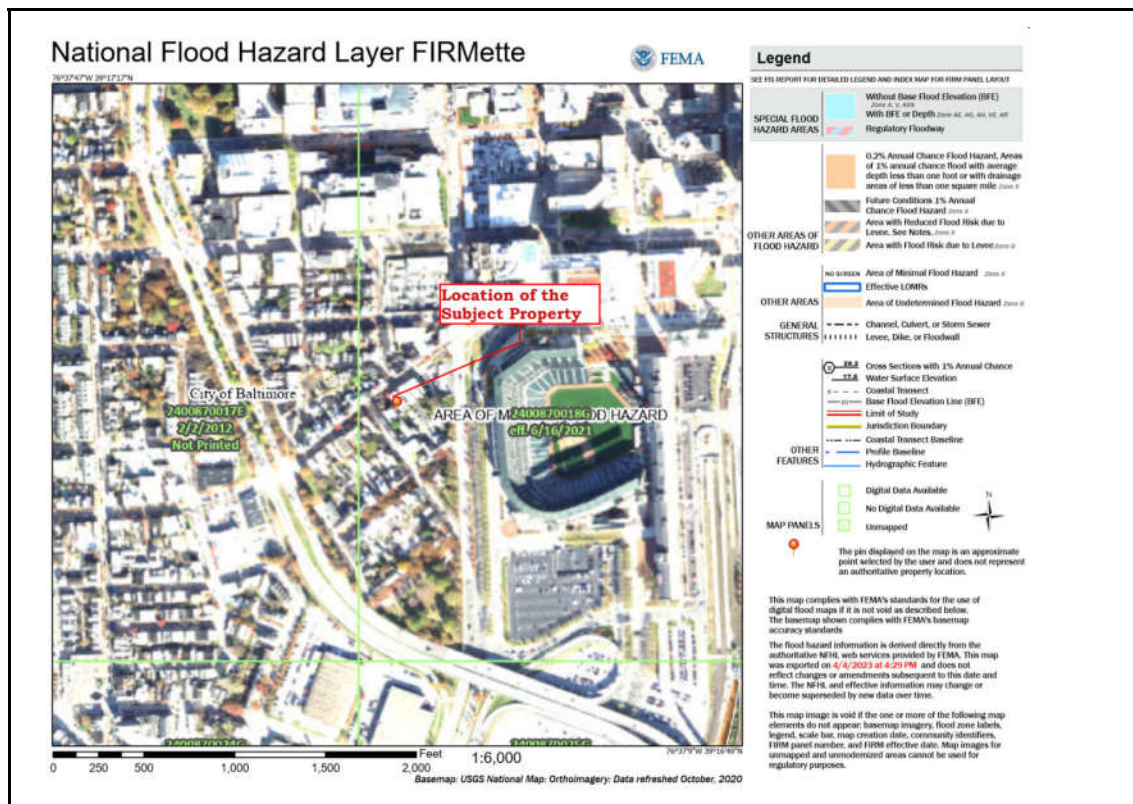
Data from the FEMA Map Service Center indicated that the subject is located within a Zone X and outside of a 100-year flood plain as illustrated on Map 2400870018f, dated June 2021. We have not been provided with a wetlands survey of the property. The valuation assumes that none of these features are present on the property.

Land to Building Ratio:

The above grade gross building area of the property sums to 8,000 square feet. Accordingly, the square footage of existing improvements, in comparison to the land area, results in a land to building ratio of .7718:1. This ratio indicates that the site is fully utilized with regard to potential building area.

Zoning:

The city of Baltimore indicates that the property is zoned under the R-9 classification (Single Family Detached Housing). This category permits a wide range of uses and have different restrictions and building criteria. It appears that the subject property is a legally permissible use. However, all of the physical aspects of the vertical improvements may not be in compliance since their construction predates the adoption of the existing zoning ordinance.



PORTION OF FEMA SERVICE CENTER MAP

IMPROVEMENT ANALYSIS

The following descriptions provide summaries of the improvements on the property.

| | |
|---|---|
| <i>Gross Building Area:</i> | The building contains an estimated GBA of 8,000 s.f. The estimated gross building area was taken from data provided by the present ownership. The property consists of one building divided into several primary sections. A floor plan for the interior was not available. |
| <i>Use:</i> | A Six Unit Bed and Breakfast, One (1) long term suite rental and one private loft style apartment. |
| <i>Quality of Construction:</i> | Good to very good quality multiple use residential building. |
| <i>Number of Stories:</i> | Two to Three levels above grade. |
| <i>Year Built and Effective Age:</i> | The exact age of the structures is unknown. The structure consists of two building sections with the front part of the structure being a residential type structure which was built in approximately 1798. The rear section of the building is known as the "Factory" building with more of an industrial type motif. This portion of the building was constructed in the early 19 th Century. As a result, the building has mostly a chronological age of more than 100 years. However, significant updates and maintenance have been employed since its initial construction and current ownership history. Therefore, the effective age of the improvements was estimated at twenty (20) years based on our observed condition of the property. |
| <i>Foundations:</i> | Assumed to have stone or masonry unit foundation walls with a concrete slab floor in the basement area. |
| <i>Structural Framing:</i> | Combination of Class C (Masonry) and Class D (Wood) Frame |
| <i>Floors:</i> | The floors of the buildings appear to be constructed of wood trusses and wood decking. |
| <i>Exterior Walls:</i> | Combination of brick and wooden "German" style siding. |
| <i>Roof:</i> | Mostly gable type wood frame roof sections covered with slate tile and shingles. |

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

Doors/Windows: Metal and/or wood doors in wood frames. Windows consist of a double hung type design.

Interior Lighting: A variety of standard and specialty Fluorescent and Incandescent fixtures.

Electric Service: Electric service is assumed to be a 200 amp or higher, three-phase three wire service that equal to or greater than 120V/240V AC.

HVAC: Gas Boiler system providing hot water and radiator heat. There is also a solar hot water system. Additionally, Heat Pump systems serve the building as well as several "Split" type systems.

Interior Construction:

Ceilings: Appears to be painted plaster and/or drywall.

Walls: Painted plaster or drywall perimeter walls.

Floors: Combination of carpeting, hardwood, tile and resilient floor finishes.

Unit Inventory / Building Design: The front 60% of the building houses the bed and breakfast operation along with the common areas and supporting functions. The rooms are situated on the second and third levels of the building and mostly consist of single rooms with private baths. One of the units is a suite (The Carrie Frank). Their approximate sizes range between 350 and 600 s.f. Within the addendum, we have provided a listing of each of the six units and their individual designs and F.F. and E. inventory.

The first floor of this building section includes a parlor area, sitting room, reception and kitchen. A set of stairs lead to the basement area which houses an owner's apartment/office alcove and a semi commercial type kitchen. The owner's suite consists of a single bedroom and bath. There are three laundry zones within the Bed and Breakfast area. Finally, this section of the building houses an efficiency type unit geared to longer term stays and is located at the rear of the building below the second level owner's suite.

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

The two story "Factory" section of the building at the rear of the property includes a two-car garage and storage area. A set of steps from Eislens Streets lead up to the "Loft" apartment which contains a semi open kitchen and living area with a sleeping section.

Subject Photographs



Exterior Front View of Building From Washington Boulevard



Exterior View of Side Portion of Structure from Courtyard Area

Subject Photographs



Exterior View at Rear of Building Toward Upper Level Apartment and Garage



Interior View of First Level at Entry Corridor

Subject Photographs



Interior View of Parlor Area on First Floor of Building



Typical Interior View of Upper Level Bed and Breakfast Room

Subject Photographs



Additional View of Typical Bed and Breakfast Room



Interior View of Rear Studio Apartment Structure

Subject Photographs



Interior View of Upper Level Owner's One Bedroom Apartment



View of Rear Private Garage Area

Condition, Quality and Depreciation

The property was in good to very good physical condition as of the valuation date. Minimal deferred maintenance was noted during our property tour. Based on our observation of the improvements, the effective age and percent of physical depreciation of the building is illustrated below.

| Building Component | Cumulative Effective Age | Physical Life | % of Physical Depreciation |
|------------------------|--------------------------|---------------|----------------------------|
| Multi Family Structure | 20 | 45 | 44.44% |

The overall utility of the improvements appears adequate for the current use(s). Therefore, functional obsolescence is not an element of consideration for the existing structure. The estimated remaining economic life of the property is estimated at 25 years. However, this economic life can be extended through upgrades and a continuing maintenance program.

CONCLUSION - PROPERTY DATA AND ANALYSIS

The subject real estate consists of a single parcel of land improved with a former colonial style residence and industrial structure converted to a Bed and Breakfast and independent living quarters. The property commands average access and visibility from Washington Boulevard and other neighborhood transportation corridors. The existing improvements are reasonably similar to existing good to very good quality bed and breakfast buildings in the subject market and could be competitive from the perspective of design and appeal. Overall, we feel that the physical and economic characteristics of the site support the continued occupancy of the subject as a Bed and Breakfast facility with ancillary living quarters.

ENVIRONMENTAL HAZARDS

From our field inspection of the property, we did not detect any evidence of environmental contamination or hazards. Generally, the land in the area of the subject has been vacant or utilized for office, residential and commercial purposes. We are assuming that there has been no underground contamination which would negatively affect the utility of the property.

TAX AND ASSESSMENT DATA

Tax and assessment information regarding the subject property is contained in the following chart.

| Property Assessment and Tax Data | |
|---|--|
| Tax Parcel Identification | Ward-22 Sec-05 Block-0686 Lot-032 |
| Current Assessment Data | |
| Land Assessment | n/a |
| Building Assessment | n/a |
| Total Value (1) | \$ 435,200 |
| Assessed Value | \$ 435,200 |
| Current Tax Information | |
| State | \$ 487.42 |
| Library Tax | \$ - |
| School Taxes | \$ - |
| Municipal Taxes (2) | \$ 9,783.30 |
| Special Assessments and Taxes (3) | \$ - |
| Total Tax Burden | \$ 10,270.72 |
| Less: Discounts | \$ - |
| Adjusted Tax Burden | \$ 10,270.72 |
| Ad Valorem Tax Rate | 2.36% |
| 1) Applies to real estate only. Taxes on personal property, improvement fixtures, etc., if any, are excluded from the analysis. | |
| 2) Includes taxes paid if property is located within an incorporated area of the county. An entry is shown only if that property is found within those areas. | |
| 3) Special assessments include bond payments and/or other taxes that do not vary according to assessed value. | |
| Source: City of Baltimore, MD Assessment Dept. | |

The current tax burden is up to date and amount to a total amount of \$10,270. There is a special credit indicated on the city of Baltimore tax bill. It is designated as a 10 year "Historic Rehabilitation and Restoration Tax Credit" or CHAP. The ownership states that there are about five years left on the tax credit. The current tax bill indicates a tax credit of \$5,724. We have assumed that the credit amount will be in place for the remaining five years of the term. The present value of the tax credit amount, representing an additional component of value, was calculate using a 9% discount rate over a term of five years. These calculations are

shown as follows.

| Calculation of Remaining Tax Credit Amounts | |
|---|----------|
| Annual Amount of Tax Credit | \$5,724 |
| Discount Rate Applied | 9.00% |
| Number of Years | 5 |
| Present Value Factor | 3.24 |
| Present Value of Credit for Five Years | \$18,546 |
| Rounded | \$18,500 |

The result of the calculations indicated above is a Present Value of the five year remaining tax credit of (say) \$18,500.

The current assessment and taxes reflect the property as currently improved. The county assessed values indicated above are based on previous years' market value estimates and do not correlate to present day values. No factors or ratios are applied to bring assessed values to current day levels. In addition, the assessment departments are sometimes well behind in adjusting for recent construction further adding to the disparity between true market value and the assessed value.

HIGHEST AND BEST USE

A critical point of any valuation analysis is the determination of highest and best use of the property being appraised. Highest and Best Use is defined as follows:

The reasonable and probable use that supports the highest present value of vacant land or improved property, as defined, as of the date of appraisal.

The reasonably probable and legal use of land or sites as though vacant, found to be physically possible, appropriately supported, financially feasible and that will result in the highest present land value.

The most profitable use.

CRITERIA

In determining the highest and best use of a property, an appraiser takes into account and analyzes the following criteria:

Physically Possible

Physical characteristics of the site and improvements may affect the uses to which a property can be utilized. The utility of a parcel may depend on the sites frontage and depth and the improvements layout, design and utility.

Legally Permissible

In all cases, an appraiser must determine what uses are legally permissible. Private restrictions, zoning, building codes, historic district controls and environmental regulations must be investigated because they may preclude many potential highest and best uses.

Financially Feasible

In determining which uses are physically possible and legally permissible, an appraiser eliminates some uses from consideration. Then, the uses that meet the first two criteria are analyzed further to determine which are likely to produce an income, or return, equal to or greater than the amount needed to satisfy operation expenses, financial obligations and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

Maximally Productive

Of the financially feasible uses, the one that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use.

IMPORTANT ASPECTS OF JUDGING HIGHEST AND BEST USE

Surrounding land uses are not always indicative of optimum use.

The existing use may not be optimum.

Permissibility Issues - Current zoning may not be consistent with a property's highest and best use.

Legal non-conforming Use - use that is lawfully established, but no longer conforms to the use regulations of the zone.

Most Likely Buyer - The potential buyer of the property needs to be identified. Highest and Best Use and the approaches to value are dependent on the motivations of different buyer types. The most likely buyer has an impact on the development of comparable sales, the applicable approaches to value and various valuation indicators (i.e. capitalization and yield rates). Potential buyer types include speculators, developers, owner occupants and investors in rental income producing property.

Most Ideal Improvement - For vacant land parcels or tracts, the most ideal improvement illustrates what should be built on the site. For improved properties, if the existing improvements are reasonably similar to the most ideal improvement, then major renovations, expansions or upgrades may not be required. Issues such as land to building ratio, FAR relationships and functional utility can be used to gauge whether the existing improvements are the most ideal.

Most Supported User - Not all properties are best suited to a wide range of users. A portion of the

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Highest and Best Use discussion should focus on this issue. Similar to the most likely buyer, this concept influences the decision on what approaches to utilize and the types of comparable sales employed. It is also imperative to arrive at a conclusion as to whether or not the property/improvements under review have the potential to satisfy the requirements of the pool of users.

Timing of Development/Use - Gauging the time of market entry is critical to feasibility. Development may be feasible in the near term or market conditions may preclude any potential development due to the lack of demand, availability of financing and prohibitive costs.

The above criteria were considered with the following conclusions regarding Highest and Best Use.

HIGHEST AND BEST USE AS VACANT

| | |
|---|--|
| Permitted Uses: | Residential and Ancillary Uses |
| Physically Possible Uses: | Various Uses as permitted by Zoning |
| Financial Feasible/Maximally Productive Uses: | Residential and Ancillary Uses which are complementary with the surrounding neighborhood. |
| Most Ideal Improvement: | Multi Level Good Quality, multi family structure |
| Most Likely Buyer: | Investor/Speculator |
| Most Supported User(s): | Multi Family Building Tenants |
| Timing of Development: | Immediate development time frame subject to necessary approvals and the availability of feasible mortgage financing. |
| Conclusion - As Vacant | Development of residential uses which conform to the underlying zoning and which are complementary with existing neighborhood development. |

HIGHEST AND BEST USE AS IMPROVED

| | |
|---------------------------|---|
| Permitted Uses: | Bed and Breakfast and Multi Family Uses |
| Physically Possible Uses: | Bed and Breakfast and Multi Family Uses |

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| | |
|---|--|
| Financial Feasible/Maximally Productive Uses: | Bed and Breakfast and Multi Family Uses |
| Most Ideal Improvement: | Existing improvements are reasonably similar to most ideal improvement. However, periodic upgrades and modernization will be necessary given the age of the building sections. |
| Most Likely Buyer: | Investor in Bed and Breakfast/Hospitality and Multi Family Properties in the Mid Atlantic Region. |
| Most Supported User(s): | Short term and overnight stay users. |
| Timing of Use: | Immediate Time Frame. |
| Conclusion - As Improved | Continuation of the present use as a Bed and Breakfast property with ancillary multi family uses. |

THE VALUATION PROCESS

GENERAL

An appraisal begins by stating the problem, which includes: identifying the real estate; identifying the property rights to be appraised; establishing the date of the value estimate and defining the type of value being appraised. After all data used has been defined, the data is applied to the three basic approaches to value. These three approaches are identified as the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach. Sometimes one or two of these approaches may not be applicable due to the type of property being appraised. The appraiser should explain why an approach has been omitted.

METHODOLOGIES

The first approach is the Cost Approach. In the Cost Approach the site value is estimated through the analysis of comparable sales which is then added to the depreciated value of the improvements on the property.

The Sales Comparison Approach compares sales of properties similar to the subject property. Adjustments for differences in market conditions, size, location, physical characteristics and conditions influencing the sale are made when these sales are compared to the subject property. The adjusted values of those sales considered most comparable tend to set a range of value for the subject property.

These adjustments are most reliable when they are based on the interactions of buyers and sellers in the market. Sales of properties are paired that are similar except for one item; for example, two sales are dissimilar only in age of improvements, so that the difference in sales price between these properties may be attributed to this dissimilarity and the appropriate adjustment calculated. Having adjusted all sales to establish an indicated range of value for the subject property, the value estimate is narrowed to the best value estimate based

on the most comparable sales.

The Income Capitalization Approach is based on the present value of the future benefits of ownership. Future benefits are the net operating income an informed person can assume the property will produce over its remaining economic life. The appraiser first estimates the potential gross income the property will produce by comparison with similar properties that are rented. From the potential gross income, an allowance is normally made for vacancies and uncollectible rents. These allowances and operating expenses are based on the historical experience of the subject property and on the market experience of similar properties. The operating expenses are deducted from the income remaining after subtraction for vacancies and uncollectible rents. The remaining income stream is the net operating income, which is capitalized into an indication of value by utilizing a market derived capitalization rate.

RELEVANCY TO THE SUBJECT

Within the context of this appraisal, the Sales Comparison and Income Approaches were judged to be relevant valuation techniques due to orientation of the property, use and the client's requested valuation scope. The valuation of the subject property is contained in the following sections of the report.

THE INCOME CAPITALIZATION APPROACH

The Income Approach to value is based on the theory that the value of a property is the present worth of net income it will produce during the remainder of its economic life. A study is generally made of the rentals paid for comparable properties and adjustments are made for the differences between the rental comparables and the subject property.

An income and expense analysis is prepared with a resulting estimate of net income. The appraiser then derives a value indication for an income-producing property by converting anticipated benefits into property value. This conversion is accomplished either by 1) capitalizing a single year's income expectancy or an annual average of several years' income expectancies at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investments; or by 2) discounting the annual cash flows for the holding period and the reversion at a specified yield rate.

The property would be expected to yield a relatively stable revenue stream over the short and mid term view. For these reasons, we feel that the Direct Capitalization methodology has a good degree of applicability. This methodology is presented in the following sections.

Gross Income Estimate

The gross income estimate reflects either the market rent of the subject property and/or the income derived from actual rates in place. The potential gross income from the subject property is derived from two primary sources; the Bed and Breakfast operation and the two (2) rental apartment units. These considerations are shown in the following sections.

Income From the Bed and Breakfast

This component involves the six (6) described single or double occupancy rooms located in the main building section as described in the Improvement Description portion of the report. The most recent data regarding occupancy and income history is found below.

| Recent Income and Rate History and Metrics | | | | |
|--|----------|----------|----------|----------|
| Year | 2019 | 2020 | 2021 | 2022 |
| Occupancy | 54.05% | 14.70% | 30.39% | 37.31% |
| Average Daily Rate (ADR) | \$188.30 | \$170.17 | \$197.18 | \$240.48 |
| Revenue per Available Room (RevPar) | \$83.00 | \$25.02 | \$60.13 | \$89.71 |

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2019 was a reasonably stabilized time frame entering into the 2020 pandemic year where there was a severe drop due to the medical and governmental aspect of business restrictions. 2021 and 2021 began the recovery years but still not up to the amounts experienced in prior years. Discussions with the present ownership indicate an ADR in the range of \$190 to \$234.

The occupancy rates over the indicated projection period are 14.70% and 54.05%. The pandemic and pandemic recovery years were at the lower end of the range. It appears that a normalized level is possible within the next twelve months.

Additionally, we compared the existing rates with those prevailing in the market to judge whether or not they are commensurate with overall market levels. This information is contained in the following data table

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| Summary of Competitive Bed & Breakfast Properties | | | | |
|---|--|--|---|---|
| <u>Primary Competitive Focus</u> | | | | |
| Property Name | Wilson House | 1840s Carrollton Inn | Scarborough Fair B&B | Blue Door on Baltimore |
| Location | 2100 Mount Royal Terrace Reservoir Hill neighborhood City of Baltimore, MD | 50 Albemarle Street Jonestown neighborhood City of Baltimore, MD | 801 South Charles Street Federal Hill neighborhood City of Baltimore, MD | 2023 East Baltimore Street Butcher's Hill neighborhood City of Baltimore, MD |
| Orientation | | | | |
| Overall Condition/Appeal | Good | Equivalent | Equivalent | Equivalent |
| Number of Rooms | 8 | 13 | 6 | 3 |
| Guests (normal occupancy) | 16 | 26 | 12 | 6 |
| Bed Sizes | 1 K, 7 Qu | 8 K, 5 Qu | 6 | 3 King |
| Private Baths | 6 | All | All; some not connected | All |
| Air Conditioning | Some window units | Central | Central | Central |
| Breakfast Served: | 8:00-9:30 am | 7:00-9:30am | 8:00-10:00am; Continental 7:00- ; or 'Grab-n-Go' | 7:00-10:00am |
| Internet | Wi-Fi | Wi-Fi | Wi-Fi | Wi-Fi & Wired |
| Fireplaces | Yes | Yes | 4 | |
| Common Area Amenities | Wine & cheese 6-7pm | Breakfast served in choice of indoor, guest room, or outdoor in garden courtyard | Loaner GPS; Iron & ironing board; printer/fax; Library; open-access tea/coffee/cold bev. | Breakfast served in choice of dining room or guest room; Weekday continental, & weekend three-course |
| Room Amenities | TV; Some bay windows; Some fireplaces | TV; Four-posters; Fireplaces; Whirlpool tubs; Fridg./micro; Robes | Cable TV/DVD; ceiling fans; 2 whirlpool tubs | In-room fountain; Soaking tubs & separate showers |
| Low | \$ 110.00 | \$ 194.00 | \$ 179.00 | \$ 139.00 |
| High | \$ 185.00 | \$ 312.00 | \$ 259.00 | \$ 175.00 |
| Comparability | Lesser | Reasonably comparable | Reasonably comparable | Reasonably comparable |

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Based on the data contained in the above chart, the subject room rates are reasonably commensurate with market levels. In the valuation analysis, an ADR of \$225.00 was applied in the subject valuation.

Occupancy and Average Daily Rate

Pre-pandemic the occupancy rate was in the range of 54". A major drop was indicated in 2020 with a recovery beginning in 2021. The enclosed valuation analysis has utilized an average stabilized occupancy rate of 55% along with an Average Daily Rate (ADR) of \$225.00 based on average availability of six (6) rooms.

Potential Rooms Revenues

Using the stated Average Daily Rate and occupancy levels, the following potential rooms revenues result.

| | |
|------------------------|-----------|
| Average Daily Rate | \$200.00 |
| Number of Rooms | 6 |
| Potential Annual Rooms | 2,190 |
| Occupancy Rate | 45.00% |
| Potential Revenues | \$197,100 |
| RevPAR | \$90.00 |

Utilizing the most recent three year results, Rooms Revenues have been reconciled at (say) \$197,100. The estimated potential gross income estimate compares well with the comparable market data and has been applied directly into the analysis. The RevPAR at this gross amount calculates to \$90.00 which compares well to the previous three year trends.

Other Revenues

In addition to the Rooms Revenues Department, supplemental income can be derived from the Long term stay efficiency unit in the bed and breakfast portion of the property and the loft apartment in the "Factory" portion of the building. Market Rents were applied to each of these components in the amounts stated below based on a survey of prevailing rentals in the area.

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Long Term Stay Efficiency Unit - \$1,350 per month

Loft Style Rear Apartment - \$2,250 per month

In order to account for potential vacancies, a vacancy and collection loss factor of 5% was applied to those potential revenue sources.

Operating Expenses

The final component of the direct capitalization procedure is the projection of operating expenses. For purposes of the analysis, expenses are segregated into fixed and variable categories. Fixed expenses include Insurance and other items that do not vary as much with occupancy and include real estate taxes and insurance. All other expenses are considered to be variable and include management, repairs and maintenance, utilities, administrative costs and wages and salaries. These types of expenses tend to vary according to occupancy levels. Three years of income and expenses was provided by a representative of the ownership. This information is found in the addendum. It is important to note that the information is skewed by the affects of the pandemic and the operating results do not reflect a stabilized operating basis. Therefore, only a nominal amount of emphasis was given to this supplied data.

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For our stabilized expense amounts, we have chosen to rely on the subject operating data as well as information from our in house files and our discussions with the property ownership. Our reconciled expense amounts are contained in the following table. Where appropriate, adjustments were made to reflect normal appraisal practice including the incorporation of a management expense and replacement reserves.

| Expense Category | % of Gross Profit or Fixed Amount |
|-----------------------------|--|
| Variable Expenses | |
| Management Expense | Owner supplied information did not specify a management cost. We have reconciled this amount at 3.5% of Total Revenues. |
| Cost of Goods Sold | Estimated at 7.0% of EGI based on a historical range of expenses. The Cost of Goods percentage seems to decrease as additional rental income from the multi family units is included. |
| Salaries and Wages | Estimated at 15.0% of EGI based on the past history of the subject and the comparable expense data. This amount included non management personnel and their benefits. |
| Rooms Department - Supplies | Estimated at 5.0 of EGI based on the past history of the subject and the comparable expense data. This category includes all supplies, laundry services commissions and other amounts. |
| Marketing | Based on a stabilized amount equal to 3.0% of EGI based on a historical range of 3.25% to 3.64%. |
| Repairs and Maintenance | Estimated at 5.5% of EGI based on the past history of the subject and the comparable expense data as well as the STR information. |
| Miscellaneous | This category includes dues and subscriptions, vehicles and educational events. Estimated at 2.5% of EGI based on the past history of the subject. |

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| | |
|--|---|
| Parking Costs | The ownership indicates that six spaces are rented for \$75.00 per month at a lot within walking distance of the subject. The equivalent amount on an annual basis was incorporated into the analysis. |
| Reservation System | The ownership pays a fee of \$85.00 per month to Select Registry for reservation services. The equivalent amount on an annual basis was incorporated into the analysis. |
| Energy and Utilities | Estimated at 9.5% of Total Revenues based on past history of the subject. The past three years of these costs have ranged between 9.27% and 10.02% of EGI. |
| <i>Fixed Operating Expenses</i> | |
| Insurance | A review of the past years insurance expense's yields an amount equal to an average of about \$2,665 per years. This amount was utilized in the analysis. |
| Real Estate Taxes | The current real estate tax burden is equal to \$10,270 which has been incorporated it directly into the analysis. |
| Reserves for Replacement | This type of expense was not included with the owner supplied data. However, it is typically included with appraisals and valuations. As a result, a charge of 1.00% was applied in the analysis. The resulting amount is equal to about \$.30 per s.f. |

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Net Operating Income

Using the information contained in the above expense history, and the data from our in house files, we have formulated the following estimate of Net Operating Income, or NOI. Certain adjustments were made to reflect a Management Expense and excluded any intra company rental amounts. The result is an estimate of Net Operating Income, or NOI. The table below illustrates those calculations made.

| Estimate of Net Operating Income - The Rachael's Dowry Bed and Breakfast | | | |
|---|---------------------------|------------------|--------------------|
| Gross Rooms Revenues | | Annual | |
| | | \$197,100 | \$32,850 |
| Additional Revenue Sources | Rent/Month | | |
| Short Term Efficiency | \$1,350 | \$16,200 | |
| Loft Style Apartment | \$2,250 | \$27,000 | |
| Total | | \$43,200 | |
| Less Vacancy and Collection Loss | 5% | \$2,160 | |
| Effective Income Apartment Rental | | \$41,040 | |
| Total Effective Gross Income | | \$238,140 | |
| Category | Fixed or % of G.S. | Amount | Amount/Room |
| Variable Expenses | | | |
| Management | 3.50% | \$8,335 | \$1,389 |
| Cost of Goods Sold | 7.00% | \$16,670 | \$2,778 |
| Salaries and Wages | 15.00% | \$35,721 | \$5,954 |
| Rooms Department - Supplies | 5.00% | \$11,907 | \$1,985 |
| Marketing and Advertising | 3.00% | \$7,144 | \$1,191 |
| Repairs and Maintenance | 5.50% | \$13,098 | \$2,183 |
| Miscellaneous | 2.50% | \$5,954 | \$992 |
| Parking Space Rental | \$ 75.00 | \$5,400 | \$900 |
| Reservation System | \$ 85.00 | \$1,020 | \$170 |
| Energy and Utilities | 9.50% | \$22,623 | \$3,771 |
| Total Variable Expenses | 53.70% | \$127,871 | \$21,312 |
| Fixed Expenses | | | |
| Real Estate Taxes | Fixed | \$10,270 | \$1,712 |
| Insurance Expenses | Fixed | \$2,665 | \$444 |
| Reserves for Replacement | 1.00% | \$2,381 | \$397 |
| | 6.43% | \$15,316 | \$2,553 |
| Total Expenses | 60.13% | \$143,188 | \$23,865 |
| Net Operating Income | 39.87% | \$94,952 | \$15,825 |
| Rounded | 39.89% | \$95,000 | \$15,833 |

In the stabilized analysis, Net Operating Income (NOI) has been estimated at (say) \$95,000. This NOI has been utilized to arrive at the property value via the direct capitalization analysis.

DERIVATION OF CAPITALIZATION RATE

Capitalization rates are used to process net operating income into a value estimate. Normally, the best way to extract a capitalization rate is from market sales. However, in the absence of a large number of comparable market sales, other methods of deriving such a rate may be applied. In this appraisal, our capitalization rate has been derived from two alternative methods.

Band of Investment Technique

The band of investment technique has also been used as a method for deriving the capitalization rate. This technique is based on the mortgage ratio times the mortgage capitalization rate plus the equity ratio times equity dividend rate. The variables in this formula are based on market driven factors. The following parameters have been assumed in formulating the capitalization rate.

Overall Rate Synthesis

Abstract of Assumptions

| | |
|--|--|
| Mortgage Ratio (M) | 70% |
| Equity Ratio | 30% |
| Mortgage Interest Rate | 5.00% |
| Mortgage Term | 20 Years |
| R _m (Mortgage Constant) | .0792 |
| Equity Dividend Rate (R _e) | 8.0% |
| Debt Coverage Ratio (DCR) | 1.30 |
| Projection Period | Five Years |
| Increase in Value | Little or none over five year period. |

The mortgage ratio represents the amount of financing that a typical lender would provide for this type of investment. The interest rate and mortgage term are also typical financing terms for this class of property. Typical interest rates over a variety of lending platforms are provided as follows.

| Loan Type | Average Rates | Loan to Value Ratio | Loan Terms |
|------------------------------------|----------------|---------------------|------------|
| SBA 504 Loan | 2.2% to 2.4% | 90% | 25 Years |
| SBA 7(a) Loan | 5.5% to 11.25% | 85% | 25 Years |
| Traditional Commercial Bank | 5.0% to 7.0% | 80% | 10 Years |
| USDA Business and Industry Loan | 3.3% to 6.3% | 80% | 30 Years |

The mortgage ratio was obtained from conversation with lenders at several local banks. The mortgage constant is the ratio of annual debt service to the principal amount of the mortgage loan. The equity dividend rate is a forecast of an investor's required return on equity given the particular property's risk characteristics. An equity dividend rate of 8.0% was determined to be appropriate for the subject. The above data was compiled

into an overall capitalization rate. The mortgage equity formula for estimating a capitalization rate is presented as follows:

FORMULA FOR THE OVERALL RATE DERIVATION

$$\begin{array}{rcl} & M \times R_m = & \\ \text{Plus} & E \times R_e & \\ \text{Equal Overall Rate} & & \end{array}$$

The following terms apply to the formula above:

M is the loan to value ratio

E is the equity requirement

Applying this methodology to the property produces the following results:

$$\begin{array}{rcl} & .70 \times .0792 & = .0554 \\ \text{Plus} & .30 \times .0800 & = \underline{.0240} \\ & R_o & = .0794 \end{array}$$

Therefore, the capitalization rate determined through the use of this technique would be approximately 7.95%.

Debt Coverage Ratio

Another method for deriving a capitalization rate is through the use of the debt coverage formula. To estimate an overall rate, the debt coverage ratio is multiplied by the mortgage constant and the loan to value ratio. This formula is shown as follows:

$$R_o = DCR \times R_m \times M$$

By using this formula the following overall rate results;

$$\begin{array}{l} R_o = 1.30 \times .0792 \times .70 \\ R_o = .07207 \\ \text{Say} = 7.20\% \end{array}$$

Investor Surveys

We also consulted the First Quarter 2023 Real Estate Research Survey for various investment criteria for investment grade and non investment grade real estate in the Mid Atlantic Region. Overall rates and related data for this property type are found in the chart below.

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RERC Required Return Expectations by Property Type¹

| | Office | | Industrial | | | Retail | | | Apt | Student Housing | Hotel | Average All Types | RERC Port Index |
|-------------------------------|---------|---------|------------|---------|---------|-----------|----------|-------------|---------|-----------------|----------|-------------------|-----------------|
| | CBD | SUB | WHSE | R&D | FLEX | RGNL MALL | PWR CNTR | NEIGH/ COMM | | | | | |
| Pre-Tax Yield Rate (IRR) (%) | | | | | | | | | | | | | |
| Range ² | 6.0-7.5 | 6.3-8.5 | 4.4-6.3 | 6.0-8.7 | 6.0-8.9 | 6.6-9.5 | 6.5-9.3 | 6.0-8.5 | 5.3-7.0 | 7.3-8.1 | 8.0-10.5 | 4.4-10.5 | 4.4-10.5 |
| Average | 6.8 | 7.4 | 5.6 | 7.0 | 7.1 | 7.7 | 7.8 | 6.9 | 5.9 | 7.7 | 9.7 | 7.2 | 6.3 |
| Weighted Average ³ | 7.1 | | 5.6 | | | 7.4 | | | | | | | |
| BPS Change ⁴ | -10 | 0 | -10 | -20 | -20 | -20 | -10 | -20 | -10 | 0 | -30 | -20 | -10 |
| | -10 | | -10 | | | -20 | | | | | | | |
| Going-In Cap Rate (%) | | | | | | | | | | | | | |
| Range ² | 4.0-7.3 | 5.5-7.5 | 3.5-4.5 | 5.0-8.0 | 4.6-8.0 | 5.1-7.8 | 5.8-8.0 | 5.0-7.0 | 3.4-5.5 | 4.0-6.7 | 5.8-9.5 | 2.7-9.5 | 2.7-9.5 |
| Average | 5.5 | 6.4 | 4.0 | 6.0 | 6.0 | 6.3 | 6.8 | 5.6 | 4.1 | 5.8 | 7.6 | 5.8 | 4.9 |
| Weighted Average ³ | 5.9 | | 4.1 | | | 6.1 | | | | | | | |
| BPS Change ⁴ | -10 | 10 | -10 | -10 | -20 | -10 | -10 | -20 | -10 | 0 | -40 | -10 | -10 |
| | 0 | | -10 | | | -10 | | | | | | | |
| Terminal Cap Rate (%) | | | | | | | | | | | | | |
| Range ² | 4.7-7.3 | 5.8-8.3 | 3.8-6.3 | 5.8-8.5 | 5.8-8.5 | 5.3-8.6 | 6.3-8.3 | 5.5-7.6 | 4.0-6.1 | 5.0-7.2 | 6.4-10 | 3.3-10 | 3.3-10 |
| Average | 6.0 | 6.9 | 4.7 | 6.6 | 6.6 | 6.9 | 7.2 | 6.1 | 4.7 | 6.4 | 8.1 | 6.4 | 5.4 |
| Weighted Average ³ | 6.4 | | 4.8 | | | 6.7 | | | | | | | |
| BPS Change ⁴ | -10 | 10 | 0 | 0 | -20 | 0 | -20 | -30 | 0 | -10 | -40 | -10 | 0 |
| | 0 | | 0 | | | 0 | | | | | | | |
| Rental Growth (%) | | | | | | | | | | | | | |
| Range ² | 0.0-3.0 | 0.0-3.0 | 3.0-8.0 | 0.0-5.0 | 1.0-3.8 | 0.0-3.0 | 0.0-3.3 | 1.0-3.5 | 3.0-5.0 | 0.0-3.2 | 0.0-6.0 | 0.0-8.0 | 0.0-8.0 |
| Average | 2.4 | 2.4 | 4.1 | 3.0 | 2.9 | 1.7 | 1.9 | 2.5 | 3.5 | 2.2 | 3.3 | 2.7 | 3.2 |
| BPS Change ⁴ | 50 | 10 | 10 | 40 | 20 | 20 | 30 | 10 | 10 | 60 | 90 | 30 | 20 |
| Expense Growth (%) | | | | | | | | | | | | | |
| Range ² | 2.5-4.0 | 2.5-4.0 | 2.0-4.0 | 2.5-4.0 | 2.5-4.0 | 2.5-6.0 | 2.5-4.0 | 2.5-4.0 | 2.5-4.0 | 3.0-3.0 | 3.0-4.5 | 2.0-6.0 | 2.0-6.0 |
| Average | 3.1 | 3.1 | 3.0 | 3.1 | 3.1 | 3.2 | 3.0 | 3.0 | 3.0 | 3.0 | 3.9 | 3.1 | 3.0 |
| BPS Change ⁴ | 0 | 0 | -10 | 0 | 0 | 0 | -10 | -10 | -10 | -20 | 30 | -10 | -10 |

The table of information displays overall rates for a plethora of property types and orientations. The data from the Surveyed Rates for hotel type properties indicates an overall rate of 5.8% and 9.5% with an average of 7.6%. However, the subject is certainly not classified as an investment grade class property. Additionally, the property is not positioned in a primary commercial area.

Conclusion - Direct Capitalization Methodology

The two capitalization methods yielded overall rates of between 7.20% and 7.95%. The Investor survey indicated a range of between 5.8% and 9.5% with an average of 7.6%. We believe that a capitalization rate of 7.00% is appropriate for the property which also takes into account the presence of the property in a downtown location of a primary mid Atlantic Metro Area. The previously described estimate of N.O.I. was then capitalized at the rate derived earlier. Also included in the calculation is the present value of the remaining

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

tax credit of \$18,500 as indicated in the Tax and Assessment section of the report. The value estimate via the Direct Capitalization Methodology is, therefore, computed as follows.

| Estimate of Property Value - As Is | | |
|---|-----------|------------------|
| The Rachael's Dowry Property | | |
| Estimate Net Operating Income | \$ | 95,000 |
| Overall Rate | | 7.00% |
| Value | \$ | 1,357,143 |
| Plus: Remaining Value of CHAP Credit | \$ | 18,500 |
| Total Property Value | \$ | 1,375,643 |
| Rounded | \$ | 1,380,000 |
| Value per Unit | \$ | 230,000 |
| Value per Sq. Ft. | \$ | 172.50 |

Utilizing the Direct Capitalization methodology, the value of the property "As Is" has been estimated at \$1,380,000.

SALES COMPARISON APPROACH

The Sales Comparison Approach may be defined as follows:

"A set of procedures in which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparables."

Application of the Sales Comparison Approach typically calls for adjustments to be made to the competitive sales in comparison to the subject property for any measurable dissimilarities such as: property rights conveyed, conditions of sale, market conditions (time), location, physical characteristics, zoning and/or use restrictions and overall utility.

Bed and Breakfast properties are typically highly unique and individual in nature. Many of the properties which sell are quite different from one another. What this means is that it is quite hard to apply a direct comparison with other comparable properties which have sold in the market. In addition, the subject has two separate living quarters. For these reasons, a direct sales comparison methodology is high problematic. There have been a limited number of B and B sales and some of those were subject to adverse ownership conditions. On the other hand, Income Multiplier type analyses are typically acceptable in the valuation of both B and B properties and multi family properties.

Effective Gross Income Multiplier Analysis

For the purposes of the Sales Comparison Approach, we have chosen to utilize an Effective Gross Income Multiplier (EGIM) as our unit of comparison which is an acceptable methodology within the Sales Comparison Approach as per standard appraisal practice. The components used to calculate the Effective Gross Income Multipliers are indicated below:

$$\text{Sales Price or Value divided by Effective Gross Revenues} = \text{Effective Gross Income Multiplier or EGIM}$$

Effective Gross Income Multiplier and other sales data are found in the following comparable data table which has been utilized for valuation purposes.

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

| Gross Revenue Multipliers Specific Data | | | | | | | |
|---|------------|----------------------|------------------|------------------------|----------------|-------|------------------|
| Data Source | Area Scope | Average Size (Rooms) | Average Revenues | Gross Rooms Multiplier | Occupancy Rate | OAR | Revenue per Room |
| B and B Team In Consultants and Brokers Select Registry | Nationwide | 10.3 | \$347,382 | 4.4 | 43.30% | 9.50% | \$33,024 |
| Standard Bed and Breakfast B and B Team In Consultants and Brokers Select Registry | Nationwide | 9.1 | \$257,788 | 4.7 | 44.10% | 9.50% | \$30,118 |
| Standard < 8 Rooms Bed and Breakfast B and B Team In Consultants and Brokers Select Registry | Nationwide | 6 | \$151,540 | 5.1 | 46.10% | 9.30% | \$32,134 |
| Standard + 8 Rooms Bed and Breakfast B and B Team In Consultants and Brokers Select Registry | Nationwide | 12.5 | \$425,638 | 4.0 | 41.90% | 9.60% | \$33,458 |

The data in the table illustrated above indicated a range of GRM's of between 4.0 and 5.1 with an average of 4.55. We are also aware of some older sales of B and B properties contained within our files. Those sales, from national brokers, indicate a range of between 4.6 and 6.8 with an average of 5.5.

Given current economic conditions, we have reconciled an Effective Gross Income Multiplier of 5.50. Using the estimated effective gross effective income from the Income Approach, the following value of \$1,330,000 results utilizing the stated multiplier.

| Estimate of Property Value - As Is The Rachael's Dowry Property | |
|--|-----------------------|
| Estimated Effective Gross Income | \$ 238,140 |
| Estimated GRM | 5.5 |
| Value | \$ 1,309,770 |
| Plus Value of Remaining CHAP Credit | \$ 18,500 |
| Adjusted Value | \$ 1,328,270 |
| Rounded | \$ 1,330,000 |
| Value per Unit | \$ 221,667 |
| Value per Sq. Ft. | \$ 166.25 |

RECONCILIATION OF VALUE

To arrive at the market value estimate, two approaches to value were demonstrated in the report. These must now be reconciled to a final estimate of value. The process considers the applicability of the approaches to the type of property being appraised, the reliability of the data utilized and the applicability of the approaches with concern to the value being sought. The approaches utilized in this report indicated the following value estimates.

| Value Conclusions - The Rachael's Dowry Bed and Breakfast | |
|---|-------------------|
| Approach Methodology | As Is Value Basis |
| The Cost Approach | Not Employed |
| The Sales Comparison Approach | |
| EGRM Methodology | \$1,330,000 |
| The Income Approach - Direct Capitalization | \$1,380,000 |
| Value Conclusion | \$1,370,000 |

The process of reconciliation requires integration of the market data and judgment of the applicability of each approach.

The Cost Approach was not employed in the valuation due to the age and orientation of the improvements. We feel that the other two approaches to value have the highest capability for arriving at a well supported final value estimate.

The Sales Comparison Approach was employed as a primary valuation technique in this real estate appraisal. The number and quality of the comparable data available were quite limited. Due to the lack of sales of similar properties in the immediate area of the subject, an Effective Gross Revenue Multiplier analysis using sales from throughout the Region was employed as the primary methodology within this approach which is an acceptable appraisal practice.

The Income Capitalization Approach was applied through the use of the direct capitalization methodology to value the property in the fee simple condition. The income stream was based on the past and current operating history of the subject with NOI projected after deducting the applicable operating expenses. This approach was the most applicable to the fee simple valuation of the property. The valuation was supported by the large sample of market income and expense data and the past and recent operating history of the subject. This technique was considered to be very applicable to the valuation at hand.

In reconciling a final value, equal emphasis was given to the Income Approach and the Sales Comparison Approach. Both methodologies have a good degree of applicability to the valuation of a property similar to

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

the subject. Therefore, based on our investigation and analysis of the data gathered with respect to this assignment, we have estimated the following market value of the fee simple interest in the subject property as of March 31, 2023.

MARKET VALUE "AS IS" - FEE SIMPLE INTEREST
RACHAEL'S DOWRY BED AND BREAKFAST⁽¹⁾

ONE MILLION THREE-HUNDRED SEVENTY THOUSAND DOLLARS
(\$1,370,000)

- 1) Reflects the Market Value of the property in its present condition and state of utility.

CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided professional assistance to the person signing this report.
- As of the date of this report, Jeffrey H. Merrick has completed the requirements of the continuing education program of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relation to the review by its duty authorized representatives.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- My value conclusions as well as other opinions expressed herein are not based on a requested minimum valuation, specific valuation, or the approval of a loan.

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

- I have not completed a prior real estate valuation of the property within the three years prior to accepting this assignment.

A handwritten signature in black ink, appearing to read "Jeffrey H. Merrick". The signature is written in a cursive, flowing style.

JEFFREY H. MERRICK, MAI

ADDENDA

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

**Flamingo Road Inc.
Profit and Loss
2019, 2021, 2022**

| | 2019 | 2021 | Total |
|-----------------------------------|----------------------|----------------------|----------------------|
| Income | | | |
| 637 Washington Blvd | 58,945.10 | 73,532.52 | 65,490.00 |
| Rent Income | 12,319.00 | | |
| Room Sales | 193,281.53 | 140,080.99 | 174,972.83 |
| Total Income | \$ 264,545.63 | \$213,613.51 | \$ 240,462.83 |
| Cost of Goods Sold | | | |
| Cost of Goods Sold | 1,212.81 | 1,552.76 | 2,097.08 |
| Food Costs | 13,878.04 | 11,798.71 | 8,224.63 |
| Merchant Services Costs | 7,318.64 | 8,279.18 | 13,024.58 |
| OTA Fees | 4,626.51 | 2,019.20 | 1,005.93 |
| Resale Items CoGS | | 1,084.10 | 82.66 |
| Total Cost of Goods Sold | \$ 27,036.00 | \$ 22,733.95 | \$ 24,434.88 |
| Gross Profit | \$ 237,509.63 | \$190,879.56 | \$ 216,027.95 |
| Expenses | | | |
| 637 Washington Insurance | 1,994.00 | 2,131.00 | 2,198.00 |
| 637 Washington Interest Expense | 34,224.21 | 37,645.97 | 32,397.10 |
| 637 Washington Real Estate Taxes | 4,753.14 | 4,525.77 | 4,525.77 |
| Advertising | 6,269.81 | 15,263.03 | 12,256.63 |
| Amortization | 374.00 | 374.00 | 374.00 |
| Automobile Expense | 105.81 | | |
| Bank Service Charges | 120.00 | 103.11 | |
| Business License & Fees | 411.00 | 436.00 | 477.65 |
| Charitable Contributions | | | 105.00 |
| Cleaning & cleaning supplies | 897.78 | 467.06 | 1,015.68 |
| Continuing Education | | 189.74 | |
| Contractors | 30,230.78 | 6,506.74 | 11,110.00 |
| Depreciation | 30,821.00 | 30,947.00 | 47,442.00 |
| Dues & Subscriptions | 3,887.26 | 1,058.90 | 366.96 |
| Employee uniforms & clothing | 138.48 | 176.96 | 219.56 |
| Equipment Lease - Parking Lot | 3,170.00 | 5,400.00 | 5,400.00 |
| Furniture & Housewares | 5,600.44 | 3,207.89 | 4,303.76 |
| Gifts | | 367.41 | |
| Hotel Tax - Baltimore City (9.5%) | 0.00 | 0.00 | 0.00 |
| Hotel Tax - Maryland (6%) | 0.00 | 0.00 | 0.00 |
| House Repairs and Supplies | 3,491.00 | 16,018.66 | 10,566.79 |
| Insurance | 2,692.36 | 2,692.36 | 2,607.36 |
| Interest Expense | 1,604.55 | 126.91 | 1,500.00 |
| Job Supplies | 522.31 | 358.95 | 48.00 |
| Landscaping and Garden | 88.07 | 1,200.00 | 1,800.00 |
| Legal & Professional Services | | | 250.00 |
| Meals & Entertainment | 427.77 | 13.45 | 339.76 |
| Office Supplies | 651.67 | 365.53 | 53.91 |
| PPT | 521.97 | | |
| Total Office Supplies | \$ 1,173.64 | | |
| Officer Health Insurance | 499.17 | 45.92 | 601.37 |
| Parking | | 40.00 | 40.00 |
| Payroll Taxes | 1,631.17 | 2,189.69 | 3,007.46 |
| Penalties | 43.91 | 55.34 | |
| Personal Property Tax | 1,732.25 | 606.00 | 606.00 |
| Phone Internet & TV | 7,065.67 | 9,781.19 | 11,574.36 |
| Postage & Shipping | 91.72 | 80.77 | 99.16 |
| Professional Fees - Accounting | 2,453.00 | 1,555.80 | 2,408.60 |
| Professional Fees - Benetrends | 1,632.00 | 1,656.00 | 1,656.00 |
| Reimbursable Expenses | 11.66 | | |
| Rent Expense (mortgage payments) | 58,950.00 | 72,685.65 | 65,490.00 |
| Repairs & Maintenance | 1,487.40 | | |
| Travel and Trade Shows | 1,870.92 | 882.95 | 1,030.28 |
| Utilities - Gas & Electric | 10,469.65 | 7,258.53 | 11,744.42 |
| Utilities - Water | 3,435.61 | 4,115.06 | 4,361.21 |
| Wages & Salaries | 19,999.98 | 21,538.44 | 25,384.59 |
| Total Expenses | \$ 244,371.52 | \$252,967.78 | \$ 267,361.36 |
| Net Operating Income | -\$ 6,861.89 | -\$ 61,188.22 | -\$ 51,333.41 |
| Other Income | | | |
| MD Grant | | 151,019.98 | 1,923.00 |
| PPP Grant | | 6,730.74 | |
| Total Other Income | | \$157,750.72 | \$ 1,923.00 |
| Net Other Income | | \$157,750.72 | \$ 1,923.00 |
| Net Income | -\$ 6,861.89 | \$ 96,562.50 | -\$ 49,410.41 |

119797

Friday, Mar 31, 2023 09:44:09 AM GMT-7 - Accrual Basis

Ella Virginia ~~\$269~~

179-269

A grand suite featuring a king sized four-poster bed with premium bedding and mattress, TV, an antechamber, soaking tub and marble walk-in shower. There is an original fireplace and Federal style mantel with operable logs as well as a sitting area. A period antique desk provides a good location for writing or computer work.

Audrey Genevieve ~~\$279~~

189-269

The spacious Audrey Genevieve suite situated on the second floor, features a bedroom with large windows overlooking the front garden, an antechamber and marble shower/bath combination. The room includes a faux marble fireplace with operable logs, a king sized four-poster bed, with premium bedding and mattress, TV and workspace.

Carrie Frank ~~\$299~~

199-279

Incorporated into the suite is the original 18th century kitchen with large cooking fireplace. The sitting room has both a day bed and wing-backed chair. The bedroom has an unusual, *queen sized* four-poster bed. Both rooms have a TV and windows looking onto the courtyard. This suite is beside the rear courtyard and can be accessed without going into the main portion of the house.

Letitia Mae ~~\$229~~

199-239

This room is located in the rear portion of the house. It is our only room with a balcony overlooking the courtyard. The Letitia Mae room has a queen sized bed with premium bedding and mattress, TV and fireplace with operable logs. The large bathroom has a claw-foot tub and marble walk-in shower.

Randolph ~~\$219~~

149-229

Situated on the third floor, at the top of the grand staircase, this room features 18th century style windows that overlook the courtyard and century old magnolia tree. The Randolph Room is appointed with a queen sized bed, premium bedding and mattress, TV, fireplace with operable logs, work space and marble walk-in shower.

Odorian ~~\$229~~

159-229

This beautifully appointed room is on the 2nd floor of the main house. The Odorian room features include a marble fireplace with operable logs, a king sized four-poster bed, with premium bedding and mattress, workspace and a large walk in shower. Enjoy the view, from the only remaining restored 18th century windows, of the century old magnolia tree.

189-269 "Mrs Range"

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

02/28/2022

5,850,385

COMMISSION OF RE APPRAISERS & HOME INSPECTORS

10 04 10094
MESSAGE(S):

JEFFREY H MERRICK

6242 02-27-2022

| | | |
|---|--|--|
|  | LICENSE * REGISTRATION * CERTIFICATION * PERMIT | Lawrence J. Hogan, Jr. Governor |
| | STATE OF MARYLAND | Boyd K. Rutherford Lt. Governor |
| | MARYLAND DEPARTMENT OF LABOR | Tiffany P. Robinson Secretary |
| | COMMISSION OF RE APPRAISERS & HOME INSPECTORS | |
| | CERTIFIES THAT: | |
| | JEFFREY H MERRICK | |
| |  | |
| | IS AN AUTHORIZED: 04 - CERTIFIED GENERAL | |
| LIC/REG/CERT 10094 | EXPIRATION 03-02-2025 | EFFECTIVE 02-27-2022 |
| | | CONTROL NO 5850385 |
| | Signature of Bearer |  |
| | WHERE REQUIRED BY LAW THIS MUST BE CONSPICUOUSLY DISPLAYED IN OFFICE TO WHICH IT APPLIES | Secretary |



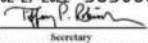
10 04 10094

5,850,385

10 04 10094
COMMISSION OF RE APPRAISERS & HOME INSPECTORS
500 N. CALVERT STREET
BALTIMORE, MD 21202-3651

JEFFREY H MERRICK
CORNERSTONE APPRAISAL GROUP
101 BRIAR LANE, SUITE B

NEWARK DE 19711

| | | |
|--|---|---|
|  | LICENSE * REGISTRATION * CERTIFICATION * PERMIT | Lawrence J. Hogan, Jr. Governor |
| | STATE OF MARYLAND | Boyd K. Rutherford Lt. Governor |
| | MARYLAND DEPARTMENT OF LABOR | Tiffany P. Robinson Secretary |
| | COMMISSION OF RE APPRAISERS & HOME INSPECTORS | |
| | CERTIFIES THAT: | |
| | JEFFREY H MERRICK | |
| |  | |
| | IS AN AUTHORIZED: 04 - CERTIFIED GENERAL | |
| LIC/REG/CERT 10094 | EXPIRATION 03-02-2025 | EFFECTIVE 02-27-2022 |
| | | CONTROL NO 5850385 |
| | Signature of Bearer |  |
| | | Secretary |

Oakmont Commercial, LLC

Date: 03/17/2023

Appraiser: Jeff Merrick, Cornerstone Appraisal; 302-368-9020 or
jmerrick@cornerstoneappraisal.us

Appraisal address: 637 Washington Blvd, Baltimore. MD 21230

Contact: Linda Smith @ 561-762-9966

Dear Appraiser:

This letter is intended as verification of the request for an appraisal report of the referenced Property, to be completed by your office and returned to my attention no later than 14 business days from this engagement letter. Please send the appraisal to lkeeney@oakmontcommercial.com as an e-mail attachment (PDF file).

The purpose of the appraisal is to provide to Oakmont Commercial, LLC., an independent estimate of the market value of the above Property, in accordance with, at a minimum, the Appraisal rules of the FDIC, implementing Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice ("USPAP"). The Scope of Work Rule of the USPAP shall not be invoked for this appraisal.

The appraisal must include the following:

- "As Is" value
- Sales Comparison / Income Approaches Only
- Subject to Existing leases
- Assign market rent to any vacant or owner-occupied space
- Highest and best Use of Real Estate
- Appraisal Summary Report
- A detailed statement concerning whether the Property or any part thereof on which improvements have been or are proposed to be made is in an identified flood hazard zone or wetlands area.
- A statement of the zoning classification of the Property and whether the assumed *highest and best use* of the Property is permitted under the existing zoning classification. If the *highest and best use* is dependent on appropriate development approvals being obtained, report inquiries made to applicable governmental authorities regarding zoning (including any pending re-zoning), wetlands, public access, sewer and water availability, and similar

matters affecting development potential.

- Please provide the following two items in the addendum; a signed copy of this engagement letter & copy of your appraiser license.

By signing and returning to us this letter, you:

- (a) Represent and Warrant that you are a real estate appraiser, qualified, and, to the extent required by applicable law, appropriately certified by the Commonwealth or State in which the Property is located; that you will disclose any steps you take that are necessary or appropriate to conform to the Competency Provision of the USPAP; and that you have not represented or been employed by the owner/borrower, or any affiliate or subsidiary of the owner/borrower in any capacity;
- (b) Agree that the appraisal is confidential and shall not be disclosed to any person or entity (including the owner/borrower) other than OAKMONT COMMERCIAL, LLC., its officers and employees without the approval of an authorized officer of OAKMONT COMMERCIAL, LLC.; and
- (c) Agree to accept a fee of no greater than \$2,100.00 for the appraisal. Please collect your fee up front from the borrower before the inspection takes place. If you have made other arrangements to receive your payment from the borrower, kindly let OAKMONT COMMERCIAL, LLC., know of any type of transactions and/or details. Confirm receipt of payment via email, lkeeney@oakmontcommercial.com

Please acknowledge your acceptance of the terms and conditions of this request by signing or attaching your electronic signature to this letter, and returning it to lkeeney@oakmontcommercial.com

Very truly yours,
Lauren Keeney

By: 
Date: 3/19/23

PROFESSIONAL QUALIFICATIONS OF JEFFREY H. MERRICK, MAI

Jeffrey H. Merrick, MAI has been in the appraisal profession for approximately 23 years and was formerly employed by various other appraisal firms specializing in local, regional and national assignments. Began Cornerstone Appraisal Group, Inc. in March 1994 with the intent of providing clients with high quality and timely valuation services

BASE APPRAISAL EDUCATION :

| | | | |
|---------------------|-------------|--|------|
| <i>AIREA</i> | Course 1A-1 | Real Estate Appraisal Principles | 1988 |
| | Course 1A-2 | Real Estate Appraisal Procedures | 1988 |
| | Course 1B-a | Capitalization Theory/Techniques, A | 1990 |
| | Course 1B-B | Capitalization Theory/Techniques, B | 1990 |
| | Course 2-1 | Case Studies in Real Estate Valuation | 1988 |
| | Course 2-2 | Valuation Analysis and Report Writing | 1988 |
| | Course SPP | Standards of Professional Practice | 1989 |
| <i>SREA</i> | Course 101 | Introduction to Appraising Real Property | 1986 |
| | Course 102 | Applied Residential Property Valuation | 1987 |
| | Course 201 | Principles of Income Property Appraising | 1986 |
| | Course 202 | Applied Income Property Valuation | 1987 |

OTHER COURSES AND SEMINARS

Advanced Real Estate Financial Analysis - Harvard University, 1991
Real Estate Risk Analysis - Appraisal Institute, May, 1993
Applied Sales Comparison Approach - Appraisal Institute, May, 1993
Appraising Troubled Properties - Appraisal Institute, May, 1992
Standards of Practice and Ethics for Appraisers - MAA, June, 1993
Real Estate Risk Analysis - Appraisal Institute, May, 1993
Feasibility Analysis - Appraisal Institute, October, 1994
Subdivision Analysis - Appraisal Institute, October, 1996
Standards of Professional Appraisal Practice - Appraisal Institute, January, 1997
Real Estate Market Analysis - University of California, Los Angeles, December, 2006
Real Estate Appraisal - University of California, Los Angeles, March, 2007

PROFESSIONAL DESIGNATIONS AND LICENSES

MAI Designated Member - Appraisal Institute (Member #8995)
Past President Chapter #56 - International Right-Of-Way Association

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

Certified General Real Property Appraiser - State of DE (X10000031)

Certified General Real Property Appraiser - State of MD (10094)

General Appraiser - State of Pennsylvania (GA-000839-L)

SCOPE OF PROFESSIONAL ACTIVITY

Valuations have been performed on both large and small scale real estate properties for a variety of clients including financing institutions, mortgagors and governmental agencies. Appraisal reports have been reviewed for mortgagees, and feasibility studies have been prepared in preparation for loan origination. Appraisals have been completed on residential, commercial, industrial and special purpose properties in the following locations:

| | | | | |
|--------------|----------------|------------|------------|----------|
| Delaware | Massachusetts | New Jersey | California | Indiana |
| Maryland | New Hampshire | New York | Kansas | Arkansas |
| Pennsylvania | North Carolina | Hawaii | Montana | Idaho |

Appraisal assignments have been completed for a variety of purposes including financing, estate valuations and litigation support. Appraisals for court testimony have been prepared for the New Castle County Tax Appeal Board, the Superior Court of Delaware and the United States Bankruptcy Court in New Jersey. Other specialized appraisal experiences detailed below:

Investment / Financing

Appraisals have been completed on offices of more than 100,000 square feet; shopping centers more than 500,000 square feet; industrial plants and flex space of more than 1,000,000 square feet and apartment complexes with over 500 dwelling units.

Special Purpose Facilities

Additional valuations have been concerned with various special purpose industrial properties including single tenant manufacturing facilities, corporate headquarters office buildings and large agricultural properties.

Eminent Domain

Valuations of real estate acquired by Eminent Domain, appraisals testing the reasonableness of Ad Valorem taxation, and appraisals of municipal improvements servicing entire sections of right of ways have been completed. Testimony has been given before Federal courts, local courts, and municipal commissions.

Low Income Housing

A specialty also includes market studies and valuation analyses on various low income developments including Section 42 - Tax Credit properties, Section 8 developments and similar types of properties. These assignments have been completed for Financial Institutions, Developers, Syndicators and Public Housing Agencies.

SPECIFIC WORK EXPERIENCE

A sampling of recent appraisal assignments are presented as follows:

Retail and Shopping Centers

Park City Mall, Lancaster, PA
Pennsville Shopping Center, Pennsville, NJ
Walgreen's Portfolios, New Jersey, Pennsylvania and Delaware
Portsmouth Shopping Center, Portsmouth, NH
Rite Aid Portfolios, Delaware, Maryland, Pennsylvania

Multi Family and Apartment Development

Harbor and Admirals Club Apartments, Newark, DE (1,000 Unit Garden Apartments)
Riverview Towers, Camden, NJ (200 Unit Section 8 High Rise)
Presidential Apts, Philadelphia, PA (1,200 Unit High Rise Complex, City Line Avenue)
Senior Cottages of Topeka, Topeka, KS (72 Unit LIHTC Property)
Embassy Apartments, Philadelphia, PA (185 Unit High Rise)
Laurel Pointe Apartments, Los Angeles, CA (120 Unit Garden Apartments)
Herman Street Apartments and Parking Garage, Nashville, TN (Meharry Medical College)
Deerfield and Chesapeake Landing Apartments Dayton and Cincinnati, OH
Royal Timbers Apartments, Ocean County, NJ (120 Unit LIHTC Property)

Office and Medical Complexes

Atrium II Building, Mt. Laurel, NJ (100,000 s.f. Class A Office Complex)
Delle Done Corporate Center, Wilmington, DE (80,000 s.f. Class A Office Complex)
Stone Mill Office Park, Hockessin, DE (80,000 s.f. Class A Office Complex)
New Castle Corporate Commons, New Castle, DE (200,000 s.f. Class A Office Complex)
The Endoscopy Center of DE, Newark, DE (High Tech Medical Office and Procedure Center)
Davita Testing Labs, Lancaster and Pittsburgh, PA (Kidney Dialysis and Care Facilities)

Industrial Buildings and Complexes

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

A and P Coffee Processing Facility, Landover, MD
A and P Produce Warehouse, Baltimore, MD (1,000,000 s.f. Produce Warehouse and Shipping)
The Citi Steel Plant, Wilmington, DE (1,000,000 s.f. Steel Manufacturing Plant)
WL Gore Processing Plant, Elkton, MD (80,000 s.f. Processing Facility)
Moran Industries, Central Pennsylvania (1,200,000 s.f. Distribution Facility)

Hospitality, Recreation, Aviation and Resort Properties

The Parkside Properties, Delaware Park Racetrack and Casino, Wilmington, DE
Banjosa Lodge, Great Fall, MT (Limited Service Motel)
The Yellowstone Jet Center, Bozeman, MT (Executive Class Region FBO Center)
Aero Taxi, Wilmington, DE (Executive FBO Center and Aircraft Maintenance Leased Fee Interest)
Chorman Airport, Sussex County, DE (Entire General Aviation Airport)
The Sea Gull Inn, Mendocino, CA (Pacific Coast Hospitality Property)
The Alaskan Hotel, Mauston, WI (Limited Service Hotel)
The Maui Oceanfront Inn, Maui, HI (Ocean Front Resort Class Hotel)
Welk Resorts Cabo Villas, Cabo San Lucas, MX (3.68 hectacre Oceanfront Timeshare Development)
Playa Del Sol Property, Cancun, MX (3.529 hectacre 180 key Oceanfront Timeshare Development)
The Riverview Hotel, Macon, GA (Limited Service Hotel)

PARTIAL CLIENT LISTING

PNC Bank
Lehman Brothers
Wilmington Trust Company
Texas Commerce Bank Century Pacific
Bank of America
Wachovia Corporation
Citizens Bank
E.I. DuPont de Nemours
Commerce Bank
Bear Sterns Commercial Mortgage
Morgan Stanley
California Bank and Trust
Sun Trust
Allied Irish Bank
Grand Bank
Regency Bank
GMAC Commercial Mortgage
Fleet Bank

Rachael's Dowry Bed and Breakfast, city of Baltimore, MD

Prudential Financial