



PACIFIC COAST
VALUATION GROUP



SUBJECT PROPERTY :

Cheton Properties Site

7018 NE Bothell Way
Kenmore, Washington 98028

Pacific Coast Valuation Group File No: SEA-17125
US Bank File No: 17-010617-03-01

PREPARED FOR :

Norman Strickland, MAI
Senior Review Appraiser
US Bank
428 Riverside Avenue Suite 200
Spokane, WA 99201

PREPARED BY :

Pacific Coast Valuation Group
4230 NE 203rd Street
Lake Forest Park, WA 98155



PACIFIC COAST VALUATION GROUP

November 14, 2017

Norman Strickland, MAI
Senior Review Appraiser
US Bank
428 Riverside Avenue, Suite 200
Spokane, WA 99201

RE: Cheton Properties Site
7018 NE Bothell Way
Kenmore, Washington 98028

Pacific Coast Valuation Group File No: SEA-17125
US Bank File No: 17-010617-03-01

Mr. Strickland:

Pacific Coast Valuation Group is pleased to present the appraisal that satisfies the agreed upon scope of work with US Bank. The subject is a 0.52-acre (23,173 SF) redevelopment site located in Kenmore, King County, Washington. The site is currently improved with a 620 SF commercial building and billboard located on the Bothell Way frontage, with two duplex buildings (formerly single-family residences) located in the rear of the property. The improvements no longer contribute value to the site as the subject is not improved to the site's highest and best use. The site is zoned Downtown Commercial under the jurisdiction of the City of Kenmore, with a highest and best use for mixed-use development up to a maximum building height of 65 feet. However, ownership has no imminent plans for redeveloping the property at this time.

The purpose of this appraisal is to develop an opinion of the As-Is Market Value (Fee Simple). Due to the redevelopment status of the subject and the short-term nature of the current leases, the leased fee and fee simple values are equivalent. The following table conveys the final opinion of value that is developed in this appraisal:

VALUATION SCENARIO	INTEREST APPRAISED	DATE	VALUE
As-Is Market Value	Fee Simple	November 6, 2017	\$1,620,000

This report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP), the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards, and the appraisal guidelines of US Bank.

Extraordinary Assumptions – The following Extraordinary Assumptions were made for this assignment:

1. We have inspected the exterior of the subject and representative portions of the interior. The inspection sample was considered an adequate representation of the subject property and is the basis for our findings. We have made an extraordinary assumption for this report that the uninspected units are in a similar condition and appeal as those inspected, with no significant items of deferred maintenance.

The use of extraordinary assumptions may have affected the results of this assignment.



Hypothetical Conditions - No Hypothetical Conditions were made for this assignment.

If there are any specific questions or concerns regarding the attached appraisal report, or if Pacific Coast Valuation Group can be of additional assistance, please contact the individuals listed below.

Sincerely,

PACIFIC COAST VALUATION GROUP

A handwritten signature in blue ink, appearing to read "Shawn Wayt".

Shawn Wayt, MAI
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Expiration Date 8/17/2019
206.922.7991
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A handwritten signature in blue ink, appearing to read "Joe Creech".

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EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION

Name	Cheton Properties Site
Property	Mixed-Use (Retail/Multi-family)
Address	7018 7018 NE Bothell Way
City State, Zip	Kenmore Washington, 98028
County	King County
MSA	Seattle-Bellevue-Everett, Wa
Market / Submarket	Northend / Bothell/Kenmore
Geocode	47.7580212,-122.2461429
Census Tract	217.00

SITE

Number of Parcels	1	
Assessor Parcel Number	011410-0673	
Land Area	Acres (AC)	Square Feet (SF)
Usable	0.53	23,173
Total	0.53	23,173
Zoning	Downtown Commercial (DC)	
Shape	Rectangular	
Topography	Level at street grade	
Flood Zone	Zone X (Unshaded)	
Seismic Zone	Medium Risk	

IMPROVEMENT

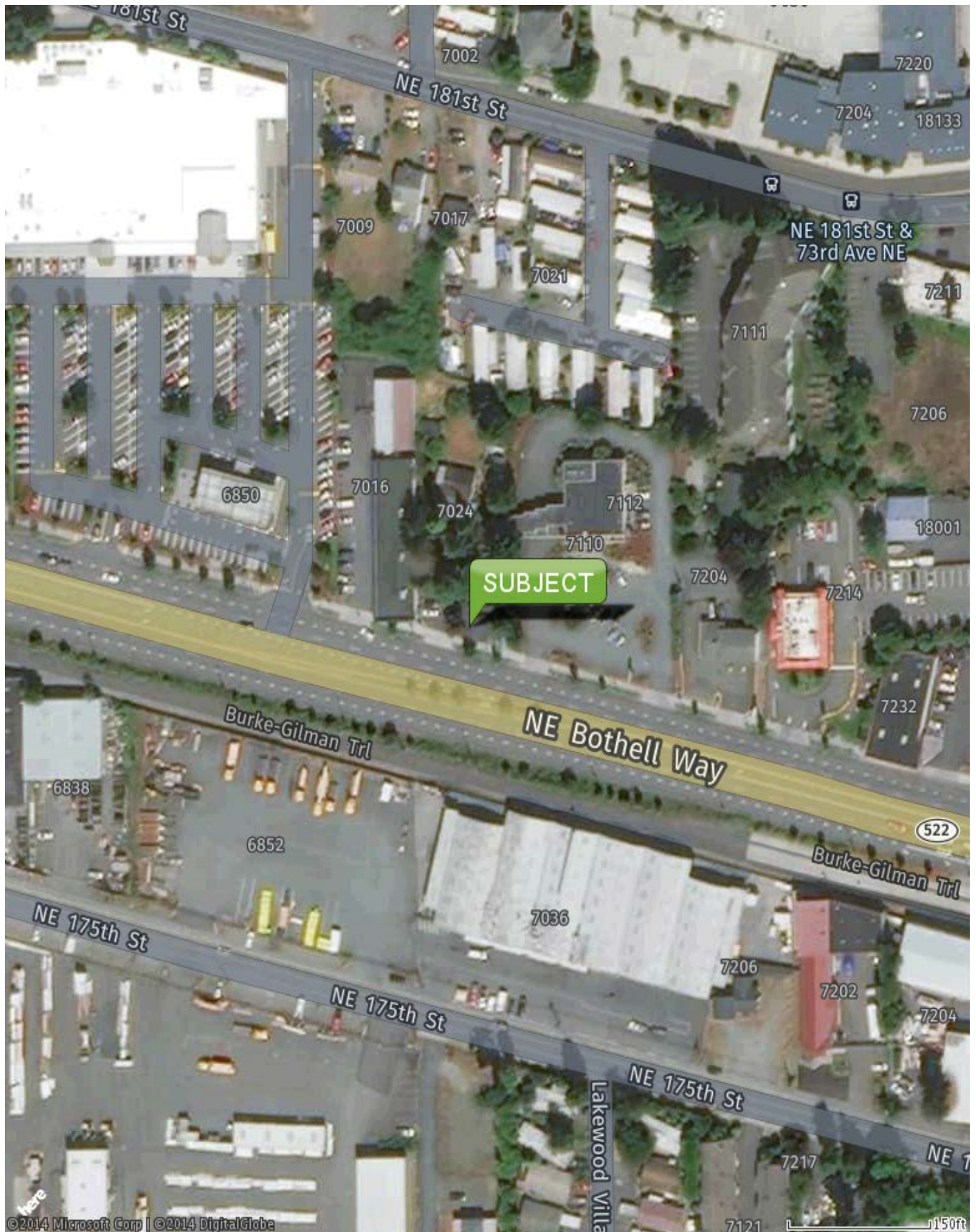
Tenancy	Multi-Tenant Occupied By Third Party Tenants - 6 Units
Net Rentable Area (NRA)	4,470
Gross Building Area (GBA)	4,470
Ground Floor SF	1,320
Units	6
Density (Units/Acre)	11
Buildings	3
Floors	2+basement
Year Built	1926-1938
Actual Age	91 Years
Effective Age	45 Years
Economic Life	45 Years
Remaining Life	0 Years
Land To Building Ratio	5.18 : 1
Site Coverage Ratio	5.7%
Parking	1.2 / Unit
Project Amenities	None
Laundry	Common laundry room
Security Features	None

QUALITATIVE

Site Quality	Above Average
Site Access	Average
Site Exposure	Good
Site Utility	Average
Building Quality	Below Average
Building Condition	Below Average
Building Appeal	Fair

HIGHEST & BEST USE	
Proposed Construction	No
As Vacant	Mixed-Use development (retail/multifamily)
As Improved	Immediate demolition of existing structures and development of mixed-use project
EXPOSURE & MARKETING TIME	
Exposure Time	Six Months or Less
Marketing Time	Six Months or Less
VALUE CONCLUSION	
VALUATION SCENARIOS	AS-IS MARKET VALUE
Interest	Fee Simple
Date	November 6, 2017
Cost Approach	Not Presented
Sales Approach (Site Valuation)	\$1,620,000
Income Approach	Not Presented
FINAL VALUE CONCLUSION	\$1,620,000

AERIAL PHOTOGRAPH



SUBJECT PROPERTY PHOTOGRAPHS



View of subject from Bothell Way



Facing east on Bothell Way (subject on left)



View of subject from SW Portion of Site



View of commercial building



View of the Beauty Hair suite



View of the Daddy's Donuts suite



View of duplex exterior (Units 3 & 4)



View of kitchen in Unit 4



View of bathroom in Unit 4



View of living area in Unit 4



View of duplex exterior (Units 1 & 2)



View of kitchen in Unit 1



View of bathroom in Unit 1



View of living area in Unit 1



View of open space to the rear of the site



View of duplex parking area and carports



View of subject's Bothell Way frontage



View of billboard on-site

IDENTIFICATION OF ASSIGNMENT

PROPERTY IDENTIFICATION

The subject is a 0.53-acre (23,173 SF) redevelopment site located at 7018 NE Bothell Way in Kenmore, King County, Washington. The assessor parcel number is: 011410-0673. The legal description of the subject property is as follows:

The Easterly 95.58 feet (as measured along the North and the South line) of Lot 12, Block 12, ALDERWOOD MANOR NO. 14, according to the plat thereof recorded in Volume 26 of Plats, page 4, records of King County, Washington.

EXCEPT that portion thereof for road appropriated by King County Superior Court Case No. 07-2-06379-0, recorded under Recording No. 20071017001129, records of King County, Washington.

SITUATE in the County of King, State of Washington.

CLIENT IDENTIFICATION

The client of this specific assignment is US Bank.

PURPOSE/INTENDED USE/USERS

The purpose of this appraisal is to develop an opinion of the As-Is Market Value (Fee Simple). The intended use of this appraisal is for loan underwriting and-or credit decisions. US Bank and its parent, affiliates, subsidiaries and assigns are the only intended users of this report.

PERSONAL PROPERTY

There is no personal property (FF&E) included in this valuation.

PROPERTY AND SALES HISTORY

The subject title is currently recorded in the name of Cheton Properties LLC, who acquired title to the property on December 17, 2012 from Schmidt Property LLC for \$609,000 according to King County Deed Records. According to county records there has been no transfer of ownership for the subject property in the past three years and there is no known pending sale or listing of the subject. The subject is not currently listed for sale.

TAXES & ASSESSMENT

The subject's assessed values and property taxes for the current year are summarized in the following table.

TAXES & ASSESSMENT (2017)						
TAX RATE AREA	1442				TAX RATE	11.5293
ASSESSOR PARCEL #	LAND	IMPROVEMENTS	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
011410-0673	\$695,100	\$1,000	\$696,100	\$0	\$696,100	\$8,025.55
Subtotal	\$695,100	\$1,000	\$696,100	\$0	\$696,100	\$8,025.55
Subtotal \$/NRA	\$155.50	\$0.22	\$155.73	\$0.00	\$155.73	\$1.80
ADDITIONAL TAX CHARGES						
Fire District						\$430.53
Surface Water						\$828.16
Noxious Weed						\$3.29
Conservation						\$9.23
Total Additional Tax Charges PSF / Total					\$0.28	\$1,271.21
TOTAL BASE TAX & ADDITIONAL TAX CHARGES \$/NRA / \$ TOTAL					\$2.08	\$9,296.76

Source: King County Assessment & Taxation

Taxation & Assessment Description - The total assessment for the subject is \$696,100. There are no exemptions in place. The Assessed (taxable) value is \$696,100. Total taxes for the property are \$9,297, or \$2.08/SF. According to the King County Assessor's Office, real estate taxes for the subject property are current

as of the date of this report. Based on the scope of this assignment, any pending tax liens are not considered in the value conclusion.

Notably, the subject's 2018 assessed values were recently released, but property taxes have not yet been determined. Assessed values for 2018 increased slightly to \$742,500.

EXPOSURE & MARKETING TIME

The following information is used to estimate exposure time and marketing time for the subject.

EXPOSURE & MARKETING TIME			
EXPOSURE TIME	YEAR/QUARTER	MONTHS RANGE	AVERAGE
National Development Land			PricewaterhouseCoopers
Current Quarter	2017 Q2	1.0 to 12.0	4.8
Sales Comparables		1.0 to 10.0	4.8
AVERAGE			4.8

Exposure & Marketing Time Conclusion - The subject is a mixed-use (retail/multi-family) use totaling 4,470 SF (NRA) on 0.53-acres (23,173 SF) located at 7018 NE Bothell Way in Kenmore, King County, Washington. The site is well-exposed to over 40,000 vehicles per day and is a level site with a rectangular shape. The site's zoning permits building heights up to 65 feet and allows a variety of uses. The comparable sales indicate a range from 1- to 10-month marketing and exposure times, with the upper end being a land sale that had several different buyers fall through during the total marketing period at full listing price. As such, this is a high indicator. The remaining sales indicate a marketing/exposure period ranging from 1 to 6 months. Considering these factors, a reasonable estimate of exposure time for the subject As-Is is six months or less and marketing time of six months or less.

DEFINITION OF MARKET VALUE

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, 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:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. 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.¹

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the fee simple interest. Notably, the lease agreements in-place are short-term in nature and therefore, the leased fee and fee simple values are equivalent.

Fee Simple Interest - 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.²

¹ Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C -Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

² The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

VALUE SCENARIOS

As-Is Value - The estimate of the value of real property in its current physical condition, use, and zoning as of the appraisal date.³

³ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

SCOPE OF WORK

The scope of work for this appraisal assignment is outlined below:

- ▶ The appraisal analyzes the regional and local area profiles including employment, population, household income and real estate trends. The local area was inspected to consider external influences on the subject.
- ▶ The appraisal analyzes legal and physical features of the subject including site size, improvement size, flood zone, seismic zone, site zoning, easements, encumbrances, site access and site exposure.
- ▶ The appraisal includes an apartment and retail market analysis for the Northend market and Bothell/Kenmore submarket using vacancy, absorption, supply and rent data. Conclusions were drawn for the subject's competitive position given its physical and locational features, current market conditions and external influences.
- ▶ The appraisal includes a Highest and Best Use analysis and conclusions have been completed for the highest and best use of the subject property As Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject site and existing improvements.
- ▶ In selecting applicable approaches to value, the appraisers considered the agreed upon appraisal scope and assessed the applicability of each traditional approach given the subject's characteristics and the intended use of the appraisal. As a result, this appraisal developed the Sales Comparison Approach (Site Valuation) only. The values presented represent the As-Is Market Value (Fee Simple).
- ▶ The assignment was prepared as an Appraisal Report in accordance with USPAP Standards Rules 2, with the analysis stated within the document and representing a summarized level of analysis.
- ▶ The authors of this report are aware of the Competency Rule of USPAP and meet the standards.

ASSISTANCE PROVIDED

No one provided real property appraisal assistance to the individuals signing this report.

SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

INFORMATION PROVIDED

Property/Tax	King County Tax Assessor
Zoning	City of Kenmore Zoning
Site Size	King County Tax Assessor
Building Size	King County Tax Assessor
Supply & Demand	CoStar
Flood Map	STDB On-Line
Demographics	STDB On-Line
Comparable Information	CoStar and confirmed by local agents
Legal Description	King County Tax Assessor
Rent Roll/Lease Documents	Property Owner
Income/Expense Statements	Property Owner

INFORMATION NOT PROVIDED

Physical Inspection Report
Building Plans/Specs
Title Report
Phase I Environmental Report

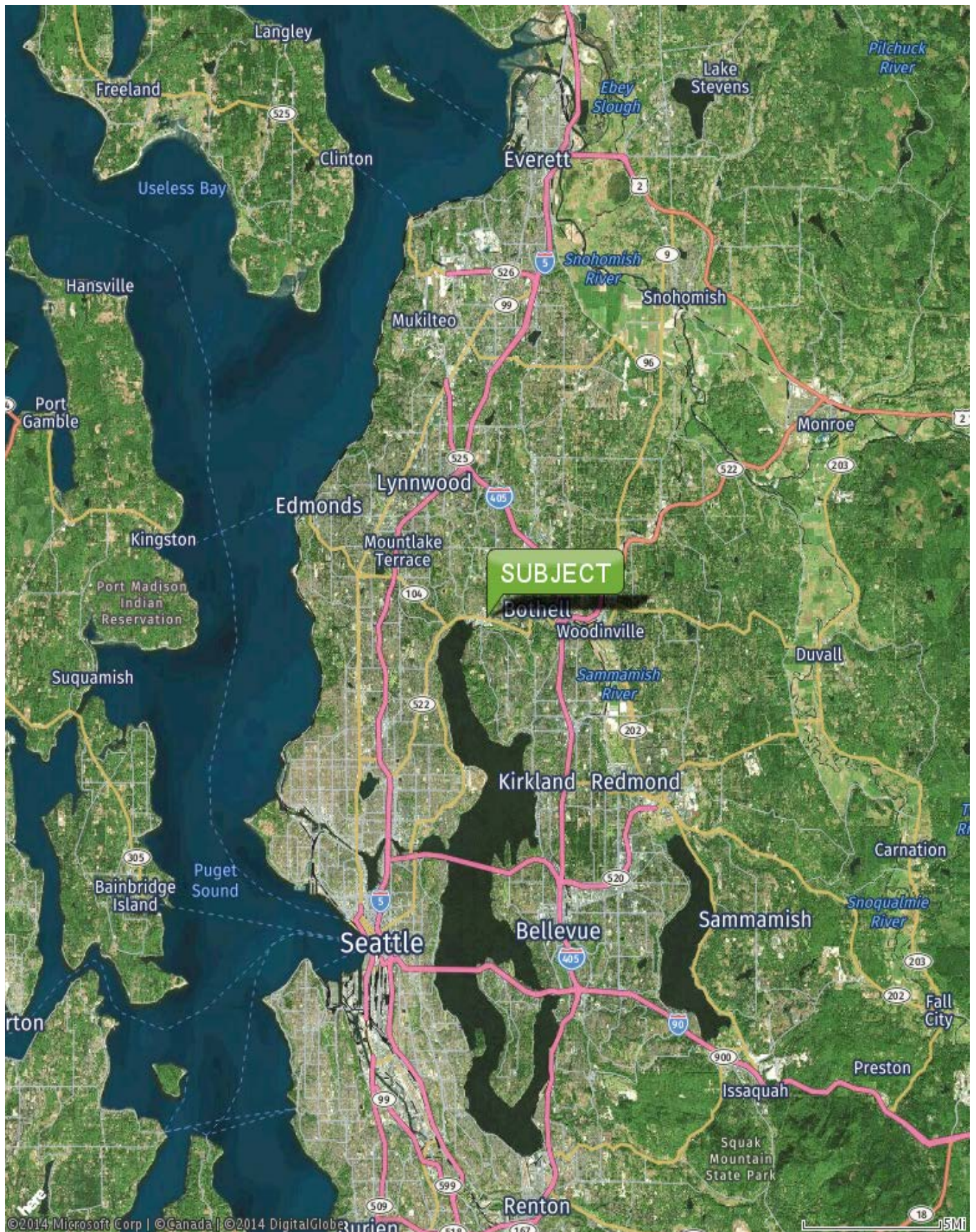
The lack of the unavailable items could affect the results of this analysis. As part of the general assumptions and limiting conditions, the subject is assumed to have no adverse easements, significant items of deferred maintenance, or be impacted by adverse environmental conditions.

SUBJECT PROPERTY INSPECTION

PROPERTY INSPECTION					
APPRAISER	INSPECTED	EXTENT	ALL UNITS INSPECTED	DATE	ROLE
Shawn Wayt, MAI	Yes	Interior/Exterior	No	November 6, 2017	Primary
Joe Creech, MAI, ASA	No	N/A	No	November 6, 2017	Reviewer
ALSO PRESENT	COMPANY	EXTENT	ALL UNITS INSPECTED	DATE	AFFILIATION
John Tong	Cheton Properties, LLC	Interior/Exterior	No	November 6, 2017	Owner

We have inspected the exterior of the subject and representative portions of the interior. The inspection sample was considered an adequate representation of the subject property and is the basis for our findings. It is an extraordinary assumption of this report that the uninspected units are of similar condition and appeal as those inspected, with no significant items of deferred maintenance.

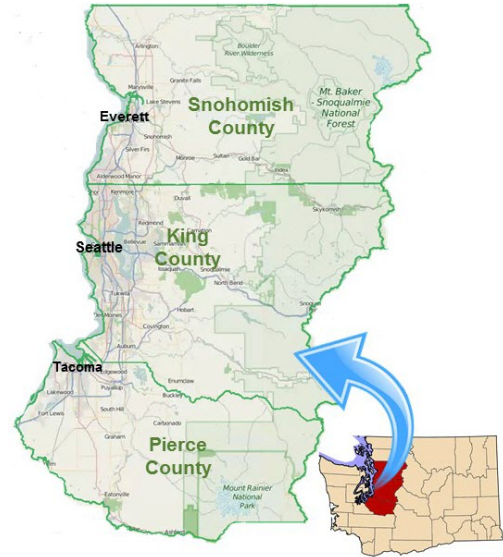
REGIONAL AREA MAP



REGIONAL AREA ANALYSIS

REGIONAL AREA ANALYSIS INTRODUCTION

Located within the Northwest section of Washington State, Puget Sound creates one of the most ecologically diverse ecosystems in North America. This body of salt water is a complex and intricate system of channels, inlets, estuaries, and islands containing 2,500 miles of shoreline with 19 rivers pouring into its waters. The Washington State Ferry system, the largest ferry system in the United States, navigates the waters keeping commuters and vehicles well connected. The twelve counties that make up the region generate the economic foundation for the state of Washington as well as the population epicenter of the state. The Seattle-Tacoma-Bellevue Metropolitan Statistical Area (MSA) is the key metropolitan area within Puget Sound and consists of King, Snohomish, and Pierce Counties.



Population

With an estimated population of 3,802,500 the Seattle-Tacoma-Bellevue MSA is the 15th most populated MSA in the US, and the most populated metropolitan area in the state of Washington. Approximately 53% of the state lives within the Seattle MSA. The core cities of Seattle, Bellevue and Tacoma have estimated populations of 713,700, 140,700, and 208,100 respectively for 2017.

POPULATION					
Year	King County	Pierce County	Snohomish County	Seattle MSA	Washington
2010	1,931,246	795,225	713,335	3,439,806	6,724,500
2014	2,017,250	821,300	741,000	3,579,550	6,968,200
2015	2,052,800	830,120	757,600	3,640,520	7,061,410
2016	2,105,100	844,490	772,860	3,722,450	7,183,700
2017	2,153,700	859,400	789,400	3,802,500	7,310,300
annl % chg	1.5%	1.0%	1.4%	1.4%	1.1%

Source: Washington Office of Financial Management

Economy and Employment

Key logistics to the region is the Northwest Seaport Alliance (NWSA) which consist of the Ports of Seattle and Tacoma’s marine cargo business. As the third-largest container gateway in North America, NWSA provides significant jobs and revenue to a state where 40% of jobs are tied to trade. According to the port’s website, the Alliance supports more than 48,000 jobs with 18,900 jobs being directly linked to Seattle’s local economy. NWSA generates nearly \$4.3 billion in economic activity and has produced \$379 million in state and local taxes. Separate from the Northwest Seaport Alliance are Seattle’s airport, cruise-ship terminal, Fishermen’s Terminal, and waterfront properties. The Seattle-Tacoma International Airport (SeaTac) had another record breaking year for 2016 with more than 45.7 million passengers traveling in, out or through the airport. Year-to-date passenger data for the end of second quarter 2017 reports a 3.0% increase from the same time last year. SeaTac International Airport is the 9th busiest passenger airport in the nation. In addition, Sea-Tac’s Air Cargo operations rate among the top 20 in the U.S. by tonnage.

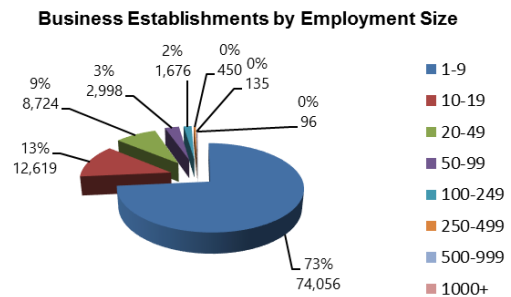
TOP EMPLOYERS	
EMPLOYER	EMPLOYEES
Boeing Co.	78,225
Joint Base Lewis-McChord	58,074
Navy Region Northwest	46,693
Microsoft Corp	43,618
University of Washington	34,700
Amazon.com Inc.	24,000
Providence Health & Service	20,000
Wal-Mart Stores Inc.	20,000
Fred Meyer	15,000
Starbucks Corp	10,837

Source: Puget Sound BizJournal & About Town

Per the U.S. Department of Labor there are 2.01 million nonfarm related jobs in the MSA. The region is home to 9 Fortune 500 companies: Costco, Microsoft, Amazon.com, PACCAR Inc., Starbucks, Nordstrom, Expeditors International of Washington, Expedia, and Weyerhaeuser.

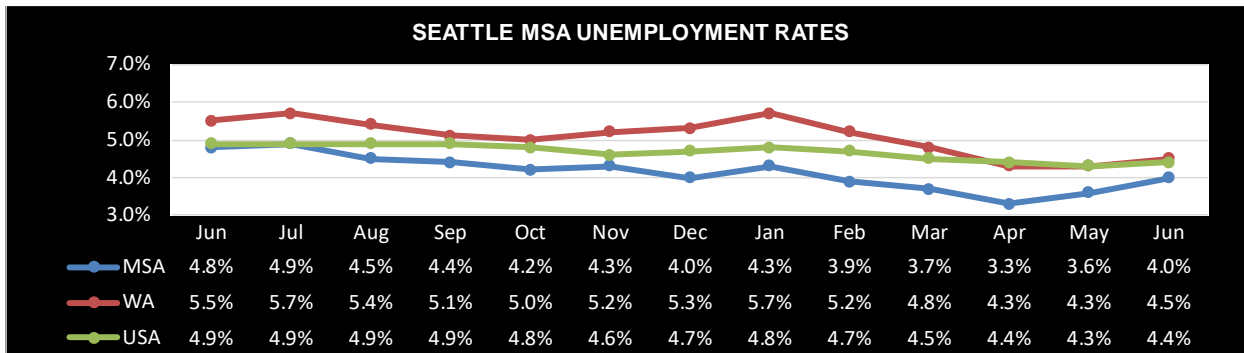
Seattle is home to many prominent colleges and universities. One of the nation’s most respected public universities is the University of Washington which is based in the city of Seattle. The school enrolls over 45,000 under-graduate and post-graduate students and employs nearly 35,000. Also of economic importance is the military presence in the Puget Sound area. The major military bases collectively support over 94,000 jobs in the region and according to the most recent Economic Influence Statement (EIS) provided by Joint Base Lewis-McChord has summarized that the total dollar impact on the local economy amounts to \$497,135,458.

A 2017 report issued by the U.S. Census lists 101,754 established businesses in the MSA (up 2,322 from the previous year’s report). Of these businesses 96 companies employed 1,000+ people, whereas 74,056 businesses employed 1-9 people, representing 73% of all businesses listed reflecting the impact and importance of small business in the local economy.

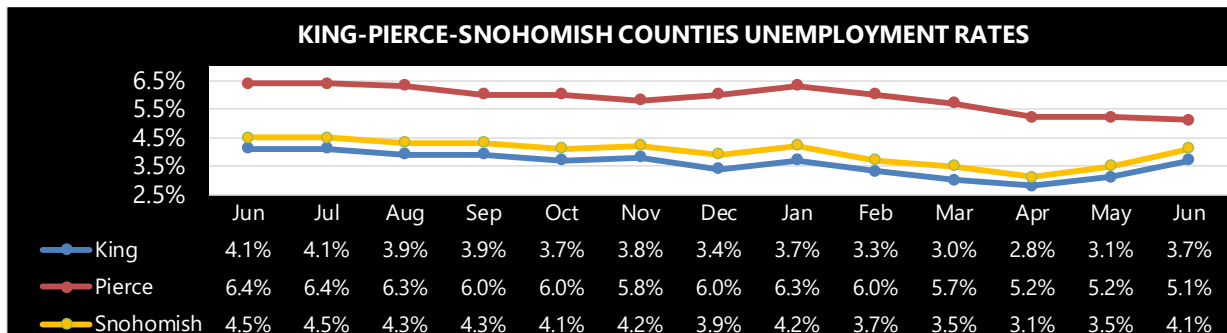


Unemployment

The U.S. Department of Labor’s unemployment data for the Seattle-Tacoma-Bellevue MSA’s non-seasonally adjusted unemployment rate was 4.0% for June 2017 and the state’s non-seasonally adjusted unemployment rate was 4.5% for the same time. The seasonally adjusted U.S. rate was 4.4% for June 2017.



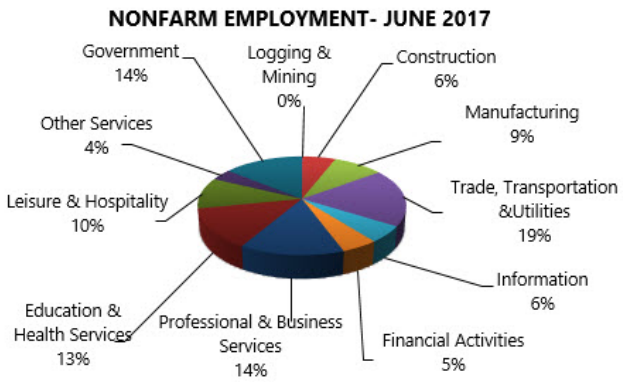
The three counties that make up the Seattle-Tacoma-Bellevue MSA, King, Pierce, and Snohomish had unemployment rates of 3.7%, 5.1%, and 4.1% respectively for June 2017. These figures compare more accurately to what is happening within the metro area.



Labor

Per the Department of Labor, year-over-year job gains for June 2017 saw 61,200 jobs created in the Seattle MSA compared to the June 2016 jobs report (2,012,900 vs. 1,963,800). Of the eleven industry sectors, all but Manufacturing (-7,300) experienced job growth.

Seattle-Tacoma-Bellevue MSA	Jun-17	Jun-16	Difference
Logging & Mining	1,100	1,100	0
Construction	119,300	114,300	5,000
Manufacturing	179,600	186,900	-7,300
Trade, Transportation & Utilities	381,200	369,200	12,000
Information	109,800	105,300	4,500
Financial Activities	100,200	97,300	2,900
Professional & Business Services	287,200	279,800	7,400
Education & Health Services	268,600	260,100	8,500
Leisure & Hospitality	205,800	197,700	8,100
Other Services	75,600	73,600	2,000
Government	284,500	278,500	6,000
Totals	2,012,900	1,963,800	49,100



Median Household Income

The most recent U.S. Census Bureau’s Factfinders report calculated the median household income for the Seattle MSA in 2015 at \$75,331 with the state of Washington’s median household income at \$64,129. Washington’s Office of Financial Management (OFM) estimated the median household incomes in 2016 for King County at \$84,897, Pierce County at \$61,042 and Snohomish County at \$77,9855.

MEDIAN HOUSEHOLD INCOME			
Year	Seattle MSA	Washington	USA
2010	\$63,088	\$55,631	\$50,046
2012	\$65,677	\$57,573	\$51,371
2013	\$67,479	\$58,405	\$52,250
2014	\$71,273	\$61,366	\$53,657
2015	\$75,331	\$64,129	\$55,775

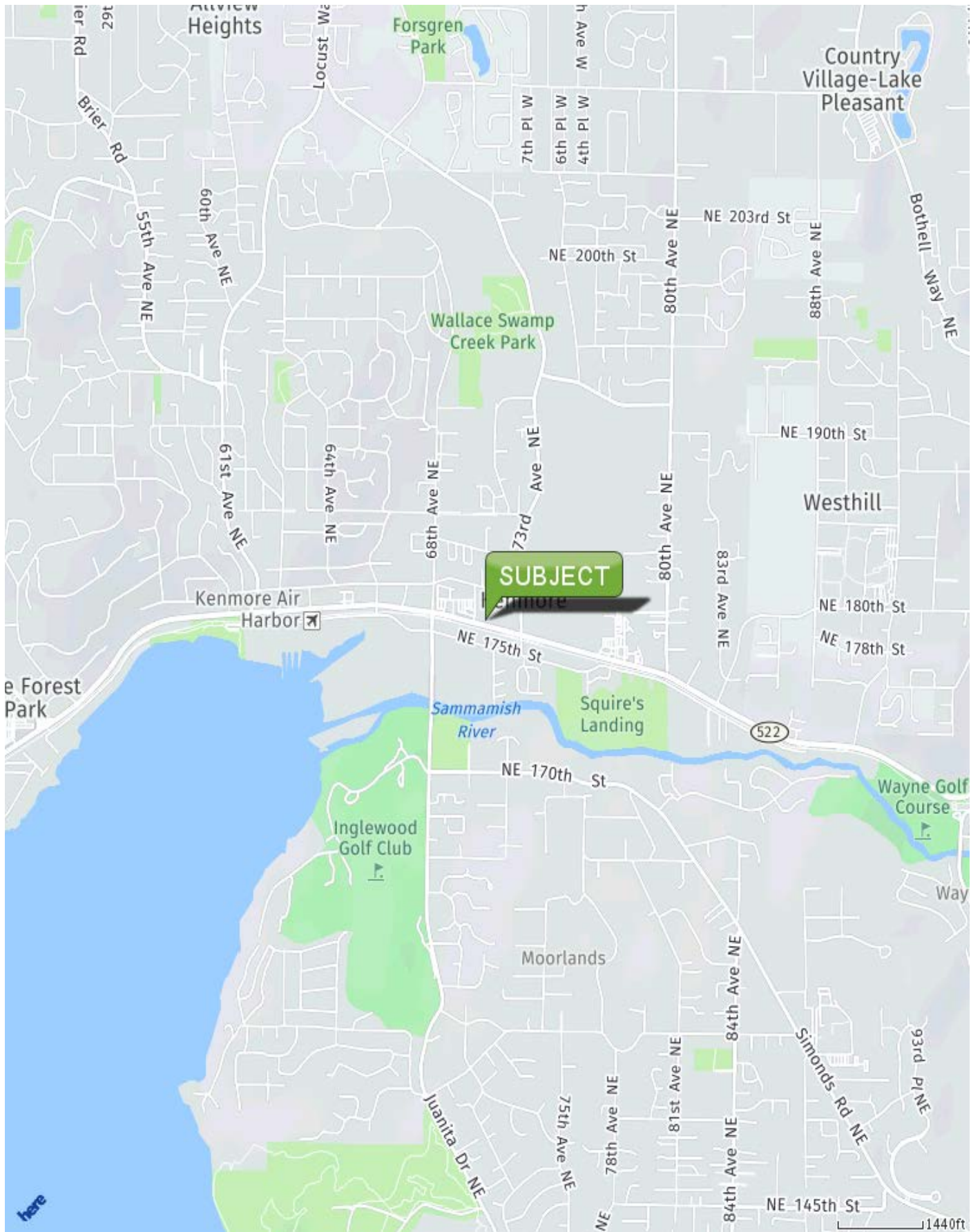
Source: US Census

Per Sperling’s Best Places, the Seattle MSA’s cost of living index is 142 compared to the national average of 100. Housing is by far the biggest factor in the cost of living differences. The Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services in over 300 urban areas.

Summary

Taking a closer look at the nine Fortune 500 companies, the top employers list, and the current labor report shows the diversity of the Seattle MSA’s economy. Major internet and technology companies such as Microsoft, and Amazon, originating in the Seattle MSA, continues to bring jobs and economic growth to the region. The manufacturing companies of Boeing and PACCAR are part of nearly 180,000 employees in the manufacturing industry. Whereas, the retail companies of Starbucks, Nordstrom, Fred Meyer, Walmart, plus Expeditors International of Washington is why Trade, Transportation, and Utilities makes up 19% of the labor force with 381,200 employees. The Education and Health Services industry with 268,600 employees is represented in part by the top employers of Providence and Health Services, Swedish Medical Center and the University of Washington. Besides these large corporations, universities, and medical businesses, the area remains a hotbed for start-up businesses with a highly educated workforce in demand. Indicators suggest economic resiliency with year-over-gains in most major labor industries.

LOCAL AREA MAP



LOCAL AREA ANALYSIS

LOCAL AREA ANALYSIS INTRODUCTION

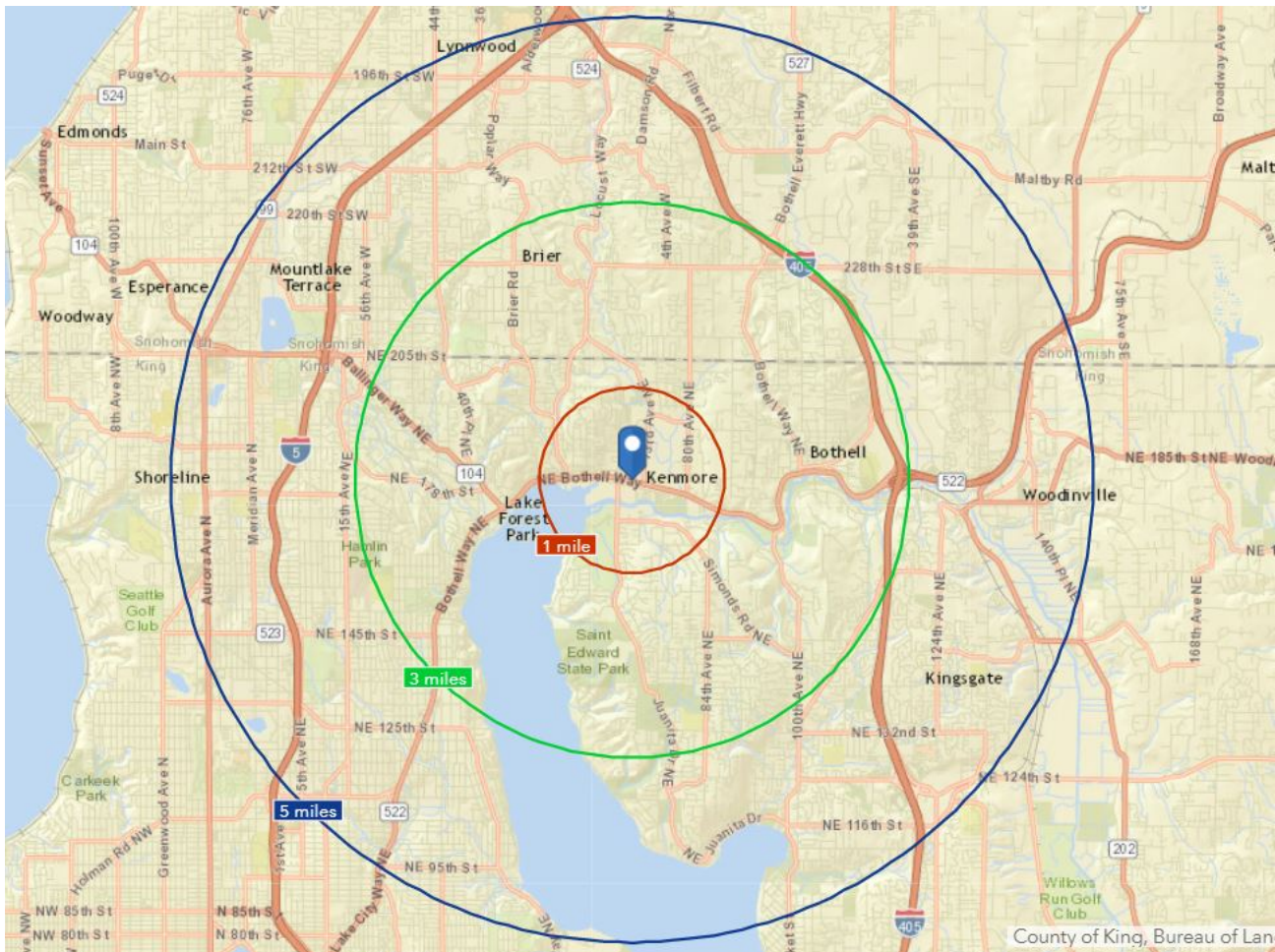
The subject is located in the southern portion of the City of Kenmore, located in King County near the north shore of Lake Washington. Kenmore is bordered by the cities of Shoreline, Bothell, Kirkland and Mountlake Terrace. The area has a convenient location in terms of commuting both to the central Seattle area as well as employment centers to the north (Everett). Redmond and Bellevue are both easily accessible toward the southeast along I-405. The subject's immediate area is a commercial corridor along Bothell Way improved predominantly with retail uses on the north side of Bothell Way, and industrial uses on the south side of Bothell Way.

Demographics - The following information reflects the demographics for the subject's area.

LOCAL AREA DEMOGRAPHICS							
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
POPULATION				HOUSEHOLDS			
2000 Total Population	9,218	87,924	266,783	2000 Households	4,023	33,732	106,373
2010 Total Population	10,426	91,469	286,319	2010 Households	4,469	36,327	116,729
2017 Total Population	11,957	102,490	317,577	2017 Households	5,005	40,114	128,090
2022 Total Population	12,953	110,160	340,704	2022 Households	5,376	42,901	136,813
Δ 2000-2010	13.10%	4.03%	7.32%	Δ 2000-2010	11.09%	7.69%	9.74%
Δ 2010-2017	14.68%	12.05%	10.92%	Δ 2010-2017	11.99%	10.42%	9.73%
Δ 2017-2022	8.33%	7.48%	7.28%	Δ 2017-2022	7.41%	6.95%	6.81%
HOUSING UNITS (2017)				HOUSEHOLDS BY INCOME (2017)			
Total Housing Units	5,415	41,727	134,178	<\$15,000	7.3%	5.5%	6.4%
Owner Occupied	55.8%	68.1%	60.2%	\$15,000 - \$24,999	8.0%	5.3%	5.7%
Renter Occupied	36.7%	28.0%	35.2%	\$25,000 - \$34,999	5.1%	5.6%	6.7%
Vacant Housing Units	7.6%	3.9%	4.5%	\$35,000 - \$49,999	8.3%	10.2%	11.3%
HOUSING UNITS (2022)				HOUSEHOLDS BY INCOME (2017)			
Total Housing Units	5,805	44,538	143,038	\$50,000 - \$74,999	17.1%	15.9%	17.0%
Owner Occupied	55.3%	68.0%	60.2%	\$75,000 - \$99,999	15.2%	14.5%	14.6%
Renter Occupied	37.3%	28.3%	35.4%	\$100,000 - \$149,999	16.7%	20.0%	19.6%
Vacant Housing Units	7.4%	3.7%	4.4%	\$150,000 - \$199,999	9.9%	11.0%	9.2%
AVERAGE HOUSEHOLD INCOME				AVERAGE HOUSEHOLD SIZE			
2017	\$108,245	\$112,758	\$102,889	2017	2.38	2.53	2.45
2022	\$122,556	\$127,025	\$116,850	2022	2.40	2.54	2.47
Δ 2017-2022	13.22%	12.65%	13.57%	Δ 2017-2022	0.84%	0.40%	0.82%
MEDIAN HOUSEHOLD INCOME				MEDIAN HOME VALUE			
2017	\$80,334	\$86,096	\$78,933	2017	\$468,021	\$424,152	\$393,458
2022	\$87,940	\$95,220	\$87,540	2022	\$554,670	\$512,465	\$466,839
Δ 2017-2022	9.47%	10.60%	10.90%	Δ 2017-2022	18.51%	20.82%	18.65%
PER CAPITA INCOME				AVERAGE HOME VALUE			
2017	\$43,197	\$44,530	\$41,854	2017	\$514,389	\$479,029	\$449,543
2022	\$48,508	\$49,857	\$47,254	2022	\$581,299	\$574,033	\$534,490
Δ 2017-2022	12.29%	11.96%	12.90%	Δ 2017-2022	13.01%	19.83%	18.90%

Source: Sites To Do Business (STDB) Online

As shown in the demographic data above, the subject neighborhood within a 1-, 3-, and 5-mile radius is composed of a relatively affluent demographic and is expected to grow substantially over the next several years, albeit at a lower rate than has been experienced since 2010. The following map corresponds with the demographic data presented previously:



Residential Development – Kenmore is primarily a single-family residential area with a commercial development center located along Bothell Way (State Route 522). The city continues to grow and build both multi-family and single-family residences. The subject is located within an established residential area. Most homes in the immediate area are older with many sites being re-developed into higher density multi-family housing, including both apartments and condominiums.

Multi-family developments within proximity to the subject vary in age, with some older projects from the 1920s to 1970s, and newer mixed-use developments added in the 1990’s and 2000’s. Multi-family projects consist of low-rise walk-up apartments, mid-rise mixed-use projects and townhouses. However, there are several multi-family projects that were recently constructed in Kenmore’s downtown core, discussed later in this section.

Commercial and Industrial Development – Commercial development in the area is centered along both sides of Bothell Way (State Route 522), which provides most of regional access for the immediate area. Buildings along the right-of-way are mixed in both age and property type. Properties include a variety of retail, office, auto service, and some older industrial uses. Most of the newer commercial development is situated on the northern site of State Route 522 as the Burke-Gilman trail runs along the southern boundary of the street.

Kenmore Village by the Lake is a downtown redevelopment plan that was originally proposed in 2006 on the Kenmore Village Shopping Center site, located at 181st Street and 68th Avenue NE, just north of State Route 522. The site was assembled by the city from 1999 to 2005 and is part of the larger downtown area envisioned in the city’s comprehensive plan. The site contains about 9.6 acres and per the City of Kenmore, the updated agreement

(2010) calls for a minimum of 300 residential units, 77,200 SF of commercial/retail space and 23,000 SF central gathering space. The city has now sold off several parcels of the assemblage, including one of the larger buildings to Kenmore Camera (which has since been remodeled by the buyer) and a small 1.24-acre site that has been developed with apartments (former Park 'n Ride site). The city plans on continuing to sell the remaining Kenmore Village properties, but in a way that is consistent with their comprehensive plan.



A second major development in Kenmore is the Lakepointe site, located on the north shore of Lake Washington and once the site of the Kenmore Industrial Park. This site encompasses 50+ acres at NE 175th and 65th Ave NE. This project is envisioned to include a master planned, mixed-use development of over 500,000 SF of office and retail space, a hotel, apartments, condominiums, public boardwalk, and beach access to over 3,800 linear feet of shoreline. However, discussions with the city and development efforts have been under public review since 1989 by multiple development companies. Weidner and Associates is the latest developer planning to invest \$1 Billion into the project with a time table of approximately 10 years until project-end. Notably, Lakepointe is located less than ¼ mile west of the subject.



Transportation/Community Services – Community services and facilities are readily available in the surrounding area. The Metro bus system provides easy access to Kenmore and neighboring Bothell. Kenmore accesses Interstate 405 via State Route 522 to the east. Additionally, Interstate 5 is within 10 miles to the west. There is a small airport in Kenmore, which flies floatplanes to Seattle, the Puget Sound (San Juan Islands), and British Columbia, Canada. The Burke Gilman Trail, a primarily biking and running trail, passes through Kenmore. There are three hospitals within six miles of the area.

Summary – Kenmore is primarily a residential community with some commercial and industrial uses providing employment locally, but mostly serving the housing needs of employers in Seattle, Bellevue, Bothell and Everett. The development of downtown has already expanded community growth by creating jobs, and attracting retail and business activity. Development trends are positive, with increasing upward pressure on housing values, due to Kenmore’s convenient location for commuters, and relatively affordability in comparison to areas closer-in to Seattle.

SITE DESCRIPTION

The subject site consists of one parcel and has 23,173 SF (0.53 AC) of land area. The area is estimated based on the assessor's parcel map. There is no surplus or excess land noted on the subject site. If a professional survey is completed it could result in more precise measurements. Unless otherwise noted, the appraisal will utilize the usable site area.

Number of Parcels	1	
Assessor Parcel	011410-0673	
Land Area	Square Feet	Acres
Usable	23,173	0.53
Total Land Area	23,173	0.53
Excess/Surplus Land	No	
Site Topography	Level at street grade	
Site Shape	Rectangular	
Site Quality	Above Average	
Site Access	Average	
Site Exposure	Good	
Site Utility	Average	
Utilities	All available	

Adjacent Properties

North	Mobile Home Park
South	Plywood Supply warehouse across Bothell Way
East	Bank of America Branch
West	Strip Retail Building

Accessibility

Access to the subject site is considered average overall. Notably, ingress/egress is restricted only to westbound travelers on Bothell Way, as a median prohibits left turns to eastbound travelers. This is similar to most sites with interior orientations along Bothell Way.

Notably, the subject has a rectangular shape, but is relatively narrow and deep, which could be more difficult for a developer to build on.

Street Improvements

	Type	Direction	Lanes	Streetlights	Curbs	Sidewalks	Parking	Center Lane	Bike Lane
7018 NE Bothell Way	Major arterial	two-way	6	x	x	x			

Frontage

7018 NE Bothell Way 96 Feet on north side of NE Bothell Way

Traffic Counts

	Location	Date	Source	Count
7018 NE Bothell Way	West of 80th Ave NE	2015	City of Kenmore	41,000
	TOTAL			41,000

Exposure & Visibility

Exposure of the subject is good balancing the frontage on 7018 NE Bothell Way, a major arterial that carries roughly 41,000 vehicles per day near the subject. Overall, visibility to the site is good but the median within Bothell Way contains several trees that can make visibility to the site more difficult.

Zoning

The subject is zoned Downtown Commercial (DC) under the jurisdiction of the City of Kenmore. The downtown commercial zone features a mix of private and public uses designed to create a small-town feel and pedestrian-friendly environment. Public places, sidewalks, extensive landscaping, transit orientation, shared or structured parking, protection of critical areas, and high-quality design and signage are key features. Permitted uses emphasize mixed or multiple use developments, and include high-density housing, civic and governmental offices, small-scale commercial and retail, and locally oriented professional and personal services.

ZONING

Designation	Downtown Commercial (DC)
Zoning Authority	City of Kenmore
Permitted Uses	Multi-family (with ground-floor retail/office/service), retail, auto sales and service, office, health care, restaurant, business service
Prohibited Uses	Manufacturing, warehousing, mobile home park, marijuana business, single-family residential
Current Use	Mixed-use (retail/multi-family)
Current Use Legally Permitted	Yes
Conforming Use	Legal, non-conforming use
Zoning Change	Not Likely
Proposed Use Legally Permitted	Yes
Max Permitted Height	65 Feet
Parking Requirement Spaces	1 per 300 SF
Parking Requirement Spaces/Unit	1 (Studio/1BR); 1.5 (2BR); 1.7(3BR or larger)
Parking Spaces Provided	7
Max Permitted Site Coverage	90%
Max Permitted Density (Units/Acre)	72

Source: City of Kenmore Planning & Zoning Department

Parking Requirements

Parking varies by use but is stated as one space per 300 SF for retail stores. Multifamily parking depends based on the number of bedrooms, as shown in the table above. The subject provides 7 designated parking spaces and is therefore non-conforming to zoning requirements. There are several areas on site that accommodate additional cars, although these areas are not striped for designated parking.

Flood Plain

Zone X (Unshaded). This is referenced by Community Number 530071, Panel Number 53033C0063G, dated November 08, 1999. Zone X (unshaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local storm water drainage systems are not normally considered in a community’s flood insurance study. The failure of a

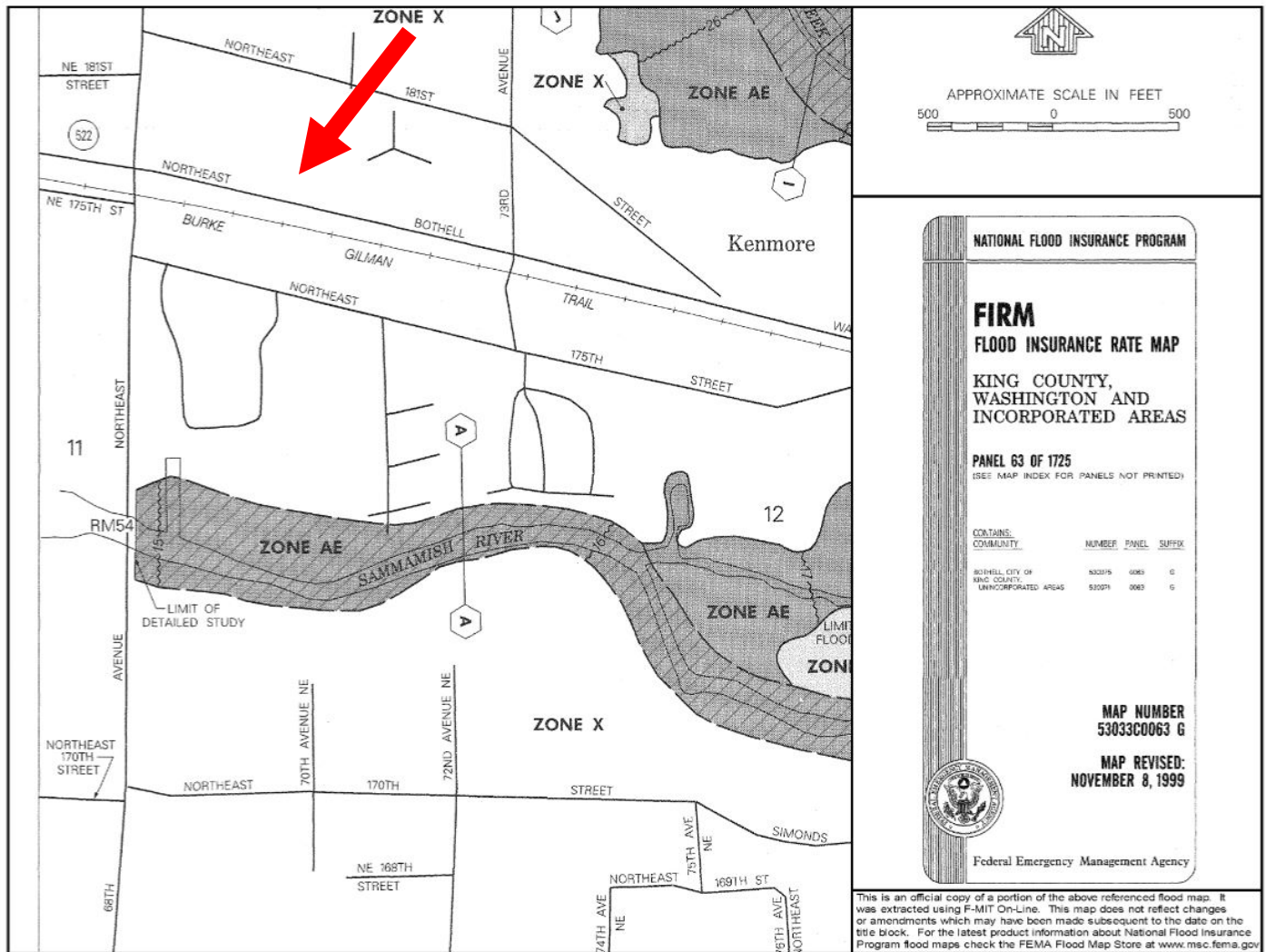
	<p>local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25% of all flood claims filed are for structures located within these zones. Minimal risk areas outside the 1% and 0.2% annual chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)</p>
Seismic	<p>The subject is in a medium risk area.</p>
Easements	<p>A preliminary title report was not available for review. During the property inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there are no adverse easements present. If questions arise, further research is advised.</p>
Soils	<p>A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.</p>
Hazardous Waste	<p>We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.</p>
Site Rating	<p>Overall, the subject site is considered a good mixed use development site, as it is exposed to over 40,000 vehicles per day and is zoned for a variety of uses. The site is rectangular and level, with a flexible zoning designation. However, the site is relatively narrow and deep, which could be a hurdle for developers when designing an appropriate site plan and configuration. The subject is situated within a corridor that is experiencing redevelopment of older retail and service uses on underutilized sites into higher-density uses.</p>

ZONING MAP



- | | | | |
|-----------------------|-----------------------|--|--|
| Regional Business | Downtown Residential | Parks* | R-6 (Residential 6 Dwellings Per Acre) |
| Urban Corridor | Community Business | Golf Course | R-12 (Residential 12 Dwellings Per Acre) |
| Waterfront Commercial | Neighborhood Business | R-1 (Residential 1 Dwelling Per Acre) | R-18 (Residential 18 Dwellings Per Acre) |
| Downtown Commercial | Public/Semi-Public | R-4 (Residential 4 Dwellings Per Acre) | R-24 (Residential 24 Dwellings Per Acre) |

FLOOD MAP



IMPROVEMENT DESCRIPTION

The information presented below is a basic description of the existing improvements that is used in the valuation of the property. Reliance is placed on information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

Overview The subject's improvements consist of a small commercial building and two duplex buildings that are at the end of their economic life.

The commercial building was originally constructed in 1938 and measures 620 SF. This building fronts Bothell Way and has good arterial exposure. The building is improved with two retail suites, currently occupied by a donut shop and hair salon. Each retail suite has an atypically small floor size with low ceiling heights and low-cost quality interior build-out.

The duplex buildings appear to be former single-family residences that were converted into separate apartment units on each level. One duplex is two stories, with the other being a single-story with a basement. Both duplexes were built in 1926 and it is unknown when they were converted. It appears the units have been updated over time. Each apartment unit is equipped with a standard kitchen and bathroom with standard plumbing and electric heating. There are three carports for tenant parking and common laundry room.

Property Type	Mixed Use - Retail/Multi-Family
Tenancy	6 Units
Net Rentable Area (NRA)	4,470
Gross Building Area (GBA)	4,470
Buildings	3
Floors	2+basement
Year Built	1926-1938
Age/Life Analysis	
Actual Age	91
Effective Age	45
Economic Life	45
Remaining Life	0
Building Quality	Below Average
Building Condition	Below Average
Building Appeal	Fair
Land to Building Ratio	5.18 : 1
Site Coverage Ratio	6%
Floor Area Ratio (FAR)	0.13
Parking Spaces	7 - Surface spaces
Parking Ratio	1.2 / Unit

Size The net rentable area (NRA) and gross building area (GBA) are shown in the following table. The sizes are taken from the property owner's rent roll.

BUILDING INFORMATION							
BUILDING	GBA	NRA	SITE COV	YEAR BUILT	EFF. AGE	ECON. LIFE	REM. LIFE
Commercial Space	620	620	6%	1938	40	40	0
Duplex (Units 1&2)	1,250	1,250	6%	1926	45	45	0
Duplex (Units 3&4)	1,400	1,400	6%	1926	45	45	0
TOTAL	3,270	3,270					

Foundation	Duplex buildings have concrete perimeter foundations. Commercial building has concrete slab on grade.
Exterior Walls	Lap siding
Roof	Duplex buildings have gabled roofs with shingles. Commercial building has flat roof.
Elevator	None
Heating, Ventilation, & Air Conditioning (HVAC)	Electric wall heaters. No air conditioning units observed.
Insulation	Assumed to be standard and to code for both walls and ceilings
Lighting	Combination of flush mounted fluorescent lighting and incandescent lighting
Electrical	Individually metered spaces; assumed to meet the code requirements for the current use
Interior Walls	Taped, textured, and painted sheet rocked walls
Doors and Windows	Standard storefront windows and doors, glass in aluminum or wood frames
Ceilings	Apartment units have drywall ceilings. The commercial space has 2 x 2 acoustical tile.
Plumbing	Standard plumbing for a duplex building. Each bathroom includes a sink, toilet, and shower. Kitchens include a sink as well. Each commercial space has bathroom with a sink and toilet, and the donut shop has a commercial sink.
Floor Covering	A variety of commercial floor coverings including hardwood, laminate wood, sheet vinyl, and carpet in apartment units. Laminate wood in the commercial spaces.
Fire Protection	None
Interior Finish/Build-Out	The subject buildings are low-cost quality, multi-tenant retail and duplex buildings with low-cost interior build-out. The interior finish of the apartment units consists mainly of painted sheetrock walls and ceilings, carpet and laminate flooring, and incandescent lighting. The interior finish of the commercial spaces consists of laminate flooring, fluorescent and incandescent lighting, sheetrock and acoustic tile ceilings, and sheetrock walls.

Site Improvements	The parking lot is improved with an asphalt paved surface, extruded curbing, and concrete sidewalks. A carport structure that can house 3 cars is located in front of the two duplex buildings.
Landscaping	A variety of trees, shrubbery and grass.
Signage	Signage is located on the front of the commercial building. The subject is also improved with a billboard sign located at the southeastern corner of the site along Bothell Way.
Parking	There are 7 surface parking spaces (3 carport/4 open), or 1.2 spaces per unit. However, there are several areas on site that accommodate additional parking, although not striped or designated.
Site Coverage Ratio	5.7% (1,320 SF footprint / 23,173 SF site), which is below market standards for similar buildings in the area, as zoning permits much higher densities in this area.
Deferred Maintenance	Based on an interview with the property owner and the onsite inspection by the field appraiser, no observable deferred maintenance exists. The subject buildings have typical wear and tear of buildings nearing the end of their economic life.
Functional Design	The site is under-developed based on the low site coverage and the allowed density by the City of Kenmore. The site appears to be poised for redevelopment into a higher density mixed-use project that could accommodate up to 72 units per acre based on current zoning requirements.
ADA Comment	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section.
Hazardous Materials	A Phase I report was not provided. This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) unseen asbestos and mold. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

MARKET ANALYSIS

In this section, market conditions which influence the subject property are analyzed.

Apartment Market Analysis - An overview of Apartment supply and demand conditions for the Northend market and Bothell/Kenmore submarket is presented. Key supply and demand statistics for the most recent quarter, last year and historical averages over the past 7 years are summarized in the tables below.

APARTMENT MARKET AND SUBMARKET DATA SUMMARY (7 YEARS)

		INVENTORY SUPPLY (UNITS)		VACANCY (%)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2017	94,433	13,790	5.0%	6.0%
Q2	2017	93,868	13,790	4.8%	6.4%
Q1	2017	93,460	13,646	4.7%	6.5%
Q4	2016	93,306	13,552	4.7%	7.0%
	2016	93,306	13,552	4.7%	7.0%
	2015	92,465	13,276	4.9%	4.8%
	2014	90,477	13,054	5.3%	5.9%
	2013	87,304	12,547	5.3%	6.5%
	2012	86,146	12,144	5.5%	5.8%
	2011	85,232	12,144	6.0%	6.1%
	2010	85,121	12,329	6.0%	7.6%
		RENT \$/UNIT/MONTH		NET ABSORPTION (UNITS)	
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2017	\$1,377.00	\$1,579.00	384	44
Q2	2017	\$1,390.00	\$1,597.00	342	147
Q1	2017	\$1,354.00	\$1,559.00	163	155
Q4	2016	\$1,321.00	\$1,513.00	275	(11)
	2016	\$1,321.00	\$1,513.00	898	2
	2015	\$1,243.00	\$1,433.00	2,248	330
	2014	\$1,141.00	\$1,306.00	3,039	545
	2013	\$1,092.00	\$1,250.00	1,287	321
	2012	\$1,030.00	\$1,191.00	1,213	39
	2011	\$977.00	\$1,136.00	64	(17)
	2010	\$944.00	\$1,085.00	864	(76)

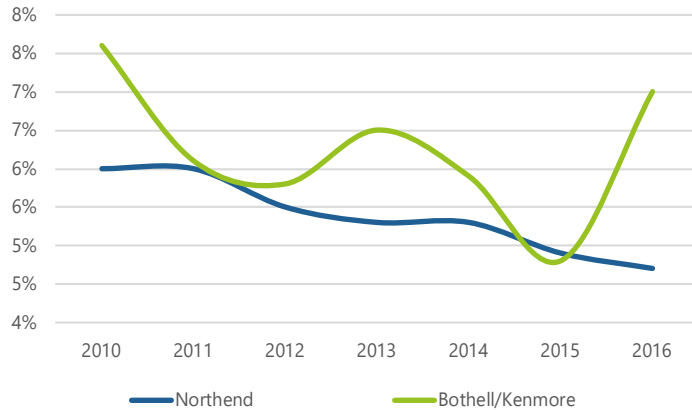
Source: CoStar Property®

The Northend apartment market demonstrates positive conditions. There has been little variance in vacancy over the last several years, despite the market adding an average of approximately 1,300 units per year. Asking rents have generally increased, although they took a slight decrease over the last quarter. Notably, asking rents have increased an average of 6.6% per year since 2010. Strong absorption in each year over the last 7 years should continue to keep rents trending upward and vacancy stagnant.

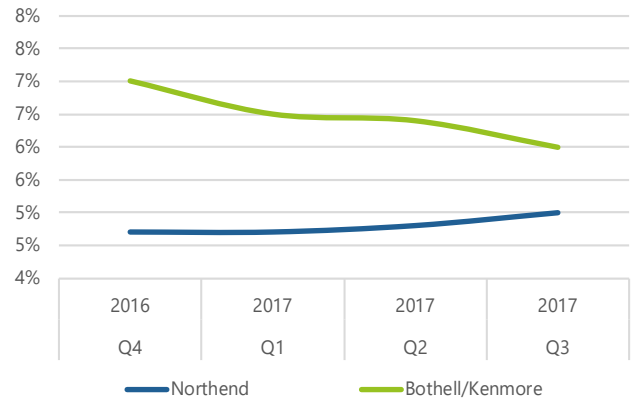
The Bothell/Kenmore apartment submarket also demonstrates positive conditions. Vacancy had trended downward from 7.0% in 2016 to its current level of 6.0%. Absorption has been positive in every quarter since Q4 2016, with the submarket adding an average of approximately 200 units in each year since 2010. Like the Northend market, asking rent trended downward in the most recent quarter, but has generally continued an upward trend over the last 7 years. Notably, asking rents in the submarket are generally higher than the Northend market, as a whole, and have increased an average of 6.5% per year since 2010.

The following tables provide visual illustration of the long term and short term multi-family vacancy for the Northend and Bothell/Kenmore submarket.

LONG TERM VACANCY

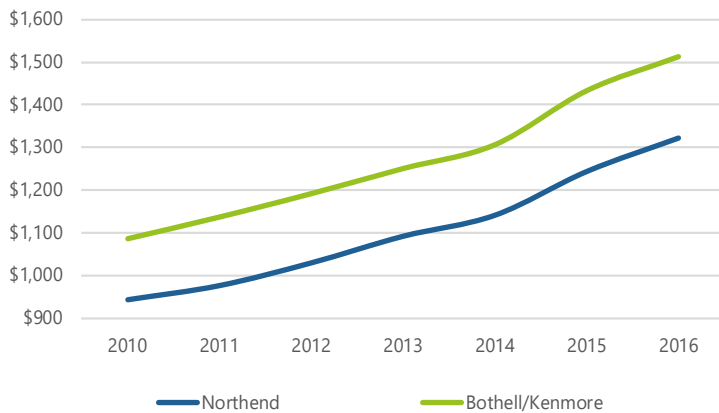


SHORT TERM VACANCY

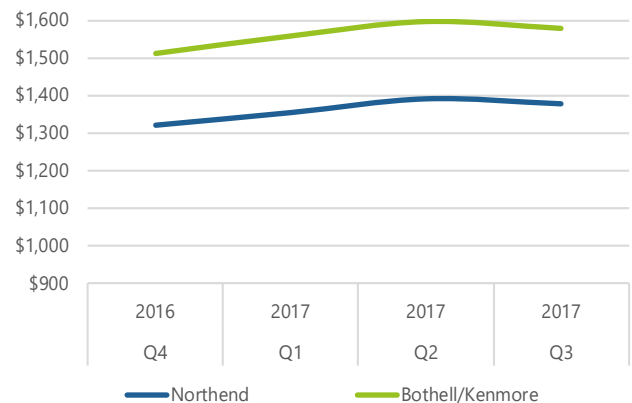


The following tables provide visual illustration of the long term and short term multi-family rent per unit for the Northend and Bothell/Kenmore submarket.

LONG TERM RENT



SHORT TERM RENT



The following tables provide the recently delivered and under construction multi-family supply for the Northend and Bothell/Kenmore submarket.

DELIVERIES (UNITS)						
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL	
Q3	2017	599	0.6%	-		
Q2	2017	573	0.6%	146	1.1%	
Q1	2017	156	0.2%	96	0.7%	
Q4	2016	519	0.6%	276	2.0%	
	2017	1,328	1.4%	242	1.8%	
	2016	841	0.9%	276	2.1%	
	2015	2,125	2.3%	223	1.7%	
	2014	3,174	3.6%	507	4.0%	
	2013	1,443	1.7%	426	3.5%	

UNDER CONSTRUCTION (UNITS)						
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS	
Q3	2017	2,726	21	755		7
Q3	2016	2,556	18	518		3
Q3	2015	2,028	16	223		1
Q3	2014	3,726	20	507		2
Q3	2013	3,200	15	730		4

As shown, apartment deliveries have been substantial over the last several years, with approximately 9.9% of the total inventory in the Northend market being delivered since 2013. Another 2,726 units within 21 buildings are currently under construction, with more projects planned. However, as previously mentioned, the market has sustained growth of roughly 1,300 units per year since 2010 and has not experienced negative absorption within this same period.

The submarket has also experienced substantial apartment growth, with an addition of 1,674 units, or 13.1% of the total submarket supply, since 2013. Another 755 units are currently under construction within 7 buildings, which is the highest total since 2013. As previously mentioned, the submarket has sustained growth of roughly 200 units per year since 2010 and had mostly positive absorption levels. Vacancy has been mostly unaffected by the constant addition of new units.

According to Dupree + Scott Apartment advisors, below is a summary list of the status of new and proposed multifamily units within the subject’s general area. Note that several of the individual projects included are outside of the subject’s submarket.

Neighborhood	Status	Units	Date Complete	Property name	Developer
Bothell	U	122	Dec-2017	Mercantile	Goodman Real Estate
Bothell	X	100	Jan-2050	Junction - Phase II	Main Street Property Group
Bothell	A	94	Feb-2017	Linq at Spencer Square	Main Street Property Group
Bothell	U	130	Nov-2017	Junction - Phase I	Main Street Property Group
Bothell	C	100	Jan-2050	Bothell Landing (Parcel O)	Polygon Northwest
Bothell	U	147	Nov-2017	Village at Beardslee Crossing III	Westridge Land
Bothell	U	53	Nov-2017	Swedish Crest	Harbour Homes
Bothell	U	185	May-2018		Tarragon
Bothell	X	27	Oct-2018	Spencer Square - Ph 3	Main Street Property Group
Juanita	X	402	Jan-2020	Lifebridge site	Wolff Company
Mountlake Terrace	T	276	Jan-2050	Scriber Creek	Magnum Construction
Mountlake Terrace	x	100	Mar-2020	Andorra Estates II	Weidner Company
Mountlake Terrace	X	258	Jul-2019	Mountlake Terrace TOD - Phase I	Westridge Land
Mountlake Terrace	X	160	Oct-2019	Mountlake Terrace TOD - Phase II	Westridge Land
Mountlake Terrace	X	196	Jul-2020	Mountlake Terrace TOD - Phase III	Westridge Land
Mountlake Terrace	X	350	Jan-2050	Andorra Estates III	Weidner Company
Thrashers Corner	R	296	Jan-2050	Reserve at Scriber Lake	
Thrashers Corner	X	316	Aug-2019	Avalon North Creek	Avalon Bay Communities
Thrashers Corner	X	41	Mar-2019	Silver Creek Estates Division 6	Mietzner Group
Woodinville/Totem Lake	R	60	Jan-2050	Jefferson House Memory Care	
Woodinville/Totem Lake	X	201	Oct-2019	Village at Totem Lake - Ph 1	CenterCal Properties
Woodinville/Totem Lake	X	59	Dec-2019	Scout	Main Street Property Group
Woodinville/Totem Lake	T	91	Dec-2017	Athene	Imagine Housing
Woodinville/Totem Lake	X	275	Jun-2019	Woodin Creek Village II	Weidner Company
Woodinville/Totem Lake	X	339	May-2020	Totem Lake	LMC Lennar Multifamily
Woodinville/Totem Lake	X	655	Jun-2020	Village at Totem Lake - Ph 2	CenterCal Properties
Woodinville/Totem Lake	X	100	Jan-2050		Fairfield Residential

Status: A = finished apartment; U = under construction; X = planned; C = existing or proposed condominium; S, H, R, T = subsidized, hotel, retirement, tax credit. M = Microhousing.

As shown, there are nine apartment projects within the Bothell/Kenmore submarket as of current, according to Dupree + Scott, with two of these projects being planned developments that may or may not come to fruition.

Retail Market Analysis - As the subject will likely be improved with retail use on the ground floor, we have also included market statistics from the Northend market and Bothell/Kenmore submarket within the table below.

RETAIL MARKET AND SUBMARKET DATA SUMMARY (7 YEARS)					
INVENTORY SUPPLY (SF)			VACANCY (%)		
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2017	47,842,102	4,380,888	4.1%	3.4%
Q2	2017	47,862,546	4,380,888	4.0%	2.0%
Q1	2017	47,891,630	4,380,888	3.9%	1.8%
Q4	2016	47,899,735	4,405,646	3.9%	2.5%
	2016	47,899,735	4,405,646	3.9%	2.5%
	2015	47,811,428	4,405,646	3.9%	3.2%
	2014	47,671,231	4,396,107	4.9%	5.7%
	2013	47,397,778	4,336,967	5.6%	4.6%
	2012	47,212,790	4,333,950	5.7%	5.7%
	2011	47,121,319	4,314,619	6.2%	5.7%
	2010	47,013,993	4,219,340	6.8%	7.2%
RENT \$/SF			NET ABSORPTION (SF)		
QTR	YEAR	MARKET	SUBMARKET	MARKET	SUBMARKET
Q3	2017	\$18.34	\$25.36	(55,321)	(58,816)
Q2	2017	\$18.49	\$28.42	(75,442)	(9,073)
Q1	2017	\$18.43	\$27.65	(16,349)	5,235
Q4	2016	\$18.56	\$26.01	(23,180)	(11,676)
	2016	\$18.56	\$26.01	82,503	29,464
	2015	\$16.95	\$18.96	626,281	118,630
	2014	\$16.85	\$20.17	604,696	8,403
	2013	\$16.75	\$20.58	228,158	50,595
	2012	\$17.00	\$20.78	287,149	21,864
	2011	\$17.24	\$18.42	375,330	151,728
	2010	\$17.05	\$16.58	(192,936)	11,945

Source: CoStar Property®

The Northend retail market demonstrates generally positive conditions. There has been little variance in vacancy over the last several years, with the current vacancy rate at 4.1% and indicative of a balanced market. Asking rents have generally increased, although the current rent is a slight decrease from one year ago which was a survey high of \$18.56/SF. However, the market has experienced negative absorption in each quarter dating back to Q4 2016, which may be an indication that vacancy could trend upward.

The Bothell/Kenmore retail submarket also demonstrates generally positive conditions. Vacancy currently sits at 3.4%, but represents an uptick from the 7-year low of 1.8% in Q1 2017. Rental rates have been relatively volatile over the last several years and the most recent rate indicated is a decrease from the previous quarter. Asking rents in the submarket are generally higher than the Northend market, as a whole. Additionally, absorption has been negative in three of the last four quarters, which has likely caused the slight uptick in vacancy and the decrease in rental rates.

The following tables highlight construction and deliveries in the market and submarket over the last several years.

UNDER CONSTRUCTION (SF)					
QTR	YEAR	MARKET	BUILDINGS	SUBMARKET	BUILDINGS
Q3	2017	40,300	5	25,250	3
Q3	2016	154,713	10	0	0
Q3	2015	193,984	7	18,007	2
Q3	2014	222,346	6	50,301	2
Q3	2013	220,720	4	0	0

DELIVERIES (SF)					
QTR	YEAR	MARKET	% OF TOTAL	SUBMARKET	% OF TOTAL
Q3	2017	3,400	0.0%	0	0.0%
Q2	2017	3,400	0.0%	0	0.0%
Q1	2017	12,900	0.0%	0	0.0%
Q4	2016	13,280	0.0%	0	0.0%
	2017	19,700	0.0%	0	0.0%
	2016	168,530	0.4%	0	0.0%
	2015	302,984	0.6%	56,007	1.3%
	2014	303,570	0.6%	62,301	1.4%
	2013	229,831	0.5%	4,111	0.1%

As shown, the submarket contains three of the five total buildings within the market currently under construction as of Q3 2017. There has been minimal retail space delivered in the market since 2015, with no space delivered in the submarket since 2015. Deliveries and retail under construction is not likely substantial enough to affect vacancy and rent levels within the market and submarket.

Market Analysis Conclusion - Overall, there has been significant mixed-use apartment development over the last several years, but demand continues to be high as rental rates have trended upward and vacancy has remained mostly stagnant or slightly decreasing. Investors would recognize these general apartment conditions and the subject’s positioning in the immediate market area as having a positive overall influence when contemplating the purchase of the subject for redevelopment purposes.

SUBJECT PROPERTY ANALYSIS

The subject is a 0.53-acres (23,173 SF) redevelopment site located at 7018 NE Bothell Way in Kenmore, King County, Washington. The property has good exposure and is situated within a community on the north shore of Lake Washington roughly 11 miles from both the Seattle and Bellevue central business districts. Kenmore is situated between I-5 and I-405, which offers it good access to both the east and west side of the greater Seattle area.

The market generally classifies the subject as a standard redevelopment property that if exposed to the open market would command good interest from developers that are actively pursuing high-density residential projects. Currently there is strong buyer demand, while there is limited availability for this property type on the supply side.

The following SWOT Analysis chart summarizes the major property strengths and weaknesses while outlining potential opportunities or threats to the subject's competitive position and overall marketability.

SUMMARY OF STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS

STRENGTHS

High traffic counts of over 40,000 VPD along Bothell Way

Flexible zoning allows building heights up to 65 feet

Generally level site, at street grade

Rectangular shape allows for more flexible site plan

Close proximity to Lake Washington waterfront

OPPORTUNITIES

Lakepointe development could dramatically increase traffic to the area if developed.

City of Kenmore is growth-oriented, evident with Kenmore Village by the Lake plan occurring in the downtown core

WEAKNESSES

Ingress/egress from Eastbound travelers can be difficult due to median

Relatively narrow site

THREATS

Significant apartment construction in greater Puget Sound region yields high competition for new projects.

HIGHEST & BEST USE / VALUATION METHODS

Highest & Best Use - This section develops the highest and best use of the subject property As-Vacant and As-Improved.

As Vacant - The legal factors influencing the highest and best use of the subject site are primarily government regulations such as zoning ordinances. Permitted uses of the subject's Downtown Commercial (DC) include retail, service, office, and mixed-use (apartment) projects. In terms of physical features, the subject site totals 0.53-acres (23,173 SF), it is rectangular in shape and has a level topography. The site has good exposure along Bothell Way street and average overall access. The subject is within a suburban location of Kenmore that is experiencing relatively strong population and real estate development growth. The city has recently seen substantial apartment development surrounding the establishment of a downtown Kenmore core. Several other townhouse developments have also occurred in the immediate area that take advantage of higher-density zoning and views of Lake Washington. Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site as-vacant concluded to be a mixed-use development, consisting of apartment units over ground-floor retail/office use.

As-Improved - The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject's improvements were constructed in 1926-1938 and are a legal, non-conforming use due to lack of parking stalls on-site. The physical and location characteristics of the subject improvements have been previously discussed in this report. The project is of low-cost quality construction and is in fair condition, with each building at the end of their economic life. The site coverage ratio is 5.7%, with zoning allowing up to 90% coverage. Therefore, the property as improved, is deemed as under-utilized and no longer meets the physical and location criteria as the highest and best use of the property.

In addition to legal and physical considerations, analysis of the subject property as-improved requires consideration of alternative uses. The five possible alternative treatments of the property are demolition (warranted as the improvements no longer contribute substantial value to the site), expansion (not warranted, no excess or surplus land), renovation (not warranted), conversion (not applicable), and continued use "as-is".

As a check on the value as improved, an abbreviated income approach is presented based on current contract rental rates, actual expenses, and a market capitalization rate.

The subject's current rent roll is shown below. Notably, the subject is currently 73% occupied, with the lone vacancy being a 2BR/1BA apartment unit that was recently vacated. This former tenant was previously renting this apartment for \$935 per month, which has been utilized in our highest and best analysis. The subject's apartment units are of significantly lower quality and appeal than most apartment units in the market area. Units are leased inclusive of water, sewer, and garbage. Tenants pay directly for electricity and other utility bills. The subject's two retail spaces are leased on triple-net expense terms, whereby the tenant is responsible for reimbursement of all operating expenses.

MULTI-TENANT RENT ROLL

OCCUPIED SPACE												AS OF NOVEMBER 2017		
UNIT NO	TENANT NAME	TOTAL NRA (SF)	% OF NRA	TENANT GROUP	TERMS			LEASE STRUCTURE	BASE RENT					
					START	END	YEARS		\$/SF(YR.)	\$/SF(MO.)	ANNUAL			
A	Daddy's Donuts	430	9.6%	Retail	Apr-15	Mar-18	3.0	Triple Net	\$31.06	\$2.59	\$13,356			
B	Beauty Hair	190	4.3%	Retail	May-07	Mar-20	12.9	Triple Net	\$42.63	\$3.55	\$8,100			
2	Mary Johnson	700	15.7%	1BR/1BA	Aug-17	Jul-18	1.0	Modified Gross	\$13.71	\$1.14	\$9,600			
3	Chris Eggers	550	12.3%	1BR/1BA	Dec-15	Nov-18	3.0	Modified Gross	\$16.36	\$1.36	\$9,000			
4	Eduardo Suzawa-Bernal	1,400	31.3%	3BR/1BA	Feb-16	Jan-18	2.0	Modified Gross	\$13.71	\$1.14	\$19,200			
OCCUPIED SUBTOTALS		3,270	73%						\$18.12	\$1.51	\$59,256			

VACANT SPACE											
UNIT NO	SPACE	TOTAL NRA (SF)	% OF NRA	TENANT GROUP				LEASE STRUCTURE	ASKING RENT		
									\$/SF(YR.)	\$/SF(MO.)	ANNUAL
1	Vacant 2BR/1BA	1,200	26.8%	2BR/1BA			-	Modified Gross	\$9.35	\$0.78	\$11,220
VACANT SUBTOTALS		1,200	27%						\$9.35	\$0.78	\$11,220
TOTAL NRA		4,470	100%						\$13.26	\$1.10	\$59,256

The subject also receives income from a billboard situated on the southeast corner of the site along Bothell Way. The billboard lease is for 15 years and commenced on October 17, 2013. Base rent is \$3,400 per year, with 12% rent increases every 5 years. It is noted that Clear Channel (lessee) can terminate the lease with 30 days' notice at any time during the term. The landlord also has a right of termination at any time if the landlord chooses to redevelop the property or if the landlord sells the property.

MISCELLANEOUS INCOME CONCLUSIONS

MISCELLANEOUS INCOME	%EGI	\$/SF NRA	\$/UNIT	TOTAL	COMMENT
Billboard Sign	4.6%	\$0.76	\$567	\$3,400	Billboard sign at SE corner of the site. Rent increases 12% every 5 years. Tenant and Landlord have termination rights at any point during initial 15-year term.
TOTAL MISC. INCOME	4.6%	\$0.76	\$567	\$3,400	

We were provided a minimal income/expense history for use in this report. The subject has been self-managed and much of the maintenance on the property is also handled by ownership. We have applied a market-based management and reserve considering there is no operating history for these line items. The operating history for 2016, YTD 2017, and Annualized 2017 is shown below, relative to the projections used in this test of reasonableness.

OPERATING HISTORICALS								
YEAR	2016		YTD 2017		ANNUALIZE 2017		PROFORMA	
INCOME	TOTAL	\$/SF	TOTAL	\$/SF	TOTAL	\$/SF	TOTAL	\$/SF
Base Contract Rent	\$73,247	\$16.39	\$57,146	\$12.78	\$62,341	\$13.95	\$59,256	\$18.12
Vacant Space @ Market Rent	\$0	-	\$0	-	\$0	-	\$11,220	\$9.35
TOTAL RENTAL INCOME	\$73,247	\$16.39	\$57,146	\$12.78	\$62,341	\$13.95	\$70,476	\$15.77
REIMBURSEMENT INCOME								
Reimbursements	\$0	-	\$0	-	\$0	-	\$4,284	\$0.96
TOTAL REIMBURSEMENT	\$0	-	\$0	-	\$0	-	\$4,284	\$0.96
MISCELLANEOUS INCOME								
Billboard Sign	\$3,400	\$0.76	\$2,833	\$0.63	\$3,091	\$0.69	\$3,400	\$0.76
TOTAL MISCELLANEOUS	\$3,400	\$0.76	\$2,833	\$0.63	\$3,091	\$0.69	\$3,400	\$0.76
TOTAL GROSS INCOME	\$76,647	\$17.15	\$59,980	\$13.42	\$65,432	\$14.64	\$78,160	\$17.49
VACANCY & CREDIT LOSS								
Rental Income	-	-	-	-	-	-	(\$3,524)	(\$0.79)
Reimbursement Income	-	-	-	-	-	-	(\$214)	(\$0.05)
Miscellaneous Income	-	-	-	-	-	-	(\$170)	(\$0.04)
EFFECTIVE GROSS INCOME	\$76,647	\$17.15	\$59,980	\$13.42	\$65,432	\$14.64	\$74,252	\$16.61
EXPENSES								
Taxes	(\$8,800)	(\$1.97)	(\$9,297)	(\$2.08)	(\$9,297)	(\$2.08)	(\$9,297)	(\$2.08)
Insurance	\$91	\$0.02	(\$2,687)	(\$0.60)	(\$2,931)	(\$0.66)	(\$2,906)	(\$0.65)
Repairs & Maintenance	(\$16,514)	(\$3.69)	\$0	-	\$0	-	(\$8,940)	(\$2.00)
Roads & Grounds	(\$1,601)	(\$0.36)	(\$546)	(\$0.12)	(\$595)	(\$0.13)	(\$1,118)	(\$0.25)
Security	(\$344)	(\$0.08)	(\$387)	(\$0.09)	(\$422)	(\$0.09)	(\$447)	(\$0.10)
Utilities	(\$3,460)	(\$0.77)	(\$2,372)	(\$0.53)	(\$2,588)	(\$0.58)	(\$4,470)	(\$1.00)
Management Fees	\$0	-	\$0	-	\$0	-	(\$3,713)	(\$0.83)
Administrative Fees	(\$620)	(\$0.14)	(\$307)	(\$0.07)	(\$335)	(\$0.07)	(\$447)	(\$0.10)
Reserves	\$0	-	\$0	-	\$0	-	(\$894)	(\$0.20)
TOTAL EXPENSES	(\$31,248)	(\$6.99)	(\$15,595)	(\$3.49)	(\$16,168)	(\$3.62)	(\$32,230)	(\$7.21)
NET OPERATING INCOME	\$45,399	\$10.16	\$44,384	\$9.93	\$49,264	\$11.02	\$42,022	\$9.40

There are few sales in the market that are like the subject in terms of age, condition, size, and location. As such, we have employed a mixture of apartment and retail sales occurring in 2017. These supplemental sales are shown as follows:

CAP RATE COMPARABLES

TYPE	ADDRESS	CITY	SIZE (SF)	YEAR BUILT	SALE PRICE	SALE DATE	PRICE/SF	CAP RATE
Apartments	8524 Phinney Ave	Seattle	8,062	1969	\$2,904,000	Sep-17	\$360	4.2%
Apartments	11300 5th Ave	Seattle	9,095	1962	\$2,880,000	Mar-17	\$317	5.1%
Apartments	9523 Firdale Ave	Edmonds	11,708	1988	\$2,675,000	Apr-17	\$228	4.8%
Apartments	21409 80th Ave W	Edmonds	8,450	1968	\$2,100,000	Apr-17	\$249	5.2%
Apartments	21409 80th Ave W	Edmonds	9,200	1968	\$2,100,000	Apr-17	\$228	5.3%
Apartments	3019 NE 130th St	Seattle	6,595	1999	\$1,930,000	Oct-17	\$293	4.1%
Apartments	10317 Midvale Ave N	Seattle	4,258	1968	\$1,710,000	Jun-17	\$402	6.1%
Retail	14016-14022 Aurora Ave N	Seattle	6,400	1964	\$1,540,000	Jun-17	\$241	5.0%
Retail	1418 Market St	Kirkland	3,139	1965	\$1,522,100	Jun-17	\$485	5.8%
Apartments	7711 Greenwood Ave N	Seattle	4,262	1966	\$1,450,000	Mar-17	\$340	3.9%
Apartments	2415 NW 85th St	Seattle	3,250	1955	\$1,425,000	Jan-17	\$438	4.6%
Apartments	9538 Woodinville-Redmond Rd NE	Redmond	4,048	1979	\$1,400,000	Apr-17	\$346	5.0%
Apartments	2460 NE Northgate Way	Seattle	5,800	1962	\$1,250,000	Jan-17	\$216	8.0%
Apartments	2108 NE 85th St	Seattle	4,800	1970	\$1,225,000	Mar-17	\$255	4.5%
Apartments	1115 N 78th St	Seattle	2,800	1950	\$1,225,000	Jun-17	\$438	3.9%
Apartments	1414 N Northgate Way	Seattle	3,968	1989	\$1,174,000	Jan-17	\$296	4.5%
Apartments	12713 NE 118th St	Kirkland	3,328	1979	\$915,000	Jan-17	\$275	6.0%
		High:	11,708	1999	\$2,904,000	Oct-17	\$485	8.0%
		Average:	5,833	1971	\$1,730,888	Apr-17	\$318	5.0%
		Median:	4,800	1968	\$1,522,100	Apr-17	\$296	5.0%
		Low:	2,800	1950	\$915,000	Jan-17	\$216	3.9%

As shown, the average and median capitalization rates indicated from the supplemental retail and apartment sales is 5.0%. This would likely be a best-case-scenario capitalization rate for the subject as improved. Therefore, the value conclusion for the subject as improved is shown as follows:

DIRECT CAPITALIZATION

OCCUPIED SPACE

TENANT	NRA (SF)	CATEGORY	CONTRACT	MARKET	CONT V MKT	\$/SF(YR.)	\$/YEAR
Daddy's Donuts	430	Retail	\$31.06	\$31.06	100%	\$31.06	\$13,356
Beauty Hair	190	Retail	\$42.63	\$42.63	100%	\$42.63	\$8,100
Mary Johnson	700	1BR/1BA	\$13.71	\$13.71	100%	\$13.71	\$9,600
Chris Eggers	550	1BR/1BA	\$16.36	\$16.36	100%	\$16.36	\$9,000
Eduardo Suzawa-Bernal	1,400	3BR/1BA	\$13.71	\$13.71	100%	\$13.71	\$19,200
OCCUPIED SUBTOTALS	3,270	-	\$18.12	\$18.12	100%	\$18.12	\$59,256

VACANT SPACE

SPACE	NRA (SF)	CATEGORY	ASKING	MARKET	ASK V MKT	\$/SF(YR.)	\$/YEAR
Vacant 2BR/1BA	1,200	2BR/1BA	\$9.35	\$9.35	100%	\$9.35	\$11,220
VACANT SUBTOTALS	1,200	-	\$9.35	\$9.35	100%	\$9.35	\$11,220
TOTAL	4,470	-	\$15.77	\$15.77	100%	\$15.77	\$70,476

RENTAL INCOME

GROSS RENTAL INCOME	\$/SF(YR.)	\$/YEAR
Base Contract Rent	\$18.12	\$59,256
Vacant Space @ Market Rent	\$9.35	\$11,220
TOTAL GROSS RENTAL INCOME	\$15.77	\$70,476
REIMBURSEMENT INCOME		
Reimbursements	\$0.96	\$4,284
TOTAL REIMBURSEMENT INCOME	\$0.96	\$4,284
MISCELLANEOUS INCOME		
Billboard Sign	\$0.76	\$3,400
TOTAL MISCELLANEOUS INCOME	\$0.76	\$3,400

POTENTIAL GROSS INCOME

\$17.49 \$78,160

VACANCY & CREDIT LOSS	%PGI	\$/SF(YR.)	\$/YEAR
Rental Income	(5.0%)	(\$0.79)	(\$3,524)
Reimbursement Income	(5.0%)	(\$0.05)	(\$214)
Miscellaneous Income	(5.0%)	(\$0.04)	(\$170)
TOTAL VACANCY & CREDIT LOSS	(5.0%)	(\$0.87)	(\$3,908)

EFFECTIVE GROSS INCOME

\$16.61 \$74,252

EXPENSE ITEMS	Reimbursed As	%PGI	%EGI	\$/SF(YR.)	\$/YEAR
Taxes	Reimbursements @ 14%	(11.9%)	(12.5%)	(\$2.08)	(\$9,297)
Insurance	Reimbursements @ 14%	(3.7%)	(3.9%)	(\$0.65)	(\$2,906)
Repairs & Maintenance	Reimbursements @ 14%	(11.4%)	(12.0%)	(\$2.00)	(\$8,940)
Roads & Grounds	Reimbursements @ 14%	(1.4%)	(1.5%)	(\$0.25)	(\$1,118)
Security	Reimbursements @ 14%	(0.6%)	(0.6%)	(\$0.10)	(\$447)
Utilities	Reimbursements @ 14%	(5.7%)	(6.0%)	(\$1.00)	(\$4,470)
Management Fees	Reimbursements @ 14%	(4.8%)	(5.0%)	(\$0.83)	(\$3,713)
Administrative Fees		(0.6%)	(0.6%)	(\$0.10)	(\$447)
Reserves		(1.1%)	(1.2%)	(\$0.20)	(\$894)
TOTAL EXPENSES		(41.2%)	(43.4%)	(\$7.21)	(\$32,230)

NET OPERATING INCOME

\$9.40 \$42,022

Capitalization Rate	5.00%
Capitalized Value	\$840,441

INDICATED VALUE (ROUNDED TO NEAREST \$10,000) \$188/SF \$840,000

As shown later in this report, the site value of the subject is estimated near \$1,620,000. Therefore, among the five alternative uses, immediate demolition of existing structures and development of mixed-use project and redevelopment with a mixed-use development is the Highest and Best Use of the subject As-Improved. Based on the existing lease agreements in-place, timing of redevelopment should occur once the last lease expires, in March 2020.

Valuation Methods - Based on the previous discussion, a site valuation utilizing the sales comparison approach is the only pertinent approach included in this analysis.

SITE VALUATION INTRODUCTION

This section values the subject site by comparing it with substitute land sales or listings within the local market area or in competitive areas throughout the region. Land value is influenced by a number of factors; most notably development and use potential. These factors, as well as others, are factored in the following analysis.

Unit of Comparison - The most relevant unit of comparison for competing multi-family land is price per square foot unit. All of the comparable sales presented in this section were reported on this basis.

Adjustments - Adjustments to the comparable sales were considered and made when warranted for expenditures after purchase, property rights transferred, conditions of sale, financing terms, and market conditions.

1. **Property Rights** - All of the sales comparables were fee simple sales reflecting the property rights appraised herein per the agreed upon scope of work.
2. **Financing** - The sales all reflected typical cash equivalent, lender-financed transactions and no adjustments were required for financing terms.
3. **Sale Conditions** - None of the comparables required a condition of sale adjustment, as all were confirmed to be arm's length transactions.
4. **Expenditures After Sale** - Expenses that the buyer incurs after purchase (demolition, cleanup costs, etc.). Land Sale 2 required an upward adjustment of \$100,000, as the buyer was credited this amount for potential environmental remediation while developing the site into an apartment complex. Land Sale 5 required an upward adjustment of \$75,000 for asbestos removal within the existing buildings that was unknown at the time of sale.
5. **Market Conditions (Time)** - Based on research and interpretation of value trends, the analysis applies an upward market conditions adjustment of 3% annually reflecting the relatively consistent appreciation that occurred between the oldest comparable sale date up through the effective valuation date.

Quantitative Adjustment Process - Quantitative percentage adjustments are also made for location and physical characteristics such as size, location quality, access, exposure, as well as other applicable elements of comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate the logic in deriving a value opinion for the subject property by the Land Sales Comparison Approach.

Comparable Selection - A thorough search was made for similar land sales in the area. The parameters of the survey were highest and best use, zoning, proximity to the subject, size, and date of sale. In selecting comparables, emphasis was placed on confirming recent sales of sites that are similar to the subject property in terms of location and physical characteristics. Overall, the sales used represent the best comparables available for this analysis.

Presentation - The following Land Sales Comparison Table, location map and exhibits summarize the sales data. Following these items, the sales are adjusted for applicable elements of comparison and the site value is concluded.

LAND SALES COMPARISON TABLE

	SUBJECT	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5
Name	Cheton Properties Site	Shoreline Development Site	North Seattle Development Site	Downtown Bothell Development Site	Kenmore Assemblage	West Coast Self Storage
Address	7018 NE Bothell Way	14514-14522 32nd Ave NE	14315 Lake City Way NE	18305-18317 98th Ave NE	6454 NE 181st St	14535 Bothell Way
City	Kenmore	Shoreline	Seattle	Bothell	Kenmore	Shoreline
State	WA	WA	WA	WA	WA	WA
Zip	98028	98155	98125	98011	98028	98155
County	King County	King	King	King	King	King
Parcel	011410-0673	156810-0462; 156810-0455	766370-0311	072605-9111; 072605-9443; 072605-9357; 072605-9004	618170-0265; 618170-0275; 618170-0270	156810-0470; 156810-0466

SALE INFORMATION

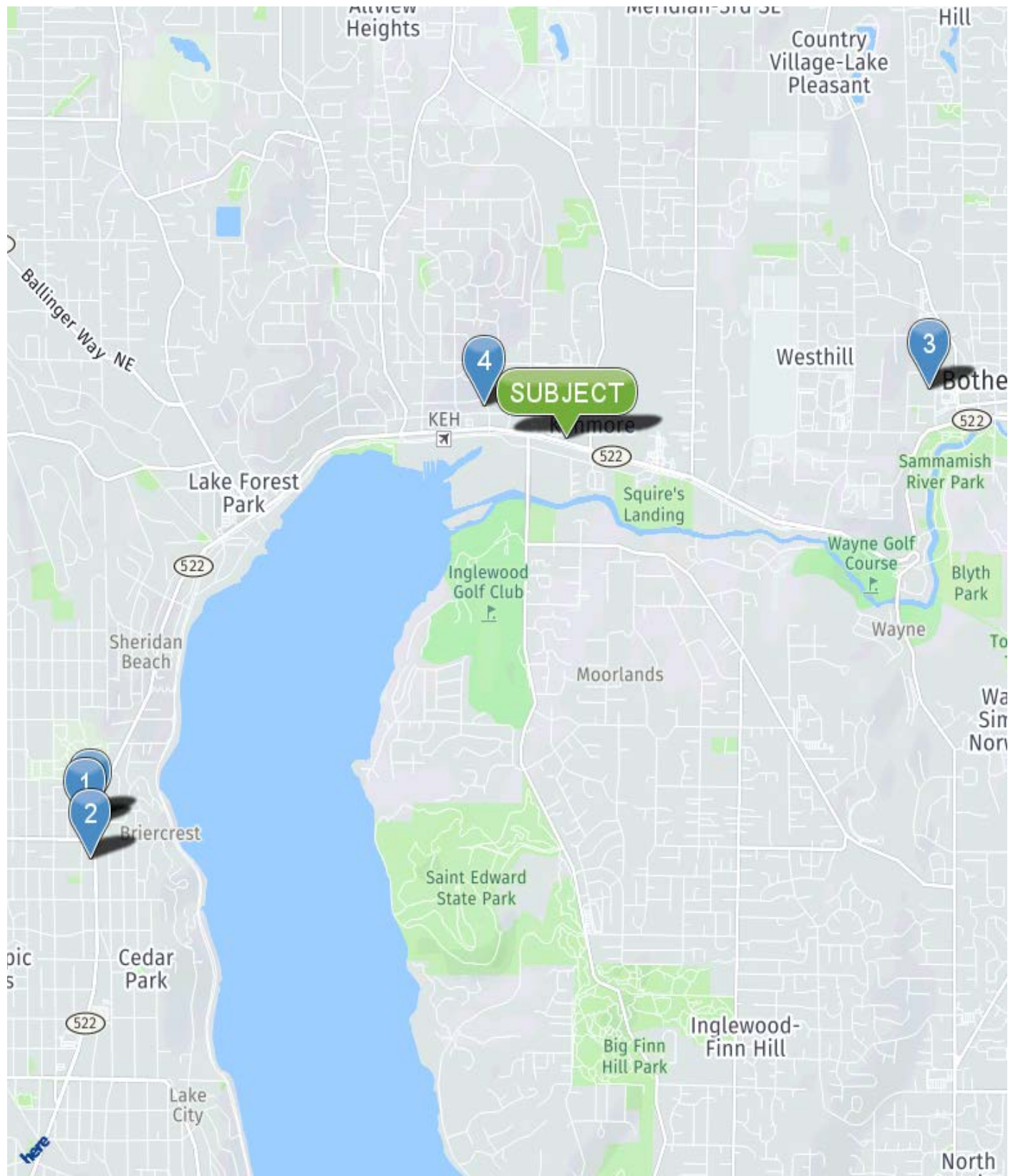
Transaction Price	\$1,255,800	\$2,050,000	\$2,625,000	\$1,430,000	\$2,750,000
Transaction Price \$/SF	\$65	\$76	\$67	\$44	\$69
Property Rights ¹	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing ²	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash Equivalent
Sale Conditions ³	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Expenditures After Sale ⁴	\$0	\$100,000 4.9%	\$0	\$0	\$75,000 2.7%
Market Conditions ⁵	12/17/2017	9/19/2017	4/3/2017 2%	4/25/2016 5%	5/12/2015 8%
Sale Status	Pending	Recorded	Recorded	Recorded	Recorded
Marketing Status	Open Market	Open Market	Not Marketed	Open Market	Open Market
Marketing Period (Months)	10.0 Mos.	1.0 Mos.	-	6.0 Mos.	2.0 Mos.
Total Transactional Adjustments	\$0 0%	\$4 5%	\$1 1%	\$2 5%	\$8 12%
Adjusted \$/SF	\$65	\$80	\$68	\$46	\$77

PHYSICAL INFORMATION

Square Feet	23,173	19,320	27,084	38,980 5%	32,165 5%	39,825 5%
Location	Above Average	Above Average	Above Average	Good (5%)	Above Average	Above Average
Access	Average	Above Average (5%)	Good (10%)	Good (10%)	Good (10%)	Good (10%)
Exposure	Good	Average 10%	Good	Average 10%	Average 10%	Good
Shape	Rectangular	Rectangular	Flag 5%	Generally Rectangular	Trapezoid	Generally Rectangular
Topography	Level	Level	Level	Level	Sloping 10%	Level
Zoning	RB	CB	NC365	DN 5%	CB 25%	CB
Total Physical Adjustments	\$3 5%	(\$4) (5%)	\$3 5%	\$18 40%	(\$4) (5%)	
Adjusted \$/SF	\$68	\$76	\$71	\$64	\$73	

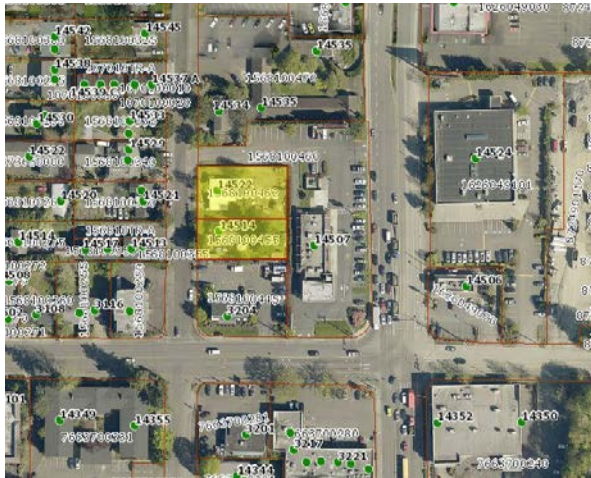
CONFIRMATION INFORMATION

Company	Marcus & Millichap	Kidder Mathews	NAI Puget Sound Properties	Robertson & Associates	West Coast Self Storage
Name	Andrew Norris	Ryan Dinius	Dick Paylor	Scott Robertson	Steve Tangney
Affiliation	Listing Broker	Listing Broker	Selling Broker	Listing Agent	Buyer
Phone	206.826.5733	206.398.2281	425.586.5624	206.310.5283	408.836.4543
Date	11/8/2017	11/3/2017	11/3/2017	11/8/2017	3/14/2016

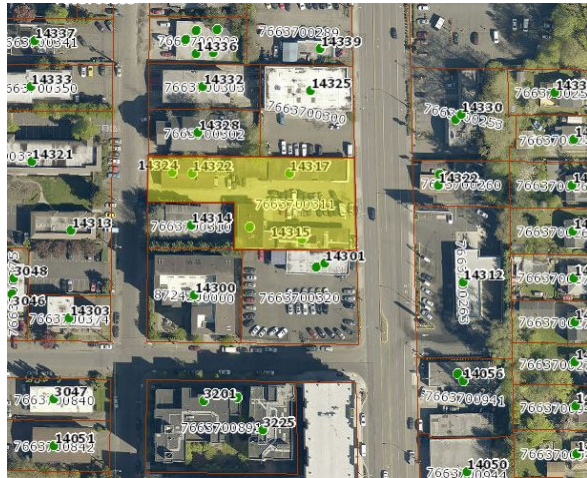


COMPARABLE	LABEL	ADDRESS	MILES FROM SUBJECT
COMPARABLE 1	1	14514-14522 32nd Ave NE, Shoreline, WA, 98155	2.7
COMPARABLE 2	2	14315 Lake City Way NE, Seattle, WA, 98125	2.8
COMPARABLE 3	3	18305-18317 98th Ave NE, Bothell, WA, 98011	1.7
COMPARABLE 4	4	6454 NE 181st St, Kenmore, WA, 98028	0.4
COMPARABLE 5	5	14535 Bothell Way, Shoreline, WA, 98155	2.7

LAND SALE EXHIBITS



COMPARABLE 1



COMPARABLE 2



COMPARABLE 3



COMPARABLE 4



COMPARABLE 5

Land Sales Adjustment Discussion - The comparable land sales indicate an overall unadjusted value range from \$44/SF to \$76/SF, and average of \$64/SF. After adjustments, the comparables indicate a narrower range for the subject site between \$64/SF and \$76/SF with an average of \$70/SF. The adjustment process is described below.

Land Sale 1 (\$65/SF, \$68/SF Adjusted) – This represents the current pending sale of a development site near Lake City Way. The buyers are purchasing the property at full listing price, with a scheduled closing date of December 17, 2017. The buyers are planning to hold the site until the next cycle and eventually develop with apartments. According to the listing agent, no demolition costs were factored into the sale price, although the site currently includes a duplex and a single-family residence. The site is zoned CB, which can be developed up to a 60' building height. It was reported that the site was listed for 8-12 months, but was under contract several times at full price with buyers that eventually fell through.

This comparable required downward adjustment for its superior access, as ingress/egress is possible from both road directions. An upward adjustment was applied for its inferior exposure on a neighborhood surface street. Overall, this comparable was deemed inferior to the subject and an upward net adjustment was applied.

Land Sale 2 (\$76/SF, \$76/SF Adjusted) – This represents the September 2017 sale of a redevelopment site in North Seattle located along Lake City Way. The property was purchased by Capitol Hill Housing for the development of approximately 90 apartment units. The site reportedly had previous environmental contamination but had received an NFA for the clean-up by the Department of Ecology. However, the buyer was able to negotiate a \$100,000 credit for the former contamination, which was factored into the analysis price. The existing buildings on site generated \$12,000/month and the buyer did not factor any demolition costs. The site is zoned NC3-65 by the City of Seattle and allows a building height up to 65 feet.

This comparable required downward adjustment for its superior access, as this property has superior circulation characteristics and ingress/egress is possible from both the fronting arterial and a fronting neighborhood surface street. An upward adjustment was applied for its inferior flag shape that somewhat limits site utility. Overall, this comparable was deemed superior to the subject and a downward net adjustment was applied.

Land Sale 3 (\$67/SF, \$71/SF Adjusted) – This represents the April 2017 sale of a 0.90-acre site near downtown Bothell. The property was purchased for redevelopment into approximately 79 apartment units over two phases. The broker reported the site was not marketed, but the buyers paid a market price. Notably, condemnation and environmental issues were handled prior to closing the site, resulting in no additional costs to the buyer. The broker also reported that the buyer did not consider the cost of demolishing the existing structures on the site when negotiating the purchase price. The site is zoned DN by the City of Bothell, which allows a building height up to 55 feet.

This comparable required downward adjustment for its location and access within downtown Bothell with significant commercial and apartment momentum as of current. An upward adjustment was applied for the site's inferior size and exposure, as it is located along a neighborhood surface street with no Bothell Way exposure. An upward adjustment was also applied for inferior zoning that allows a lower building height. Overall, this comparable was deemed inferior to the subject and an upward net adjustment was applied.

Land Sale 4 (\$44/SF, \$64/SF Adjusted) – This transaction represents the sale of 0.74 acres of development land near downtown Kenmore. This property closed without entitlements and is currently being developed into 17 luxury townhomes. The buyer did not consider any demolition costs when purchasing the property but there was a converted residence (medical/dental office) and a small house on the site at the time of sale that required razing. The site slopes downward north to south and is situated on a corner with access from three neighborhood surface streets. The site is zoned CB by the City of Kenmore, which allows a building height up to 35 feet.

This comparable required downward adjustment for its access, as it has superior circulation and ingress/egress from three neighborhood surface streets. Upward adjustments were applied for its inferior size, exposure, topography, and zoning, as the site only allows building heights up to 35 feet. Overall, this comparable was deemed inferior to the subject and an upward net adjustment was applied.

Land Sale 5 (\$69/SF, \$73/SF Adjusted) – This site was previously improved with an older one-story, apartment complex and SFR built in 1947 that were demolished to make way for a new self-storage facility. The buildings contained asbestos which was unknown at the time and cost \$75,000 to remediate. The sale price is adjusted upwards by this amount. The site fronts SR-522 just north of the Seattle city limits and within the City of Shoreline. The site also had frontage along the rear of the site benefiting access and circulation. The City of Shoreline zones this property CB, which allows a building height up to 60 feet.

This comparable required an upward adjustment for size due to economies of scale. A downward adjustment was applied for its superior access, as the site has superior circulation from a neighborhood surface street near the rear of the site. Overall, this site was deemed superior to the subject and a net downward adjustment was applied.

LAND VALUE CONCLUSION

Based on general bracketing, the comparable sales support an unadjusted value from \$67/SF to \$69/SF. On an adjusted basis, the comparable sales support an adjusted unit value range from \$64/SF to \$76/SF, with the sale at the lower end of the range receiving the highest gross adjustment. If this sale is excluded, the range narrows further from \$68/SF to \$76/SF. The least adjustment was applied to Sales 1 (\$68/SF), 2 (\$76/SF) and 5 (\$73/SF) and these sales are given most weight in this analysis. Based on the subject’s overall locational and physical features, an overall unit value conclusion of \$70/SF is supported. The following table summarizes the comparable land sales analysis and applies the unit value conclusion to the site area to provide an indication of the as-vacant land value.

LAND SALES COMPARISON APPROACH CONCLUSION (SF)							
TRANSACTION	PRICE	ADJUSTMENT			FINAL	NET ADJ	GROSS ADJ
		TRANSACTIONAL ¹	ADJUSTED	PROPERTY ²			
1	\$65	0%	\$65	5%	\$68	5%	15%
2	\$76	5%	\$80	(5%)	\$76	0%	20%
3	\$67	1%	\$68	5%	\$71	6%	37%
4	\$44	5%	\$46	40%	\$64	45%	65%
5	\$69	12%	\$77	(5%)	\$73	6%	36%
HIGH	\$76	12%	\$80	40%	\$76	45%	65%
AVG	\$64	5%	\$67	8%	\$70	12%	35%
MED	\$67	5%	\$68	5%	\$71	6%	36%
LOW	\$44	0%	\$46	(5%)	\$64	0%	15%
		SUBJECT SF		\$/SF		VALUE	
Total Land Area		23,173	x	\$70		\$1,620,000	
		23,173	x	\$70	=	\$1,620,000	
INDICATED VALUE (ROUNDED TO NEAREST \$10,000)						\$1,620,000	

¹Cumulative ²Additive

As previously shown in the rent roll within the highest and best use section of this report, the subject has several leases currently in-place. Most of the leases are short-term and expire within a one-year period. However, the Beauty Hair lease extends into 2020, with the billboard extending through 2028. However, the landlord has termination options within the billboard lease that can be exercised upon developing the

property. As such, it is likely the developer would terminate this billboard lease simultaneously with the Beauty Hair lease expiration in 2020, and extend the remaining leases until this time when the site could be redeveloped. The interim income received until 2020 is likely to offset the carrying costs and future demolition costs to redevelop the site.

As a check on this, we have utilized a discounted cash flow analysis that considers the subject's estimated net operating income that was previously concluded within the highest and best use section of this report. This analysis considers the current contract rents with actual expenses, grown at 3% through 2020, when the last lease terminates. The previously-concluded land value is also grown at 3% and the reversion, less demolition costs (estimated at \$5.00/SF per the Marshall Valuation Service and grown at 3% annually), is also calculated into the cash flow model.

For the selection of an appropriate discount rate, we have considered the results of the most recent PwC Real Estate Investor Survey from the Third Quarter of 2017. This survey reports yield rates within the National Apartment Market between 5.00% and 10.00%, with an average of 7.28%. A yield rate at the low end of the range is most likely for the subject, as the interim income is very short term and the subject has strong redevelopment potential within the Seattle MSA. Therefore, the cash flow is of low-risk and a yield rate of 5.0% is applied. The discounted cash flow analysis is shown as follows:

DISCOUNTED CASH FLOW SUMMATION TABLE

	Year 1	Year 2	Year 3	Year 4	
Period Ending October 31	2018	2019	2020	2021	
Period	1	2	3	4	
No. of Months	12	12	12	12	
Present Land Value:	\$70				
Site Size (SF):	23,173				
Annual appreciation:	3.00%				
Future Land Value (\$/SF):	\$70	\$72	\$74	\$76	
Future Land Value:	\$1,620,000	\$1,670,000	\$1,720,000	\$1,770,000	
Growth:	3.00%	1.0000	1.0300	1.0609	1.0927
NET OPERATING INCOME	\$42,022	\$43,283	\$44,581		
CASH FLOW BEFORE DEBT SERVICE	\$42,022	\$43,283	\$44,581		
Reversion Value:			\$1,770,000		
Demolition Cost Inflation (\$5/SF):	\$5.00	\$5.15	\$5.30	\$5.46	
Less Total Demolition Costs:			\$24,422		
Net Sales Proceeds:					
NET CASH FLOW	\$42,022	\$43,283	\$1,790,159		
Discount Rate:	5.00%				
NPV of Cash Flows:	\$1,625,686				
INDICATED VALUE, DCF ANALYSIS:	\$1,630,000				

The result of the discounted cash flow analysis is \$1,630,000, which is generally similar to the result previously concluded within the site valuation. As such, the interim income received is concluded to generally offset the carrying costs and future demolition of the site. The subject's as is value is concluded at **\$1,620,000**.

RECONCILIATION OF VALUE CONCLUSIONS

Based on the agreed upon scope with the client, the subject's specific characteristics and the interest appraised, this appraisal developed the Sales Comparison Approach (Site Valuation). The values presented represent the As-Is Market Value (Fee Simple).

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Below, the individual strengths and weaknesses of each approach are analyzed.

As previously discussed, the **Cost Approach** was not presented in this analysis. This approach has limited application due to the age of the improvements and lack of market based evidence to support accrued depreciation. Additionally, investors typically do not place emphasis on replacement cost in establishing value for properties with stabilized income in place such as the subject. The exclusion of the Cost Approach does not diminish the credibility of the value conclusion.

The price per square foot method has been presented in the **Sales Comparison Approach (Site Valuation)**. Consequently, this approach is given primary weight.

The **Income Approach** was presented in an abbreviated format in the Highest and Best Use section. Since the existing improvements are not the highest and best use of the property, the approach is disregarded in the reconciliation.

After considering all factors relevant to the valuation of the subject property, sole weight is placed on the Sales Comparison approach in the following As-Is market value.

RECONCILIATION OF VALUES	
VALUATION SCENARIOS	AS-IS MARKET VALUE
Interest	Fee Simple
Date	November 6, 2017
LAND VALUE	
LAND CONCLUSION	\$1,620,000
\$/SF Total Land Area	\$70
FINAL VALUE CONCLUSION	
FINAL VALUE CONCLUSION	\$1,620,000
\$/SF Total Land Area	\$70

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- ▶ The statements of fact contained in this report are true and correct.
- ▶ The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- ▶ The signers of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- ▶ Shawn Wayt, MAI and Joe Creech, MAI, ASA have performed no services, specifically as appraisers or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- ▶ The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ▶ The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ▶ The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ▶ The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice*, as set forth by the Appraisal Standards Board of the Appraisal Foundation.
- ▶ Shawn Wayt, MAI has and Joe Creech, MAI, ASA has not inspected the property that is the subject of this report.
- ▶ No one provided significant real property appraisal assistance to the appraisers signing the certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the date of this report, Shawn Wayt, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.



Shawn Wayt, MAI
Certified General Real Estate Appraiser
State of Washington License No. 1102162
Expiration Date 8/17/2019

November 14, 2017
Date



Joe Creech, MAI, ASA
Certified General Real Estate Appraiser
State of Washington License No.1100989
Expiration Date 2/18/2019

November 14, 2017
Date

ASSUMPTIONS & LIMITING CONDITIONS

- ▶ Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- ▶ This analysis assumes that the information provided for this appraisal accurately reflect the current condition of the subject property.
- ▶ This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- ▶ The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.
- ▶ The statements of value and all conclusions shall apply as of the dates shown herein.
- ▶ There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- ▶ Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the company with which the appraisers are connected.
- ▶ This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- ▶ We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- ▶ The appraisal has provided exhibits to assist the client(s)/intended user(s) to understand from a graphical standpoint some of the salient issues which impact the subject property. We have made no survey of the property and if further verification is required, a survey by a registered surveyor is advised.
- ▶ The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- ▶ The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- ▶ The liability of Pacific Coast Valuation Group, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- ▶ The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Pacific Coast Valuation Group and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.
- ▶ The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Pacific Coast Valuation Group, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance.
- ▶ This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- ▶ Unless otherwise noted herein, a detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection of the subject property and surrounding properties, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

ADDENDA

Engagement Letter

Rent Roll

Operating History

Qualifications of Appraisers and Appraiser License

Qualifications of Pacific Coast Valuation Group

Real Estate Technical Services

PD-WA-T2TR
428 W Riverside, Suite 200
Spokane, WA 99201
Phone: 509-835-6090
norman.strickland@usbank.com

11/1/2017

Joe Creech, MAI, ASA.
Pacific Coast Valuation Group
4230 NE 203rd St
Lake Forest Park, WA 98155
United States

RE: Appraisal 7018 NE Bothell Way, N/A
Assignment: Kenmore, WA 98028
RETECHS File: 17-010617-03-01

Dear Joe Creech:

This Appraisal Engagement Agreement (this "Agreement") is made effective as of 11/1/2017 (the "Effective Date") between U.S. Bank National Association (the "Bank") and Pacific Coast Valuation Group ("Appraiser"). This letter confirms that the Bank has engaged Appraiser's services for an appraisal (the "Appraisal") of the above referenced property (the "Property"), as further described in the Addendum to this Agreement (the "Addendum"). U.S. Bank Real Estate Technical Services ("RETECHS") is the department of the Bank that has primary responsibility for the engagement of appraisers.

1. Fee and Timing for the Appraisal. The fee for the Appraisal includes all expenses and an allowance for any technical assistance Appraiser feels necessary or appropriate.

The original, signed Appraisal should be delivered as instructed in this Agreement no later than the specified due date. **If delays are anticipated or occur, Appraiser must immediately request an extension of the due date in writing from the RETECHS Job Manager in order to avoid late fees.**

If the Appraisal is not received on or before the specified due date, the Bank reserves the right, in its sole discretion, to either cancel this Agreement for cause without payment of the fee or deduct a late fee from the fee.

Additionally, the Bank reserves the right to cancel this Agreement at any time without cause. Upon such cancellation, payment of the fee will be limited to actual time spent and any out-of-pocket expenses incurred by Appraiser up to the date of termination.

Appraiser agrees that it and all personnel associated with the Appraisal will be available to discuss concerns the Bank might have regarding the analysis and the value conclusions in the Appraisal. The Bank reserves the right to withhold payment if, in Bank's sole discretion, Appraiser fails to address our concerns with the Appraisal within five working days after receipt of notice regarding the Bank's concerns.



2. Property Contact/Information. Please arrange an inspection of the Property and make an initial request for information with the property contact listed in the Addendum. Appraiser's initial request for information should be made in writing within two business days of receipt of this Agreement and a copy of the request should be sent to the RETECHS Job Manager. Any questions regarding this Agreement should be emailed to the RETECHS Job Manager at norman.strickland@usbank.com.

3. Appraisal Requirements. The Appraisal must be prepared in accordance with the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the current edition of Uniform Standards of Professional Appraisal Practice (USPAP). Additional requirements for the Appraisal, if any, will be described in the Addendum. Appraiser agrees that it and its employees and subcontractors are trained in such standards.

A qualified, appropriately licensed/certified staff appraiser affiliated with Appraiser may perform the Appraisal and a qualified appropriately registered appraisal assistant may assist in the preparation of the Appraisal. Unless previously agreed to otherwise by the Bank in writing or as set forth in the Addendum, the Appraiser, who is specifically named in this Agreement, must review and sign the Appraisal Certification unless prior arrangements acceptable to RETECHS have been made.

When applicable, discounted cash flow analysis should be performed using the most recent version of ARGUS and copies of ARGUS reports as described in the scope of services must be included in the addenda to the Appraisal.

If the Appraisal contains wording or disclaimers which limit Appraiser's professional liability to the Bank, the Bank reserves the right to reject the Appraisal and the Bank will not be responsible for any expenses incurred in the completion of the Appraisal. In the event that the Bank accepts an Appraisal that includes wording or disclaimers which limit Appraiser's professional liability to the Bank, the Bank shall not be bound by such disclaimers or limitations of professional liability.

A copy of the following items must be included in the addenda of each copy of the final Appraisal report:

- A. Valid Certification/License
- B. Qualifications

During the term of this Agreement, if Appraiser determines or is requested by anyone other than RETECHS to make changes to the terms of this Agreement or the scope of work necessary to complete the Appraisal, Appraiser must contact RETECHS in writing. Any changes to this Agreement must be authorized by RETECHS.

4. Appraiser as Independent Contractor. The Bank and Appraiser agree that Appraiser is an independent contractor. Appraiser will not for any reason be deemed to be an employee of the Bank. Appraiser reports directly to the Bank. All Appraisals performed under this Agreement will be performed for and at the direction of the Bank.

5. Confidential Information. To enable Appraiser to complete the Appraisal, the Bank may provide Appraiser with Confidential Information (as defined hereafter). "Confidential Information" includes information of a private, proprietary or technical nature and includes (A) all information marked "confidential" or similarly marked or information that,

in the exercise of reasonable business judgment, is recognizable as confidential; (B) any information of or about the Bank's customers, including the fact that someone is a customer or prospective customer, all lists of customers, former customers, applicants, prospective customers, and all personal or financial information relating to and identified with such persons ("Customer Information"); (C) the value conclusion or the direction of the value conclusion arrived by Appraiser under this Agreement; (D) the terms and conditions and existence of this Agreement.

Information provided to Appraiser by the Bank is not confidential if:

- it was known to Appraiser before the Bank or the customer provided it to Appraiser; or
- it was public knowledge before the Bank or the customer provided it to Appraiser; or
- it becomes available from a third party, not subject to any confidentiality restrictions, after the Bank or
- customer provided it to Appraiser.

Appraiser and its employees or subcontractors, if any, must (1) hold Confidential Information in confidence and use such information and disclose such information only to those employees as necessary for the purposes of completing the Appraisal and meeting all applicable professional obligations; (2) not discuss any of the value conclusions or the direction of the value conclusions with any persons other than those specified in (1) of this paragraph and RETECHS personnel unless otherwise permitted in writing by RETECHS personnel; (3) protect Confidential Information using at least the same degree of care, but no less than a reasonable degree of care, as one would to protect its own confidential information of a similar nature to prevent the unauthorized disclosure of such Confidential Information; (4) maintain safeguards against the destruction, loss, alteration of, or unauthorized access to Confidential Information. If Appraiser or its employees or subcontractors maintain, process, or otherwise access Customer Information, data security policies and procedures designed to ensure compliance with the safeguards for Customer Information contained in the Gramm-Leach-Bliley Act (GLBA) and its associated regulations must be established and maintained, including: (a) security and confidentiality of Customer Information; (b) protection against anticipated threats or hazards to the security or integrity of Customer Information; and (c) protection against the unauthorized access or use of Customer Information.

Upon completion of the Appraisal, Appraiser has the right to retain and use the Confidential Information for the sole purpose of fulfilling its professional licensing obligations, provided that the obligations set forth in the immediately preceding paragraph continue. After this retention period has expired, Appraiser must destroy all Confidential Information.

In the event that Appraiser or its employees are requested pursuant to, or required by, applicable law, regulation, or legal process to disclose any of the Confidential Information, Appraiser agrees that it will promptly notify the Bank orally, and confirm in writing, so that the Bank may seek a protective order or other appropriate remedy or, in its sole discretion, waive compliance with the terms of this Confidential Information section. It is further agreed that, in the absence of a protective order or other appropriate remedy, or receipt of a waiver hereunder, Appraiser will furnish only that portion of the Confidential Information which Appraiser or its representatives are advised by counsel is legally required, and Appraiser will exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Confidential

Information. Appraiser and its representatives are entitled to rely, in good faith, upon its counsel in making its determination of what Confidential Information is legally required to be furnished under such circumstances.

If Appraiser suffers or learns of any actual or suspected security breach or unauthorized disclosure that either compromises or could compromise any Confidential Information, Appraiser must: (i) notify the Bank; (ii) estimate the effect on the Bank; (iii) specify the corrective action to be taken; and (iv) take corrective action to prevent further breach. Upon request, Appraiser agrees to disclose in detail what steps Consultant has taken and is taking to ensure confidentiality of Confidential Information.

If Appraiser has any questions about the obligations as set forth above, or about how to meet the obligations set forth above, please contact the RETECHS Job Manager for this assignment immediately. The RETECHS Job Manager will assist in meeting the obligations if at all possible. It is essential that the Confidential Information be maintained as confidential and upon conclusion of any applicable professional licensing obligations, the Confidential Information is destroyed.

6. Conflicts of Interest. By accepting this Agreement, Appraiser and any employee or subcontractor associated with this Agreement certify that Appraiser has no direct or indirect interest, financial or otherwise, in the Property or transaction, or relationship with the ownership or borrower, and agree not to accept or pursue any additional appraisals, or related assignments, of the Property for a minimum of one year from the delivery date of the final appraisal report without written consent from RETECHS.

7. Limitation of Liability. THE BANK WILL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES, INCLUDING LOST PROFITS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND THE SERVICES AND/OR PRODUCTS SUPPLIED UNDER THIS AGREEMENT, EVEN IF THE PARTIES HAVE KNOWLEDGE OF THE POSSIBILITY OF SUCH DAMAGES AND WHETHER OR NOT SUCH DAMAGES ARE FORESEEABLE.

8. Indemnification. Appraiser shall indemnify, defend and hold the Bank harmless from and against all liabilities, losses, costs and expenses (including attorneys' fees and other legal costs) incurred in connection with claims arising from Appraiser or its employees, agents, or subcontractors' (1) intentional or negligent acts, omissions, misconduct, or misrepresentations, except to the extent caused by the intentional or negligent acts, omissions, misconduct or misrepresentations of the Bank, (2) breach of any obligations or warranties under this Agreement, or (3) violation of any applicable law, statute, or regulation.

9. Compliance with Governmental Regulations. Appraiser agrees to comply with any and all applicable laws and regulations in the performance of the Appraisal.

10. Subcontractors. Appraiser may not subcontract any services under this Agreement without the prior written approval of RETECHS. In the event that RETECHS consents to the use of subcontractors, Appraiser (1) may not use subcontractors based outside of the United States; (2) is fully responsible and liable for any action or inaction of subcontractors; (3) must ensure that all subcontractors are aware of and comply with the terms and conditions of this Agreement (including, without limitation, the provisions regarding Confidential Information set forth in Section 5); and (4) is responsible for the costs and resources required for monitoring and management of subcontractor. RETECHS and any other departments of the Bank have the right to periodically review significant subcontractors and may terminate this Agreement if a subcontractor does not meet the Bank's risk assessment requirements. The fees and costs of such

subcontractor(s) must be included in the fee as specified in this Agreement, unless otherwise agreed to in writing by the parties.

11. Modification and Waiver. This Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations and dealings. No change in, addition to, or waiver of any of the provisions of this Agreement will be binding upon either party unless they are in writing and signed by both parties. No waiver by either party of any breach by the other party of any of the provisions of this Agreement shall be construed as a waiver of any subsequent breach, whether the same or of a different provision in this Agreement.

12. Notification of Significant Events. In addition to the notification requirements stated elsewhere in this Agreement, Appraiser agrees to notify RETECHS if, at any time that it is performing services under this Agreement, Appraiser experiences financial difficulty, catastrophic events, compliance lapses, or legal or regulatory action and, at any time during or after the term of this Agreement, Appraiser receives any complaints regarding Appraiser or the Bank related to the Appraisal, other than complaints related to the value opinion or analysis.

13. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Minnesota.

14. Severability. In the event any provision of this Agreement conflicts with the laws of the State of Minnesota or if any provision is held to be invalid by a court with jurisdiction over the parties to this Agreement, such provision shall be deleted from this Agreement and this Agreement shall be construed to give effect to the remaining provisions thereof.

15. Regulatory Audit and Risk Assessment. The Bank is regularly audited by multiple government agencies having supervisory and regulatory authority over the Bank (the "Regulatory Authorities") and by the Bank's own internal auditors. The Bank is required to audit and perform periodic vendor risk assessments on its vendors, both of which may be performed onsite upon request by the Bank. Appraiser must fully cooperate with the Bank's efforts to meet its regulatory obligations and comply in a timely manner with the Bank's requests for documentation and information. Appraiser must make books, records, and operations relating to all services provided to the Bank available for audit or inspection by the Regulatory Authorities, the Bank, or by the Bank's independent auditors promptly upon request, but with at least forty-eight (48) hours' advance notice. If a deficiency is determined in any such audit report or risk assessment, Appraiser must also provide to the Bank all documentation related to resolution of the deficiencies and the corrective actions implemented to prevent its recurrence.

16. Use of Name and/or Trademarks. Appraiser may not use the Bank's trademarks, trade names, service marks, logos, or other brand marks without prior written approval by the Bank.

17. Attorney Fees. In all disputes and matters arising under this Agreement, the parties agree that the prevailing party will be entitled to recover its reasonable attorney fees, court costs, and other legal expenses from the other party.

18. Notice. Any notice to any party in connection with this Agreement must be in writing and must be sent by personal delivery, facsimile transmission, overnight courier or certified United States mail return receipt requested addressed to such party at the address specified below, or at such other or additional address as such party has specified to the other party in writing. All periods of notice (if any) are measured from the date of delivery of the notice if personally delivered, from the date of sending if sent by

facsimile transmission, from the first business day after the date of sending if sent by overnight courier, or from three days after the date of mailing if mailed.

To Bank:

U.S. Bank National Association PD-WA-T2TR
Norman Strickland MAI.
428 W Riverside
Suite 200
Spokane, WA 99201

To Appraiser:

Pacific Coast Valuation Group
4230 NE 203rd St

Lake Forest Park, WA 98155
Attn: Joe Creech

19. Survival of Certain Provisions. Appraiser's obligations under Sections 5, 8, 9 and 15 will survive any termination or the expiration of this Agreement.

20. Counterparts. This Agreement may be executed in any number of counterparts, including counterparts delivered by electronic means, all of which taken together shall constitute one and the same instrument and either of the parties hereto may execute this Agreement by signing any such counterpart.

21. Waiver of Jury Trial. APPRAISER HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION RELATING TO THIS AGREEMENT OR PERFORMANCE OF THE SERVICES UNDER THIS AGREEMENT.

22. Compliance with Fair and Responsible Lending Policy. Appraiser agrees that it will comply with the provisions the U.S. Bank Fair and Responsible Lending Policy. It is the Bank's policy to comply with both the letter and spirit of applicable fair lending laws and laws prohibiting unfair, deceptive, and abusive acts and practices (collectively, "Fair and Responsible Banking Laws"). Business partners, including brokers, correspondents, dealers, retailers, service providers, vendors, merchants, and retailers doing business with the Bank are expected to have the same commitment to fair and responsible banking compliance.

Fair lending laws and regulations include the Equal Credit Opportunity Act ("ECOA") and the Fair Housing Act ("FHA"), as well as other laws and regulations, such as those issued by the U.S. Department of Housing and Urban Development and those at the state or local level.

The Bank is fully committed to treating all applicants and customers in a fair and consistent manner and to promoting the availability of credit without regard to any basis prohibited by law, including the following (each a "Prohibited Basis"): (A) race, (B) ethnicity, (C) color, (D) religion, (E) national origin, (F) sex, (G) age (provided that applicant is of legal age to have capacity to contract, (H) marital status, (I) familial status, (J) sexual orientation, (K) gender identity, (L) disability, (M) receipt of public assistance income, and (N) the exercise of any good faith right under the Consumer Credit Protection Act.

Appraiser shall comply with all applicable fair lending laws and regulations and shall not, either orally or in writing, express a preference or indicate that applicants will be treated

differently on a Prohibited Basis. In addition, Appraiser will not treat similarly situated applicants differently on a Prohibited Basis.

23. Delivery Instructions. Please upload the final Appraisal report including all addenda to RIMS. Additionally, deliver hard copies of the Appraisal report as directed in the Addendum.

24. Invoice. Appraiser must send its invoice to RETECHS including its contact information, invoice date and tax ID or social security number on the invoice. Either mail the invoice to the undersigned RETECHS JM or upload the invoice as a separate document in RIMS. Do not include the invoice as part of an Appraisal report uploaded to RIMS.

Sincerely,

Norman Strickland, MAI.
Vice President | Sr Review Appraiser | RETECHS
norman.strickland@usbank.com

This document was generated using RIMS and was authenticated using the RIMS User ID for Norman Strickland. The original copy of this document will be kept on file. The Bank and RETECHS reserve the right to compare any returned documents with the original, with the understanding that any discrepancy between documents defaults to the original document unless the Bank has agreed to the change in writing.

Acceptance of the electronic award of this engagement in the RIMS system constitutes acceptance by Appraiser of this engagement under the terms of this Agreement.

If this Agreement has been faxed to you, you must sign below and include a signed copy in your appraisal:

By: _____

Date: _____

ADDENDUM TO ENGAGEMENT LETTER RETECHS File # 17-010617-03-01:

Borrower: Cheton Properties LLC
Property Contact/Affiliation: Pete Wiseman / Property Contact
Property Contact Information: Phone: 425-257-9280
Alternate Property Contact Information: Not Provided

PROPERTY DATA

Property Address: 7018 NE Bothell Way, N/A
Kenmore, WA 98028
United States
Property Type: Retail-Commercial - Mixed Use-Retail-Residential
Property Description: mixed use - retail/residential
Legal Description: Not Provided

APPRAISAL ASSIGNMENT

Appraisal Fee: \$3,700.00
Due Date: 11/16/2017
Report Type: Summary
Report Format: Narrative

<u>Premise</u>	<u>Qualifier</u>	<u>Interest</u>	<u>Comment</u>
Market Value	As-Is	Leased Fee	

Confidentiality: This request for bid and the information described herein is considered confidential by U.S. Bank and should not be discussed with anyone outside of your firm and U.S. Bank.

Intended Use: Intended Use is Loan Underwriting
Description: The intended use of this appraisal is for loan underwriting and-or credit decisions.

Intended User: Intended User is U.S. Bank
Description: The intended users of this report is U.S. Bank National Association, and its parent, affiliates, subsidiaries and assigns.

Inspection: Inspect Subject and Comparables
Description: An interior and exterior inspection of the subject property, as well as an inspection of all comparable properties utilized

Remaining Economic Life: Please include the estimated remaining economic life of the improvements

Special Flood Hazard Areas - Insurable Cost excel template: If the subject is located within a Special Flood Hazard Area, provide the Community Name, Panel number, date of the flood map reviewed, and designated flood zone.

Special Flood Hazard Areas start with the letter A or V.

For each proposed or existing individual subject improvement believed to be in the Special Flood Hazard Area, provide a separate estimate of insurable replacement cost. Use the Insurable Cost Template which is located in the Vendor Reference Documents section of RIMSCentral. If you are unable to locate the template, contact RETECHS. Follow the instructions on the template and include the completed template in the report addenda.

If using an Income Approach, include the flood insurance premium as an expense.

Approach to Value - Income Properties: A direct capitalization methodology must be included for all income properties (including small multifamily properties)

Source of Property Size: Disclose the source of land and improvement sizes and steps taken (if any) to confirm the size. If there is a discrepancy from multiple sources reviewed, disclose which source was relied upon and why

Comparable Analysis: Summarize the reasoning that supports the adjustment process to the comparable data. The analysis must provide sufficient information, whether qualitative or quantitative, to enable the reader to understand the rationale for the conclusions. It is

inadequate to simply present the comparable data with conclusions for the subject property.

In addition to closed sales/leases, analyze and discuss available listings, pending transactions and failed transaction. Discuss current market conditions with knowledgeable brokers. If using a foreclosure sale as a comparable transaction, analyze the transaction and discuss whether or not it represents a distressed sale.

Disclosure of Comparable Verification/inspection Descriptions of comparables should disclose whether or not the data was confirmed, the person who confirmed the data and the confirmation source. If the source is confidential, then list the source as confidential. Whether the comparable was personally viewed should be disclosed as well.

Addenda Requirements - Certification/license and qualifications: The following items must be included in the Report addenda: 1) Qualifications of signatory appraisers, 2) Either a copy of valid certification/license for each signatory appraiser or a screen shot from the ASC National Registry evidencing their license/certification status.

Certification signature: By submitting a bid for this RFP, you agree to sign the appraisal certification.

If you do not intend to sign the certification, you must email the RETECHS Job Manager for this assignment to obtain prior RETECHS approval for an individual (other than yourself) to sign the certification.

Late Fee: If the appraisal is delivered after the specified delivery date without prior written authorization from RETECHS, a late fee of \$100 per business day until the appraisal is received may be deducted at the sole discretion of RETECHS.

We reserve the right to withhold payment and/or impose a late fee, if after being notified of issues raised in the review process, you fail to respond or resolve them within 5 business days.

Report Format: A self-contained report describes pertinent information and is to include: a full market overview, an individual discussion and analysis of each rent and sale comparable, an Individual comparable write up, photos of comparables observed, an individual discussion and analysis of each income and expense type and a chart presenting Income and/or Sale Comps and any adjustments.

A summary report summarizes pertinent information and is to include: a brief market overview, a summarized comparable discussion, photos of comparables observed, a summarized income and expense discussion and a chart presenting Income and/or Sale comparables and any adjustments.

A restricted plus report is to include: 1) a brief description of the property, its condition, current and projected use, 2) a brief description of the information sources used in the analysis, 3) a summary of the Scope of Work, 4) a tabulation chart summarizing the comparable data used (i.e.: sale and/or rent comparables, capitalization rate support), 5) an exhibit showing the Income Approach calculations (if used) and 6) a brief recap of the analysis.

Additional SBLC Instructions:

Please label your Appraisal Cover page with the RETECHS Job Number AND the STAR Number from the Engagement Letter if provided.

Customer Confidential Information:

Customer Confidential Information: If you are engaged to complete this appraisal assignment, please: 1) notify RETECHS if you receive any customer confidential information that may have been provided to you by the bank's customer, their representative, or employees of US Bank, 2) ensure that no such information is included in the appraisal report or in addendum materials, 3) destroy or redact any such information.

Customer Confidential Information includes information about any individuals, including business customers and personnel, that is subject to protection under laws, regulations, contractual agreements, and/or company policy.

This would include but not be limited to customer social security numbers, consumer account numbers, customer personal financial data, insurance policy numbers, and any customer personal data including information that can be used to identify an individual, family or household.

Please contact RETECHS if you are unsure as to whether something is considered customer confidential.

Engagement Letter Terms and Conditions:

Please refer to the blank copy of the engagement letter showing the terms and conditions for this assignment. You can access this blank engagement letter under the Reference Documents link under the My Customers tab in RIMS.

Submitting a bid indicates that you agree that your bid, if accepted, will be governed by the terms and conditions of the engagement letter.

If you are awarded the project, you will be sent a completed engagement letter for this assignment at which point both parties will be bound by the terms and conditions of the engagement letter.

Additional Instructions: Please upload an electronic copy of the completed appraisal to the rimscentral.com web site in addition to distribution of hard copies.

Address Report to: Norman Strickland, MAI
US Bank
428 W Riverside Ave, STE 200
Spokane, WA 99201

Deilvery Instructions: 0 Copy to:
Norman Strickland, MAI
US Bank
428 W Riverside Ave, STE 200
Spokane, WA 99201

0 Copy to:
Janae Jzyk
US Bank
PD-WA-BE5B
1702 Hewitt Ave
Everett, WA 98201

[← Back](#)

RIMS Customer: US Bank
Project #: 17-010617-03-1

-Award Information

Date Awarded: 11/1/2017
 Canceled: No
 Fee: \$3,700.00
 Property Contact(s): Pete Wiseman, 425-257-9280
 Award Comments: Please upload an electronic copy of the completed appraisal to the rimscentral.com web site in addition to distribution of hard copies.

Directly Awarded: No
 Delivery Date: 11/16/2017

Job Attachments:

File	Description	Date Uploaded	Confirmation Number
rent roll and historical Rent for 7228 NE Bothell Way.pdf	rent roll	10/11/2017 3:46:29 PM PDT	
Rent Roll - Cheton Properties LLC.pdf	cheton	10/11/2017 3:46:30 PM PDT	

-Bid Information

Proposed Fee: \$3,700.00
 Office Location: Lake Forest Park
 Prior Services: Have you performed or provided any services regarding the subject property within the prior three years, as an appraiser or in any other capacity? If Yes, please provide details in the Comments field.
 No
 Bid Comments: Can do in 4 weeks for \$3,500

Proposed Delivery Date: two weeks

-RFP Information

Purpose Of Request: Appraisal to support SBLC Loan
 Response Deadline: 10/26/2017
 Desired Delivery Date: two weeks

RFP Contact: Norm Strickland, MAI
 Contact Phone: 509-835-6090

ADDRESSEES:

First name	Last name	Company	Address
Norman	Strickland, MAI	US Bank	428 W Riverside Ave, STE 200 Spokane, WA 99201

Total Addressees: 1

DISTRIBUTION:

Number Of Copies	First Name	Last Name	Company	Address
0	Norman	Strickland, MAI	US Bank	428 W Riverside Ave, STE 200 Spokane, WA 99201
0	Janae	Jzyk	US Bank	1702 Hewitt Ave Everett, WA 98201

Total # Hard Copies: 0

SCOPE OF SERVICES:

- Confidentiality** This request for bid and the information described herein is considered confidential by U.S. Bank and should not be discussed with anyone outside of your firm and U.S. Bank.
- Intended Use** Intended Use is Loan Underwriting
The intended use of this appraisal is for loan underwriting and-or credit decisions.
- Intended User** Intended User is U.S. Bank
The intended users of this report is U.S. Bank National Association, and its parent, affiliates, subsidiaries and assigns.
- Inspection** Inspect Subject and Comparables
An interior and exterior inspection of the subject property, as well as an inspection of all comparable properties utilized
- Remaining Economic Life** Please include the estimated remaining economic life of the improvements
- Special Flood Hazard Areas - Insurable Cost excel template** If the subject is located within a Special Flood Hazard Area, provide the Community Name, Panel number, date of the flood map reviewed, and designated flood zone.

Special Flood Hazard Areas start with the letter A or V.

For each proposed or existing individual subject improvement believed to be in the Special Flood Hazard Area, provide a separate estimate of insurable replacement cost. Use the Insurable Cost Template which is located in the Vendor Reference Documents section of RIMSCentral. If you are unable to locate the template, contact RETECHS. Follow the instructions on the template and include the completed template in the report addenda.

If using an Income Approach, include the flood insurance premium as an expense.

Approaches to Value

Approach to Value - Income Properties A direct capitalization methodology must be included for all income properties (including small multifamily properties)

Source of Property Size Disclose the source of land and improvement sizes and steps taken (if any) to confirm the size. If there is a discrepancy from multiple sources reviewed, disclose which source was relied upon and why

Comparable Analysis Summarize the reasoning that supports the adjustment process to the comparable data. The analysis must provide sufficient information, whether qualitative or quantitative, to enable the reader to understand the rationale for the conclusions. It is inadequate to simply present the comparable data with conclusions for the subject property.

In addition to closed sales/leases, analyze and discuss available listings, pending transactions and failed transaction. Discuss current market conditions with knowledgeable brokers. If using a foreclosure sale as a comparable transaction, analyze the transaction and discuss whether or not it represents a distressed sale.

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Addenda Requirements - Certification/license and qualifications The following items must be included in the Report addenda: 1) Qualifications of signatory appraisers, 2) Either a copy of valid certification/license for each signatory appraiser or a screen shot from the ASC National Registry evidencing their license/certification status.

Certification signature By submitting a bid for this RFP, you agree to sign the appraisal certification.

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We reserve the right to withhold payment and/or impose a late fee, if after being notified of issues raised in the review process, you fail to respond or resolve them within 5 business days.

Report Format A self-contained report describes pertinent information and is to include: a full market overview, an individual discussion and analysis of each rent and sale comparable, an Individual comparable write up, photos of comparables observed, an individual discussion and analysis of each income and expense type and a chart presenting Income and/or Sale Comps and any adjustments.

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A restricted plus report is to include: 1) a brief description of the property, its condition, current and projected use, 2) a brief description of the information sources used in the analysis, 3) a summary of the Scope of Work, 4) a tabulation chart summarizing the comparable data used (i.e.: sale and/or rent comparables, capitalization rate support), 5) an exhibit showing the Income Approach calculations (if used) and 6) a brief recap of the analysis.

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Customer Confidential Information Customer Confidential Information: If you are engaged to complete this appraisal assignment, please: 1) notify RETECHS if you receive any customer confidential information that may have been provided to you by the bank's customer, their representative, or employees of US Bank, 2) ensure that no such information is included in the appraisal report or in addendum materials, 3) destroy or redact any such information.

Customer Confidential Information includes information about any individuals, including business customers and personnel, that is subject to protection under laws, regulations, contractual agreements, and/or company policy.

This would include but not be limited to customer social security numbers, consumer account numbers, customer personal financial data, insurance policy numbers, and any customer personal data including information that can be used to identify an individual, family or household.

Please contact RETECHS if you are unsure as to whether something is considered customer confidential.

Engagement Letter Terms and Conditions Please refer to the blank copy of the engagement letter showing the terms and conditions for this assignment. You can access this blank engagement letter under the Reference Documents link under the My Customers tab in RIMS.

Submitting a bid indicates that you agree that your bid, if accepted, will be governed by the terms and conditions of the engagement letter.

If you are awarded the project, you will be sent a completed engagement letter for this assignment at which point both parties will be bound by the terms and conditions of the engagement letter.

Report Type: Summary
Report Format: Narrative

VALUATION SCENARIOS:	Valuation Premise	Premise Qualifier	Property Interest	Comment
	Market Value	As-Is	Leased Fee	

RFP Comments: If the delivery instructions indicate zero copies for the distribution of the report, no paper copies are requested. However, in such case we reserve the right to request a paper copy for no additional fee.

Please include a 4 week bid in the bid comment box.

-Property Information

Property Name: Daddys Donuts

Property Description / Construction Type: mixed use - retail/residential
 Property Type: JF3 - Retail-Commercial - Mixed Use-Retail-Residential
 Address: 7018 NE Bothell Way N/A, Kenmore, WA 98028
 County: King
 Improvement Size (Primary): 3,054 SF
 Land Size: 23,172 SF

Occupancy: 100%

Parcel Numbers: 0114100673
 Current Use: retail/residential
 Number Of Buildings: 1
 Year Built: 1926
 Year Renovated: 1975
 Property Status: Existing
 Property Tenancy: Multi Tenant
 Parking Type: Surface Parking
 Ground Lease?: No
 Listed for Sale?: No
 Pending/Recent Sale?: No

Proposed Use: N/A Existing

Proposed Renovation?: No

Wiseman, Peter G

From: irene chen <irene2436@yahoo.com>
Sent: Saturday, October 07, 2017 3:25 PM
To: Wiseman, Peter G
Cc: John Tong
Subject: [EXTERNAL] Re: Cheton Properties LLC

Here is the corrected rent roll.

Cheton Properties LLC						
7018 NE Bothell Way, Kenmore, WA 98028						
Unit No.	Unit Type	Tenant Name	Monthly Rent	Sq.Ft	Occupied Since	Lease Expires
A	commercial	Daddy's Donuts	\$ 1,113.00	430	04/01/15	03/31/18
B	commercial	Beauty Hair	\$ 675.00	190	05/01/07	03/31/20
1/BKRT	residential	Kim Haley	\$ 935.00	1200	12/01/15	month-to-mon
2/BKRT	residential	Mary Johnson	\$ 800.00	700	08/01/17	07/31/18
3/BKLT	residential	Chris Eggers	\$ 750.00	550	12/01/15	11/31/2018
4/BKLT	residential	Eduardo Suzawa-Bernal	\$ 1,600.00	1400	02/01/16	01/31/18
	billboard	Lamar Companies	\$ 283.33		10/17/13	10/16/28
		Total	\$ 6,156.33			

Irene

From: john tong <johntong888@yahoo.com>
To: "irene2436@yahoo.com" <irene2436@yahoo.com>; Peter G. Wiseman <peter.wiseman@usbank.com>
Sent: Saturday, October 7, 2017 10:56 AM
Subject: Re: Cheton Properties LLC

Pete, Irene has attached some of the information needed.

Irene, we need to include Lamar as well in the rent roles.
John

Sent from Yahoo Mail on Android

On Fri, Oct 6, 2017 at 8:15 PM, irene chen <irene2436@yahoo.com> wrote:

Hello Pete,

Thank you for reaching out to us regarding the loan. I've attached copies of our drivers licenses as well as signed copy of the Linked Deposit application. I've also attached hazard insurance policies from Allstate. Please let me know if you need anything else.

Cheton Properties, LLC
Profit & Loss
 January through December 2016

	Jan - Dec 16
Ordinary Income/Expense	
Income	
Deposit	
Rental Income	
Amanda Blandford	9,445.00
Chris Eggers	7,500.00
Clear Channel/ Iheart/Lamar	3,399.99
Daddy's Donuts/ Eduardo Suzawa-	17,475.00
Eduardo Suzawa	19,200.00
Hair Salon/Thuan Tran	8,266.59
Kimberly Haley/Joseph Hurd	11,360.00
Total Rental Income	76,646.58
Total Deposit	76,646.58
Total Income	76,646.58
Gross Profit	76,646.58
Expense	
Automobile Expense	
Car Rental	83.77
Fuel	161.38
Automobile Expense - Other	2,204.24
Total Automobile Expense	2,449.39
Bank Service Charges	14.00
Contract labor	10,671.00
Credit Card Expense	
Credit Card Interest Charge	42.18
Total Credit Card Expense	42.18
Dues and Subscriptions	231.50
Insurance Expense	
Property	-91.00
Total Insurance Expense	-91.00
Interest Expense	
Mortgage Loan Interest	15,611.81
Total Interest Expense	15,611.81
Licenses and Permits	169.75
Maintenance	
Landscaping and Groundskeeping	983.24
Maintenance - Other	617.43
Total Maintenance	1,600.67
Meals and Entertainment	1,229.70
Office Expense	449.83
Repairs	
Building Repairs	5,843.25
Total Repairs	5,843.25
Security System	343.92
Tax	
Property	8,800.09
Total Tax	8,800.09
Travel & Ent	
Lodging	451.26
Travel	432.36

Cheton Properties, LLC
Profit & Loss
January through December 2016

	<u>Jan - Dec 16</u>
Total Travel & Ent	883.62
Utilities	
Electric	402.18
Garbage	1,851.51
Waste Water	<u>1,206.47</u>
Total Utilities	3,460.16
Total Expense	<u>51,709.87</u>
Net Ordinary Income	<u>24,936.71</u>
Net Income	<u><u>24,936.71</u></u>

Cheton Properties, LLC
Profit & Loss
 January through December 2017

	Jan - Dec 17
Ordinary Income/Expense	
Income	
Deposit	
Rental Income	
Amanda Blandford	5,495.00
Chris Eggers	7,500.00
Clear Channel/ Iheart/Lamar	2,833.30
Daddy's Donuts/ Eduardo Suzawa-	11,159.16
Eduardo Suzawa	16,000.00
Hair Salon/Thuan Tran	6,957.13
Kimberly Haley/Joseph Hurd	7,480.00
Mary Celene Johnson	2,555.00
Total Rental Income	59,979.59
Total Deposit	59,979.59
Total Income	59,979.59
Gross Profit	59,979.59
Expense	
Automobile Expense	
Fuel	4.39
Automobile Expense - Other	645.62
Total Automobile Expense	650.01
Bank Service Charges	-14.00
Insurance Expense	
Auto	511.12
Property	2,686.96
Total Insurance Expense	3,198.08
Interest Expense	
Mortgage Loan Interest	12,552.83
Total Interest Expense	12,552.83
Licenses and Permits	306.75
Maintenance	
Landscaping and Groundskeeping	545.80
Total Maintenance	545.80
Meals and Entertainment	224.88
Security System	386.91
Tax	
Property	9,296.76
Total Tax	9,296.76
Utilities	
Electric	14.98
Garbage	1,320.09
Waste Water	1,037.04
Total Utilities	2,372.11
Total Expense	29,520.13
Net Ordinary Income	30,459.46
Net Income	30,459.46



PACIFIC COAST VALUATION GROUP

Work History

Shawn Wayt, MAI has nearly 10 years of commercial real estate experience, having held positions in commercial real estate appraisal and investment brokerage. Shawn was born and raised in Portland, Oregon and graduated from Gonzaga University in Spokane, Washington, where he was a four-year letter winner on the Gonzaga baseball team. Upon graduating in 2008, Shawn started his career in real estate at Lembeck Appraisal & Consulting in Spokane and eventually joined CBRE in Seattle in 2012 as part of CBRE's Retail Valuation Group. Shawn was the retail market specialist for CBRE in the states of Washington, Idaho, and Alaska. He earned the MAI designation from the Appraisal Institute in 2015. In 2015, Shawn joined Capital Pacific, a leading retail commercial real estate investment brokerage firm, as Senior Financial Analyst. Shawn managed a team of financial analysts that was involved in the sale of over \$2 Billion in real estate transactions during his tenure at Capital Pacific.

Shawn joined Pacific Coast Valuation Group in August 2017. He lives in Edmonds, Washington with his wife, Sabrina, and black Labrador, Bailey, and is an avid Seahawks fan.

Shawn specializes in the valuation of retail properties and is highly skilled in ARGUS software and DCF analysis. He has a wide background of appraisal experience throughout the Northwest that includes, but is not limited to, general/medical offices, industrial facilities, apartments, residential subdivisions, and commercial land. Shawn has also participated in valuation assignments for right-of-way takings in Washington and Idaho.



Shawn Wayt, MAI
(206) 922-7991 Direct
(206) 922-7997 Main
(206) 922-7996 Fax

Coursework & Seminars (partial list)

- Advanced Income Capitalization
- Advanced Market Analysis and Highest & Best Use
- Advanced Concepts & Case Studies
- General Appraiser Market Analysis and Highest & Best Use
- General Appraiser Report Writing and Case Studies
- General Appraiser Site Valuation & Cost Approach
- General Appraiser Sales Comparison Approach
- General Appraiser Income Approach Part I
- General Appraiser Income Approach Part II
- Real Estate Finance, Statistics, and Valuation Modeling
- Business Practices & Ethics
- Basic Appraisal Principles
- Basic Appraisal Procedures
- Residential Report Writing and Case Studies
- USPAP



State of Washington
DEPARTMENT OF LICENSING
 APPRAISER PROGRAM
 P O Box 9021
 Olympia, WA 98507

ADDRESS SERVICE REQUESTED

REAA 805

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1102162 **08/17/2019**
 License Number Expiration Date

Pat Kohler
 Pat Kohler, Director

STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION

THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A



CERTIFIED GENERAL REAL ESTATE APPRAISER

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 License Number

09/08/2017
 Issued Date

08/17/2019
 Expiration Date

Pat Kohler
 Pat Kohler, Director



PACIFIC COAST VALUATION GROUP

Work History

After a career in international finance with US Bank, Joe Creech joined Palmer, Groth & Pietka in July of 1998. Joe started as a trainee and earned his state license in 2002. In 2005, Joe was promoted to Team Leader and began building his own team. In 2007, Joe was named a Managing Director of the Seattle Office. In 2008, Joe was awarded the MAI designation.

The firm was sold to FirstService and merged with Colliers International between 2008 and 2012. Joe was promoted to Senior Valuation Services Director of the newly created firm, Colliers International Valuation & Advisory Services. Joe was consistently ranked in the Top 5 nationally in sales during this period.

Joe has appraised a wide variety of property types including retail, office and industrial as well as specialty properties including golf courses, ground leases, self-storage, property tax appeals, litigation support and general consultations. Joe has served as an expert witness in King County and provides appraisals and testimony for the Board of Equalization in tax appeal services and bankruptcy support for a variety of clients.

Professional Affiliations

- Member Appraisal Institute (MAI) 2008
- Belden Club, Seattle Chapter
- Member of Self Storage Association of Washington
- Former Treasurer, Appraisers Coalition of Washington



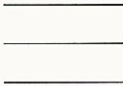
Joe Creech, MAI, ASA
(206) 922-7992 Direct
(206) 922-7997 Main
(206) 922-7996 Fax

Coursework & Seminars (partial list)

- Appraisal of Fast Food Facilities
- Appraisal of Land Subject to Ground Leases
- Appraising Commercial and Complex Properties in an Historic Area
- GASB Final Statement on Fair Value Measurement and Application
- Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets
- Principles of Real Estate Appraisal
- Principles of Income Capitalization
- Standards of Professional Appraisal Practice (USPAP)
- Course 420: Business Practices & Ethics
- Advanced Land Planning and Development
- Valuation of Detrimental Conditions in Real Estate
- Feasibility, Market Value & Investment Timing: Option Value
- Evaluating Commercial Construction
- Eminent Domain and Condemnation
- MAI upper-level coursework



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PACIFIC COAST

VALUATION GROUP

Pacific Coast Valuation Group is dedicated to providing insightful property, market and valuation analysis to assist clients in underwriting, asset management, estate planning, tax appeals, and litigation.

Much of our group left a national firm to begin a new local company returning to the small business and local roots originally reflected when they started their careers in real estate appraisal. Our goal is to provide clients quality service through clear, accurate, and timely reporting and maintaining good communications throughout the process.

All reports are reviewed by an in-house MAI and are up to date with USPAP and FIRREA requirements.

Also available to our clients are current quarterly market snapshots, comparable datasheets or market analysis to assist in your underwriting. Please contact one of our professionals for more information.

The staff at Pacific Coast Valuation Group looks forward to serving you.

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