

DMD APPRAISALS, INC.

555 South Brand Boulevard, San Fernando, California 91340 Office: (818) 898-2202 Fax: (818) 898-1770 Email: dmdincorp@gmail.com

**APPRAISAL OF
205-211 E. EUCLID STREET,
LA HABRA, CA 90631
(APN: 298-067-10 & 11)**



Effective Date: October 13, 2021

DMD APPRAISALS, INC.

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November 11, 2021

Attn: Ms. Miranda Cole-Corona

CITY OF LA HABRA

110 E. La Habra Boulevard
La Habra, CA 90633

RE: 205-211 E. EUCLID STREET, LA HABRA, CALIFORNIA 90631 (APN: 298-067-10 & 11)

Dear Ms. Cole-Corona,

As per your request, we have prepared a **Restricted Appraisal Report** of the above referenced property.

The subject property consists of a corner location of a one-story medical office building, built in 1973. The total building size is 3,930± square feet located on a 15,000± square foot lot, zoned R6.

The appraisers have been requested to value the **Fee Simple** estate in **as-is** condition. This is a drive-by inspection only and is not to be used for financing loans. This appraisal is made under the extraordinary assumption that the rear and interior is in good condition and adequately maintained with no deferred maintenance.

This appraisal report is prepared for the sole and exclusive use of the client and intended user, City of La Habra, to assist with an acquisition. No third parties are authorized to rely upon this report without the express written consent of the appraiser. The appraiser is not an expert in the field of building inspection and this report does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of visible and accessible areas only.

The subject property has been inspected and a survey was taken of local building sales and rental comps. No soils or geology report was provided. No title search was conducted. Upon inspection, no adverse easements were noted.

Based on our analysis of all the relevant data and the statement of limiting conditions, it is the opinion of the appraisers that the estimated Market Value of the **Fee Simple** estate of the subject property, in **as-is** condition, as of October 13, 2021, is:

\$1,360,000

Cordially,

Dale Donerkiel, SRPA, SRA
CA Certified General R.E. Appraiser
AGOO2740, Exp. 1/20/2022
DD/lw

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DISCLAIMER

THE INFORMATION CONTAINED IN THIS REPORT IS BASED ONLY ON THE PERSONAL OBSERVATIONS OF THE FIELD APPRAISER AND ON STATEMENTS OF THE PERSONS INTERVIEWED WHO WERE AVAILABLE AT THE TIME OF INSPECTION AND NOT ON LEGAL SEARCHES. IT IS OUR BELIEF THAT THIS REPORT IS RELIABLE AND ACCURATE. HOWEVER, THE FEE CHARGED DOES NOT INCLUDE, IN ANY WAY, CHARGES FOR ASSUMPTION OF LIABILITY FROM ANY COVERAGE WRITTEN BY COMPANY OR PERSONS REQUESTING THIS REPORT. SAID COMPANY OR PERSONS AGREES TO HOLD DMD APPRAISALS, INC. FREE AND HARMLESS FROM ANY CLAIMS OR LIABILITY FROM LOSS.

ENVIRONMENTAL DISCLAIMER

IN THIS APPRAISAL ASSIGNMENT, THE EXISTENCE OF POTENTIALLY HAZARDOUS MATERIAL USED IN THE CONSTRUCTION OR MAINTENANCE OF THE BUILDING, SUCH AS THE PRESENCE OF UREA-FORMALDEHYDE FOAM INSULATION, AND/OR THE EXISTENCE OF TOXIC WASTE, WHICH MAY OR MAY NOT BE PRESENT ON THE PROPERTY, WAS NOT OBSERVED BY THE APPRAISER; NOR DOES THE APPRAISER HAVE ANY KNOWLEDGE OF THE EXISTENCE OF SUCH MATERIALS ON OR IN THE PROPERTY. THE APPRAISER, HOWEVER, IS NOT QUALIFIED TO DETECT SUCH SUBSTANCES. THE EXISTENCE OF UREA-FORMALDEHYDE FOAM INSULATION, OR OTHER POTENTIALLY HAZARDOUS WASTE MATERIAL, MAY HAVE AN EFFECT ON THE VALUE OF THE PROPERTY. WE URGE THE CLIENT TO RETAIN AN EXPERT IN THIS FIELD, IF DESIRED.

THE APPRAISER ASSUMES NO RESPONSIBILITY FOR THE POSSIBLE PRESENCE OF ASBESTOS, RADON, OR OTHER TOXIC OR HAZARDOUS MATERIALS ON OR ABOUT THE PROPERTY. IT IS POSSIBLE THAT ANY "COTTAGE CHEESE" TYPE OF FINISH ON THE CEILINGS CONTAINS ASBESTOS, AS MIGHT THE WIRING IN THE RANGE, OVEN, FANS, AND IN OTHER ELECTRICAL APPLIANCES IN THE PROPERTY.

THE POSSIBLE EXISTENCE OF SODIUM SULFATE (WHICH CAN DAMAGE UNDERGROUND PIPING AND CONCRETE SLABS AND FOUNDATIONS) IN THE SOILS UNDER THE SUBJECT IMPROVEMENTS WAS NOT DETERMINED BY THE APPRAISER. THOUGH NO EVIDENCE OF SUCH DAMAGE WAS NOTICED UNLESS SPECIFICALLY MENTIONED, THE APPRAISER ASSUMES NO RESPONSIBILITY FOR THE POSSIBLE PRESENCE OF THIS SUBSTANCE, OR ITS EFFECT ON THE IMPROVEMENTS, OR VALUE OF THE PROPERTY.

THE APPRAISER HAS NO KNOWLEDGE OF, AND MAKES NO REPRESENTATIONS CONCERNING THE STRUCTURES ABILITY TO WITHSTAND SEISMIC STRESSES, AND ASSUMES NO RESPONSIBILITY FOR SUCH POSSIBLE DAMAGE IN THE FUTURE.

EXTENT OF THE APPRAISAL PROCESS

THE APPRAISAL IS BASED ON THE INFORMATION GATHERED BY THE APPRAISER FROM PUBLIC RECORDS, OTHER IDENTIFIED SOURCES, INSPECTION OF THE SUBJECT PROPERTY AND NEIGHBORHOOD, AND SELECTION OF COMPARABLE SALES WITHIN THE SUBJECT'S MARKET AREA. THE ORIGINAL SOURCE OF THE COMPARABLES IS SHOWN IN THE "DATA SOURCE" SECTION OF THE MARKET GRID, ALONG WITH THE SOURCE OF CONFIRMATION, IF AVAILABLE. THE ORIGINAL SOURCE IS PRESENTED FIRST. THE SOURCES AND DATA ARE CONSIDERED RELIABLE. WHEN CONFLICTING INFORMATION IS PROVIDED, THE SOURCE DEEMED MOST RELIABLE HAS BEEN USED. DATA BELIEVED TO BE UNRELIABLE HAS NOT BEEN INCLUDED IN THE REPORT, OR USED AS A BASIS FOR THE VALUE CONCLUSION. THE REPRODUCTION COST IS BASED ON THE MARSHALL & SWIFT COST HANDBOOK, SUPPLEMENTED BY THE APPRAISER'S KNOWLEDGE OF THE LOCAL MARKET.

PHYSICAL DEPRECIATION IS BASED ON THE ESTIMATED EFFECTIVE AGE OF THE SUBJECT PROPERTY, AND STANDARD RATES OF DEPRECIATION WITHIN THE LOCAL MARKET. FUNCTIONAL AND/OR EXTERNAL DEPRECIATION, IF PRESENT, ARE SPECIFICALLY ADDRESSED IN THE APPRAISAL REPORT OR ADDENDUM. IN ESTIMATING THE SITE VALUE, THE APPRAISER RELIED ON LOCAL MARKET KNOWLEDGE. THIS KNOWLEDGE IS BASED ON PRIOR AND/OR CURRENT ANALYSES OF LAND SALES, AND/OR EXTRACTION OF LAND VALUE FROM IMPROVED SALES.

SCOPE OF THE ASSIGNMENT

THE FOLLOWING ARE BEYOND THE SCOPE OF THE ASSIGNMENT: DETECTING AND/OR EVALUATING THE EFFECT OF ENCROACHMENTS, OF WHICH THE APPRAISER IS UNAWARE. MAKING A PHYSICAL INSPECTION OF ANY AREA THAT IS NOT EASILY AND READILY ACCESSIBLE, AND NORMALLY OBSERVED DURING A ROUTINE WALK THROUGH THE PROPERTY. ORDERING AN UPDATED TITLE REPORT ON THE PROPERTY (THE APPRAISER ASSUMES THE TITLE IS ACCEPTABLE TO THE LENDER/CLIENT), THOUGH THE APPRAISER IS WILLING TO REVIEW ANY SUCH REPORT SUPPLIED BY THE LENDER/CLIENT. DETECTING LATENT DEFECT IN THE PROPERTY. VERIFYING THE WORKING ORDER OF SYSTEMS SUCH AS HEATING, AIR CONDITIONING, WATER TREATMENT, ELECTRICAL CIRCUITS OR LIGHT FIXTURES, ALL OF WHICH ARE ASSUMED TO BE IN WORKING ORDER, UNLESS NOTED OTHERWISE ELSEWHERE IN THE REPORT. THIS REPORT IS NOT THE PRODUCT OF A "REAL PROPERTY INSPECTION SERVICE". THE OVERALL SCOPE OF THE ASSIGNMENT IS CONSIDERED TO BE MORE THAN ADEQUATE TO PROPERLY RESEARCH DATA APPLICABLE TO ANY OF THE THREE APPRAISAL REPORT TYPES; SELF-CONTAINED, SUMMARY AND RESTRICTED-USE APPRAISALS.

PROVISION OF AN INSURABLE VALUE BY THE APPRAISER DOES NOT CHANGE THE INTENDED USER OR THE INTENDED PURPOSE OF THE APPRAISAL. THE APPRAISER ASSUMES NO LIABILITY FOR THE INSURABLE VALUE ESTIMATE PROVIDED AND DOES NOT GUARANTEE THAT ANY ESTIMATE OR OPINION WILL RESULT IN THE SUBJECT PROPERTY BEING FULLY INSURED FOR ANY POSSIBLE LOSS THAT MAY BE SUSTAINED. THE APPRAISER RECOMMENDS THAT AN INSURANCE PROFESSIONAL BE CONSULTED. THE INSURABLE VALUE ESTIMATE MAY NOT BE A RELIABLE INDICATION OF REPLACEMENT OR REPRODUCTION COST FOR ANY DATE OTHER THAN THE EFFECTIVE DATE OF THIS APPRAISAL DUE TO CHANGING COSTS OF LABOR AND MATERIALS AND DUE TO CHANGING BUILDING CODES AND GOVERNMENTAL REGULATIONS AND REQUIREMENTS.

SECTION I: INTRODUCTION

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

LOCATION: 205-211 E. Euclid Street, La Habra, CA 90631
APN: 298-067-10 & 11
MAP REFERENCE: 708-E6 (Orange County)
OWNER: Blue B 12, LLC
BUILDING SIZE: 3,930± square feet
SITE OR LAND SIZE: 15,000± square feet
ZONING: R6
CENSUS TRACT: 12.02
IMPROVEMENT CONDITION: Good
YEAR BUILT: 1973/1978
TYPE OF PROPERTY: Medical Office Building
HIGHEST AND BEST USE: Present Use
FLOOD HAZARD ZONE: Zone X, Community Panel # 060224-06059C-0037J
Dated 12/03/2009
EFFECTIVE DATE: October 13, 2021

VALUATION

COST APPROACH:	Not Applicable
INCOME APPROACH:	\$1,368,000
SALES COMPARISON APPROACH:	\$1,356,000

VALUE CONCLUSION

MARKET VALUE:	\$1,360,000
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LOGIC USED TO RESOLVE UNIQUE APPRAISAL PROBLEMS

PROBLEM(S) INHERENT IN SUBJECT PROPERTY APPRAISAL:

This is a restricted report. It is a Drive-By inspection only; viewed from the curb only. It is not to be used for financing loans. This appraisal is made under the extraordinary assumption that the rear and interior of the building(s) are in good condition and adequately maintained with no deferred maintenance.

This property was for sale. It was listed with Ben Greer (562) 762-3104. There were three offers made. One offer was accepted at \$1,355,000. It fell out of escrow. It is listed again at \$1,355,000.

This report values only the real estate. No Furniture, Fixtures, and Equipment (FF&E), Goodwill, Business Interest, or Going Concern issues are valued.

We will not utilize the Cost Approach because industrial-commercial type properties are not purchased based on their cumulative value of the land and depreciated improvements. Also, the subject property improvements are approximately 43 and 48 years old, making accrued physical/functional depreciation difficult to estimate. These possible inaccuracies make the Cost Approach unreliable and, therefore, it is eliminated from this appraisal assignment.

Under the Sales Comparison Approach, we will utilize similar size, medical office building sales. These sales will be analyzed on a price per square foot of Gross Building Area (G.B.A.).

We will utilize an estimated market rent, based on current rent comparables to establish the subject's market rent and a single year's Gross Scheduled Income. We will capitalize a single year's net income, using a market derived capitalization rate, under the Income Approach. No Discounted Cash Flow Analysis was prepared.

We assume no responsibility or liability for unknown easements or soil rights, which may or may not adversely impact the utility of the site. For purposes of this report, we assume there are no soil toxicity problems or adverse easements. We have relied on the Assessor's Tax Roll for ownership information.

We saw no evidence of underground storage tanks, active or inactive.

The global outbreak of a "novel coronavirus" known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). The reader is cautioned, and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of any unforeseen event, subsequent to the effective date of the appraisal.

MARKETING TIME

The marketing time is estimated from the marketing period exhibited in local sales, as follows:

	Address	Date Sold	Market Time
1.	13047 Artesia	07/2021	87 Days
2.	864 N. Hacienda	07/2021	112 Days
3.	2440 S. Hacienda	07/2021	79 Days
4.	218 Glendora	06/2021	56 Days
5.	123 N. Malden	06/2021	57 Days
6.	13017 Artesia	06/2021	31 Days
7.	319 E. Palm	05/2021	91 Days

The marketing times found in local sales ranges from 31 to 112 days. This is a strong owner/user market. Interest rates are below 7.0%.

We ran a CoStar Analytic report on 76 medical buildings sales. The average marketing time is 69 days.

This property was for sale. It was listed with Ben Green (562) 762-3104. There were three offers made. One offer was accepted at \$1,355,000. It fell out of escrow.

We estimate the subject's marketing time to be from 30 to 120 days.

Marketing Time:

The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time which is always presumed to precede the effective date of the appraisal. Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of the disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented.

EXPOSURE TIME (USPAP REQUIREMENT):

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

Exposure Time may be defined as follows:

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

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. This statement focuses on the time component.

The fact that exposure time is always presumed to occur prior to the effective date of the appraisal is substantiated by related facts in the appraisal process: supply/demand conditions as of the effective date of the appraisal; the use of current cost information; the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy estimated from the effective date of the appraisal.

The subject property has an estimated Exposure Time of 60 to 180 days. This is based on the appraised value, with a 75% loan to value available at competitive interest rates and upon discussions with local Brokers, Buyers, and Sellers. Local brokers confirm very short exposure time is required in this market. Small buildings sell quickly.

COMPETENCY PROVISION

The appraiser(s) has the appropriate knowledge and experience to complete this assignment competently. The signatories on this appraisal report are currently certified under the State of California. We certify the writer(s) of this report have attained a level of competency necessary to complete the assignment in a diligent manner, utilizing all the commonly recognized analysis techniques considered normal for a prudent evaluation report. The appraiser(s) qualifications are included in the addendum of this report.

USPAP COMPLIANCE:

This report is prepared in compliance with Standard Rules 1 and 2 of USPAP. This report is an Appraisal Report, as defined in the regulations which became effective January 1, 2021.

SECTION II: DESCRIPTION AND ANALYSIS

IDENTIFICATION OF THE PROPERTY

The property appraised is the **Fee Simple** estate in the real property located at:

205-211 EAST EUCLID STREET, LA HABRA, CALIFORNIA 90631

INTENDED USER(S) OF APPRAISAL:

The intended user of this appraisal report is City of La Habra.

PURPOSE AND INTENDED USE OF APPRAISAL

The property is being appraised to present an opinion of Market Values of the **Fee Simple** estate of the subject property in as-is condition, to assist with an acquisition.

PROPERTY RIGHTS APPRAISED:

The subject property is being appraised on the basis of a **Fee Simple** Estate.

A Fee Simple Estate implies absolute ownership unencumbered by any other interest or estate, subject only to the limitations of the governmental powers of taxation, eminent domain, police power, and escheat./a/

A Leased Fee Estate is an ownership interest held by a landlord with the rights of use and occupancy transferred by the lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease./b/

A Leasehold Estate is the interest held by the lessee (the tenant and renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions./c/

APPRAISAL REPORT/d/:

A written report prepared under Standards Rule 1 and 2 (USPAP, 2020-2021 ed.)

An appraisal report contains a summary of all information significant to the solution of the appraisal problem. The essential difference between a restricted appraisal report and an appraisal report is the level of detail of presentation.

/a/b/c/The Appraisal of Real Estate, 13th Edition, by the Appraisal Institute, an Illinois Not For Profit Corporation. Published 1951, 13th Edition published 2008./a/page 69, /b/& /c/page 83, /d/The Dictionary of Real Estate Appraisal, Fourth Edition published 2002 by the Appraisal.

SCOPE OF THE APPRAISAL

In compliance with S.R. 2-2(a) (VII) of the Uniform Standards of Professional Appraisal Practice, the Scope of the Appraisal is set forth in the following sections of this report:

1. THE APPRAISAL PROCESS
2. CERTIFICATION
3. ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal conforms with the accepted appraisal standards of the Appraisal Institute.

SOURCES OF INFORMATION:

APPRAISER'S OWN FILES
COMPS, INC., Commercial Property Information Services
TRW-REDI, Real Estate Information Services
MARSHALL AND SWIFT VALUATION SERVICE
FLOOD INSURANCE RATE MAPS
CITY AND COUNTY FLOOD HAZARD ZONE DATA
CITY AND COUNTY EARTHQUAKE ORDINANCES
THOMAS GUIDE
LOCATION MAP BOOKS
EARTHQUAKE AND FLOOD HAZARD ZONES
CENSUS TRACTS
COUNTY ASSESSORS RECORDS
CITY AND COUNTY ZONING & PLANNING CODES
DEED RECORDS
MISCELLANEOUS RECORDS
MORTGAGE RECORDS
MULTIPLE LISTING SERVICES
OTHER APPRAISERS
TITLE COMPANIES
BUYERS, SELLERS, AND AGENTS

These sources are considered to be reliable and correct. The appraiser has made every effort to verify their accuracy. If inaccurate data was supplied, the appraiser has the right to verify and correct the report. This may change the value.

This is a drive by, exterior only inspection from the street. This appraisal is made under the extraordinary assumption that the rear and interior is in good condition and adequately maintained with no deferred maintenance.

Permits, flood zone and zoning were verified at the City offices/Website.

SCOPE OF THE APPRAISAL – Continued

The Cost Approach is eliminated due to the age of the building and the difficulty in accurately estimating depreciation, as well as general unreliability in the valuation of mobile home parks.

Local sales were verified with buyers, sellers, brokers, title records and information services.

The Net Operating Income is Capitalized to Value in the Income Approach. A vacancy and rent survey was conducted in the subject's neighborhood. Cap Rates were extracted from local sales. We utilized the Penner Expense Guide for market expenses.

We relied on the latest CoStar Analytic reports for vacancy rates and cap rates.

This report values only the real estate. No Furniture, Fixtures, and Equipment (FF&E), Goodwill, Business Interest, or Going Concern issues are valued.

See appraiser's CERTIFICATION AND STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS in the addendum of this report.

DEFINITION OF MARKET VALUE:

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

MARKET VALUE*

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue 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:

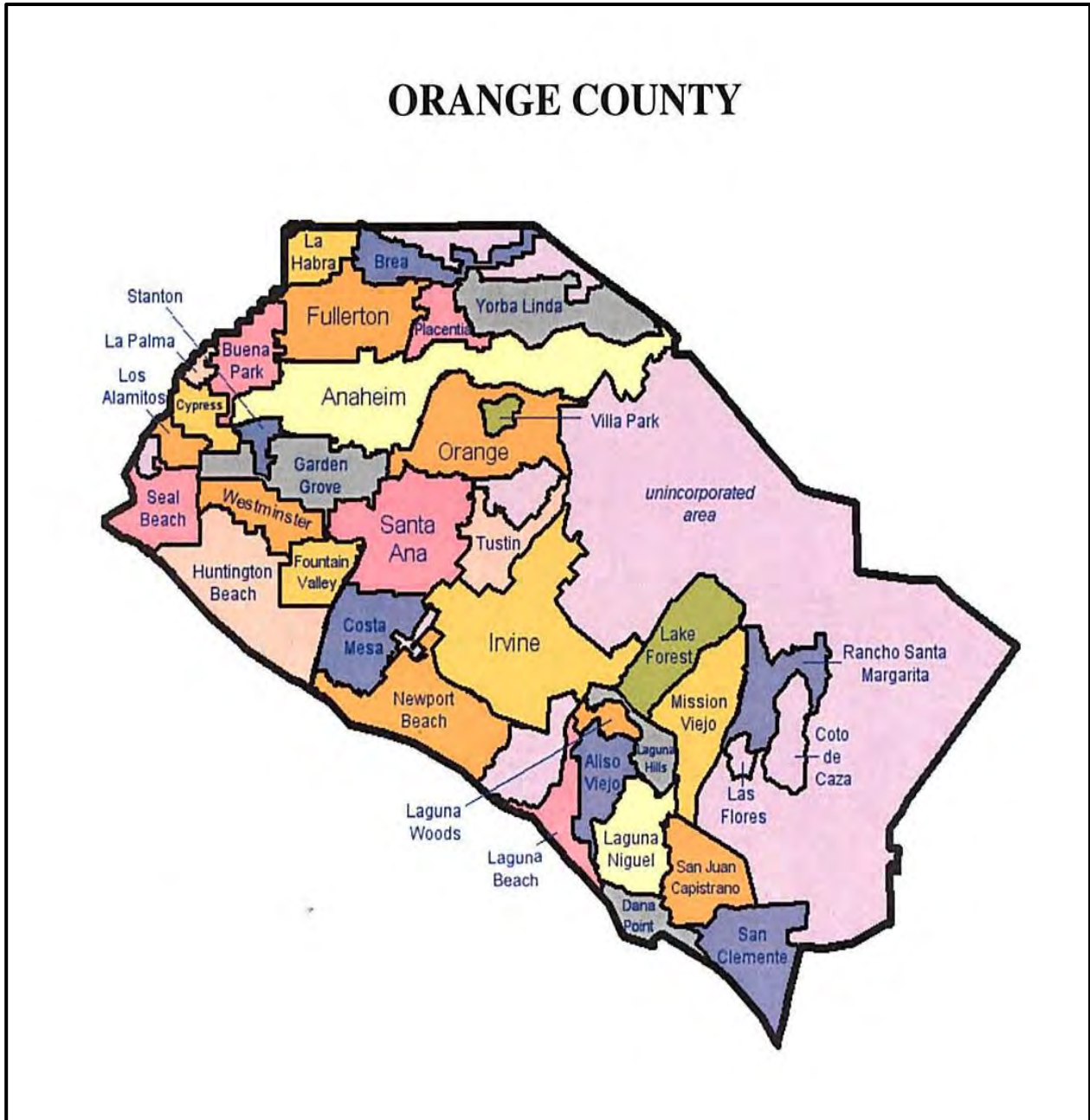
1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial 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.

*Comptroller of the Currency of the United States as set forth in 12 CFR 564.2 (g). The Appraisal of Real Estate, 13th Edition, by the Appraisal Institute, an Illinois Not For Profit Corporation. Published 1951, 13th Edition published 2008, page 23. Federal Register, no. 55, no. 163, August 22, 1990, pages 34228 and 34229; also quoted in the Glossary of the Uniform Standards of Appraisal Practice (USPAP).

DATE OF VALUE

The Market Value opinion is made based upon conditions prevailing as of October 13, 2021.

NEIGHBORHOOD AREA AND ANALYSIS – Continued



NEIGHBORHOOD AREA AND ANALYSIS – Continued

ORANGE COUNTY

Orange County is a county in the U.S. state of California. Its county seat is Santa Ana. As of the 2010 census, its population was 3,010,232, making it the third most populous county in California, behind Los Angeles County and San Diego County and the second most populous in the Greater Los Angeles Area after Los Angeles County. It is the sixth most populous county in the United States as of 2009 while at the same time is the smallest area-wise county in Southern California, being roughly half the size of the next smallest county, Ventura. The county is famous for its tourism, as the home of such attractions as Disneyland and Knott's Berry Farm, as well as several beaches along its more than 40 miles (64 km) of coastline. It is known for its affluence and political conservatism – a 2005 academic study listed three Orange County cities as being among America's 25 "most conservative," making it one of two counties in the country containing more than one such city (Maricopa County, Arizona also has three cities on the list).

Orange County was at the time the largest American county to have gone bankrupt, when in 1994 longtime treasurer Robert Citron's investment strategies left the county with inadequate capital to allow for any raise in interest rates for its trading positions. When the residents of Orange County voted down a proposal to raise taxes in order to balance the budget, bankruptcy followed soon after. Citron later pleaded guilty to six felonies regarding the matter.

The city of Santa Ana serves as the governmental center of the county, or county seat, Anaheim as its main tourist destination, and Irvine as its major business and financial hub. All of these three Orange County cities have populations exceeding 200,000. Thirty-four incorporated cities are located in Orange County; the newest is Aliso Viejo, which was incorporated in 2001. Anaheim was the first city incorporated in Orange County, in 1870 when the region was still part of neighboring Los Angeles County.

In the 1980s, the population topped two million for the first time; Orange County had become the second-most populous county in California.

In 1994, an investment fund meltdown led to the criminal prosecution of County of Orange treasurer Robert Citron. The county lost at least \$1.5 billion through high-risk investments in derivatives, and on December 6, 1994, the County of Orange declared Chapter 9 bankruptcy, from which it emerged in June 1995. The Orange County bankruptcy was the largest municipal bankruptcy in U.S. history until Jefferson County, Alabama filed for Chapter 9 bankruptcy in 2011.

In recent years land-use conflicts have arisen between established areas in the north and less developed areas in the south. These conflicts have regarded issues such as construction of new toll roads and the repurposing of a decommissioned air base. El Toro Marine Corps Air Station was designated by a voter measure in 1994 to be developed into an international airport to complement the existing John Wayne Airport. But subsequent voter initiatives and court actions have caused the airport plan to be permanently shelved. Instead it will become the Orange.

NEIGHBORHOOD AREA AND ANALYSIS – Continued

ORANGE COUNTY – Continued

CITIES IN ORANGE COUNTY

* Aliso Viejo	* Huntington Beach	* Mission Viejo	* Tustin
* Anaheim	* Irvine	* Newport Beach	* Villa Park
* Brea	* La Habra	* Orange	* Westminster
* Buena Park	* La Palma	* Placentia	* Yorba Linda
* Costa Mesa	* Laguna Beach	* Rancho Santa Margarita	
* Cypress	* Laguna Hills	* San Clemente	
* Dana Point	* Laguna Niguel	* San Juan Capistrano	
* Fountain Valley	* Laguna Woods	* Santa Ana	
* Fullerton	* Lake Forest	* Seal Beach	
* Garden Grove	* Los Alamitos	* Stanton	

NOTABLE LOCATIONS IN ORANGE COUNTY:

* Hidden Ranch	* Trabuco Campground
* Holy Jim Trailhead	* Trabuco Guard Station
* Blue Jay Trailhead	* Bolsa Chica Gun Club
* Lower San Juan Campground	* Santiago Peak Lookout
* County Industrial Farm	* Blue Jay Campground
* Bolero Lookout	* Falcon Campground
* Old Camp	* Mission Vieja
* San Juan Station	* McConville Nudist Camp
* Starr Ranch	* Four S Ranch
* Silverado Station	* Youth Conservation Camp

NEIGHBORHOOD AREA AND ANALYSIS – Continued

ORANGE COUNTY - Continued

TRANSPORTATION

Transit in Orange County is offered primarily by the Orange County Transportation Authority. The American Public Transportation Association (APTA) cited OCTA as the best large property transportation system in the United States for 2005. OCTA manages the county's bus network and funds the construction and maintenance of local streets, highways, and freeways; regulates taxicab services; maintains express toll lanes through the median of California State Route 91; and works with Southern California's Metrolink to provide commuter rail service along three lines—the Orange County Line, the 91 Line, and the Inland Empire-Orange County Line.

Surface transportation in Orange County relies heavily on three major interstate highways: The Santa (I-5), The San Diego Freeway (I-405 and I-5 south of Irvine), The San Gabriel River Freeway (I-605), which only briefly enters Orange County territory in the northwest. The other freeways in the county are state highways, and include the perpetually congested Riverside and Artesia Freeway (SR 91) and the Garden Grove Freeway (SR 22) running east-west, and the Orange Freeway (SR 57), the Costa Mesa Freeway (SR/SR 55), the Laguna Freeway (SR 133), the San Joaquin Transportation Corridor (SR 73), the Eastern Transportation Corridor (SR 261, SR 133, SR 241), and the Foothill Transportation Corridor (SR 241) running north-south. Minor stub freeways include the Richard M. Nixon Freeway (SR 90), also known as Imperial Highway, and the southern terminus of Pacific Coast Highway (SR 1). There are no U.S. Highways in Orange County, though two existed in the county until the mid-1960s: 91 and 101. 91 went through what is now the state route of the same number, and 101 was replaced by Interstate 5. SR-1 was once a bypass of US-101 (Route 101A).

The bus network comprises 6,542 stops on 77 lines, running along most major streets, and accounts for 210,000 boarding's a day. The fleet of 817 buses is gradually being replaced by LNG (liquefied natural gas)-powered vehicles, which already represent over 40% of the total fleet.

The Metrolink has operated three commuter rail lines through Orange County, and has also maintained Rail-to-Rail service with parallel Amtrak service. On a typical weekday, over 40 trains run along the Orange County Line, the 91 Line and the Inland Empire-Orange County Line. Along with Metrolink riders on parallel Amtrak lines, these lines generate approximately 15,000 boarding's per weekday. Metrolink also began offering weekend service on the Orange County Line and the Inland Empire-Orange County line in the summer of 2006. As ridership has steadily increased in the region, new stations have opened at Anaheim Canyon, Buena Park, Tustin, and Laguna Niguel/Mission Viejo. Plans for a future station in Placentia are underway and is expected to be completed by 2014. Orange County's first public monorail line, the ARC (Anaheim Rapid Connection), is undergoing environmental impact assessment. This line will connect the Disneyland Resort, Convention Center, and Angel Stadium to the proposed ARTIC transportation hub, in the city of Anaheim.

Orange County's only major airport is John Wayne Airport. Although its abbreviation (SNA) refers to Santa Ana, the airport is in fact located in unincorporated territory surrounded by the cities of Newport Beach, Costa Mesa, and Irvine. Unincorporated Orange County (including the John Wayne Airport) has mailing addresses, which go through the Santa Ana Post Office. For this reason, SNA was chosen as the IATA Code for the airport. The actual Destination Moniker which appears on most Arrival/Departure Monitors in airports throughout the United States is "Orange County", which is the common nickname used for the OMB Metropolitan Designation: Santa Ana-Anaheim-Irvine, California. Its modern Thomas F. Riley Terminal handles over 9 million passengers annually through 14 different airlines.

NEIGHBORHOOD AREA AND ANALYSIS – Continued

ORANGE COUNTY - Continued

City/County Population Estimates with Annual Percent Change January 1, 2018 and 2019			
State/County/City	Total Population		Percent Change
	1/1/2018	1/1/2019	
California	39,740,508	39,927,315	0.5
Orange	3,213,275	3,222,498	0.3
Aliso Viejo	51,664	51,372	-0.6
Anaheim	358,703	359,339	0.2
Brea	44,539	45,606	2.4
Buena Park	83,594	83,384	-0.3
Costa Mesa	114,536	115,830	1.1
Cypress	49,774	49,833	0.1
Dana Point	34,365	34,249	-0.3
Fountain Valley	56,914	56,652	-0.5
Fullerton	143,313	142,824	-0.3
Garden Grove	174,951	175,155	0.1
Huntington Beach	202,097	203,761	0.8
Irvine	274,055	280,202	2.2
Laguna Beach	23,474	23,358	-0.5
Laguna Hills	31,751	31,572	-0.6
Laguna Niguel	65,777	66,748	1.5
Laguna Woods	16,612	16,518	-0.6
La Habra	62,558	63,542	1.6
Lake Forest	85,048	86,346	1.5
La Palma	15,914	15,820	-0.6
Los Alamitos	11,790	11,721	-0.6
Mission Viejo	96,856	96,434	-0.4
Newport Beach	87,614	87,180	-0.5
Orange	141,116	141,691	0.4
Placentia	52,602	52,333	-0.5
Rancho Santa Margarita	49,238	48,960	-0.6
San Clemente	65,732	65,405	-0.5
San Juan Capistrano	36,541	36,821	0.8
Santa Ana	339,192	337,716	-0.4
Seal Beach	25,191	25,073	-0.5
Stanton	39,483	39,307	-0.4
Tustin	81,755	81,369	-0.5
Villa Park	5,961	5,933	-0.5
Westminster	93,035	92,610	-0.5
Yorba Linda	68,804	68,706	-0.1
Balance of County	128,726	129,128	0.3

NEIGHBORHOOD AREA AND ANALYSIS – Continued

ORANGE COUNTY – Continued

NATIONAL & LOCAL ECONOMIC ANALYSIS

The local economy continues to improve at a slow rate. The current **Orange County** unemployment rate was 2.4% May 2019.

The United States Real Gross Domestic Product (GDP) has increased since the national recession in 2009 (with a negative growth rate of -2.8%). The following chart summarizes the last 9 years GDP growth.

YEAR	ANNUAL GROWTH RATE
2010	2.50%
2011	1.60%
2012	2.30%
2013	2.20%
2014	2.40%
2015	2.40%
2016	1.50%
2017	2.04%
2018	2.09%

Most economists agree that a sustained minimum GDP growth rate of 4% per year for 3+ years is required to recover from the recession and be considered a robust, strong economy.

In 1981, our total United States National Debt was \$1 trillion dollars and it took 205 years to acquire this level of debt. Currently, the national debt is \$18 trillion. Last year, the United States spent 430 billion dollars on interest payments, or approximately one third of our annual income tax revenue.

The Federal Reserve raised interest rates in 2019. The current federal risk-free rate is based on the 90 day T-Bill rate which is currently 1.05%. Our current economy has not achieved a sustained 4%+ GDP, and this is with virtually “free” money as the primary stimulus. Many experts forecast a return to an economic recession or stagflation when the interest rates are raised.

The short-term forecast for Southern California is continued slow growth, and a sluggish/sensitive economy. The long-term forecast of this state and the nation is unknown.

NEIGHBORHOOD AREA AND ANALYSIS – Continued

CITY OF LA HABRA

The city of La Habra lies in a fertile valley between the Puente Hills to the North and the Coyote Hills to the south, in the farthest northwest corner of Orange County. "La Habra," which in Spanish means "pass through the hills," is one of the oldest names in Orange County. It dates from the days of Spanish exploration and the subsequent mission period. The Portola' expedition crossed through La Habra Valley on July 30, 1769, leaving through the natural pass close to the present Fullerton Road. During the mission period, La Habra Valley and the surrounding hills were part of the extensive lands belonging to the San Gabriel Mission. They were used for grain and livestock production.

In 1839 the Mexican government granted the 6,698-acre Rancho Canada de la Habra to Mariano Reyes Roldan, who continued to use the land for agriculture and livestock. In the 1860's, this and many adjacent ranchos became part of the vast holdings of Abel Stearns, who used the land to graze his extensive herds of cattle. However, disastrous seasons of floods, freezes, and droughts in the mid-1860 took a heavy toll of the herds, and Stearns was forced to sell and lease much of his property.

In the early 1870's, the La Habra lands were leased to Basque shepherders. One of the Basques, Domingo Bastanchury, later purchased much of the property in the southern part of the valley and in the Coyote Hills for a sheep ranch, and another Basque, Jose Sansinena, purchased the foothills north of La Habra for his ranch. During this period thousands of sheep grazed all of the valley and surrounding hills.

It was not until the 1890's that many American, English, and Swiss settlers arrived in La Habra. They planted walnuts and deciduous fruit trees on acreage purchased from the Stearns Ranchos Company.

The "father" of La Habra city is considered to be Willets J. Hole. As the land agent for the Stearns Ranchos Company, he promoted sales of the La Habra Lands near the center of the valley. One the south-facing slopes near the present Citrus Drive, Hole established a model 100-acre ranch, planted with many varieties of citrus and deciduous trees. Hole also set up a water pumping station near Coyote Creek to irrigate his groves, showing how water could make the rich soil produce abundant crops. Surface waters were limited to the seasonal flow in Coyote and La Mirada creeks.

The year 1896 is commonly chosen to be the founding date of the La Habra community. In that year the post office, a store, and the grammar school were started in the village, largely through the efforts of W.J. Hole.

In 1903 Robert Hiatt bought property near the village center and sold town lots. The streets were named by the women of the Ladies Mutual improvement Club, but many of the original names have been changed through the years.

Water had always been a problem for farmers with irrigated crops. In 1903, water was finally brought from the Bassett area by the East Whittier Land and Water Company through a cement gravity-flow pipeline. Later, these earliest pipes were replaced with redwood lines, and pumping stations were established. With the assurance of a reliable water supply, much citrus acreage was planted in the upper valley and on the south-facing slopes. This area had a near perfect climate and soil for citrus production, and La Habra fruit became well known.

NEIGHBORHOOD AREA AND ANALYSIS – Continued

CITY OF LA HABRA – Continued

In 1908 the Pacific Electric Railroad was brought to La Habra to meet demands for hauling the citrus fruit as well as the walnuts growing in the southern part of the valley. The railroad was also used to haul equipment to the newly-developed oil lands in this area.

In 1913-14 the large Sunkist packing houses were built. At one time, La Habra Citrus Association controlled more citrus acreage than any other in the state. During the period 1914-19, many new oil workers came to La Habra for employment in the highly productive Murphy-Coyotes oil lease of the Standard Oil Company (now Chevron). At the same time, several new business blocks were built in downtown La Habra. Home-building was also brisk. In 1916, the Sunkist Citrus association erected housing in the southwestern part of La Habra for the newly-arriving Mexican agricultural workers.

The foothills north of La Habra proved to be an ideal growing area for avocados in the years since the first commercial grove in Orange County was planted on North Cypress Street in 1910. La Habra Heights became the center for avocado production as a result of promotion by land developer Edwin G Hart. The original "Hass" avocado tree in La Habra Heights was planted 1926, and survived until 2002. This variety has become the most popular summer avocado in the world.

The 1920's were boom years in La Habra. The First Bank of La Habra was chartered in 1920. The city of La Habra was incorporated January 20, 1925. There was much expansion in the downtown area along Central Avenue (now La Habra Boulevard) in response to the needs of the growing population. However, the economic depression of the 1930's hit La Habra hard. Among the businesses of this period in downtown La Habra was former President Richard Nixon's first law office, established in 1939. There was not much other building until the late 1940's, after World War II. Large businesses, such as the Alpha Beta Company and Beckman Instruments, moved into the valley in the 1950's. Chevron Research, part of a company that first came to the valley in 1912, continued to expand its operations with La Habra as its research headquarters until it closed in 1999.

La Habra has maintained its prosperity in recent decades. In 1975, it was honored by being named an "All American City" in recognition of its many community improvement programs for youth, seniors, and minorities. The La Habra Depot Theatre is the transplanted Pacific Electric Depot. Between these two important buildings is the Children's History Caboose, an old-time railroad car which displays many historical artifacts from La Habra's past. These exhibits are provided by the La Habra Old Settlers' Historical Society, which has been active since 1898, only two years after the community's founding.

The current 2019 population is 60,513 residents with 29,608 men and 30,905 woman. The median resident age is 36.5.

Estimated median household income in 2019: \$84,336 (\$47,652 in 2000). Estimated median house or condo value in 2019: \$575,554 (\$190,000 in 2000). Mean prices in 2019: all housing units: \$582,525; detached houses: \$676,378; townhouses or other attached units: \$430,602; in 2-unit structures: \$508,705; in 3-to-4-unit structures: \$284,982; in 5-or-more-unit structures: \$312,380; mobile homes: \$72,031

Median gross rent in 2019: \$1,632.

NEIGHBORHOOD AND AREA ANALYSIS - Continued

SUBJECT IMMEDIATE NEIGHBORHOOD

The subject property is located on the southwest corner of 1st Avenue and Euclid Street, in the City of La Habra, California. Subject is located across the street from the City Hall community center, U.S. Post Office, Police Dept and a Bank of America branch.

The subject neighborhood is bordered to the north by Whittier Boulevard, to the west by Beach Boulevard, to the south by Imperial Highway and to the east by the Orange (57) Freeway.

The main north/south arteries of transportation are Beach Boulevard, Idaho Street, Euclid Street, Harbor Boulevard, Berry Street, La Brea Boulevard, State College Boulevard and the Orange (57) Freeway. The main east/west arteries of transportation are Whittier Boulevard, La Habra Boulevard, Lambert Road, Imperial Highway and Bastanchury Road. The subject is within 5-miles of the Orange (57) Freeway, the Riverside (91) Freeway and the Santa Ana (5) Freeway.

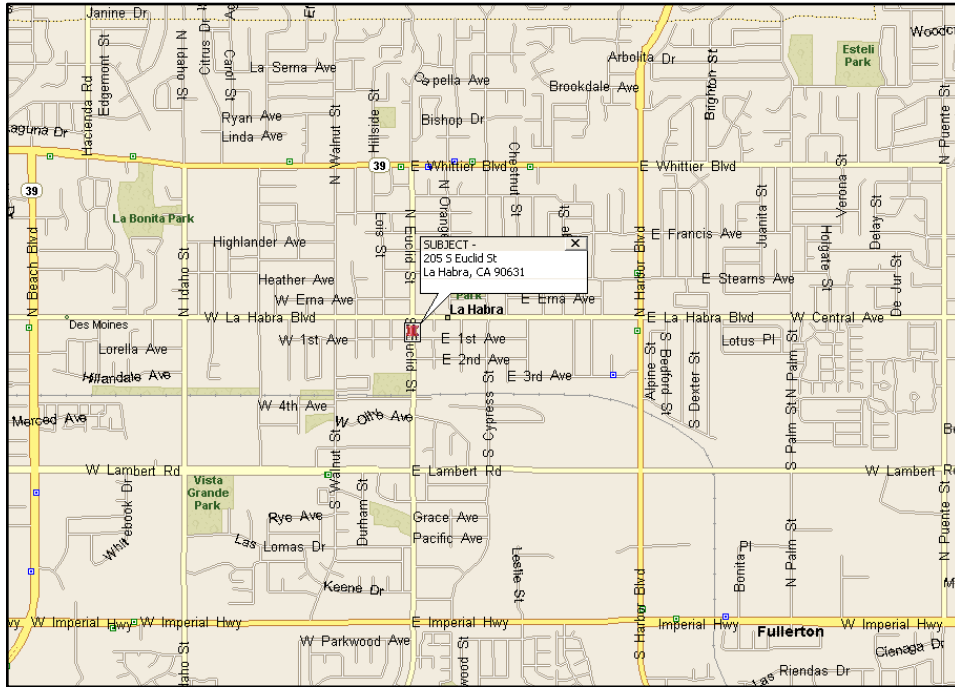
The average office sales price is \$310 per square foot. The average cap rate is 6.46%. The office lease rents vary from \$2.25 per foot. Residential land value for multi-family use ranges from \$28 to \$70 per foot. The Brea/La Habra office inventory is 1,481,653'. There is 62,027' vacancy; or 4.2% overall. The average asking rent is \$2.23 per square foot.

Investor activity has picked up during the 2nd quarter with 505,845' selling for more than 110 million. Overall asking rents could decrease as more space is brought to market and with lack of tenant demand. The Orange County office market is at a standstill as landlords resist lowering rents. Local unemployment is 5.9%.

The Covid19 pandemic is ongoing. The economy is in recession. The federal reserve has lowered the prime rate which creates lower interest rates; below 4%. As inflation increases, the Fed will begin to raise the prime rate. The outlook is for one of caution.

NEIGHBORHOOD AND AREA ANALYSIS - Continued

LOCATION MAP



AERIAL MAP



ZONING

The present zoning of the subject is **R6**, Multi-family. This allows for multi-family density of 31-36 units per acre. Subject has a 15,000± lot. This would allow approximately 10 units with 1,405±'.

A copy of the complete zoning regulations can be found within our office files.

ASSESSMENT AND TAX DATA

APN:	298-067-10	298-067-11
2020-2021 Taxes:	\$1,813.12	\$5,336.58
Assessed Land Value:	\$100,866	\$181,566
Assessed Improvement Value:	<u>\$ 62,375</u>	<u>\$265,048</u>
TOTAL:	\$163,241	\$446,614
Tax Rate per \$100 Assessed Value:	1.09916%	

The subject property is on the **Orange County** tax rolls for the above year identified as Assessor's Parcel Number above.

Historically, real estate in California was assessed at approximately 25% of actual market value. A tax rate was then applied to compute annual taxes. In June 1978, Proposition 13 (State Initiative) was passed; setting a limit to the taxes of 1% of full market value plus bonded indebtedness and 2% per annum maximum for inflation was allotted.

Property values under Proposition 13 provisions were established as follows:

1. If a parcel has not been further improved or sold or transferred since lien date of 1975, the Assessor established 1975 value as the base value plus 2% per annum inflation rate.
2. If a parcel has sold since March 1, 1975, base value was sale value plus 2% per annum since time of sale.
3. If a new deed recorded since March 1, 1975, its value at the time of transfer was established as base value plus 2% per annum.
4. If a major improvement or new construction occurred, value was determined at time of completion plus 2% per annum.

SITE DESCRIPTION

LOT SIZE: 15,000± square feet
ZONING: R6
OFF-SITES: All in
DRAINAGE: To the streets
TOPOGRAPHY: Level
FRONTAGE: 140±' on Euclid Street & 92±' on First Avenue
UTILITIES: All in

FLOOD HAZARD ZONE:

Zone X, Community Panel #060224/06059C/0037J, Dated 12/03/2009. The subject is not located in a Flood Hazard area.

PARKING REQUIREMENTS:

The subject has 16 parking spaces and requires 4 per 1,000' of gross building area. It is legally conforming on on-site parking.

STREETS AND ACCESS:

Vehicular access to the subject is from Euclid Street, an 80-foot wide, north/south paved street and from First Avenue, a 65-foot wide, east/west paved street. Both streets are improved with concrete curbs, gutters, sidewalks, fire hydrants and street lights.

SOILS CONDITION:

The soils condition of the subject appears adequate to support the present improvements. No soils or geology report was provided. The appraiser assumes no responsibility for any pre-existing condition(s) and/or soils contamination by toxic materials. The subject site is valued on the assumption it would be free and clear of any contamination.

EASEMENTS AND ENCROACHMENTS:

No title report was provided. The appraiser assumes no responsibility for any pre-existing conditions. Title is assumed to be free and clear and readily available for transfer.

EARTHQUAKE HAZARD ZONE:

The subject is not located in an "Alquist-Priolo Earthquake Fault Zone (formerly known as the Alquist Priolo Special Studies Zones Act)." It is in a Zone 4 government-designated zone designated for all of Southern California. All of southern California is capable of severe shaking at any time. The subject has no visible signs of earthquake damage.

IMPROVEMENT DESCRIPTION

TOTAL SQUARE FOOTAGE: 3,930± square feet
NUMBER OF BUILDINGS: Two
NUMBER OF STORIES: One
AGE: 1973; 48 yrs. and 1978; 43 yrs.
OVERALL CONDITION: Good

INTERIOR DETAILS

Ceiling Height: 12'
Ceiling Type: Drop Ceilings
Frame: Masonry
Wallsfacing: Drywall
FloorCover: Carpet and linoleum
Restrooms: 3
Power: Standard
Air Conditioning: Yes
Heat: FAU
Lighting: Fluorescent fixtures
Kitchen: Kitchenette
Sprinklers: None
Alarm System: None

EXTERIOR DETAILS

Foundation: Slab
Roof: Comp. Cover
Walls: Masonry
Lighting: Roof mounted
Windows: Metal frame and glass
Doors: Metal frame and glass
Paving: Asphalt; 11,070± square feet
Parking: 16± parking space
Landscaping: None
Sprinklers: None
Underground tanks: None noted
Fencing: Wood and chain link

IMPROVEMENT DESCRIPTION – Continued

We did not inspect the interior of the property. This is a drive-by, exterior inspection only. Information on the interior details was provided by the listing broker, Ben Greer (562) 762-3104.

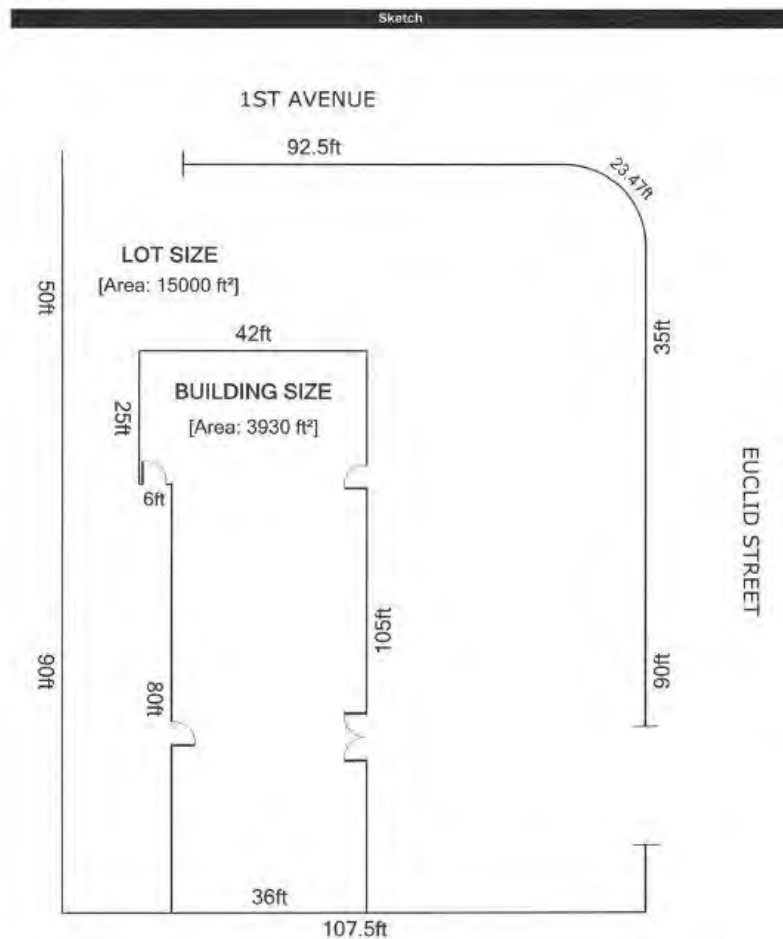
We measured portions of the exterior of subject, as well as utilizing the Google Maps drawing application.

The building is estimated at 3,930± square feet.

There are two parcels which are combined as one. The property is utilized as a medical office building.

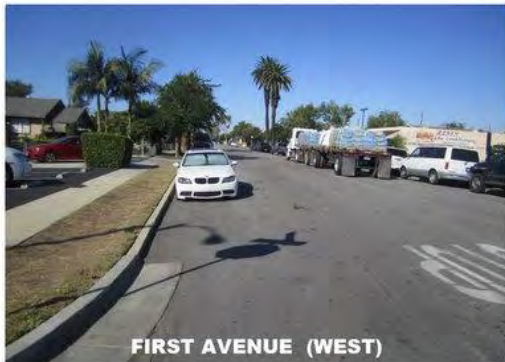
The property is on concrete slab foundation. Ceilings are drop acoustic, and there is fluorescent lighting, central air and forced air heat, carpeting and linoleum flooring. Roof is composition covered.

The building consists of 7 exam rooms, 3 offices, 4 room, reception area, sitting/waiting area, storage room, 3 restroom and a kitchenette area.



The Actual Age is 48 & 53 years and the Effective Age is 25 years. The Remaining Economic Life is 30 years.

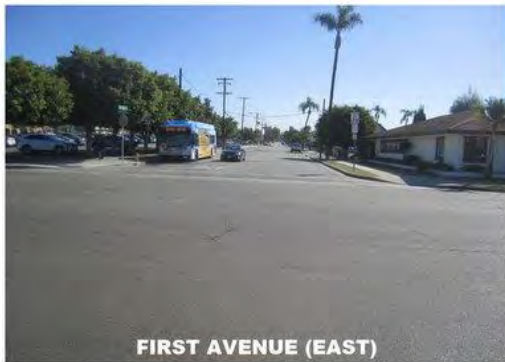
SUBJECT PHOTOGRAPHS



FIRST AVENUE (WEST)



EUCLID STREET (NORTH)



FIRST AVENUE (EAST)



EUCLID STREET (SOUTH)

OWNER OF RECORD

Robert C. & Donna H. Hughes

LEGAL DESCRIPTION

Parcel 298-067-10:

Legal Desc: N TR 20 BLK LOT 33 TR 20 LOT 33 POR ABAND ALLEY ADJ
--

Parcel 298-067-11:

Legal Desc: N TR 20 BLK LOT 34 TR 20 LOT 34 AND LOT 35 POR ABAND ALLEY ADJ

HISTORY OF THE PROPERTY

See below for Deed History on both parcels:

Parcel 298-067-10:

Deeds for: 205 S EUCLID ST - LA HABRA, 90631							
Sale Transaction	Date	Document	Amount	Loan Amount	From	To	Type
refi	06/04/1997	0000255767	288,000	288,000		HUGHES, ROBERT C & DONNA H	deed of trust
refi	07/27/1990	0000395276	26,400	26,400		HUGHES ROBERT C	deed of trust
refi	08/22/1989	0000445014	50,000	50,000		HUGHES ROBERT C	deed of trust
	11/13/1987	87-0642063	0	0			

Parcel 298-067-11:

Deeds for: 211 S EUCLID ST - LA HABRA, 90631-5410							
Sale Transaction	Date	Document	Amount	Loan Amount	From	To	Type
	04/30/2021	87-0642063	0	0		BLUE B 12 LLC	
X resale	04/30/2021	0000290890	0	0	HUGHES, ROBERT C	BLUE B 12 LLC MONEY MAKER TITLE HOLDING TRUST	quitclaim/deed of trust

This property was for sale. There were three offers made. One offer was accepted at \$1,355,000. It fell out of escrow. It is listed for sale again for \$1,355,000; or \$344.78 per square foot.

HIGHEST AND BEST USE

Highest and Best Use, as defined in The Appraisal of Real Estate, 13th Edition, by the Appraisal Institute, an Illinois Not For Profit Corporation. Published 1951, 13th Edition published 2008, Chapter 12, pages 305-327.

Highest and Best Use may be defined as:

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

Fundamentally, the concept of highest and best use applies to land alone, because the value of the improvements is considered to be the value they contribute to the land. Land is said to have value, while improvements contribute to the value of the property as a whole. The theoretical emphasis of highest and best use analysis is on the potential uses of the land as though vacant. In practice, though, the contribution of value of the existing improvements and any possible alteration of those improvements must be recognized, so the highest and best use of the property as improved is equally important in developing an opinion of market value of the property.

Market forces also shape market value, so the general data that are collected and analyzed to form an opinion of property value are also used to formulate an opinion of the property's highest and best use as of the appraisal date. In all valuation assignments, value opinions are based on use. The highest and best use of a property to be appraised provides the foundation for a thorough investigation of the competitive positions of market participants. Consequently, highest and best use can be described as the foundation on which market value rests.

When potential buyers contemplate purchasing real estate for personal use or occupancy, their principal motivations are the perceived benefits of enhanced enjoyment, prestige, and privacy. Purchasers of investment property are frequently motivated by the promise of net income or capital accumulation and certain tax advantages. Investors are directly concerned with feasibility, an indication that a project has a reasonable likelihood of satisfying the explicit objectives they have set for financial success. These objectives may include assured occupancy, low management costs, and potential value enhancement.

HIGHEST AND BEST USE - Continued

Like highest and best use and market value, highest and best use and feasibility are interrelated. However, feasibility analyses may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analyses, have a different focus, and/or require additional research. Generally, the feasibility of developing real estate under a variety of alternative uses is studied. The use that maximizes value represents the highest and best use. Traditionally, highest and best use analysis has been associated with land residual analysis, which is derived from classical economics. In a classic land residual analysis, value is attributed to the income that remains after improvement costs are compensated. Highest and best use of the land as though vacant indicates only how it is also used by appraisers to measure a building's value contribution on the assumption that property value minus land value under highest and best use equals improvement value.

While buildings can be changed, the essential characteristics of sites cannot. The income to any particular site depends on the use decision. When an individual site can be substituted for another site in a particular market, the difference in value between the two sites is attributable to the superior features of one of the parcels of land. From this vantage point, therefore, land value is the driving force, and property values in a specific market are a function of the income to the land.

With respect to the highest and best use of the land as though vacant, the first question to be asked is: Should the site be developed or left vacant? If the answer to this question is that the site should be developed, a second question is: What kind of improvement should be built? The third question to be asked relates to the highest and best use of the property as improved.

The highest and best use of property as improved is a distinct concept developed by valuation theorists and practitioners to answer an important question that the original concept does not address. This question is: Should the existing improvements on the property be maintained in their current state, or should they be altered in some manner to make them more valuable?

In answering these two sets of questions, an appraiser considers options ranging from the demolition and removal of the existing improvements, to the curing of items of deferred maintenance, to the rehabilitation, renovation, or modernization of the improved property.

HIGHEST AND BEST USE - Continued

HIGHEST AND BEST USE OF LAND AS THOUGH VACANT

Analysis of the highest and best use of land or a site as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing any improvements. With this assumption, uses that create value can be identified and the appraiser can begin to select comparable properties and form an opinion of land value. Land as though vacant is a fundamental concept of valuation theory and a basic component of the cost approach. Because many appraisals include an allocation of property value between land and building(s), a highest and best use analysis of the land as though vacant is performed. When a site is improved with a building that contributes to property value, the determination of the site's highest and best use as vacant often becomes a theoretical exercise.

The questions to be answered in this analysis are: 1) If the land is, or were, vacant, what use should be made of it? and 2) What type of building or other improvement, if any, should be constructed on the land, and when?

When a reasonable forecast of a property's highest and best use indicates a change in the near future, the present highest and best use is considered an interim use. In some cases, an appraiser may conclude that the highest and best use of a parcel of land is to be held for speculation - i.e., to remain vacant until development is justified by market demand. This occurs frequently when real estate markets are oversupplied. For many parcels of land, however, achieving the highest and best use requires some change or improvement. The highest and best use of land as though vacant may call for its subdivision into smaller parcels of land, or its assemblage with other land.

If an improvement is needed to realize the highest and best use of the land, the appraiser must determine the type and characteristics of the ideal improvement to be constructed. The ideal improvement is one that would take maximum advantage of the site's potential, conform to current market standards, and contain the most suitably priced components.

Even when a site is not vacant, appraisal theory enjoins the practitioner to analyze the site as though it were. Such analysis seeks to determine how desirable the current use is, and whether it should be continued or superseded. The appraiser considers the site as if it were vacant to determine whether a building with the same use, size, quality, and function as the existing building should be constructed on it. The present use of a site may not be its Highest and Best Use. The land may be suitable for a much higher or more intense use.

HIGHEST AND BEST USE - Continued

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED:

Highest and Best Use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. The existing improvement is compared with the ideal improvement.

The use that maximizes an investment property's value, consistent with the rate of return and associated risk, is its Highest and Best Use as improved. If capital expenditures would be required to convert the structure from its existing use to other potential uses, rates of return must be calculated for these property uses, considering the total investment in the property and all capital expenditures.

Highest and best use of land as though vacant: Among all reasonable, alternative uses, the use that yields the highest present land value after payments are made for labor, capital, and entrepreneurial coordination. Highest and best use of property as improved: The use of a property, as improved, that will maximize its value.

The intensity of a use is another important consideration. The present use of a site may not be its highest and best use. In analyzing the Highest and Best Use of owner-occupied properties, appraisers must consider any rehabilitation or modernization that is consistent with market preferences.

PURPOSE OF HIGHEST AND BEST USE ANALYSIS

A distinction is made between the highest and best use of the land or site as though vacant and the highest and best use of the property as improved. The appraisal report should clearly identify, explain, and justify the purpose and conclusion for each type of use.

CRITERIA IN HIGHEST AND BEST USE ANALYSIS

The Highest and Best Use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible, and maximally productive.

These criteria are often considered sequentially.∇ The tests of physical possibility and legal permissibility must be applied before the remaining tests of financial feasibility and maximal productivity. A use may be financially feasible, but this is irrelevant if it is legally prohibited or physically impossible.

∇Although the criteria are considered sequentially, it does not matter whether legal permissibility or physical possibility is addressed first, provided both are considered prior to the test of financial feasibility. Many appraisers view the analysis of highest and best use as a process of elimination, starting from the widest range of possible uses. The test of legal permissibility is sometimes applied first because it eliminates some alternative uses and does not require a costly engineering study. It should be noted that the four criteria are interactive and may be considered in concert.

HIGHEST AND BEST USE

PHYSICALLY POSSIBLE USE

AS VACANT: The property lot size of 15,000±' restricts the total building size to approximately 7,500 square feet. This allows for on-site parking for 28± cars.

AS IMPROVED: The current building size is 3,930±square. It is legally non-conforming on size and parking with 16± on-site parking spaces.

LEGALLY PERMISSIBLE USE

AS VACANT: The current zoning designation R6 zone; this allows for multi-family ; 31 to 36 units per acre.

AS IMPROVED: The current medical office use is permitted. It is legal, conforming on parking. It is legal, non-conforming on use.

FINANCIALLY FEASIBLE USE

AS VACANT: The feasible use of the site as if vacant is a use that will produce the greatest return.

It is feasible to develop an office building. There is demand for these type buildings. The cost to build is estimated to be \$100 a foot and buildings are selling for \$250 to \$450 a foot, making it feasible to develop the property.

AS IMPROVED: The current 3,930± square foot building is legally non-conforming on use and conforming on parking. The value created exceeds that of the land value, making it financially feasible. The current R6 zone land value is approx. \$50 per foot x 15,000 = \$750,000.

MAXIMALLY PRODUCTIVE USE

AS VACANT: The subject site should be developed now, due to the demand for buildable sites. The site should be developed as an office building.

AS IMPROVED: The Highest and Best Use of the subject site is as currently improved. The most probable buyer would be an owner/user.

The subject property is possible, permissible, and the most feasible use and represents the existing Highest and Best Use of the site.

SECTION III: VALUATION OF THE PROPERTY

APPRAISAL PROBLEM AND VALUATION PROCESS

The appraisal problem is to conclude to an opinion of the Market Value of the **Fee Simple** estate of the subject property, in an "**as-is**" condition, as of October 13, 2021.

VALUATION PROCESSES

In the valuation of real estate, appraisers may utilize one or more of the three classical appraisal techniques to develop a reasonable opinion of value. Essentially, the three approaches adapt the principle of substitution, which is that a reasonable and prudent purchaser will not pay more for a property than the cost of acquiring a substitute property or receive a return on equity on property or other benefits which are substantially less than other alternative investments. The three techniques, described in detail in The Appraisal of Real Estate, 13th Edition, by the Appraisal Institute, an Illinois Not For Profit Corporation. Published 1951, 13th Edition published 2008, Chapters 14-17-20 are as follows:

INCOME APPROACH: A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's (stabilized) income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specific income pattern, return on investment and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

SALES COMPARISON APPROACH: The subject property is compared to similar properties that have been sold recently or are in escrow, by applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison.

COST APPROACH: The summation of the market value of the land, assumed vacant, and the depreciated replacement cost of the improvements. Depreciation from three sources physical deterioration, functional obsolescence, and economic obsolescence is deducted from the current cost of replacing an improvement to arrive at an opinion of depreciated replacement cost. The Cost Approach is eliminated from this report due to the difficulty in accurately estimating all forms of depreciation and the fact buyers and sellers do not use this approach in this market when buying and selling properties.

The application of **two** of these measures is deemed appropriate for giving the final value for the subject.

INCOME APPROACH: FEE SIMPLE ANALYSIS

INCOME APPROACH

The Income Approach is an analysis of the property from the standpoint of an investment, rather than the standpoint of an Owner/user. The value of the property is the discounted present worth of the anticipated future income streams that is reasonably expected to be generated by the property over a specific period of time. In addition to the right to receive periodic cash flows, an owner of real estate has the right to receive a final cash flow (reversion) resulting from the ultimate sale of the property. It is the discounted value (present worth) of these cash flows (annual income and reversion) that represents the value of the property via the discounted cash flow method.

In certain cases, i.e. single owner/user properties or small properties with a stabilized cash flow, the direct capitalization method will be deemed appropriate. The direct capitalization method is the conversion of an estimation of a single year's net operating income expectancy or annual average of several years' income expectancies into an indication of value by dividing the income estimate by an appropriate capitalization rate derived from the market and/or band of investment methods.

DEFINITIONS

FEE SIMPLE INCOME ANALYSIS

The first step is to analyze the subject's current or potential rental income. If the property is currently not rented, the rental income is then projected based on a market survey of typical rates and terms. The rental market is also examined to discern the vacancy rates, support expense projections, and derive an overall capitalization rate which is applicable to the subject.

LEASED FEE INCOME ANALYSIS

The first step is to analyze the subject's current rental income. The property is currently leased and the rental income is determined based on the lease rates and terms as well as a market survey of typical rates and terms. The rental market is also examined to discern the vacancy rates, support expense projections, and derive an overall capitalization rate which is applicable to the subject.

INCOME APPROACH - Continued

PENNER EXPENSE GUIDE

LEASE STRUCTURES

Full Service Gross (FSG):

Landlord pays for all expenses to the property such as taxes, insurance, utilities, trash removal, janitorial, grounds maintenance, repairs and maintenance, management, security, parking, miscellaneous and reserves. The tenant in many instances is responsible for expenses over the base year of the lease or above a set expense stop amount. This lease structure primarily applies to office properties.

Modified Gross (MG):

Tenant pays for their own utilities and janitorial, minor repairs and maintenance to their unit, however, no CAM charge. The landlord pays for taxes, insurance, common area expenses, repairs and maintenance, management, miscellaneous expenses and reserves. Some different variations of leases may also exist and would most likely fall within the category of modified gross. This lease structure could apply to industrial, office or retail properties.

Industrial Gross (IG):

Tenant pays for their own utilities and janitorial, minor repairs and maintenance to their unit, plus an additional common area maintenance (CAM) charge which includes expenses for grounds maintenance, outside electric, and water/sewer to project. The landlord is responsible for taxes, insurance, management, miscellaneous expenses and reserves. Trash removal can either be included in the CAM or paid for directly by the tenant, depending upon the municipality or management practice. Capital improvement expenses such as the make ready of vacant units for occupancy with carpet, paint, clean up and minor repairs are sometimes also reflected as repairs and maintenance expenses to the landlord. Expenses for new tenant improvements, and commissions are generally bore by the landlord, but are referred to as capital improvements rather than operating expenses. This lease structure primarily applies to industrial projects, but can also relate to retail.

Triple Net (NNN):

Tenants pay all operating expenses to the property such as taxes, insurance, tenant utilities and janitorial, common area maintenance and utilities, building repairs and maintenance, security, parking and sometimes management (or portion of management). However, the landlord would still be responsible for management (collecting the check and watching over the property), miscellaneous expenses such as those incurred between tenancies (tax, insurance, common area maintenance and utilities, etc.), accounting, legal, etc., and reserves for the replacement of short lived items such as the roof, air-conditioning units and exterior walls. This lease structure primarily applies to retail properties or single-tenant industrial and office.

INCOME APPROACH - Continued

DEFINITIONS:

Gross Income:

Income from the operation of a business or the management of property, customarily stated on an annual basis./a

Gross Income Multiplier (GIM):

See effective gross income multiplier (EGIM); potential gross income multiplier (PGIM) ./b

Potential Gross Income (PGI):

The total income attributable to real property at full occupancy before vacancy and operating expenses are deducted /c

Potential Gross Income Multiplier (PGIM):

The ratio between the sale price of a property and its potential gross income ($PGIM = V/PGI$)/d

Effective Gross Income (EGI):

The anticipated income from all operations of the real property after an allowance is made for vacancy and collection losses. Effective Gross Income includes items constituting other income, i.e., income generated from the operation of the real property that is not derived from space rental (e.g. parking rental or income from vending machines)/e

Effective Gross Income Multiplier (EGIM):

The ratio between the sale price (or value) of a property and its effective gross income; a single year's EGI expectancy or an annual average of several years' EGI expectancies ($EGIM = V/EGI$)/f

Gross Rent Multiplier (GRM):

The relationship or ratio between sale price or value of a property and its gross rental income. See also effective gross income multiplier (EGIM); potential gross income multiplier (PGIM). /g

a/b/c/d/e/f/g/The Dictionary of Real Estate Appraisal, Fourth Edition, Copyright by the Appraisal Institute, an Illinois Not For Profit Corporation, 2002. a/b/Page 131; c/d/Page 216; e/f/Page 93; g/Page 132

INCOME APPROACH – Continued

RENTAL SURVEY

ADDRESS	LEASE/SF	\$/PER SF	TERMS	LEASE DATE
1. 731 N. Beach Blvd.	3,188±'	\$1.50	NNN	For Lease and Leased 4/2018

Comments: This is a Class B, reinforced concrete medical building with 18,000' of rentable area. It was built in 1986 and has 56 parking spaces. The building was 15.3% vacancy. It is leased to a dentist and St. Jude Medical Group.

Source: Gary Martinez (714) 905-9383



2. 1480 S. Harbor Blvd.	1,600±'	\$2.50	MG	For Leased and Leased 1/2021
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Comments: This is a wood frame, Class C, medical building with 14,220' rentable area. It was 19.1% vacant. This is the Las Palmas Medical Plaza. It has 55 parking spaces. Suite 5 leased with 7 year terms.

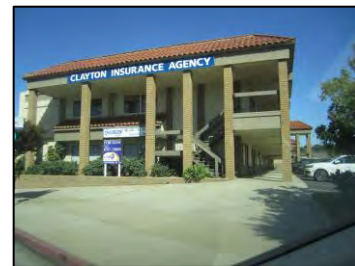
Source: James Mc Grade (714) 871-8886



3. 16143-16215 Whittier Blvd.	1,680±'	\$1.75	MG	For Lease and Leased 1/2021
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Comments: This is a two-story, Class B masonry, office building, built in 1980. The total building size is 38,000 square feet. There are 200 parking spaces. There was 12.8% vacancy at the time of lease.

Source: Dustan Wheelan (562) 762-3120



INCOME APPROACH – Continued

RENTAL SURVEY – Continued

<u>ADDRESS</u>	<u>LEASE/SF</u>	<u>\$/PER SF</u>	<u>TERMS</u>	<u>LEASE DATE</u>
4. 223 E. Imperial Highway #B	2,528±'	\$1.10	MG	For Leased and Leased 2019

Comments: This is a Class B, flex building with 120 parking spaces. The building was built in 1977, has 8' ceiling height and the total building size is 17,700'. There was 14.4% vacancy at the time of lease. This lease is Suite 115.

Source: Tammy Crabtree (714) 680-8394



5. 16315 E. Whittier Blvd.	1,755±'	\$1.90	NNN	For Lease and Leased 10/2019
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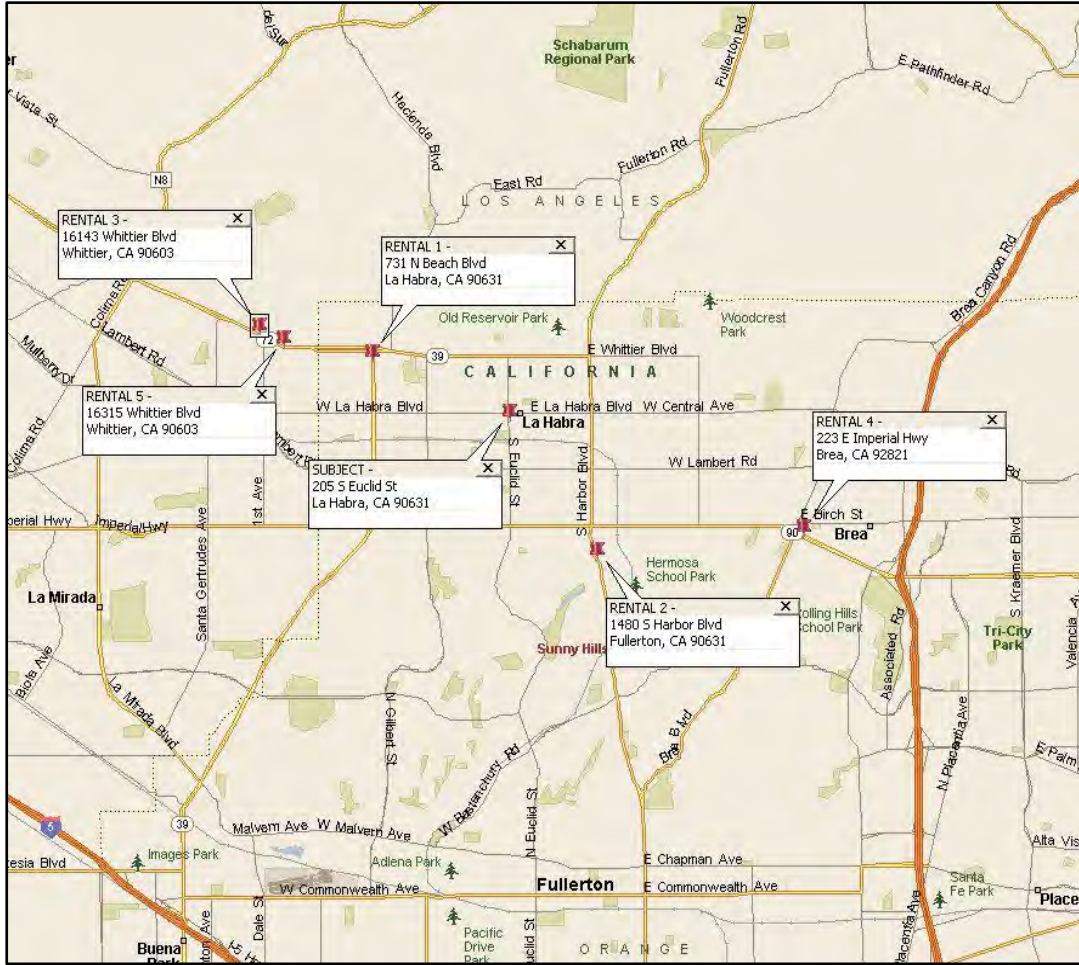
Comments: This is a masonry, Class B, medical/dental building built in 1965. There are 44 parking spaces and the total building size is 15,268'. It is known as the Whitmar Medical/Dental building. Leases terms are 5 years.

Source: Paul Kraemer (714) 315-1603



INCOME APPROACH - Continued

LOCATION MAP



INCOME APPROACH - Continued

ANALYSIS OF RENTS AND SUBJECT

We conducted a local rent survey in the subject's neighborhood. We spoke to tenants, owners, and local brokers to get current lease rates. The sizes range from 1,600± square feet to 3,188± square feet. The lease rates range from \$1.10 to \$2.50 a foot, Modified Gross (MG) and Triple Net Gross (NNN) terms.

RENTS PSF	SUB	R1	R2	R3	R4	R5
SQ.FT	3,930	3,188	1,600	1,680	2,528	1,755
CURRENT \$/PSF	-	\$1.50	\$2.50	\$1.75	\$1.100	\$1.90
TERMS (%)	-	NNN	MG (10%)	MG (10%)	MG (10%)	NNN
TERMS (\$)	-	-	(\$0.25)	(\$0.18)	(\$0.11)	-
Adj. \$/PSF	-	\$1.50	\$2.25	1.57	\$0.99	\$1.90
SIZE (%)	-	-	(10%)	(10%)	(5%)	(10%)
SIZE (\$)	-	-	(\$0.23)	(\$0.16)	(\$0.05)	(\$0.19)
CONDITION (%)	-	(5%)	-	-	-	-
CONDITION (\$)	-	(\$0.08)	-	-	-	-
LOCATION (%)	-	-	-	-	5%	-
LOCATION (\$)	-	-	-	-	\$0.05	-
ADJ. RENT	-	\$1.43	\$2.02	\$1.41	\$0.99	\$1.71

The terms adjustment is required for rentals #2, #3 and #4; Modified Gross adjusted down 10%. The market is on triple net terms.

The size adjustment is based on the axiom that smaller size buildings rent for higher prices per square foot. Rentals #2, #3, #4 and #5 are smaller and were adjusted downward.

The condition adjustment is based on my inspection and discussions with leasing agents. Rental #1 is adjusted downward for superior condition.

The location adjustment is based on auto traffic counts, exposure, area development, and rents. Rental #4 is inferior in location and was adjusted upward.

After the adjustments, the rentals form a range from \$0.99 to \$2.02 a foot. Subject is a corner lot and has adequate parking. It compares to the rentals at \$1.75 a foot, and the Gross Annual Income is calculated as follows:

$$3,930\pm' \times \$1.75 \text{ PSF} \times 12 \text{ months} = \$82,530$$

GROSS ANNUAL INCOME (ROUNDED): \$82,530

INCOME APPROACH - Continued

ANALYSIS OF VACANCY AND LEASE-UP ABSORPTION

We did a local vacancy survey and ran a CoStar Analytic report and the average vacancy rate of 6%.

Local brokers also confirmed a retail vacancy factor of 5% to 10%.

The latest Costar Analytic Report for the local medical building confirms a 6% vacancy rate.

We concluded to a 6% vacancy rate and collection loss of 2% for a total of 8% for the subject property.

FACTORS AND PREMISES OF ANALYSIS

I. INCOME

Based on the rental survey, and/or actual rents, the estimated gross annual income of the subject for one year is \$82,530.

II. VACANCY AND COLLECTIONS:

A survey of the market reveals that 8% is a reasonable vacancy factor. = (\$6,602)

III. EFFECTIVE GROSS INCOME (EGI):

This is the anticipated income from all operations of real estate after an allowance for Vacancy and Collection. This is the actual amount of income the property is projected to realize.

\$75,928

INCOME APPROACH - Continued

EGI (Carried forward) \$75,928

IV. EXPENSES:

Expenses are next deducted from the Effective Gross Income. The following is an analysis of the different expenses attributable to the subject property, with an explanation of how the expenses were derived if they are attributable to the lessor or the property interest being appraised. **No historical expenses were provided.** The market is leasing on triple net terms. We utilized the Penner Expense Guide to estimate expenses. Lessor pays for management, replacement and reserves. The tenant pays the remaining.

TAXES:

Real estate taxes are calculated based on projected value by the Income Approach of \$1,374,000 X 1.09916% = \$15,101, paid by the lessee.

INSURANCE:

We estimate this cost based on a Survey at 30¢ PSF for fire and liability insurance, or 3,930±' X 30¢ PSF = 1,179, paid by lessee.

MAINTENANCE:

This expense is for parking lot sweeping, plumbing A/C maintenance, estimated at \$1.75 PSF; 3,930±' X \$1.75 PSF = \$6,878, paid by lessee.

MANAGEMENT:

This expense is for accounting, advertising, legal fees, administration and supplies. Costs were based on \$0.65 PSF, or 3,930±' X \$0.65 PSF = \$2,555, paid by lessor.

RESERVES & REPLACEMENTS:

This expense is for roof reserves, parking lot repaving and exterior painting, estimated at 40¢ PSF; 3,930±' X 40¢ PSF = \$1,572, paid by lessor.

REAL ESTATE LEASING COMMISSIONS:

This appraisal is based on a stabilized, fully occupied facility. No lease commissions are incurred due to owner management.

UTILITIES:

The tenants pay utilities.

INCOME APPROACH - Continued

IV. EXPENSES - Continued

<u>EXPENSE SUMMARY:</u>	<u>LESSOR</u>
MANAGEMENT:	\$2,555
RESERVES/REPLACEMENTS:	<u>\$1,572</u>
TOTAL LESSOR EXPENSES:	\$4,127
	(5% OF EGI; \$1.05/PSF)

V. NET OPERATING INCOME (NOI):

The Net Operating Income of the subject property is that amount of annual income remaining after paying all expenses incurred in operation of the property. This net income affords the owner capital with which to satisfy the debt service and provide a return on his equity.

Effective Gross Income:	\$75,928
Less Expenses:	<u>(\$ 4,127)</u>
NET OPERATING INCOME:	\$71,801

INCOME APPROACH - Continued

VI. CAPITALIZATION RATE ANALYSIS

CAPITALIZATION RATE

The capitalization rate applicable for conversion of the net income into value is derived and estimated from market information. In order to estimate the Value of the subject property, an Overall Capitalization Rate (OAR) must be applied to the Net Operating Income (NOI). The following sales were located in the marketplace and, when possible, actual income, expenses, and vacancy factors are used.

<u>#</u>	<u>ADDRESS</u>	<u>PRICE</u>	<u>SIZE</u>	<u>NOI</u>	<u>OAR</u>
1.	12115 Paramount	\$1,300,000	4,000±'	\$73,416	5.6%
				GROSS INCOME @ est. \$1.75 PSF, FSG:	\$84,000
				8% VACANCY:	<u>(\$ 6,720)</u>
				EFFECTIVE GROSS INCOME:	\$77,280
				5% OPERATING EXPENSES:	<u>(\$ 3,864)</u>
				NET OPERATING INCOME:	\$73,416

See Building Sale #1 for details. This is an owner/user purchase. We have estimated rents, vacancy and expenses.

2.	623 W. La Habra	\$900,000	3,108±'	\$57,044	6.3%
				GROSS INCOME @ est. \$1.75 PSF, FSG:	\$65,268
				8% VACANCY:	<u>(\$ 5,221)</u>
				EFFECTIVE GROSS INCOME:	\$60,047
				5% OPERATING EXPENSES:	<u>(\$ 3,002)</u>
				NET OPERATING INCOME:	\$57,044

See Building Sale #2 for details. This is an owner/user purchase. We have estimated rents, vacancy and expenses.

3.	528-530 W. Commonwealth	\$1,100,000	3,120±'	\$57,264	5.2%
				GROSS INCOME @ est. \$1.75 PSF, MG:	\$65,520
				8% VACANCY:	<u>(\$ 5,242)</u>
				EFFECTIVE GROSS INCOME:	\$60,278
				5% OPERATING EXPENSES:	<u>(\$ 3,014)</u>
				NET OPERATING INCOME:	\$57,264

See Building Sale #3 for details. This is an owner/user purchase. We have estimated rents, vacancy and expenses.

INCOME APPROACH - Continued

VI. CAPITALIZATION RATE ANALYSIS – Continued

#	ADDRESS	PRICE	SIZE	NOI	OAR
4.	123 N. Malden	\$1,505,000	3,130±'	\$57,448	3.8%
				GROSS INCOME @ est. \$1.75 PSF, FSG:	\$ 65,730
				8% VACANCY:	<u>(\$ 5,258)</u>
				EFFECTIVE GROSS INCOME:	\$60,471
				5% OPERATING EXPENSES:	<u>(\$ 3,023)</u>
				NET OPERATING INCOME:	\$57,448

See Building Sale #4 for details. This is an owner/user purchase. We have estimated rents, vacancy and expenses.

5.	1001 E. Chapman Ave.	\$2,160,000	6,085±'	\$111,684	5.1%
				GROSS INCOME @ est. \$1.75 PSF, FSG	\$127,785
				8% VACANCY:	<u>(\$ 10,223)</u>
				EFFECTIVE GROSS INCOME:	\$117,652
				5% OPERATING EXPENSES:	<u>(\$ 5,878)</u>
				NET OPERATING INCOME:	\$111,684

See Building Sale #5 for details. This is an owner/user purchase. We have estimated rents, vacancy and expenses.

INCOME APPROACH - Continued

VI. CAPITALIZATION RATE ANALYSIS – Continued

ANALYSIS OF CAPITALIZATION RATE SALES AND SUBJECT

We extracted Cap Rates from current building sales and used actual rents when available and substituted market rents, vacancy and expenses. The Cap Rates range from 3.8% to 6.3%.

It is normal for owner-users to pay higher prices for their buildings, as they occupy them with their businesses. This tends to lower the Cap Rates.

We also relied on the latest CoStar Analytic Report for office building sales in the subject's market. We surveyed 76 sales; the cap rates range from 4.1% to 8.9 with an average of 5.9%.

This is an investor survey for Class A, B and C purchases. The subject is a Class B property. We relied more on the local extracted range, which is supported by the investors and owner/users surveyed and concluded to an Overall Rate for the subject at 5.25%.

Based on the above analysis and Overall Rates, the Cap Rate selected for the subject is .0525.

INCOME APPROACH - Continued

VII. FEE SIMPLE INCOME APPROACH CONCLUSION OF VALUE

SUMMARY OF INCOME APPROACH

Scheduled Gross Annual Income:	\$82,530
Less Vacancy and Collection Loss:	<u>(\$ 6,602)</u>
EFFECTIVE GROSS INCOME:	\$75,928
Less Expenses:	<u>(\$ 4,127)</u>
NET OPERATING INCOME:	\$71,801

CAPITALIZATION OF SINGLE YEAR INCOME TO VALUE:

<u>Net Operating Income</u>	÷	<u>Overall Rate</u>	=	<u>Indicated Value</u>
\$71,801		.0525		\$1,367,678

FEE SIMPLE INCOME APPROACH VALUE (ROUNDED):	\$1,368,000
	(\$348.09 PSF)

SALES COMPARISON APPROACH

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating market value in which the subject property is compared to similar properties which exhibit common characteristics as the subject, and have sold recently. This approach to value supports the premise that the market will determine a price for the subject property in the same manner that it determines the prices of comparable, competitive properties. The sales comparison approach is essentially a systematic procedure for carrying out comparative shopping. Another way of looking at this approach is the principle of substitution, which when applied to real estate valuation, tends to support the value of a property that is replaceable in the market by the cost of acquiring an equally desirable substitute property. When substitute properties are unavailable, this principle suggests that the reliability of the sales comparison approach may be less than that of other approaches to value.

Procedure:

In applying the sales comparison approach, the appraiser must research the market to obtain information on comparable properties, verifying information and legitimate arm's length transactions.

Once the comparables are located, the relevant units of comparison (components into which a property may be divided for comparison purposes) must be determined and applied to the comparables. Typical units of comparison are price per square foot, cubic foot, gross income multiplier, price per unit, price per bedroom, and in some situations the comparison of capitalization rates. The units of comparison must be selected in terms of its relevance to the appraisal problem. Once the selection has been made, an analysis of property differences can then be applied.

The identification of property differences can help in further analyzing the comparable sales units of comparison, which are characteristics of properties and transactions that cause prices to vary. These differences are known as elements of comparison, and consist of location, time, financing terms, physical characteristics and condition, conditions of sale and other various characteristics.

Once the elements of comparison are identified, adjustments can be applied to a comparable property in two ways, percentages or dollars. All sales are adjusted based on the current market conditions, and when available, adjustments will be abstracted from the actual sales and then compared directly to the subject property.

SALES COMPARISON APPROACH – Continued

BUILDING SALE #1

LOCATION: 12115 Paramount Blvd., Downey, CA 90242
APN: 6246-008-006
BLDG. SIZE: 4,000± square feet
LOT SIZE: 8,500± square feet
YEAR BUILT: 1958
UTILITIES: All In
ZONING: C4
SALE DATE: 10/30/2020
DOCUMENT #: 1366376
SALE PRICE: \$1,300,000
\$/PER SQ. FT.: \$325.00
TERMS: Down payment - \$130,000; 1st TD - \$1,170,000 with private lender
BUYER: Joseph Lange & France Helene M. Russman
SELLER: Dideban Living Trust



COMMENTS: This is a Class C, multi-tenant office building with 18 parking spaces and air conditioning. It is in good condition. One of the tenants is an orthopedic surgeon. This sold to an owner user. It sold to an owner/user. This was listed with Joy Martinez (310) 658-3375

This sale was adjusted upward for inferior land to building ratio and downward for superior location.

ADJUSTMENTS: The unadjusted price per square foot is \$325.00.

SIZE: None taken.

LOCATION: Superior; 10% downward adjustment of (\$32.50).

CONDITION: None taken.

LAND TO

BUILDING RATIO: The subject's ratio is 3.82:1 land to building. This sale has an inferior ratio of 2.13:1, requiring an upward adjustment, calculated as follows: $3.82 \times 4,000'$ (building size) = 15,280' less 8,500' (land size) = 6,780' square feet land to equal subject. This Land Value is estimated at \$60 per square foot. $6,780' \times \$60$ PSF = \$406,800 \div 4,000' (building size) = \$101.70 upward adjustment.

The adjusted price per square foot is \$394.20.

SALES COMPARISON APPROACH - Continued

BUILDING SALE #2

LOCATION: 623 W. La Habra Blvd., CA 90631
APN: 022-042-14
BLDG. SIZE: 3,108± square feet
LOT SIZE: 12,900± square feet
YEAR BUILT: 1982
UTILITIES: All In
ZONING: C2
SALE DATE: 02/16/2021
DOCUMENT #: 102876
SALE PRICE: \$900,000
\$/PER SQ. FT.: \$289.58
TERMS: \$405,000 loan with City National Bank
BUYER: RPJ Holdings, LLC
SELLER: Shammass Family Trust



COMMENTS: This is a frame and stucco, Class B, multi-tenant medical building with 15 parking spaces. This was listed with Ben Greer (562) 762-3104. The seller was an ophthalmologist and sold this building to downsize from 4 to 3 locations.

This sale was adjusted downward for superior land to building ratio.

ADJUSTMENTS: The unadjusted price per square foot is \$289.58.

SIZE: None taken.

LOCATION: None taken.

CONDITION: None taken.

LAND TO

BUILDING RATIO: The subject's ratio is 3.82:1 land to building. This sale has a superior ratio of 4.15:1, requiring a downward adjustment, calculated as follows: $3.82 \times 3,108'$ (building size) = 11,872' less 12,900' (land size) = 1,027' square feet land to equal subject. This Land Value is estimated at \$60 per square foot. $1,027' \times \$60$ PSF = \$61,646 ÷ 3,108' (building size) = (\$19.83) downward adjustment.

The adjusted price per square foot is \$269.75.

SALES COMPARISON APPROACH - Continued

BUILDING SALE #3

LOCATION: 528-530 W. Commonwealth Avenue, Fullerton, CA 92832
APN: 032-082-27
BLDG. SIZE: 3,120± square feet
LOT SIZE: 7,280± square feet
YEAR BUILT: 1949
UTILITIES: All In
ZONING: GC
SALE DATE: 04/21/2021
DOCUMENT #: 265379
SALE PRICE: \$1,100,000
\$/PER SQ. FT.: \$352.56
TERMS: 10% Down Payment - \$110,000; \$990,000 with Wells Fargo
BUYER: veledi, LLC
SELLER: Kim Mik Young (562) 822-7442



COMMENTS: This is a Class C, multi-tenant, medical office building with 10 parking spaces. This sold to an owner/user. This was listed with Anny Shin (213) 820-6450 at the asking price of \$1,029,400. It was on the market for 242 days.

This sale was adjusted downward for superior location and condition. It was adjusted upward for inferior land to building ratio.

ADJUSTMENTS: The unadjusted price per square foot is \$352.56.

SIZE: None taken.

LOCATION: Superior; 5% downward adjustment of (\$17.63).

CONDITION: Superior; 5% downward adjustment of (\$17.63).

LAND TO

BUILDING RATIO: The subject's ratio is 3.82:1 land to building. This sale has an superior ratio of 2.33:1, requiring an upward adjustment, calculated as follows: $2.83 \times 3,120'$ (building size) = 11,918' less 7,280' (land size) = 4,638' square feet land to equal subject. This Land Value is estimated at \$60 per square foot. $4,638' \times \$60 \text{ PSF} = \$278,280 \div 3,120'$ (building size) = \$89.19 upward adjustment.

The adjusted price per square foot is \$406.49.

SALES COMPARISON APPROACH - Continued

BUILDING SALE #4

LOCATION: 123 N. Malden, Fullerton, CA 92832
APN: 032-233-13
BLDG. SIZE: 3,130± square feet
LOT SIZE: 7,000± square feet
YEAR BUILT: 1965
UTILITIES: All In
ZONING: C
SALE DATE: 06/17/2021
DOCUMENT #: 401085
SALE PRICE: \$1,505,000
\$/PER SQ. FT.: \$480.83
TERMS: All Cash
BUYER: TFA Associates, LLC (714) 814-4958
SELLER: Ngrippy, LLC (714) 527-0291



COMMENTS: This is a wood frame, Class B, medical building with reception area, private offices, storage, kitchen area, 4 bathrooms and 10 parking spaces. This was listed with Barbara Kerr (714) 671-9100. It was on the market for 57 days.

This sale was adjusted upward for inferior land to building ratio and downward for superior condition.

ADJUSTMENTS: The unadjusted price per square foot is \$480.83.

SIZE: None taken.

LOCATION: None taken.

CONDITION: Superior; 10% downward adjustment of (\$48.08).

LAND TO

BUILDING RATIO: The subject's ratio is 3.82:1 land to building. This sale has an inferior ratio of 2.24:1, requiring an upward adjustment, calculated as follows: $3.82 \times 3,130'$ (building size) = 11,952' less 7,000' (land size) = 4,957' square feet land to equal subject. This Land Value is estimated at \$60 per square foot. $4,957' \times \$60 \text{ PSF} = \$297,420 \div 3,130'$ (building size) = \$95.02 upward adjustment.

The adjusted price per square foot is \$527.77.

SALES COMPARISON APPROACH - Continued

BUILDING SALE #5

LOCATION: 1001 E. Chapman, Fullerton, CA 92831
APN: 283-233-01
BLDG. SIZE: 6,085± square feet
LOT SIZE: 20,298± square feet
YEAR BUILT: 1960
UTILITIES: All In
ZONING: O-P
SALE DATE: 08/21/2020
DOCUMENT #: 428225
SALE PRICE: \$2,160,000
\$/PER SQ. FT.: \$354.97
TERMS: 20% Down Payment - \$432,000; \$1,728,000 with private lender (1031 Exchange)
BUYER: Abraham Ghorbanian-Zahra Soltani (425) 557-1052
SELLER: Choi Luke & Linda Family Trust (714) 932-2322



COMMENTS: This is a corner, one-story, Class C, wood frame, multi-tenant, medical office building. There are 26 parking spaces. This was on the market for 34 days prior to sale. It was listed with Kevin Lee (714) 865-8989. This sold to an owner/user; AAVA Dental.

This sale was adjusted downward for superior location, condition and land to building ratio and adjusted up for larger size.

ADJUSTMENTS: The unadjusted price per square foot is \$354.97

SIZE: Larger; 5% upward adjustment of \$17.75.

LOCATION: None taken.

CONDITION: None taken.

LAND TO

BUILDING RATIO: The subject's ratio is 3.82:1 land to building. This sale has a superior ratio of 3.34:1, requiring a downward adjustment, calculated as follows: $3.82 \times 6,085'$ (building size) = 23,244' less 20,298' (land size) = 2,947' square feet land to equal subject. This Land Value is estimated at \$60 per square foot. $2,947' \times \$60 \text{ PSF} = \$176,820 \div 6,085'$ (building size) = \$29.06 upward adjustment.

The adjusted price per square foot is \$401.78.

SALES COMPARISON APPROACH - Continued

BUILDING SALE #6 - SUBJECT PROPERTY

LOCATION: 205-211 E. Euclid Street, La Habra, CA 90631
APN: 298-067-10 and 11
BLDG. SIZE: 3,930± square feet
LOT SIZE: 15,000± square feet
YEAR BUILT: 1973
UTILITIES: All In
ZONING: R6
SALE DATE: Currently for sale
DOCUMENT #: None; Pending Close of escrow
SALE PRICE: \$1,355,000 (Asking)
\$/PER SQ. FT.: \$344.78
TERMS: Cash to new loan
BUYER: N/A
SELLER: Robert C. & Donna H. Hughes



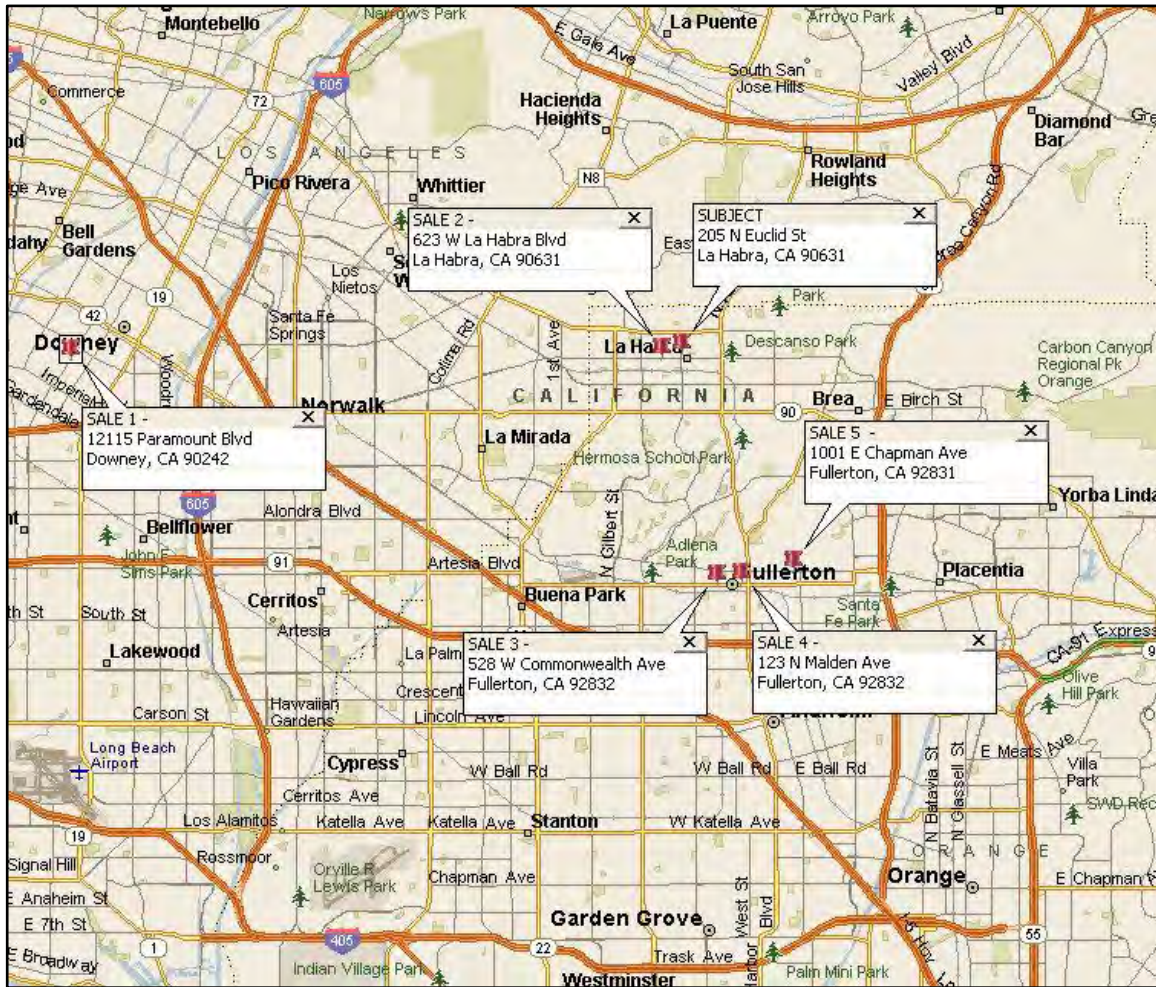
COMMENTS: This is the subject property; a one-story, masonry, Class B, medical office building occupied by a chiropractor. This property is zoned R6 for residential uses. The subject use is legal non-conforming as an office building.

It was listed with GM Properties; Ben Greer (562) 762-3104.

ADJUSTMENTS: The unadjusted price per square foot is \$344.78.

SALES COMPARISON APPROACH - Continued

LOCATION MAP



SALES COMPARISON APPROACH – Continued

SUMMARY OF BUILDING SALES

#	DATE	PRICE	SIZE	\$/PSF
1.	10/2020	\$1,300,000	4,000±'	\$325.00
2.	02/2021	\$ 900,000	3,108±'	\$289.58
3.	04/2021	\$1,100,000	3,120±'	\$352.56
4.	06/2020	\$1,505,000	3,130±'	\$480.83
5.	08/2020	\$ 2,160,000	6,085±'	\$354.97
SUB	FOR SALE	\$1,355,000	3,930±'	\$344.78

ADJUSTMENT SEQUENCE

The sequence in which the adjustments are applied to the comparables is determined by the market data and the appraiser's analysis of the data. For purposes of this appraisal, we use the sequence taken from The Appraisal of Real Estate, Thirteenth Edition, by the Appraisal Institute, an Illinois Not For Profit Corporation. Published 1951, Thirteenth Edition published 2008, pages 444 - 445. Any Terms/Market Conditions/Conditions of the Sale adjustment is applied first to the price per square foot of the Sale, deriving an adjusted base price per square foot. Any Time of Sale adjustment is applied next, deriving an adjusted base price per square foot, from which all other adjustments are made; i.e. all other adjustments are cumulatively applied following the above-mentioned adjusted base price per square foot.

DOLLAR PER SQUARE FOOT ADJUSTMENTS

#	\$/PSF	Size	Location	Condition	L/B Ratio	Adj. \$/PSF
1.	\$325.00	-	(\$32.50)	-	\$101.70	\$394.20
2.	\$289.58	-	-	-	(\$19.83)	\$269.75
3.	\$352.56	-	(\$17.63)	(\$17.63)	\$89.19	\$406.49
4.	\$480.83	-	-	-	\$95.02	\$527.77
5.	\$354.97	\$17.75	-	-	\$29.06	\$401.78
SUB	\$344.78					\$344.78

SALES COMPARISON APPROACH – Continued

ANALYSIS OF SALES AND SUBJECT

We surveyed local Building Sales and selected the five closest and most comparable for comparison with the subject property. All sales are confirmed with a buyer, seller, broker, or title company. All are cash equivalent. The dates of sale are from June/2021 to August/2020. The building sizes are from 3,108± square feet to 6,085± square feet. The price per square foot range is from \$325 to \$480. We adjusted the sales for size, location, condition and/or land to building ratio.

The time adjustment is based on the Experian Studies which track the resale of the same properties year after year by Zip Code and plot their increase or decrease, and L.A. Times Articles. The market has remained level; no adjustment was taken.

The size adjustment is based on the axiom that smaller size parcels sell for higher prices per square foot. Sale #5 was adjusted upward.

The location adjustment is based on auto traffic counts, exposure, area development and rents. Sales #1 and #3 were adjusted downward for superior location.

The condition adjustment is subjective and based on my observations and experience. Sales #3 adjusted downward for superior condition.

The land to building ratio adjustment is based on the subject's 3.82:1 land to building ratio. All of the sales were adjusted upward or downward accordingly for their inferior or superior ratios. Please see each individual sale for detailed adjustment calculations. We utilized a \$60 PSF for land value.

After adjustments are applied, the sales form a price per square foot range from \$269.75 to \$527.77. This forms a low to high range of values, as follows:

$$\begin{aligned} \text{LOW: } & \$270 \text{ PSF} \times 3,930\pm' = \$1,061,100 \\ \text{HIGH: } & \$528 \text{ PSF} \times 3,930\pm' = \$2,075,040 \end{aligned}$$

SUMMARY: Sale #1 is superior location and inferior land to building ratio. It adjusted at the mid-range. Sale #2 is adjusted for superior land to building ratio. It adjusted at the lower end. Sale #3 is adjusted for superior location and condition; adjusted at the upper mid-range. #4 is adjusted up for inferior land to building ratio. Adjusted at the high end. Sale #5 adjusted for up for larger size and inferior land to building ratio. This sale adjusted at the mid-range. The subject has a corner location, code parking and is in average to good condition. The subject property compares to the sales at, say, \$345 per square foot and is calculated as follows:

$$3,930\pm' \times \$345 \text{ PSF} = \$1,355,850$$

SALES COMPARISON APPROACH VALUE (ROUNDED): **\$1,356,000**

FINAL RECONCILIATION

RECONCILIATION OF 3 APPROACHES

We have employed the following approaches and arrived at the following value indicators:

COST APPROACH:	Not applicable
INCOME APPROACH:	\$1,368,000
SALES COMPARISON APPROACH:	\$1,356,000

Each approach has various degrees of reliability and applicability depending upon the circumstances.

The Cost Approach is an important approach used to derive a market value indication for new or relatively new construction. When the improvements are new or suffer only minor physical deterioration with no functional or external obsolescence, and developmental profit can be reasonably estimated, the improvements will represent a use that is close to the highest and best use of the land or site as though vacant.

This approach also has great validity in the estimation of market value for special use properties or other properties not frequently exchanged in the marketplace. Evaluating depreciation for income tax purposes, insurance purposes, or evaluating the cost of inadequacies, can be supported by this approach to value.

When improvements are older or do not represent the highest and best use of the land or site as if vacant, accurately estimating all forms of accrued depreciation can become difficult. This unreliable degree of accuracy, due to the estimation of depreciation, tends to make the Cost Approach a less effective tool in estimating the market value of properties pertinent to this scenario.

The Cost Approach is eliminated from this report due to the difficulty in accurately estimating all forms of depreciation and the fact buyers and sellers do not use this approach in this market when buying and selling properties.

RECONCILIATION OF 3 APPROACHES - Continued

The Income Approach indicates the price that a prudent investor might be willing to pay for income producing property. The evaluation is based on an analysis of the property's earning power, which in turn will reflect an equity yield rate acceptable to the investor. All data regarding the subject's cash flow stream, expenses and capitalization rate to be applied in ascertaining the reversion, must be reasonably accurate.

Typically for income producing properties and/or leased fee and leasehold interest, the Income Approach to value gives the best overall indication of value. Investors base their value decisions on the quality and quantity of the income stream a property can produce. The yield on equity, projection of future income and expenses can be reasonably estimated when a property is leased. In the case of a fee simple analysis, an estimation of market rents can be derived from a survey of leased or rented comparable properties in the subject's area. When an extensive market study of rents and vacancy rates for similar properties is completed, a determination of the value of the income stream can be made.

With regard to special use properties, or properties which appeal to the owner/user market, value decisions are not necessarily placed on the potential or actual income produced. The benefits of ownership, due to a scarcity of alternative buildings to lease, tax relief, inflationary security, or expectations for a large reversion upon liquidation, are other motivating forces shaping the value decisions of potential buyers.

We conducted a local Rent and Vacancy Survey in the subject market area and indicated an appropriate market rent for the subject property.

We estimated annual expenses and extracted Cap Rates from local sales and we used published reports to support my Cap Rates. We capitalized one year's Net Income to value.

We gave equal weight to this approach.

RECONCILIATION OF 3 APPROACHES - Continued

The Sales Comparison Approach reflects a reasonable selling price for a property based upon the comparison of the subject property to other comparable properties which have recently sold. Characteristics of the subject property and comparables should be as similar as possible. When adequate data is available and adjustments for the elements of comparison are well supported, consistent, and have a good degree of comparability and reliability, the Sales Comparison Approach has a substantial amount of validity in the estimation and final reconciliation of the subject property's final value.

Sales similar to the subject were located for comparison. All sales were confirmed and verified. The price per square foot method of comparison was utilized and the sales were adjusted for differences in size, location, condition and/or land to building ratio. The sales adjusted to a reasonable range of value. This makes this approach reliable. This is a strong owner/user market with rising prices due to low interest rates. We gave this approach equal weight.

Based on the preceding analysis, the Market Value of the **Fee Simple** interest in the subject property, in **as-is** condition, as of October 14, 2021, is as follows:

\$1,360,000

Dale Donerkiel, SRPA, SRA
CA Certified General R.E. Appraiser
AGOO2740, Exp. 01/20/2022

Certificate of the Appraiser(s)
Statements of Assumptions and Limiting Conditions

QUALIFICATIONS OF
DALE DONERKIEL, SRA, SRPA
STATE CERTIFIED GENERAL REAL ESTATE APPRAISER
SENIOR REAL PROPERTY APPRAISER
SENIOR RESIDENTIAL APPRAISER

PROFESSIONAL EXPERIENCE

Actively engaged in real estate appraisal since 1979. Owner of DMD Appraisals Inc., located at: 555 South Brand Blvd., San Fernando, California 91340. Self-employed since 1974.

PROFESSIONAL AFFILIATIONS

SRPA designation obtained 10/89, currently certified

SRA designation obtained 10/89, currently certified

INSTRUCTOR FOR THE LOS ANGELES UNIFIED SCHOOL DISTRICT

CALIFORNIA STATE TEACHING CREDENTIAL #712765-0, ISSUED 2/9/99

PAST INSTRUCTOR FOR WEST VALLEY OCCUPATIONAL CENTER:

TEACHING REAL ESTATE APPRAISAL COURSE FOR STATE LICENSING CLASS

PAST INSTRUCTOR FOR THE APPRAISAL INSTITUTE

Course 110 - Appraisal Principles, 1993-1999

Course 120 - Appraisal Procedures, 1993-1999

CERTIFIED GENERAL REAL ESTATE APPRAISER, Certificate obtained 1/9/92

OREA Identification/ State License #AG002740, Exp. 01/20/2008

Past Chair, Admissions Committee Chapter I, Los Angeles Chapter

Member, Ethics Committee Chapter I, Los Angeles Chapter

Member, Board of Directors Chapter I, Los Angeles Chapter

Regional Delegate Chapter I to Regional VII, Appraisal Institute

Member, San Fernando Valley Board of Realtors, Van Nuys, Ca.

Member, California Association of Realtors (CAR)

Member, National Association of Realtors (NAR)

Licensed Real Estate Broker I.D. #00542603, State of Calif.

(Updated Aug)

EDUCATION: APPRAISAL INSTITUTE COURSES COMPLETED

- Course - 2020-2021 7-Hour National USPAP Update Course, 10/31/2021
- Course - Business Practices & Ethics - 6 Hour Appraisal Institute, 10/29/2020
- Course - 2020-2021 7-Hour National USPAP Update Course, 06/04/2020
- Course - 2018-2019 7-Hour National USPAP Update Course, 02/06/2019
- Course - Federal & Calif. Statutory & Regulatory Law course - 4 Hour Appraisal Institute 09/27/2018
- Course - Adv. Land Valuation: Sound Solutions to Perplexing Problems, 7 Hr. Appraisal Institute, 07/18/2018
- Course - 2016-2017 7-Hour National USPAP Update Course, 06/15/2017
- Seminar - 24th Annual LA/Orange Market Trends - 8 Hr Appraisal Institute, 01/26/2017
- Course - Litigation Appraising: Specialized Topics & Apps - 15 Hour Appraisal Institute 08/26/2016
- Seminar - 23rd Annual LA/Orange Market Trends - 8 Hr Appraisal Institute, 01/23/2016
- Course - 2015 7-Hour National USPAP Update Course, 06/24/2015
- Webinar - Fundamentals of Going Concerns – 2 hour Appraisal Institute, 07/16/2014
- Seminar - 17th Annual Inland Empire Market Trends – 7.5 Hr Appraisal Institute, 6/5/2014
- Seminar - 21st Annual LA/Orange Market Trends - 8 Hr Appraisal Institute, 01/23/2014
- Course - 2012-2013 7-Hour National USPAP Update Course, 09/26/2013
- Seminar - 2013 IRS Valuation Summit – 8 Hr Appraisal Institute, 08/15/2013
- Seminar - Marina Valuation Overview – 2 Hr Appraisal Institute, 07/10/2013
- Course - Business Practices & Ethics - 4 Hour Appraisal Institute, 04/18/2013
- Course - Federal & Calif. Statutory & Regulatory Law course - 4 Hour Appraisal Institute 03/11/2013
- Seminar - 19th Annual LA/OC Market Trends Seminar, 8 hour Appraisal Institute, 01/26/2012
- Course - 44nd Annual Litigation Seminar - 7 Hour Appraisal Institute, 11/10/2011
- Course - Income Approach - OREA Course Approval #11476C136 - 7 hours - 8/1/2011
- Course - Appraisal Institute Course 1400 - 7 Hour National USPAP Update, 7/28/2011
- Seminar - 17th Annual Summer Conference - 6 Hour Appraisal Institute, 07/21/2011
- Seminar - 14th Annual Inland Empire Market Trends - 7 Hr Appraisal Institute, 6/2/2011
- Seminar - 18th Annual LA/Orange County Market Trends - 8 Hr Appraisal Institute, 1/20/2011
- Course - Loss Prevention Program for R.E. Appraisers - 4 Hour CA State OREA Course #10119C101, 10/20/2010
- Course - Appraisal Institute Course 820; The Lending World in Crisis-What Clients Need Their Appraisers To Know Today, 08/06/2010
- Seminar - 13th Annual Inland Empire Market Trends - 7 Hr Appraisal Institute, 6/3/10
- Course - Business Practices & Ethics - 5 Hour Appraisal Institute, 5/5/2010
- Course - Appraisal Institute Course 1400 - 7 Hour National USPAP Update, 3/10/10
- Seminar - 42nd Annual Litigation Seminar - 7 Hour Appraisal Institute, 11/18/2009
- Course - National USPAP Course, 7 Hour Appraisal Institute, 09/09/2009
- Seminar - Golf Course Valuation, IRWA Chapter 57 - 2 hours, 10/18/2007
- Course - Appraisal Institute Course 1400 - 7 Hour National USPAP Update, 9/20/07

DALE DONERKIEL, SRA, SRPA

EDUCATION: APPRAISAL INSTITUTE COURSES COMPLETED – Continued

- Seminar - 14th Annual So. Calif. Market Trends Seminar, 7 hour Appraisal Institute, 01/26/2007
- Seminar - 39th Annual Litigation Seminar, 8 Hour Appraisal Institute, 11/09/2006
- Seminar - National USPAP Course, 7 Hour Appraisal Institute, 07/26/2006
- Seminar - 13th Annual Southern California Market Trends - 7 Hour Appraisal Institute, 01/26/2006
- Seminar - 38th Annual Litigation Seminar - 7 Hour Appraisal Institute, 11/18/2005
- Seminar - Inland Empire Market Trends - 7 Hour CA State OREA & Appraisal Institute, 06/07/2005
- Seminar - Current Look at Appraising Apts Seminar - 7 Hour CA State OREA & Appraisal Institute, 05/25/2005
- Course - Appraisal Institute Course 1400 - 7 Hour National USPAP Update 03/12/2005
- Course - 10th Annual Conference & Trade Show - 7 Hour CA State OREA & Appraisal Institute 08/27/2004
- Course - Specialized Appraisal Issues - 7 Hour Appraisal Institute 03/18/2004
- Seminar - Self-Storage Economics & Appraisal - 7 Hour CA State OREA & Appraisal Institute 03/03/2004
- Seminar - 11th Annual Market Trends Seminar - 7 Hour Appraisal Institute 01/29/2004
- Course - Business Practices & Ethics - 8 Hour Appraisal Institute 05/11/2003
- Course - Appraisal Institute Course 400 - 7 Hour National USPAP Update 05/08/2003
- Seminar - Appraisal Consulting: A Solutions Approach for Professionals Seminar, 04/08/2003
- Seminar - Relationship Marketing: Management Strategies for Growing Your Business 04/08/2003
- Course - 10th Annual Southern California Market Trends Seminar 7 Hours 01/30/2003
- Course - 9th Annual Southern California Market Trends Seminar 7 Hours 01/24/2002
- Course - Appraising Special Purpose Properties - 7 Hour Appraisal Institute 10/22/2002
- Seminar - Current Issues in Land Valuation - 7.5 Hours 10/15/2002
- Course - 8th Annual Summer Conference & Trade Show - 7.5 Hours Appraisal Institute 08/16/2002
- Course - The 2002 (5th Annual) Inland Empire - 7 Hour Appraisal Institute 06/04/2002
- Course - 9th Annual Southern California Market - 7 Hour Appraisal Institute 01/24/2002
- Course - The 2001 Inland Empire Market Trends - 7 Hour Appraisal Institute 06/05/2001
- Seminar - Associates Program & General Meeting - 2.5 Hours 09/28/2000
- Course - The 2000 Inland Empire Market Trends - 7 Hour Appraisal Institute 06/06/2000
- Course - The Industrial Market Technology - 7 Hour Appraisal Institute 04/27/2000
- Course - Dynamics of Office Building Valuation Appraisal Institute, 7 hours - 10/99
- Course - Standards of Professional Practice, Part C Appraisal Institute, 16 hours - 10/99
- Course - 1999 Summer Conference - Appraisal Institute - 7.5 hours - 8/99
- Course - Attacking & Defending an Appraisal in Litigation - Appraisal Institute - 8/99
- Course - Market Trends Update for Southern California - Appraisal Institute - 6/99
- Course - The 1999 Inland Empire Market Trends Seminar - Appraisal Institute, 7 hours - 6/99

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EDUCATION: APPRAISAL INSTITUTE COURSES COMPLETED - Continued

- Course - Land Development Seminar - Appraisal Institute - 7 hours - 3/99
- Course - OREA State Laws & Regulations - Appraisal Institute, 4 hours - 3/99
- Seminar - Valuation of Detrimental Conditions in Real Estate - Appraisal Institute 10/6/98
- Seminar - Residential Design & Functional Utility - Appraisal Institute 10/16/98
- Seminar - Trends in the Hospitality Industry - Appraisal Institute 8/13/98
- Seminar - Business Value in the World of Real Estate - Appraisal Institute 8/12/98
- Seminar - The Appraisal of Vineyards & Wineries - Appraisal Institute 8/12/98
- Seminar - Inland Empire Market Trends - Appraisal Institute 6/30/98
- Seminar - The 30th Annual Litigation Seminar - Appraisal Institute 11/14/97
- Course - Residential Subdivision Feasibility & Pre-Development Analysis - Appraisal Institute 8/21/97
- Seminar - Appraising Apartments in Southern California - Appraisal Institute 5/14/96
- Course - Valuation of Fast-Food Restaurant Facilities - Appraisal Institute 8/21/97
- Course - Partial Acquisition Appraisal Seminar - Appraisal Institute - Southern California Chapter, 9/7/94
- Course - Uniform Standards of Professional Appraisal Practice (USPAP), 8/26/91
- Course - Comprehensive Appraisal Workshop, 6/91
- Course - Comprehensive Appraisal Workshop, 1/26/91
- Course - Appraisal Theory Review 1/21/91
- Course - Introduction to Appraising Real Estate, Course 101, 12/5/90
- Course - Comprehensive Appraisal Workshop, 1989
- Course - Standards of Professional Practice, 1985
- Course - A_2 Residential Evaluation, 1985
- Course - Case Studies in Real Estate Valuation 2_1 1985
- Course - H.P. Calculator Seminar (1/18_1985)
- Course - Capitalization Theory & Techniques, Part A 1984
- Course - Capitalization Theory & Techniques, Part B 1984
- Course - Real Estate Principles, A.I.R.E.A. Course 1984
- Course - Basic Valuation Procedures, A.I.R.E.A. Course 1984
- Course - Evaluation Analysis and Report Writing, A.I.R.E.A., 1983

CONTINUING EDUCATION COURSES

- * Red Flags - Property Inspection Guide, Anthony Schools 10/7/98
- * Risk Management, Anthony Schools 10/7/98
- * Introduction to Commercial R.E. Sales, Anthony Schools 10/7/98
- * Architectural Elements of Energy Cons., Anthony Schools 10/7/98
- * Title 24: California Energy Code, Anthony Schools 10/7/98
- * Landscaping & the Environment, Anthony Schools 10/7/98

DALE DONERKIEL, SRA, SRPA

CONTINUING EDUCATION COURSES - Continued

- * Earthquake Safety, Anthony Schools 10/7/98
- * Ethics of Real Estate, Anthony Schools 10/7/98
- * Hazardous Material in the Home, Anthony Schools 10/7/98
- * Environmental Inspections: Regulatory Concerns, Anthony Schools 10/7/98
- * Environmental Disclosure Requirements, Anthony Schools 10/7/98
- * Residential Tax Laws, Anthony Schools 10/7/98
- * Agency in Real Estate, Anthony Schools 10/7/98
- * Trust Fund Handling, Anthony Schools 10/7/98
- * Fair Housing Laws, Anthony Schools 10/7/98
- * Agency in Real Estate, Anthony Schools, 9/14/90
- * Ethics in Real Estate, Anthony Schools, 9/14/90
- * Competitive Market Analysis, Anthony Schools, 9/14/90
- * Evaluating ARM, Anthony Schools, 9/18/90
- * Landlord Law Evictions, Anthony Schools, 10/2/90
- * Finance/Transfer Disclosures, Anthony Schools, 9/17/90
- * Residential Tax Cases, Anthony Schools, 9/18/90
- * Common Interest Developments, Anthony Schools, 9/17/90
- * Escrows & Title Insurance, Anthony Schools, 9/19/90
- * Taxation (6/2/81)
- * Financing (5/19/81)
- * Finance Alternatives (5/5/81)
- * Unconventional-Conventional Financing (6/9/81)
- * Agents Guide to Buyers and Sellers (1981)
- * Real Estate Exchange Seminar and Workshop (12/80)
- * Case Studies Ethics and Arbitration (3/21/79)
- * Landlord Rights and Tenant Eviction (7/18/79)
- * Financing Techniques in Today's Real Estate Market
- * Current and Future Methods of Real Estate Financing, (2/20/79)
- * Real Estate Income Tax: Update 1979 (5/24/79)
- * Condominiums _ New Development and Conversations (2/24/79)
- * Real Estate Appraisal (UCLA 475.5) (1978)
- * Real Estate Exchange and Taxation (UCLA 476.5) (1977)
- * Real Estate Finance (UCLA 475.4) (1978)
- * Real Estate Investment Analysis (UCLA) (1978)
- * Principles and Economics of Real Estate (L.A. Valley College 1977)
- * Real Estate Property Management (L.A. Valley College 1977)

DALE DONERKIEL, SRA, SRPA

SCOPE OF EXPERIENCE

Residential:	Single Family	
	Condominiums	
	Custom Homes Over \$1,000,000	
	Subdivisions	
	Subdivision Feasibility Studies	
	Apartments	
	Mobile Homes	
	Retirement Homes	
	Land	
Commercial:	Shopping Centers	
	Office Buildings	
	Retail Stores	
	Restaurants	
	Convalescent/Congregate Care Facilities/Hospitals	
	Auto Repair and Service Centers	
	Casinos	
Industrial:	Manufacturing	
	Warehouses	
	Multi-tenant Buildings	
	Industrial Parks	
	Food Processing Plants	
	Truck Terminals	
	Land	
Other:	Churches	Rent Surveys
	Motels	Market Feasibility Studies
	Vineyard	Equity Yield Analysis
	Wineries	Portfolio Review

PARTIAL LIST OF CLIENTS

FINANCIAL CORPORATIONS

American Pacific State Bank	Walter Heller, Chicago
California Pacific National Bank	Walter Heller Western
Barclays Bank	Foothill Group
Security Pacific Business Credit	Eastern Pacific
Congress Financial	Livingston Graham
CCB Business Credit	CMC Mortgage Corp.
Wells Fargo	United Century Mortgage
Mid City Bank Corp.	Oakland, CA
West Valley Bank	Eastern Pacific
Riviera Capital	LFP Corporation
Pacific Business Bank	Lampert & Eskridge, CPA
Commercial Center Bank	Trammell - Crowe Companies
Community Thrift and Loan	Distinctive Industries
Financial Services	AMCO Corporation
Hanover Consumer Finance	Frontier Container Corp
Industrial Bank	LAWI/CSA Consolidators
World Savings & Loan	Damille Metal Supply
West Valley Business Credit	Alan Pre Fab Building
Uni-Cal Mortgage Corp.	All Fast Aerospace
Landmark Mortgage	Fasteners
Pacific Thrift	Farmers Insurance Co.
Western Financial Savings	Jet Air Inc.
Liberty National Bank	Smith Oil
Coast Federal Business Credit Corp	Townsend Flowers
Irving Commercial Corporation.	US Hotel Corp.
Subsidiary of Irving Trust Co.	Silton of Calif.
Hanil Bank	L & D Plastics
California Federal	Doms Restaurants
Bancsmith Mortgage	Fleetwood Metals
Sanwa Bank California	Nature's Best Foods
Foothill Thrift & Capital	Leo's Meats
National Acceptance Corporation	Kaleidoscope Films
Nation Wide	A & J Foods
Glenfed Mortgage	Star Video
Fidelcor	Hyatt Oakbrook
Bank Audi of New York	Firestone Tire & Rubber Co.
Security Pacific Bank	City of Commerce, Ca.
Brookside Savings & Loan	IHOP
Mitsui Manufacturers Bank	Dynamark, Ltd.
Bay Area Financial Corp.	Michael's Shoes
Bank of Trade	M.O.B.A.
First Los Angeles Bank	Petro Minerals
United Community Bank	Ko Development Company
Consolidated Mortgage	GTE
North American Financial	City of San Fernando, Ca.
Greyhound Financial	Sumitomo Bank, Limited
Mortgage West	George Elkins Mortgage Bank
Plaza Homes, Ltd. of Las Vegas	Plaza Group, Ltd. of Tokyo
Encino State Bank	Bren Development
California Korea Bank	

DALE DONERKIEL, SRA, SRPA

LIST OF CLIENTS – Continued

FINANCIAL CORPORATIONS – Continued

County Savings Bank	Glenfed Development
Hancock Savings & Loan	The Shidler Group
Imperial Bank	Presley Companies
Coast Federal Savings	John Lusk Company
Windsor Financial	State Farm Insurance Co.
Transworld Bank	Marlborough Development
Bank of America Business Credit	Larwin Company
Topa Thrift & Loan	Paul Amir
Mortgage West	VMS Realty
Bank of Santa Maria	Lou Wolfe
First American Bank	Pacific Theater Group
Union Federal Bank	George Elkins Company
Tokai Bank	Piken Development
First Bank of Palm Desert	The Lycon Group
Resolution Trust Corporation	J.H. Snyder Company
CIT Group/ Center Financial	McGuire Thomas
Bank of Siam	Regent Development
Northwestern Savings & Loan	Plaza America
Pacific Union Bank	Cal-Trans
Premier Bank	MDS Loan Service
Southern Pacific Thrift & Loan	United California Bank
Northwestern Savings & Loan	Windsurfer
Highland Federal Bank	Harlon West
China Trust Bank	Williamsburgh Financial
East/West Bank	Venture West Funding
Far East National Bank	Prism Mortgage
Hawthorne Savings & Loan	Independent Mortgage
The Money Store	Keystone Financial
Rice-Church Financial	Lilly Enterprises
Verdugo Bank	Surety Property Management
Chase Bank	G.E. Capital
Golden Security Bank	Salvation Army
Pacific Union Bank	Small Business Administration
United Commercial Bank	African Travel
First Union Small Business Capital	Canon Capital Advisors
Miller Brewery	Fred Sands
Duke Energy, Houston, Texas	Partners Bank of California
Cathay Bank	Alpha Realty Mortgage
Mission Valley Bank	Aszkenazy Development

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CITY AGENCIES

City of Compton
City of Inglewood
City of Palm Desert
City of Moorpark

City of La Habra
City of Commerce
City of Los Angeles
City of Agoura Hills

City of Santa Clarita
City of Lynwood
City of San Fernando

ATTORNEYS - CONSULTATION, APPRAISALS, EXPERT WITNESS TESTIMONY

Lindsay McMenamin
Nancy Freedman
Emily Miller
Hushmand Sohaili
Tony Salandra
Michael Heumann
Anna Stanley
Linda Feldman
Jon B. Rubinfier
Linda Barney
David Gernsbacher
Castro & Associates
Stan Silver
David Lynn

Greg Gershuni
James P. Wohl
Stephen Piccuch
Walter Haines
David Schack
Susan Mitchell
Barbara Kay
Kevin Carter
Mark Rafael
Eleanor Blank
Mark MacCarley
Gruber & Kentor
Steve Richman
Forensis Group

Fred Stern
Louis K. Tsiros
Mark Borenstein
Jeffery Thomas
Lewis Adelson
Earle Cohen
Patricia Law
Floyd Fishell
Peter Michaels
O'Donnell & Schaeffer
Daniel Davisson
Kay Scholer
Poole & Shaffery, LLP
Di Julio Law

CERTIFICATE OF THE APPRAISER(S)

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

- 1) That I have personally inspected the subject property and have considered all of the pertinent facts affecting the value thereof. That all market data pertaining to the Final Value Estimate has been accumulated from various sources and, where possible, personally examined and verified as to details, motivation, and validity. The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions and conclusions are limited only by the professional assumptions and limiting conditions and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- 3) That I have no present or prospective interest in the property appraised and no person interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) I have not performed services, as an appraiser 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. **We did appraise the property October 9, 2017.**
- 6) My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice. (USPAP).
- 7) That neither my engagement nor compensation for making this report are in any way contingent upon the developing or reporting predetermined results.
- 8) Compensation for completing this assignment is not contingent upon the development of 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.
- 9) The statements of fact contained in this report, upon which the analyses, opinions, and conclusions are based, are true and correct, and subject to the limiting conditions herein set forth.
- 10) No one provided significant professional assistance to the person(s) signing this report.
- 11) As of the date of this report I, Dale Donerkiel, have completed the requirements of the Continuing Education Program of the Appraisal Institute
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

DMD APPRAISALS, INC.

Dale Donerkiel, SRPA, SRA
CA Certified General R.E. Appraiser
AGOO2740, Exp. 01/20/2022

MARKET VALUE

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue 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 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.

*Comptroller of the Currency of the United States as set forth in 12 CFR 564.2 (g).

ADDITIONAL DEFINITIONS:

Intended Use:

The USPAP definition of intended use: the use or uses of an appraiser's reported appraisal or appraisal review assignment opinions and conclusions, as defined by the appraiser based on communication with the client at the time of the assignment.

Intended User:

The USPAP definition: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser on the basis on communication with the client at the time of the assignment.

Client:

The USPAP definition: the party of parties who engage, by employment or contract, an appraiser in a specific assignment.

Extraordinary Assumption

The USPAP definition of extraordinary assumption, *an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which if found to be false, could alter the appraiser's opinions or conclusions*. The context for use of the term in USPAP is explained in the Comment to the definition: extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market condition or trends; or about the integrity of data used in an analysis.

Hypothetical Condition

The USPAP definition of hypothetical condition, *a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis*. The context for use of the term in USPAP is explained in the Comment to the definition: hypothetical conditions are contrary about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market condition or trends; or about the integrity of data used in an analysis.

Credible

The USPAP definition of credible, *worthy of belief*, is not really different from common usage. The context for use of the term in USPAP is explained in the Comment to the definition: *credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use*.

STATEMENT OF SALIENT FACTS, LIMITING CONDITIONS, AND ASSUMPTIONS

All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief.

I have made a personal inspection of the property appraised.

The fee for the appraisal is not contingent upon the value or other conclusions reported.

Appraiser has no financial interest in the property appraised.

The appraiser renders no opinion as to legal fee or title which is assumed to be good and marketable. Prevailing leases, liens and other encumbrances, if any, have been disregarded and the property has been valued as if free and clear unless otherwise specifically stated.

No land survey has been made by the appraiser. Dimensions and descriptions in the report have been based on public records (and/or information furnished by the client or others) and no responsibility is assumed for the accuracy of such information. The appraiser shall not be responsible for any encroachment or condition not readily observable. Existing boundaries are assumed to be correct. Plot plans or maps are included for illustrative purposes only.

The appraiser assumes that the information and data furnished him by others is true and correct. In the event it is incorrect, the appraiser has the right to make corrections in the reports analysis and conclusions.

Mineral and petroleum rights and interests have not been considered in preparing this appraisal.

It is assumed that there exist no undisclosed restrictions or prohibitions concerning the possible use or development of the property for any purpose for which it may be available.

Only the real estate has been included in this appraisal. Unless specified, no consideration has been given to chattels and personal property.

All estimates of value are presented as the appraiser's considered opinion, based upon the facts and data obtained during the investigation.

The distribution of total value as between land and improvements applies only under the stated program of utilization. The separate valuations for land and buildings may not be used in conjunction with any other appraisal and are invalid if so used.

Testimony or attendance in court by reason of this appraisal shall not be required unless previous arrangements have been made thereof.

CERTIFICATION AND STATEMENT OF LIMITING CONDITIONS

CERTIFICATION: The Appraiser certifies and agrees that:

1. The Appraiser has no present or contemplated future interest in the property appraised; and either the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in or bias with respect to the subject matter of the appraisal report or the participants of the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The Appraiser has personally inspected the property, both inside and out, unless the assignment specifically precludes entry, and has made an exterior inspection of all comparable sales listed in the report. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Institute and other appraisal organizations with which the Appraiser is affiliated unless specifically addressed elsewhere in this report.
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser." No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

Dale Donerkiel, SRPA, SRA
CA Certified General R.E. Appraiser
AGOO2740, Exp. 01/20/2022

ASSUMPTIONS AND LIMITING CONDITIONS

This report is made expressly subject to the conditions and stipulations following:

1. No responsibility is assumed by us for matters which are legal in nature.
2. No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
3. The appraisal covers the property described only.
4. No survey of the boundaries of the property has been made. All areas and dimensions furnished are assumed to be correct. No engineering study of the land was provided us.
5. Sources of information are believed to be correct and, where feasible, have been verified.
6. By reason of this appraisal, testimony and/or attendance in court or at any governmental or other hearing with reference to the property is not required without prior arrangements having been made relative to such additional employment.
7. Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute and the National Association of Realtors.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which they are connected, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the authors.

8. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
9. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such condition, or for engineering which might be required to discover such factors.

ASSUMPTIONS AND LIMITING CONDITIONS – Continued

10. Any distributions of the valuation in the report between land and improvements apply only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
11. Information, estimates and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct.
12. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
13. The appraiser assumes all equipment used in operation of the property is in good working order regardless of its age.
14. The value of the property may be further affected by zoning ordinances not yet in effect at the time of the appraisal. The appraiser assumes no responsibility for zoning condition changes.
15. The outcome of soils reports, geology reports, engineering and design reports may affect the value of the property in terms of how much land may be built on. The appraiser assumes no responsibility for determining buildable or usable land area, and any determination by the appraiser is based solely on the appraiser's opinion based on the facts available at the time of the appraisal.
16. Current national legislation has passed Congress and was signed by the President resulting in major changes in income tax liability. It could have a value impact on investment properties such as the subject. The impact of this legislation on the subject's value (if any) was not considered in this appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS – Continued

17.
 - a. In this appraisal assignment, the existence of potentially hazardous materials used in construction or maintenance of the building, such as the presence of urea formaldehyde foam insulation, asbestos, mold, and/or existence of toxic waste, which may or may not be present on the property, has not been considered.
 - b. The appraiser is not an expert in the field of hazardous materials.
 - c. The appraisal was prepared to assist with an acquisition and does not constitute an expert home/building or environmental inspection of the property. The appraisal does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of visible and accessible areas only. Mold or other environmental problems may be present in areas the appraiser cannot see.
 - d. The only way to be certain as to the condition of the property with respect to "environmental hazards" is to have an expert in the field inspect the property.
 - e. The appraiser should not be relied upon as to whether or not environmental hazards actually exist on the property.
 - f. It is assumed that there are no legitimate environmental or ecological reasons that would prevent orderly development of the subject property.
 - g. If a copy of this report is given to anyone, it must include this disclaimer.

18. The liability of DMD Appraisals, Inc. and the appraiser responsible for this report is limited to the client only and to the fee actually received by the appraiser. 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 discussion. The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property physically, financially, and/or legally.

ASSUMPTIONS AND LIMITING CONDITIONS – Continued

19. Reproduction. It is respectfully requested that no reproduction of this report or any portion thereof, be undertaken without the consent of the appraiser. Possession of this report does not carry the right of publication.

20. If certain leases were not signed, the assumption is made that they are out for signature and will be valid leases.

21. The property will be appraised assuming that all required licenses, certificates of occupancy, consents, or other legislature or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.

22. The American with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the subject property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA in estimating the value of the property has not been considered.

23. Flood zones were researched from data obtained on National Flood Insurance Map (FIRM) websites. We are not engineers and bear no responsibility for its accuracy.

24. Recent earthquakes in California have a detrimental influence on value. We examined the property to see if there are any structural problems, however we are not building inspectors. We are unable to say whether the structure has been affected by any past earthquakes. Nor do we know if the building can withstand the next earthquake.

ASSUMPTIONS AND LIMITING CONDITIONS – Continued

25. The value found in this report is subject to these and any other assumptions or conditions set forth in this report, but which may have been omitted from the list of assumptions and limiting conditions.
26. DMD Appraisals, Inc. is not responsible for any costs incurred to discover or correct any deficiencies of any type in the subject property, legal, physical or financial. The client agrees that DMD Appraisals, Inc. will be held harmless in the case of law suits involving limited partnerships, syndication or stock offerings in real estate (brought on by a partner, lender, or any other party), and the client will pay all awards, settlements of any type, regardless of outcome.
27. This appraisal report is prepared for the sole and exclusive use of the client and intended user to assist with an acquisition. No third parties are authorized to rely upon this report without the express written consent of the appraiser. The appraiser is not an expert in the field of building/home inspection and this report does not guarantee that the property is free of defects or environmental problems. The appraiser performs an inspection of visible and accessible areas only.
28. The interest appraised is the **Fee Simple** estate of the subject, as of October 13, 2021.