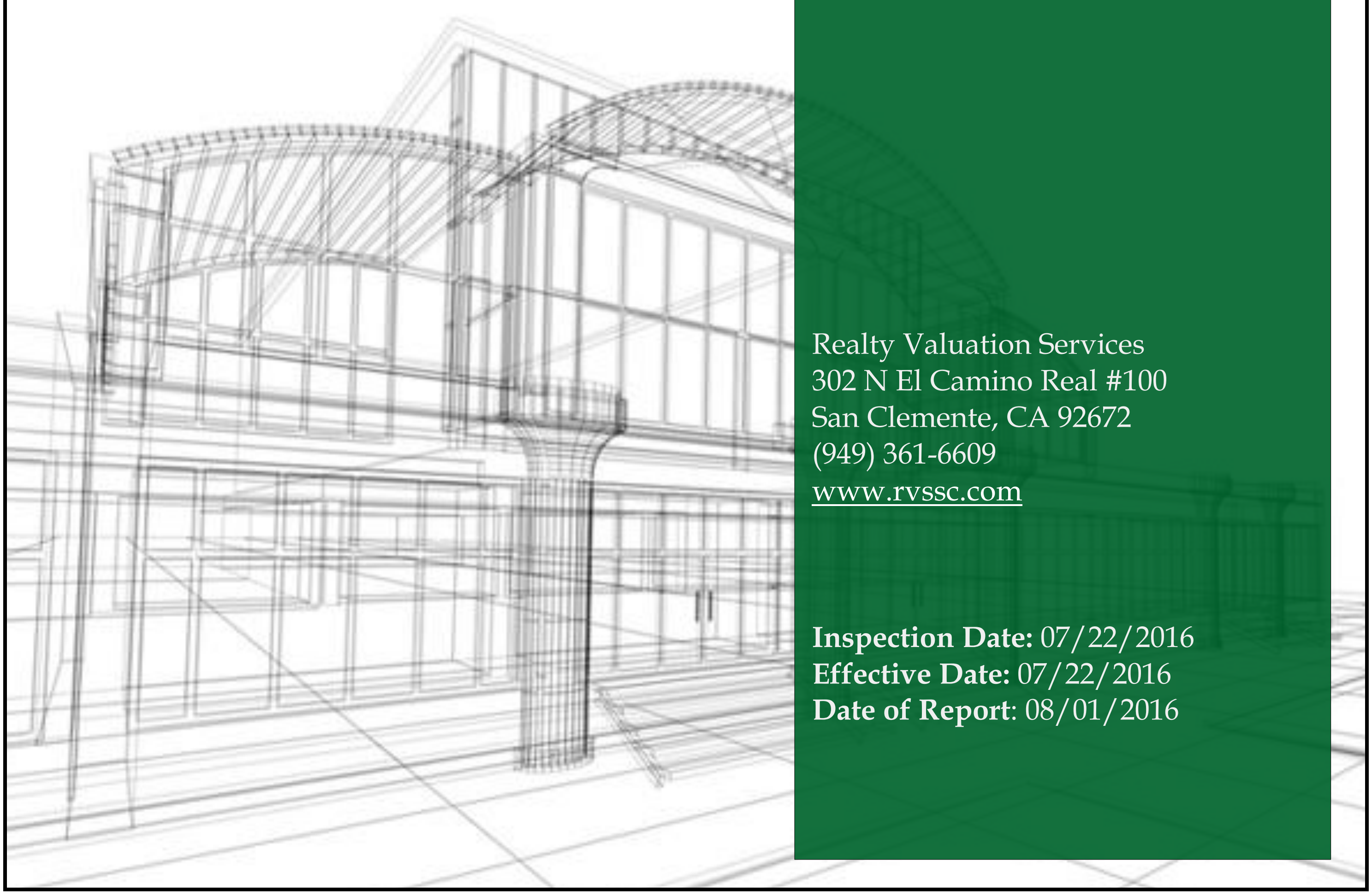
Appraisal Report of a Proposed 6 Unit Multi-Family Property

Subject:
12325 Cheshire St
Norwalk, CA 90650

For:
OD Lending



Realty Valuation Services
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San Clemente, CA 92672
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Inspection Date: 07/22/2016
Effective Date: 07/22/2016
Date of Report: 08/01/2016

August 01, 2016

OD Lending

Re: Appraisal Of:
12325 Cheshire St
Norwalk, CA 90650

To Whom It May Concern,

Per your request, I have made the necessary inspection and analysis to appraise the above referenced property. The attached report provides essential data and detailed reasoning employed in reaching my opinion of value.

The purpose of the following report was to estimate the leased fee interest for the proposed six unit multi-family project as of July 22, 2016. The intended use of the report is to assist OD Lending in determining the market value for the subject property for lending purposes. Intended users include OD Lending and its assignees.

The property appraised consists of a proposed six unit multi-family property located in the city of Norwalk, California.

The analysis contained in the report that follows is considered to be a complete appraisal. To report the results, we use the appraisal report option of Standards Rule 2-2a. This report describes the data to support our analysis and value conclusion. Additional data and documentation that was not disclosed in the report may be retained in our files.

Based on my analysis, the opinion of the subject's market value documented, and qualified in the attached report under conditions prevailing on July 22, 2016, was:

Estimated “As Stabilized” Value $2,700,000

RVS
REALTY VALUATION SERVICES

This appraisal has been prepared in accordance with the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute, the Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA) Title XI regulations and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

Extraordinary Assumptions & Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. If the assumptions are found to be false as of the effective date of appraisal, we reserve the right to modify the value conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. These are conditions known contrary to fact, but are considered reality to valuate the subject property in the scenario where the following are true:

1. This appraisal is based on the assumption that the subject property is fully completed based on the provided plans and fully leased (Stabilized).

Christopher Pierce – MAI, SRA
Licensed General Appraiser
AG011694

Austin Fernald
Licensed Appraiser
AL3002942

View of Property

View from Street

Rendering

Rendering

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Scope of Work

a. Inspect the subject property to note the characteristics of the property that are relevant to its valuation.

b. Investigate available market data for use in sales comparison approach to value and, if appropriate, cost and income capitalization approaches.

The appraiser's investigations will include research of public records through the use of commercial sources of data such as printed comparable data services and computerized databases. Search parameters such as dates of sales, leases, locations, sizes, types of properties, and distances from the subject will start with relatively narrow constraints and, if necessary, be expanded until the appraiser has either retrieved data sufficient (in the appraiser's opinion) to estimate market value, or until the appraiser believes that he or she has reasonably exhausted the available pool of data. Researched sales data will be viewed and, if found to be appropriate, efforts will be made to verify the data with persons directly involved in the transactions such as buys, seller, brokers, or agents. At the appraiser's discretion, some data will be used without personal verification if, in the appraiser's opinion, the data appear to be correct. In addition, the appraiser will consider any appropriate listings or properties found through observation during appraiser's data collection process. The appraiser will report only the data deemed to be pertinent to the valuation problem;

c. Investigate and analyze any pertinent easements or restrictions, on the leased fee ownership of the subject property. It is the client's responsibility to supply the appraiser with a title report.

d. Analyze the data found and reach conclusions regarding the market value, as defined in the report, of the subject property as of the date of value using appropriate valuation(s) identified above.

e. Analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal and analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

f. Prepare the appraisal in compliance with the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation and the Code of Professional Ethics and Certification Standard of the Appraisal Institute.

g. Not be responsible for ascertaining the existence of any toxic waste or other contamination present on or off the site. The appraiser will, however, report and indications of toxic waste or contaminants that may affect value if they are readily apparent during appraiser's investigations. Appraiser cautions the user of the report that appraiser is not expert in such matters and that appraiser may overlook contamination that might be readily apparent to parties who are experts in such matters.

h. The Sales Comparison Approach and Income Approach will be utilized in this appraisal. The cost approach was not completed for this appraisal.

i. Prepare an appraisal report of the leased fee interest in the current "As Stabilized" proposed 6 unit multi-family property.

Summary of Important Facts

Location: 12325 Cheshire St, Norwalk, CA 90650

Date of Inspection: July 22, 2016

Date of Value Opinion: July 22, 2016

Date of Report: August 01, 2016

Property Rights Appraised: Leased Fee Interest

Purpose of Appraisal: The purpose of this appraisal report is to develop a supportable opinion of the market value of the subject property.

APN: 8082-017-022

Improvements: Proposed six unit multi-family property

Intended User: OD Lending and its assignees

Intended Use: Establish market value for loan purposes

Sales Comparison Approach Indicated Value "As Stabilized": $2,600,000

Income Approach Indicated Value "As Stabilized": $2,700,000

Final Value Conclusion "As Stabilized": $2,700,000

Extraordinary Assumptions: None

Hypothetical Conditions: This appraisal is based on the assumption that the subject property is fully completed based on the provided plans and fully leased (Stabilized).

Marketing and Exposure Time:

Marketing time is estimated at 3-6 months. Exposure time is estimated at 3-6 months. These are the estimated amounts of time the property would spend being marketed and available for sale in the open market before probable sale.

Listing/Sale Information:

The subject property is not currently listed. The subject sold on 05/16/2014 for $310,000. There are no other recorded sales in the past 3 years.

Description of Subject Property

Addresses: 12325 Cheshire St, Norwalk, CA 90650

Owner: Sanjin Oh

APN: 8082-017-022

Legal Description: RECORD OF SURVEY AS PER BK 59 PG 13 OF R S E 48 FT EX OF ST LOT 9

Year Built: 2016

Transfer History: The property previously sold on 05/16/2014 for $310,000. This was the only sale in the past 3 years.

Listing Information: The subject property is not currently listed for sale

Lot Size (square feet): 14,479

Gross Building Area: 7,993

Unit Breakdown:

Building #	Unit #	Bed Count	Bath Count	Size (SF)	Garage Count	Garage Size (SF)
1	A	3	2	1,833	2	428
1	B	2	2	1,232	2	428
1	C	2	2	1,232	2	428
2	D	2	2	1,232	2	428
2	E	2	2	1,232	2	428
2	F	2	2	1,232	2	428
Total		13	12	7,993	12	2,568

Lot Shape: Rectangular

Topography: Flat

Zoning: NOR3 – Multi-Family

Ingress/Egress: Cheshire St

Drainage: Appears Adequate

Flood Zone Panel: 06037C1839F **Date**: 09/26/2008 **Zone Code**: X

Utilities: Utilities are provided by local utilities.

Proposed Improvements: Three story, six unit multi-family property

Site Improvements: Curb, Gutter, Utilities

Street Improvements: Typical for the area.

Prior Services:

The Ethics rule of USPAP requires that we disclose any prior services we have completed on the subject property within the last three years. We have not completed any services related to the subject property in any capacity during the prior 3 years.

Personal Property: This appraisal report includes the appraisal of the real property only and excludes the analysis of any personal property, such as furniture or fixtures.

Adjacent Properties:

The subject property is surrounded by a multi-family property to the left, single family properties to the south and east, and a large parcel of vacant land to the north.

Identification of the Subject Property:

The subject property appraised consists of one vacant parcel of land with a total of 14,479 square feet, or 0.33 acres. The proposed improvements consist of 7,993 square feet of gross building area with a driveway and guest parking.

Neighborhood Description and Location:

The subject is located in an area consisting mostly of single family and multi-family properties. The majority of the buildings in this area were built in the 1930's and newer. They are typically of average condition and quality.

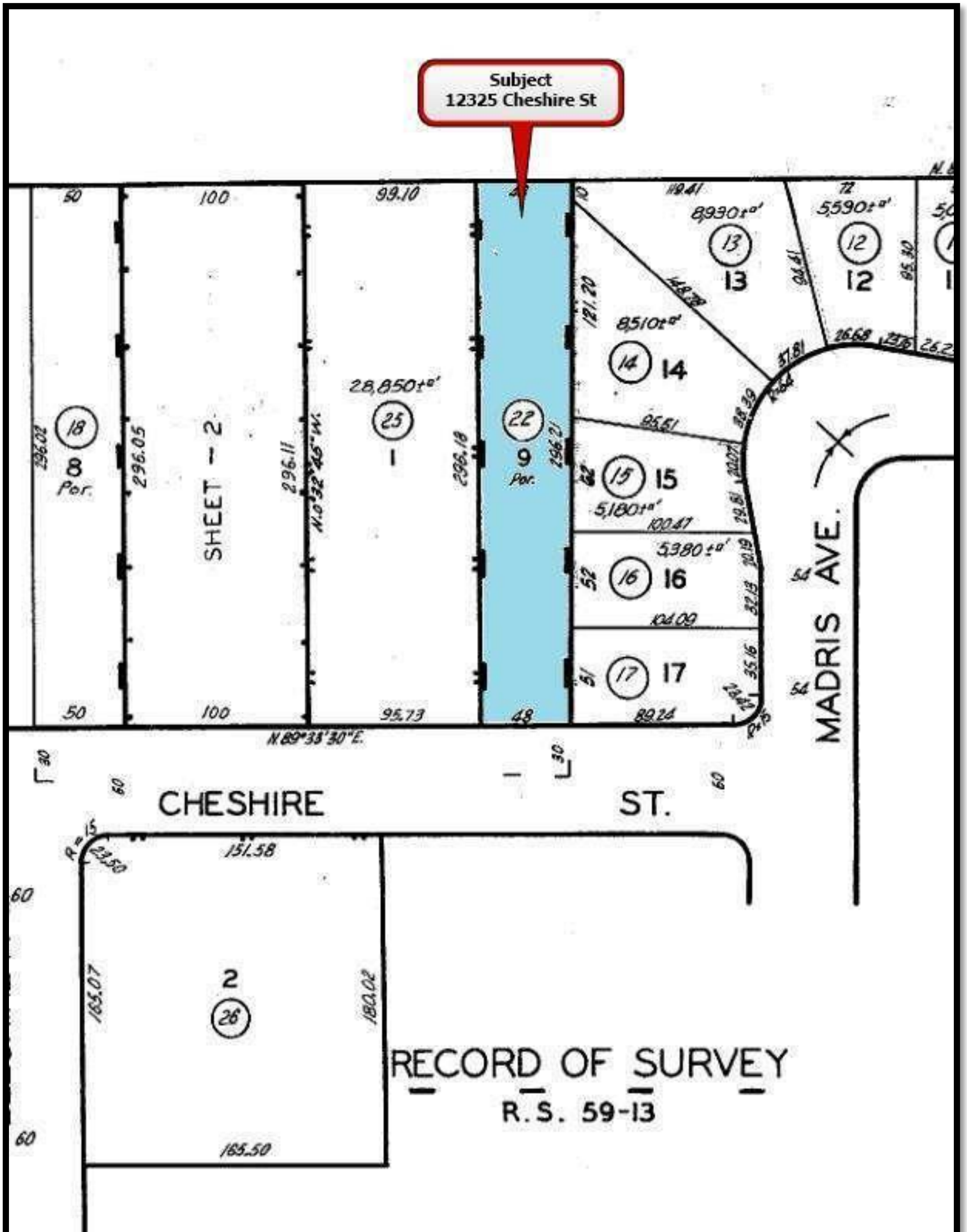
The subject is located in the Los Angeles County suburb of Norwalk. The subject is located approximately 1 miles west of the 5 Freeway, approximately .75 miles north of Highway 91, and approximately 1.5 miles east of the 605 Freeway.

Improvements:

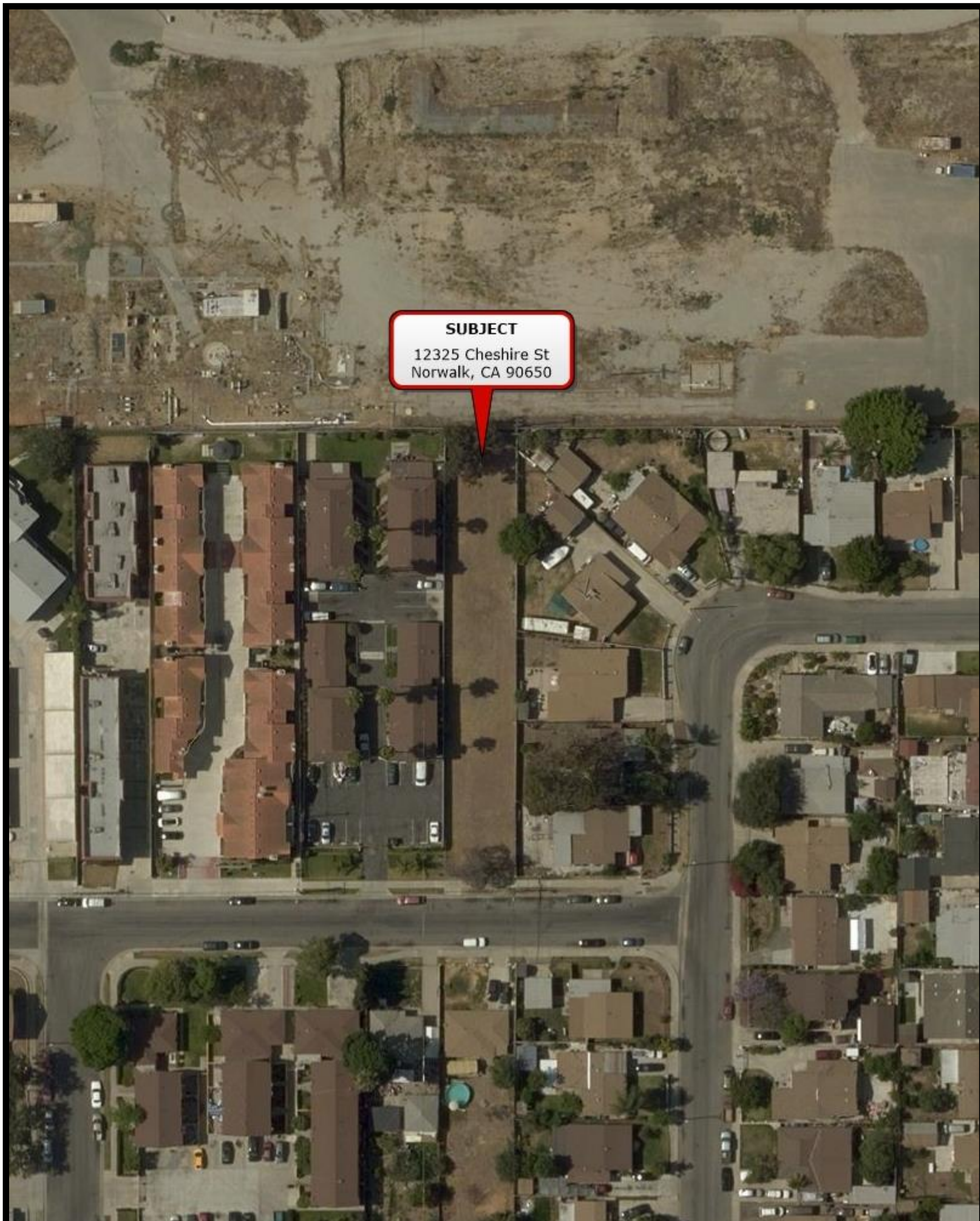
The subject property appraised is a proposed three story, 7,993 square foot, multi-family property located in the Los Angeles County suburb of Norwalk. The subject property is comprised of two separate buildings with a driveway and guest parking. The first building consists of three units, one with three bedrooms and two with two bedrooms. The second building has three two bedroom units. The sizes of the two bedroom units are 1,232 square feet and the size of the three bedroom unit is 1,833 square feet. The entire property is gated.

All 6 units are built in a townhouse style where there is a two car attached garage with direct access on the first floor, and 2 levels of living area above that. The entire project is designed in a contemporary style and is assumed to have good curb appeal and desirability from potential tenants. The proposed buildings will be built with stucco and wood exteriors and a built-up roof.

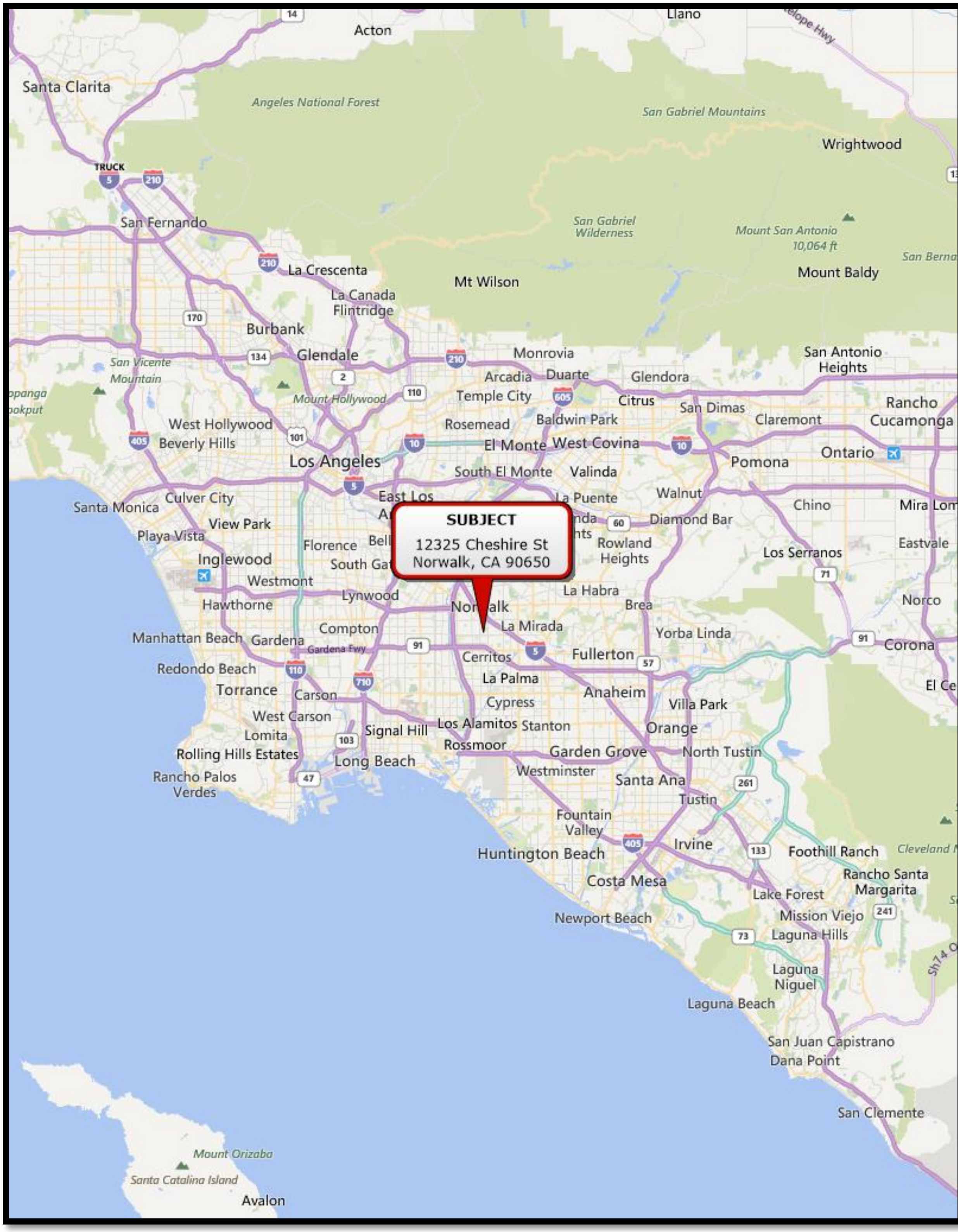
Plat Map


Subject
12325 Cheshire St
CHESHIRE
ST.
MADRIS AVE.
SHEET - 2
RECORD OF SURVEY
R.S. 59-13
N 89°33'30"E.
28,850±⁰'
8930±⁰'
5590±⁰'
8510±⁰'
5180±⁰'
5380±⁰'

Aerial View



Regional Map



Pertinent Facts and Definitions

The purpose and intended use of this appraisal is for determining market value only. There are no other intended uses. The intended users are the client and client's authorized users.

Definition of Market Value

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

Buyer and seller are typically motivated.

Both parties are well informed or well advised, and acting in what they consider their own best interest.

A reasonable time is allowed for exposure in the open market.

Payment is made in terms of cash in US Dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold unaffected by special creative financing or sales concessions granted by anyone associated with the sale.

Definition of Market Rent

Per the Appraisal Institute, “The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.”

Purchase Contract

The subject property is not currently listed. The subject sold on 05/16/2014 for $310,000. There are no other recorded sales in the past 3 years.

Property Rights Appraised

The property rights appraised are leased fee interest, excluding any personal property.

Definition of Leased fee Interest and Leased Fee Interest

Per the Appraisal Institute, "A fee simple interest is defined as "absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power, and taxation." A leased fee interest in real property includes all interests, benefits and rights inherent in the ownership of physical real estate. "Leased fee interest" is when the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship." This appraisal will be based on a "leased fee" valuation.

Appraisal Process

The appraisal development and reporting process for this report consisted of an in-depth search for any recent sales of properties in the Subject market, which were considered to be good indicators of value for the Subject property.

Competency Statement

The appraisers involved in this assignment collectively have the required experience in appraising apartment, retail, office, industrial, new construction, and land properties. The appraisers have, collectively, been engaged in appraisals over the past 20 years in the subject's market area. The company has access to the relevant data sources and regularly employs the appraisal and valuation techniques required to come to competent value conclusions about the subject property. The appraisers involved in this assignment meet the competency requirements mandated by USPAP.

As of effective date, Chris Pierce is current on required continued education mandated by the BREA and the Appraisal Institute and Austin Fernald is current on required continued education mandated by the BREA.

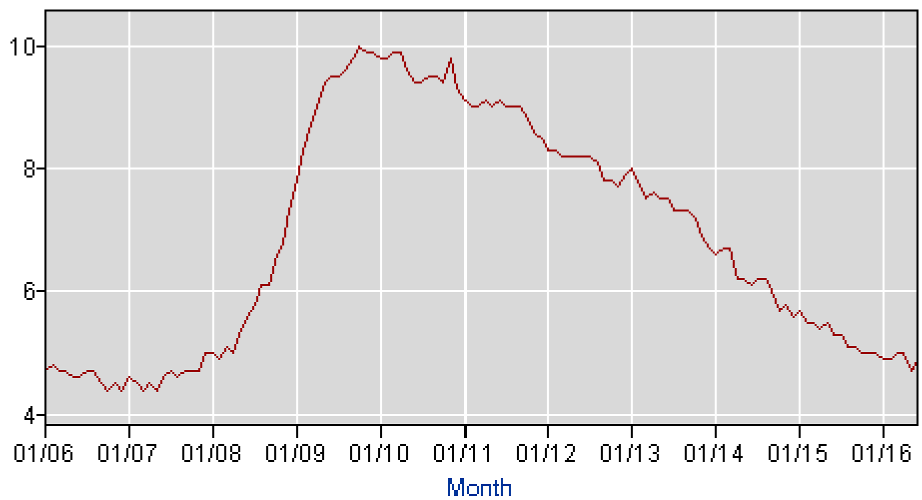
Economic and Area Analysis

Summary

The economic analysis relevant to the subject's market value is based on considering economic and area factors that would affect the amount buyers would pay to purchase the subject's type of property.

Unemployment

Unemployment is an important consideration for gauging general economic trends. Generally, the lower the unemployment rate, the better the economy is, and vice versa.



It appears unemployment reached its lowest point in the past 10 years in the year 2007 when the economy was outstanding. In that period of time, it reached as low as 4.4%. At the peak of the graph and the height of the recession in 2009, the unemployment rate reached 10%. The current data for the most recent month shows the unemployment rate at 4.9%.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3
2009	7.8	8.3	8.7	9.0	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9
2010	9.8	9.8	9.9	9.9	9.6	9.4	9.4	9.5	9.5	9.4	9.8	9.3
2011	9.1	9.0	9.0	9.1	9.0	9.1	9.0	9.0	9.0	8.8	8.6	8.5
2012	8.3	8.3	8.2	8.2	8.2	8.2	8.2	8.1	7.8	7.8	7.7	7.9
2013	8.0	7.7	7.5	7.6	7.5	7.5	7.3	7.3	7.3	7.2	6.9	6.7
2014	6.6	6.7	6.7	6.2	6.2	6.1	6.2	6.2	6.0	5.7	5.8	5.6
2015	5.7	5.5	5.5	5.4	5.5	5.3	5.3	5.1	5.1	5.0	5.0	5.0
2016	4.9	4.9	5.0	5.0	4.7	4.9						

US Economy

The first quarter has been a treacherous one in recent years, marked by natural disasters (East Coast snowstorm), government machinations (sequestration budget cuts) and sovereign debt crises. This year is no different: the U.S. has been attacked by an economic Hydra in the form of plunging oil prices, central bank uncertainty and volatility in China.

Let's begin with China. This is a story with two parts. First, the country is transitioning from an industrializing, export-oriented economic system to one that will be driven more by internal forces such as the consumer sector. Second, China's financial markets are evolving and experiencing growing pains to say the least. How will these developments affect the U.S. this year?

Exports are the most direct link between the U.S. and China, but U.S. exports to China equate to less than one percent of U.S. GDP. As such, China's economic transition will have little effect on the performance of the U.S. economy in the near term. Financial market linkages, however, pose a greater risk. China's financial markets may be small, but their growing pains can cause "referred pain" around the globe, and, given the extensive integration of global markets, can increase volatility in U.S. financial markets. In turn, uncertainty in financial markets can have an adverse effect on consumer and business confidence.

Meanwhile, who would have thought ten years ago that the world would be awash in oil? The U.S. has seen oil production increase in recent years, Saudi Arabia is flooding the market with its supplies, and other oil producers are scrambling to maintain their revenue stream in the midst of plunging oil prices. Low oil prices are good for consumers and most businesses in the U.S., but the global glut in oil is just one symptom of weak demand in the global economy.

Finally, central banks, and the Federal Reserve in particular, continue to play a central role in economic policy. With the U.S. economy at full employment, the Fed would like to raise rates and prepare itself for the next battle. But central banks in Europe, Japan and elsewhere around the globe are dealing with fragile economies, which rate hikes will further weaken.

In the midst of all this, the U.S. economy keeps chugging along, with a 2.4% GDP growth rate last year that matched that of 2014. Two percent growth is not stellar, but it has been steady, and the tightening labor market should prompt long-awaited increases in the wages of many workers. Modest growth of 2.5% is expected this year and next, partly because of the momentum inherent in the consumer sector, the economy's flywheel, but also because of improving numbers in housing. It also helps that the U.S. economy is relatively isolated from the rest of the world.

Consumers

The consumer sector represents nearly seventy percent of the U.S. economy. Its size and its acceleration helped the U.S. economy turn in a respectable performance last year. With the consumer sector accounting for 2.1% of the economy's 2.4% growth rate, increases in consumer spending accounted for nearly all of the economic growth in the U.S. in 2015.

Advancing by 3.1% last year, consumer spending grew at the fastest pace in ten years. While spending was led by a 6.0% increase in purchases of durable goods, slower growing segments (services were up by 2.8% and nondurable goods rose by 2.7%) accounted for most of the absolute increase in consumer spending. Vehicle purchases made up a large part of household durable goods purchases. In fact, with 17.8 million vehicles sold, 2015 matched the record that was set in 2000. Improvement in the housing market and general gains in household income led to a sizable increase in spending on home furnishings, appliances and the like. With declining oil and energy prices, households spent less on fuel and energy, and instead increased both their savings and their purchases of other goods and services.

With growing confidence in their financial situation, households have been more willing to use credit. Credit card balances rose by 5.0% in the third quarter of 2015 compared with the same period a year earlier, but are still nearly 20% below their peak prior to the recession. Record-tying vehicle sales triggered an 11.9% year-to-year increase in auto loans, while student loan balances rose by 6.8% year-to-year.1 Increased household wealth has also supported higher levels of spending. Household net worth surpassed the prerecession peak three years ago in response to higher returns in the financial markets and improving property values. Homeowner's equity increased by 11.6% year-to-year in the third quarter of 2015, continuing a string of double-digit gains that began in mid-2012. Homeowner's equity was still 7% below peak in the third quarter of last year, but the gap has closed steadily. If anticipated gains in housing are realized this year and next, the gap will ultimately be closed. Overall, total household debt is still 4.8% lower than the peak of the third quarter of 2008. This may be due to greater caution on the part of households with respect to using credit, but it is also related to homeownership, which stood at 63.7% in the third quarter of last year, considerably below the 69.2% peak that was achieved in early 2005. In fact, mortgage debt in the third quarter of last year still lagged behind its peak (third quarter of 2008) by 11.1%. Assuming the housing market improves over this year and next, homeownership and mortgage debt will increase together, pushing total household debt to a new high.

Increased household wealth has also supported higher levels of spending. Household net worth surpassed the prerecession peak three years ago in response to higher returns in the financial markets and improving property values. Homeowner's equity increased by 11.6% year-to-year in the third quarter of 2015, continuing a string of double-digit gains that began in mid-2012. Homeowner's equity was still 7% below peak in the third quarter of last year, but the gap has closed steadily. If anticipated gains in housing are realized this year and next, the gap will ultimately be closed.

Continued gains in the labor market and the higher incomes that are associated with those gains will sustain somewhat higher levels of consumer spending this year and next. Increases in expenditures of both goods and services can be expected. Moreover, consumer spending on appliances and furnishings and other items for the home should be pulled forward by the housing market. As mentioned elsewhere, several forces will support increased demand for housing: more Millennials coming of age and forming households, stronger incomes supporting increased capacity to buy or rent, and heighted urgency to buy in anticipation of higher mortgage rates. In recent years, these trends have been met by sluggish increases in supply. Inventories of existing homes are lean, and while new home building has been rising at a respectable rate (about 10% annually), new construction has consistently fallen below expectations.

Businesses

Investment spending accounts for one-sixth of GDP and has made regular contributions to the current economic expansion, increasing by 5.0% in 2015 despite weakness in the energy sector. Nonresidential fixed investment spending (business investment spending except for residential construction and inventory changes) increased by 2.9% last year. Increased spending on equipment and intellectual property more than offset a decline in spending on structures due to a pullback in the energy sector. It is worth noting that investment spending is notoriously volatile, increasing by an impressive 9.0% in 2012, followed by a subdued 3.0% gain in 2013, which doubled to a 6.2% increase in 2014.

Other components of investment spending include residential construction and changes in inventories. Residential investment spending (construction) advanced at an 8.6% rate last year, which is roughly in line with the performance of other housing-related indicators. Residential construction has been on the rise in recent years, but remains somewhat tentative. As for changes in inventory, weakness in final demand last year, both in the U.S. and abroad, resulted in increases in inventories across many of the economy's key industries, including agriculture, construction, mining and utilities, and the retail sector. Elevated inventories will have to be drawn down in 2016, which will likely take the edge off of growth rates in the first half of the year.

With the overall economy is expected to maintain its trajectory over the next two years, investment spending is expected to grow more slowly (just under four percent) this year, mainly because of inventory corrections and continued weakness in energy. However, investment spending should accelerate to a growth rate between six and seven percent in

2017. Looking at the major categories of investment spending, business fixed investment should grow by five percent this year and next, with increased spending anticipated in equipment, intellectual property and structures. Residential investment spending should see sustained growth of approximately ten percent this year and next, while inventory changes will register wide swings, first offsetting the 2015 buildup with a sharp dip in 2016, then rising modestly in 2017.

Government

After four consecutive years of decline, government purchases saw a slight gain (0.8%) in 2015. This occurred despite a 0.4% cut in federal government expenditures because increased spending at the state and local level more than offset another decrease in federal spending. State and local finances have generally improved in recent years, resulting in a 1.5% increase in expenditures last year. Even so, state and local outlays were 7% lower in inflation-adjusted terms when compared with the 2009 peak. State and local spending will accelerate somewhat this year growing by 1.5%, with a 1.2% gain expected next year. Federal spending will be a mixed bag, up this year with next year less certain. Overall, total government expenditures are expected to rise by 2.3% this year, downshifting to a 0.4% increase in 2017.

Trade

The headline in recent months may have been China, but the main themes in the story on U.S. trade have been the value of the dollar and the health (or lack thereof) of our trading partners. With a stronger economy and anticipated increases in interest rates, the U.S. Dollar appreciated nearly 13% against a basket of foreign currencies last year. When coupled with the fact that many of our trading partners are facing weak conditions at home, it should be no surprise that U.S. exports of goods (adjusted for inflation) fell last year. However, the decline in exports of goods was just 0.2%, and the exports of both goods and services actually rose by 1.1% last year. (Locally, the situation was more dire, with exports of containers from the twin San Pedro ports falling by 10.0% in 2015). Meanwhile, imports rose by 5.0% last year in response to strength of the U.S. economy. All in all, the trade picture is not all that bad. As for China and its likely impact on the U.S. economy, one should note that U.S. exports to China equate to less than one percent of GDP. As such, volatility in China's economy should have a muted effect in the U.S.

Over the next two years, exports are expected to increase modestly (just over two percent), while imports should stay on track with last year's growth rate. With imports exceeding exports by about thirty percent, net trade will make a net negative contribution to growth in the U.S. economy. However, it bears mentioning that strong imports (rather than weak exports) drive the negative contribution and are the result of strength in the domestic economy.

Labor

The labor market hit key milestones in 2015. First, the headline unemployment rate fell to 5.1% in August, which is equivalent to the economy's long-run natural rate as gauged by the Congressional Budget office. Second, nonfarm jobs are on track to increase at a rate of 2.1% this year, which would be the fastest growth rate in the past 15 years.

Inflation

Despite the Federal Reserve Bank's hopes for inflation approaching two percent, prices showed little movement in 2015, with the consumer price index rising by a scant 0.1%. The biggest sources of inflation in recent years have been increases in consumer and commodities prices, but weak global demand has kept a lid on those prices. Together with the price of oil, which has been dancing around the $30 mark as of this writing, there is little to ignite inflation. However, tightening labor markets should trigger wage increases over this year and next, resulting in inflation hitting 2.0% this year and 2.4% in 2017.

Table 1: U.S. Economic Indicators

Annual % change except where noted	2009	2010	2011	2012	2013	2014	2015	2016f	2017f
Real GDP	-2.8	2.5	1.6	2.3	2.2	2.4	2.4	2.5	2.5
Nonfarm Employment	-4.3	-0.7	1.2	1.7	1.7	1.9	2.1	1.7	1.4
Unemployment Rate (%)	9.3	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.7
Consumer Price Index	-0.4	1.6	3.2	2.1	1.5	1.6	0.1	2.0	2.4
Federal Budget Balance (FY, $billions)	-1413	-1294	-1300	-1087	-680	-$485	-$426	-$414	-$454

Sources: BEA, BLS and CBO; forecasts by LAEDC

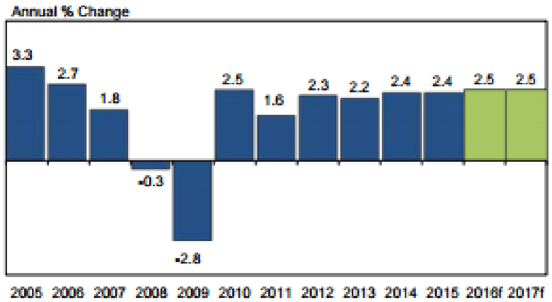
Table 2: U.S. Interest Rates

Annual Average, %	2009	2010	2011	2012	2013	2014	2015	2016f	2017f
Fed Funds Rate	0.16	0.18	0.10	0.14	0.11	0.10	0.10	0.90	1.90
10-Yr Treasury Note	3.26	3.22	2.78	1.80	2.35	2.50	2.10	2.60	2.80
30-Year Fixed Mortgage	5.04	4.69	4.45	3.66	3.98	4.20	3.90	4.30	4.60

Sources: Federal Reserve Board; forecasts by LAEDC

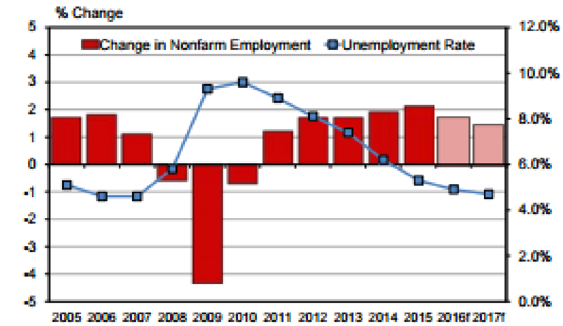
U.S. Economic Snapshot

U.S. Economic Growth



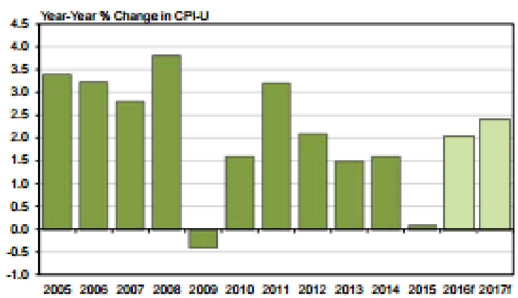
Sources: Bureau of Economic Analysis, forecasts by LAEDC

U.S. Labor Market



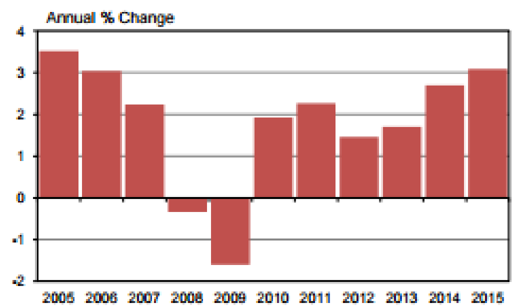
Sources: Bureau of Labor Statistics, forecasts by LAEDC

U.S. Consumer Inflation



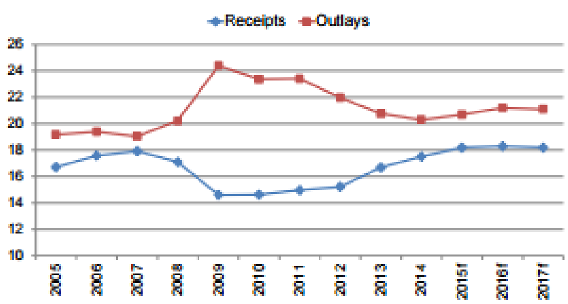
Source: Bureau of Labor Statistics; forecasts by LAEDC

U.S. Personal Consumption



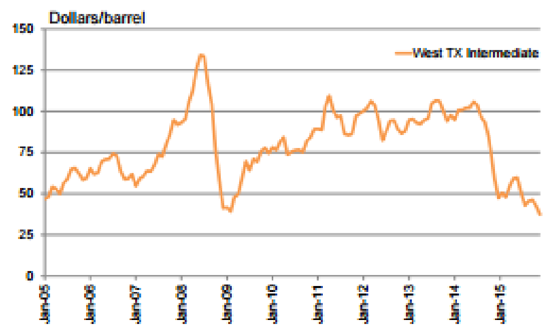
Source: Bureau of Economic Analysis

Federal Budget Receipts & Outlays as Percentage of GDP



Source: Office of Management & Budget

Crude Oil Prices 2007-Present



Source: US Energy Information Administration

California Economy

California has enjoyed remarkable economic growth in recent years. For three years running, the state has added jobs at a faster pace than the nation as a whole. California's economy is also growing at a faster rate than that of the nation (3.9% vs. 2.4% in 2015, estimated) and accounts for over 13% of U.S. GDP, by far the largest of any state. California's gross product is expected to expand by 3.1% this year, outpacing the 2.5% pace anticipated for U.S. GDP.

California has a large and fast-growing economy. Running counter to the narrative that the state is uniformly unfriendly to business, California received more venture capital funds in 2015 than all 49 other states combined ($33.5 billion vs. $24.2 billion). 7 California is a global leader in the technology, aerospace, and life sciences industries as well as entertainment, tourism and agriculture. Silicon Valley leads the world in technological innovation, San Diego is a global hub for biotechnology and pharmaceutical research, and Los Angeles ranks third in the world behind New York and London as the preferred city for foreign real estate investment (up from tenth place last year).

In 2015, California's unemployment rate averaged 6.2%, the lowest in eight years. Nonfarm employment was up over the year by 468,900 wage and salary jobs, an increase of 3.0%. The five largest metro areas in California accounted for over 60% of the increase. Los Angeles added 94,700 jobs, the largest number of any metro area. This equated to a growth rate of 2.2%. Silicon Valley (San Jose MSA) generated jobs at the fastest pace (5.4%), followed by Riverside-San Bernardino (3.8%). Elsewhere in Southern California, Orange County nonfarm employment increased by 3.2% over the year; San Diego County followed with a rate of 3.0%, while in Ventura County, nonfarm employment grew by 1.6%.

Over the course of last year, nearly every major industry sector in the state added jobs. The largest gains occurred in professional, scientific and technical services (74,100 jobs); leisure and hospitality (70,700); healthcare and social assistance (63,600); administrative, support and waste services (48,700); and construction (46,700). These five industries accounted for 65% of total job gains for the year. In percentage terms, construction added jobs at the fastest rate (6.9%), followed by professional, scientific and technical services (6.2%). Administrative, support and waste services added jobs at a rate of 4.8%, while leisure and hospitality employment expanded by 4.0%.

The only two industries to post declines in 2015 were nondurable goods manufacturing (down by 1.2%, or 5,700 jobs) and natural resources (down by 6.2% or 2,000 jobs). The decline in natural resources was due primarily to a pullback in energy sector investment resulting from low energy prices. Unfortunately, California's current prosperity has not been spread equally across the state. There are regions within the state where the labor markets continue to struggle with high unemployment and low growth. As of December 2015, 12 of

California’s 58 counties still had an unemployment rate over ten percent, predominately agricultural or rural areas. The highest recorded unemployment rates were Imperial County at 19.6% and Colusa County at 19.3%.

California Forecast

On many levels, California’s economy is doing very well. Following a 3.0% increase in 2015, nonfarm jobs are expected to grow by 2.5% in 2016, slowing to 1.6% in 2017. The unemployment rate averaged 6.2% last year and is expected to decline to 5.5% in 2016 (the long-run average since 1990 is 7.5%). With further improvements anticipated for the labor market, personal income and total taxable sales should increase by 4.5% and 5.5% respectively this year, with additional gains expected in 2017.

In addition to a relatively strong employment outlook, California has made significant headway in setting its fiscal house in order. The state’s finances have stabilized, and after years of deficits, the General Fund is expected to end the current fiscal year with a cash surplus for the third consecutive year. California’s bond rating has also improved (although the state still ranks among the bottom three – only New Jersey and Illinois have a lower rating), saving the General Fund millions of dollars per year in borrowing costs. In January, Governor Brown proposed a 2016-17 budget that would bring the state’s cash reserves up to $10.2 billion by the end of the next fiscal year while increasing spending on infrastructure and education. Although passing a budget is in the hands of the Legislature, the Governor has communicated his position that planning for the next downturn is necessary to protect the remarkable economic progress California has achieved in recent years.

At the same time, a number of persistent problems continue to defy resolution. The unfunded liability of state retiree health care costs (currently at $74.1 billion) remains a concern. Moreover, it is not yet certain how much the Legislature will budget to fund critical and long deferred infrastructure projects and maintenance. There is also a severe shortage of housing (affordable and otherwise) particularly in the metro areas that are experiencing the fastest rates of job growth. At the same time, many of California’s inland and rural regions have not shared in the economic growth enjoyed by the state’s larger coastal metro areas. Additionally, California’s poverty rate remains depressingly high, 16.4% by official measures and as high as 21% if California’s high cost of living is factored in.

Still, most regions in the state have regained all of the jobs lost during the recession or are very close to doing so. Expanding the benefits of the state’s economic growth to a larger share of the population is the next big step. Meeting this challenge will require attracting skilled workers to the state, increasing college enrollment and completion rates, upgrading the state’s physical infrastructure, and careful management of California’s finances and water resources.

Multi-Family Market

The rental market in Southern California has been strong for several years and demand for rental units shows no sign of slowing. Vacancy rates are low and rental rates continue to rise. In spite of the local boom in new apartment construction and the increase in rentals of single-family homes, supply has not kept up with demand, especially in the market for more affordable units.

A number of economic and demographic factors are driving demand for rental housing. Stronger job growth has enabled more young people to form separate households and many are choosing to rent. In some cases, the decision to rent is due to preference, but other factors such as student loan debt may also influence this decision. This trend has kept younger people out of the housing market and may also be preventing their parents from downsizing their homes and relocating to neighborhoods with amenities geared to older adults. The difficulties of qualifying for a mortgage loan or coming up with a down payment have also pushed many would-be buyers to the rental market. Rents in Southern California are soaring even faster than home prices.

In Los Angeles County, a household earning median income and paying median rent will spend about half their monthly income in rent. A household spending more than 30% of their income on rent is considered "cost burdened" and when that ratio rises to over 50%, households are considered "severely cost burdened". In many areas, it is now more expensive to rent than to own. With such a large share of income needed for rent, many households cannot save for a down payment on a home. Since housing typically constitutes the largest share of average annual household expenditures, increases in housing costs can have a detrimental effect on other areas of consumer spending like food, healthcare, clothing and transportation.

Since the end of the recession, multi-family (mostly apartments) has been the most active area of new residential construction. The increased ratio of multi- to single-family new home construction is clearly visible in many metro areas in California, including Los Angeles. So far, improvement in underlying fundamentals (household formation, employment and income growth) suggests that current demand can absorb supply. Looking ahead, as more apartment units become available, the added supply should push vacancy rates higher and check the rate at which rental rates have been rising. The big question is when. [1]

[1] (LAEDC Kyser Center For Economic Research, 2016-2017)

Norwalk

Norwalk is a suburban city in Los Angeles County, California, United States. The population is estimated to be 107,096 as of 2014. It is the 58th most densely-populated city in California.

Founded in the late 19th century, Norwalk was incorporated as a city in 1957. It is located 17 miles (27 km) southeast of downtown Los Angeles and is part of the Greater Los Angeles area.

Norwalk is a member of the Gateway Cities Council of Governments. Norwalk's sister cities are Morelia, Michoacán, and Hermosillo, Sonora, in Mexico.

Geography

According to the United States Census Bureau, the city has a total area of 25.243 km2 (10 sq mi). 9.707 square miles (25.14 km2) of it is land and 0.039 square miles (0.10 km2) of it (0.40%) is water.

Norwalk is bordered by Downey on the northwest, Bellflower on the southwest, Cerritos and Artesia on the south, and Santa Fe Springs on the north and east.

Demographics

The 2010 United States Census reported that Norwalk had a population of 105,549. The population density was 10,829.6 people per square mile (4,181.3/km²). The racial makeup of Norwalk was 52,089 (49.4%) White (12.3% Non-Hispanic White),[6] 4,593 (4.4%) African American, 1,213 (1.1%) Native American, 12,700 (12.0%) Asian (5.3% Filipino, 2.5% Korean, 0.9% Chinese, 0.8% Indian, 0.8% Vietnamese, 0.6% Cambodian, 0.3% Thai, 0.3% Japanese), 431 (0.4%) Pacific Islander, 29,954 (28.4%) from other races, and 4,569 (4.3%) from two or more races. Hispanic or Latino of any race were 74,041 persons (70.1%); 60.0% of Norwalk is Mexican, 2.7% Salvadoran, 1.3% Guatemalan, 0.6% Nicaraguan, 0.5% Puerto Rican, 0.4% Cuban, 0.4% Peruvian, 0.3% Honduran, 0.3% Ecuadorian, and 0.3% Colombian.[2]

[2] (Wikipedia, 2016)

Highest and Best Use Analysis

Summary: The intent of the highest and best use analysis is to indicate which use of the subject land parcel would result in the highest value of the subject land parcel. A brief consideration of highest and best use is provided and is not intended for any use other than supporting this appraisal report. The Appraisal Institute endorsed method of considering the following 4 conditions will be applied in determining this property's highest and best use as vacant and as improved.

- For the subject property's parcel of land, the current legal permissible uses include single family and multi-family residential properties.
- Physically possible does not restrict potential uses beyond what is legally permitted and what is physically possible based on the topography and characteristics of the land. The subject is currently improved with usable property, utilities, and is located within an area that supports use as multi-family properties based on their proximity to supporting areas. The physically possible restriction does not restrict the subject's potential uses beyond that limited by legally permissible uses.
- Economically feasible uses are restricted to uses that deliver greater value increase than cost to construct or improve. The subject is currently being used as vacant land and would require no additional investment for such use.
- Maximum productivity is provided by the use which delivers the greatest increase to land value out of the uses that fulfill the preceding requirements. The indicated highest and best use for the subject property is multi-family.

Specifically: The highest and best use for the subject property warrants greater consideration if the existing improvements may contribute significantly less to value of the land than a more potentially profitable property.

The highest and best use conclusions are as follow:

As improved, the highest and best use as vacant would be a multi-family

Property Taxes

Tax Information

APN :	8082-017-022	Water Tax Dist:	Central And W Basin
Tax Area:	6768	Fire Dept Tax Dist:	Consolidated Co
Lot:	9		
Legal Description:	RECORD OF SURVEY AS PER BK 59 PG 13 OF R S E 48 FT EX OF ST LOT 9		

Assessment & Tax

Assessment Year	2015	2014	2013
Assessed Value - Total	$316,193	$284,269	$282,985
Assessed Value - Land	$316,193	$284,269	$282,985
YOY Assessed Change ($)	$31,924	$1,284	
YOY Assessed Change (%)	11.23%	0.45%	

Tax Year	Total Tax	Change ($)	Change (%)
2013	$3,213		
2014	$3,291	$78	2.42%
2015	$3,866	$575	17.49%

Special Assessment	Tax Amount
La Co Haz Abate 62	$41.77
Flood Control 62	$2.81
Laco Vectr Cntrl80	$8.97
Mwd Standby #13 86	$10.44
Cb Mwd Stdby Chg86	$10.00
County Park Dist21	$3.86
La Co Fire Dept 32	$16.20
Total Of Special Assessments	$94.05

For 2015, the total assessed value of the property is $316,193 and the property taxes are $3,866. Both of these values appear to be below market value.

Valuation Methodology

There are three primary ways of estimating the value of real estate. They are the Sales Comparison Approach, Income Approach, and Cost Approach. The importance of these approaches depends on the type of property, use of appraisal, and the quality and quantity of data available. All three approaches can be applicable to many appraisal problems, but the relative importance and relevance of these approaches will vary based on the specific parameters and conditions of the assignment.

Cost Approach

The cost approach is an estimation of an improved property's value based on a calculation of the improvement’s cost to build plus value of land minus a depreciation of improvements amount determined by an estimate of decrease in value due to market conditions, wear and tear, and any causes. This approach is not included in this appraisal.

Income Approach

The income approach is a valuation of a property's potential to produce income. This approach is applicable for properties that generate income. The subject’s currently collected income was considered against the income of other similar income generating properties and rental comparables. An estimate of value is made based on the subject property’s income generating characteristics in comparison to other income generating properties that have sold or are found to be currently generating income. This approach was used as one of the ways of valuing the property for this appraisal.

Sales Comparison Approach

The sales comparison approach is an analysis of the characteristics of a property that affect its desirability, then determining how much these characteristics contribute to the transfer value or listing price. Sales of properties as similar to the subject property as possible are analyzed in this manner by adjusting the sales prices of those sold or listed properties for features different from the subject to determine the most probable sales price of the subject. This approach was used as one of the ways of valuing the property for this appraisal.

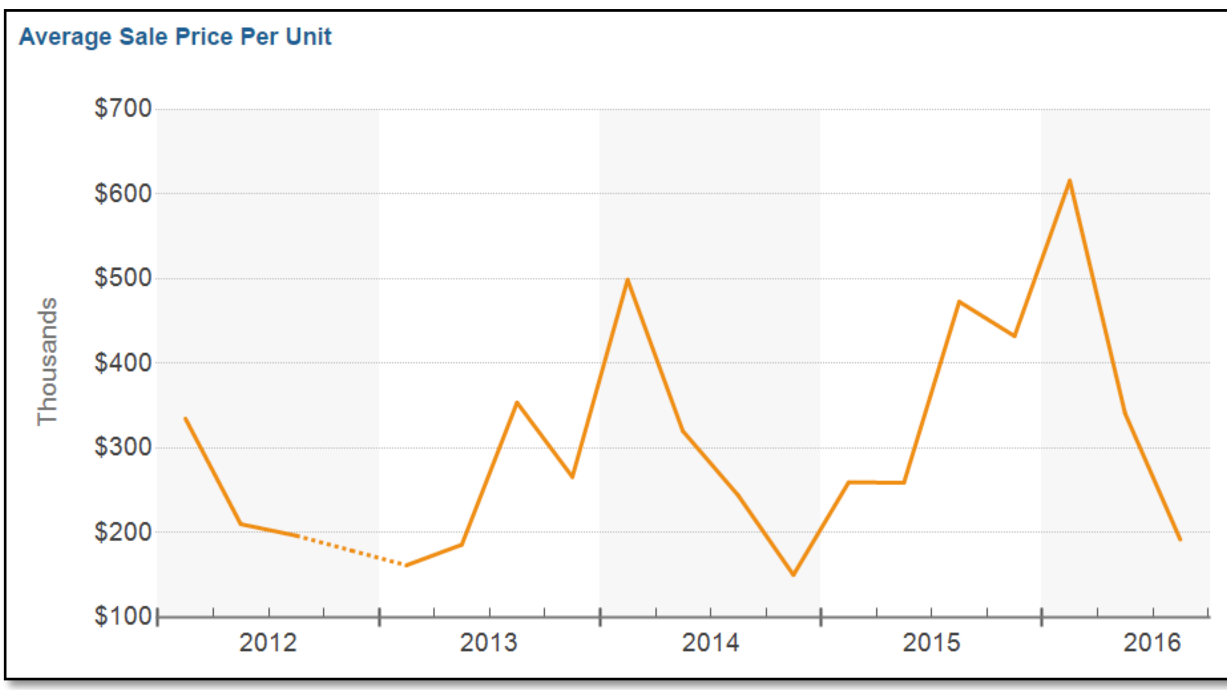
Sales Comparison Approach

Methodology: The sales comparison approach is based on determining which features of the subject property affect its desirability to potential buyers by considering recent sales of properties that would be competing purchase options to the potential purchaser of the subject property. The differences between the comparable properties and the subject are analyzed to determine the most likely sales price of the subject property after a hypothetical marketing time or exposure time on the open market of 6-12 months.

The Process is as follows:

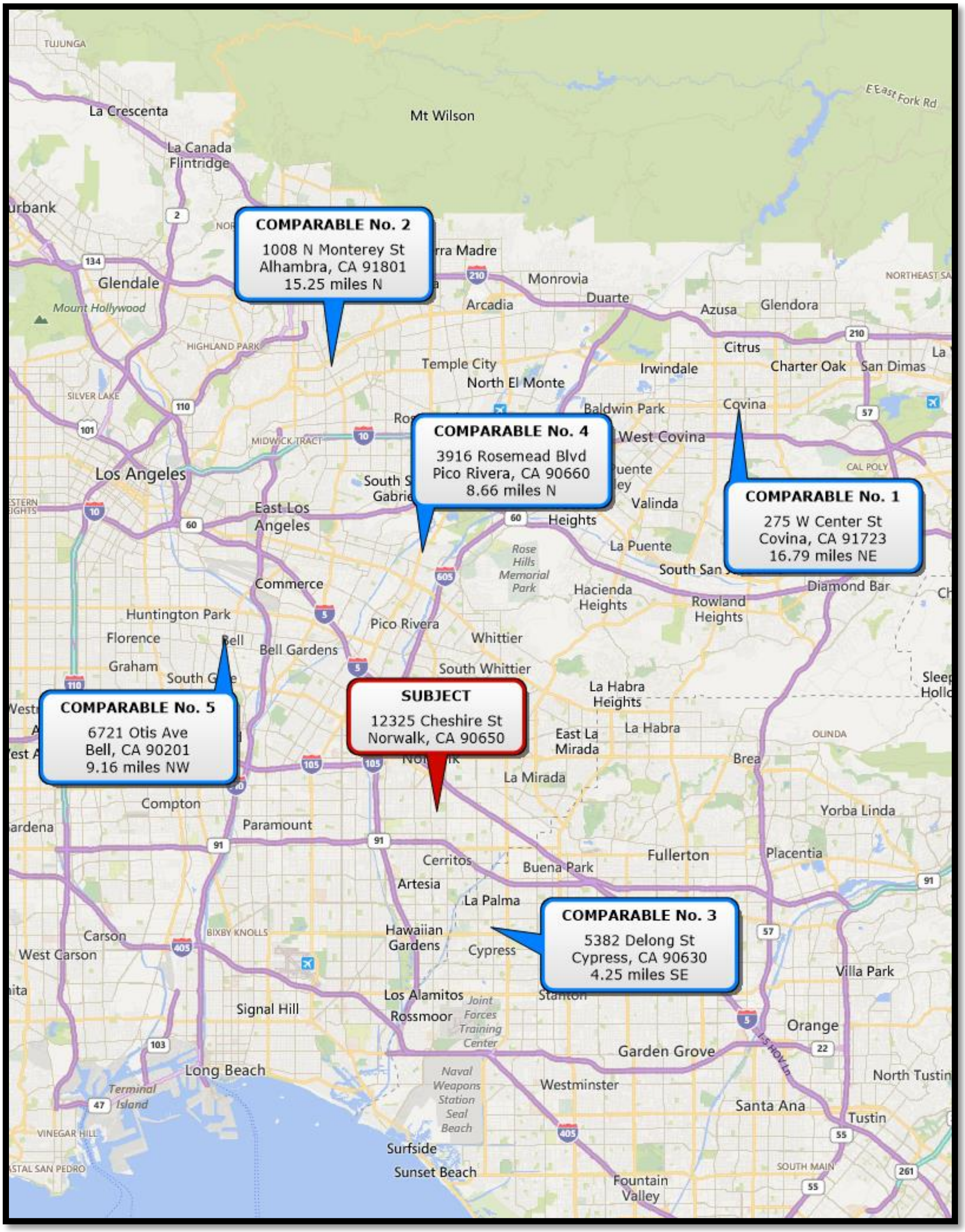
1) Select comparables based on similarity to subject property and recentness of transaction.
   a) The subject is a proposed 6 unit multi-family property with all 3 bed and 2 bed units.
   b) The comparables are a mixture of similar age and bed count multi-family properties.
2) Research and verify data for the most relevant sales.
3) Analyze the differences between the comparable sales and the subject.
4) Valuation per unit is the method most commonly used by market participants and will be utilized in the sales comparison approach.

The following chart shows the average sales price per unit for multi-family properties under 20 units and built after 2006 within a 20 mile radius (171 Properties):



The large price fluctuations are most likely due to the small sample size.

Location of Sales Comparables



Comparable #1

275 W Center St

Covina, CA 91723

Sold Price: $3,850,000 ($481,250/unit)

# of Units: 8

GBA: 12,386 sf

Lot Size: 19,998 sf

Use: Multi-Family

Year Built: 2016

Unit Breakdown: 8 – 3 Bed

APN: 8444-002-033

Sales Date: 05/04/2016

Doc#: 0506058

Sale Type: Arms Length

Owner: Jouman Rizko

Seller: Joe Wilkins

Financing: Unknown

Data Source: Costar, Realist, Public Records

Comparable #2

1008 N Monterey St

Alhambra, CA 91801

Sold Price: $7,200,000 ($480,000/unit)

# of Units: 15

GBA: 15,712 SF

Lot Size: 27,325 SF

Use: Multi-Family

Year Built: 2014

Unit Breakdown: 15 – 2 Bed

APN: 5322-016-083

Sales Date: 09/22/2015

Doc#: 1171959

Sale Type: Arms Length

Owner: 5018 Rosemead Corp

Seller: Balian Investments LLC

Financing: Conventional

Data Source: Costar, Realist, Public Records

Comparable #3

5382 Delong St

Cypress, CA 90630

Sold Price: $1,390,000 ($463,333/unit)

# of Units: 3

GBA: 5,189 SF

Lot Size: 12,197 SF

Use: Multi-Family

Year Built: 2006

Unit Breakdown: 1 – 5 Bed, 2 – 3 Bed

APN: 262-432-06

Sales Date: 03/23/2016

Doc#: 121947

Sale Type: Arms Length

Owner: Chen Yenchi K

Seller: Choi Candie 2011 Trust

Financing: Conventional

Data Source: Costar, Realist, Public Records

Comparable #4

3916 Rosemead Blvd

Pico Rivera, CA 90660

Sold Price: $3,250,000 ($361,111/unit)

# of Units: 9

GBA: 12,450 SF

Lot Size: 24,067 SF

Use: Multi-Family

Year Built: 2011

Unit Breakdown: 9 – 3 Bed

APN: 8121-001-151

Sales Date: 08/14/2015

Doc#: 1000346

Sale Type: Arms Length

Owner: Tong Jerry S

Seller: Pico Garden LLC

Financing: Private

Data Source: Costar, Realist, Public Records

Comparable #5

6721 Otis Ave

Bell, CA 90201

Sold Price: $750,000 ($375,000/unit)

# of Units: 2

GBA: 2,343 SF

Lot Size: 6,684 SF

Use: Multi-Family

Year Built: 2016

Unit Breakdown: 1 – 3 Bed, 1 – 2 Bed

APN: 6325-008-009

List Date: 07/19/2016

DOM: 13

List Type: Standard

Listing Status: Active

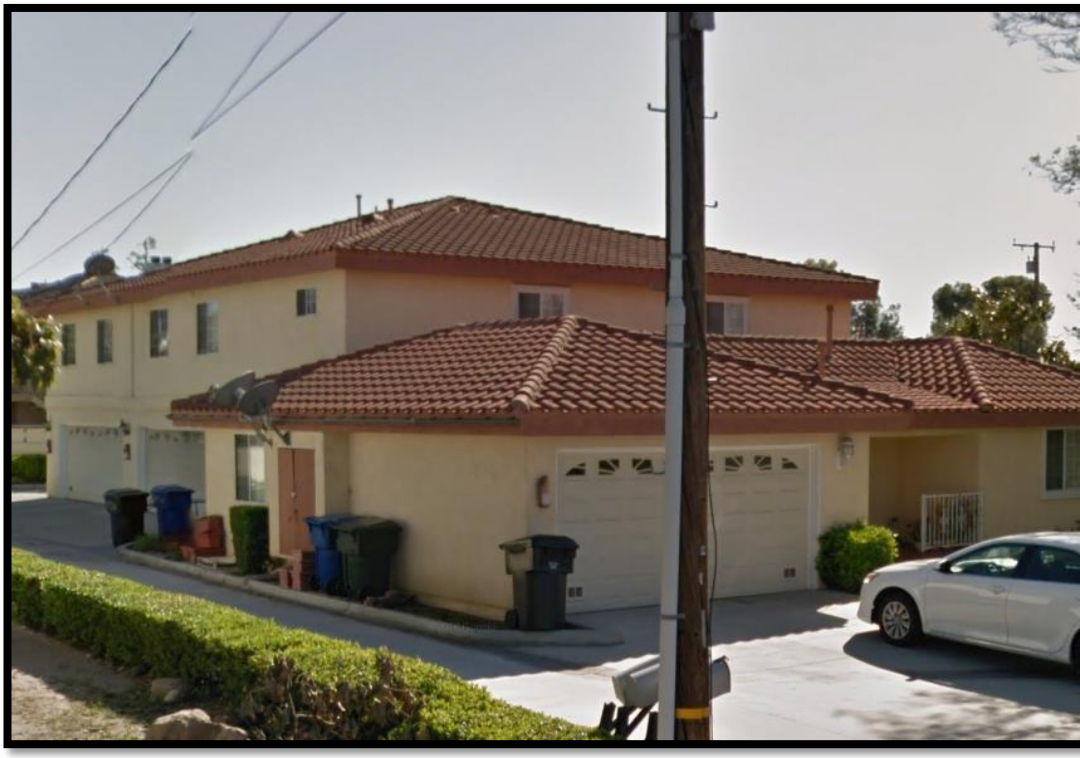
Owner: Lb Construction Services Inc

Data Source: Costar, Realist, Public Records

Comparable 1 – 275 W Center St, Covina, CA 91723

Comparable 2 – 1008 N Monterey St, Alhambra, CA 91801

Comparable 3 – 5382 Delong St, Cypress, CA 90630



Comparable 4 – 3916 Rosemead Blvd, Pico Rivera, CA 90660

Comparable 5 – 6721 Otis Ave, Bell, CA 90201

Comparable Sales Adjustment Grid

Sale Number		Subject	1	2	3	4	5
Sale Price			$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
# of Units		6	8	15	3	9	2
Price Per Unit			$481,250	$480,000	$463,333	$361,111	$375,000
Buyer Expenditures			None	None	None	None	None
	Adjustment		$0	$0	$0	$0	$0
	Adjusted Price		$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
Property Rights Conveyed			Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
	Adjustment		$0	$0	$0	$0	$0
	Adjusted Price		$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
Financing Terms			Unknown	Conv	Conv	Private	N/A
	Adjustment		$0	$0	$0	$0	$0
	Adjusted Price		$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
Conditions of Sale			Arms Length	Arms Length	Arms Length	Arms Length	Listing
	Adjustment		0%	0%	0%	0%	0%
	Adjusted Price		$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
Market Conditions			May-16	Sep-15	Mar-16	Aug-15	Active
	No. of Months		3	11	5	12	DOM:13
	Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
	Adjusted Price		$3,850,000	$7,200,000	$1,390,000	$3,250,000	$750,000
Building Size		7,993	12,386	15,712	5,189	12,450	2,343
Site Size		14,479	19,998	27,325	12,197	24,067	6,684
Avg Unit Size		1332	1548	1047	1730	1383	1172
Year Built		2017	2016	2014	2006	2011	2016
Density (Units/Acre)		18	17	24	11	16	13
Adjusted Price Per Unit			$481,250	$480,000	$463,333	$361,111	$375,000
Property Characteristics							
	Location		-5%	-10%	-15%	0%	0%
	Design/Appeal		0%	0%	5%	5%	5%
	Condition		0%	0%	5%	5%	0%
	Age		0%	0%	5%	2.5%	0%
	Avg Unit Size		0%	5%	-5%	0%	0%
	Density		0%	0%	0%	0%	0%
Net Adj. Property Characteristics			-5%	-5%	-5%	12.5%	5%
Indicated Value per Unit			**$457,188**	**$456,000**	**$440,167**	**$406,250**	**$393,750**

Analysis of Adjustments

Adjustments are made to the price of the comparable property to reflect the comparables' superiority or inferiority in regards to the elements of comparison indicated below. Downward (negative) adjustments are made for superior elements of comparison and upward (positive) adjustments are made for inferior variables.

Buyer Expenditures: Adjustments in this line account for any costs paid by buyer after purchase to reflect any negative conditions of the comparable property that had to be dealt with by buyer after purchase.

Property Rights Conveyed: Any difference from the leased fee interest rights conveyed would warrant an adjustment in this line. All the comparable sales were leased fee interest rights conveyed.

Financing Terms: Any financing terms involved in the loan used to purchase the comparable property that are superior or inferior terms versus market terms warrants an adjustment in this line. No special financing terms was known for the comparable sales.

Conditions of Sale: Conditions of sale that are not arms length transactions would warrant an adjustment if indicated by market.

Market Conditions: Market conditions adjusted for positive or negative price trends in the market. The market is considered to be increasing; therefore an adjustment for time from sale was made. Although some comparables were purchased more than two years ago, demand and supply for properties of this nature were considered in short supply since the dates of sale.

Property Characteristics:

- **Location:** Location adjustments are for differences that affect the desirability of comparable versus subject based on location.
- **Design/Appeal:** Contemporary properties are typically more desirable.
- **Condition:** This factor adjusted for property conditions and quality related to maintenance and quality of construction.
- **Age:** This adjustment was based on age of building which affects the building standards at time of construction.
- **Average Unit Size:** This adjustment was based on the average size of the subject's units. A larger average unit size is more desirable.
- **Density:** Properties located on larger lots relative to the number of units are more desirable because they allow for more units to be built.

Adjusted Values:

			Unadjusted		Adjusted		
Minimum Adjusted			$361,111		$393,750		
Maximum Adjusted			$481,250		$457,188		
Average			$432,139		$430,671		
Median			$463,333		$440,167		

Summary of Adjustments:

Comparable 1: Comparable was adjusted for superior location. It is located in the more desirable area of Covina.

Comparable 2: Comparable 2 was adjusted for location, and average unit size. This property is located in a more desirable area but has a smaller average unit size.

Comparable 3: Comparable 3 was adjusted for location, design/appeal, condition, age, and average unit size. This property is located in a superior location but is older in age and inferior in condition. It also has a larger average unit size. It has a less desirable design/appeal.

Comparable 4: Comparable 4 was adjusted for condition, design/appeal and age. This property appears to be inferior in condition and is older in age. It has a less desirable design/appeal.

Comparable 5: Comparable 5 was adjusted for design/appeal. This properly is similar in most aspects except that it has a less desirable design/appeal.

Conclusion: The adjustments are based on preferences of buyers for better condition properties with larger unit sizes and better locations.

Adjusted values from the sales comparison approach per unit ranged from $393,750 to $457,188. Estimated value is **$435,000/unit.**

$435,000/sf x 6 units = $2,610,000

Sales Comparison Approach Value "As Completed"

<u>$2,600,000</u>

Income Approach to Value

Summary

The Income Approach to value is an appraisal technique wherein the stabilized net annual income is processed into an estimate of value. The processing is called capitalization and is the method by which the future net income is converted into a present value.

There are two methods of capitalization. The first, direct capitalization, converts a single year's income into a value estimate by dividing it by an appropriate capitalization rate, also known as an overall rate (OAR). This method is best suited to properties that have been operating on a stable basis, with ample comparable sales from which to derive an applicable capitalization rate. The second method, discounted cash flow analysis (DCF) applies a discount rate to a set of projected income streams and a reversion. The method is commonly used when income streams are expected to change in an irregular pattern over time, but may also be applied to regular income streams.

The subject is in a stable multi-family market, with an established income stream, moderate to high demand and ample comparable sales data from which to derive an applicable capitalization rate. Therefore, the direct capitalization method will be used. The steps in this process are summarized below:

- Estimate market rent by surveying comparable multi-family properties and project the potential gross income (PGI) for the subject.
- Since the subject property is an affordable project with rent restrictions, the current rents will be utilized as opposed to the market rents.
- Determine an appropriate vacancy and collection loss rate from the market data.
- Analyze operating expenses and subtract them from the effective gross income in order to calculate the net operating income (NOI) for the subject.
- Determine an appropriate OAR for the subject and apply this rate to the subject's NOI to estimate value.

Potential Gross Income is the total potential income attributable to the subject at full occupancy before operating expenses are deducted. In order to estimate the market rental value of the subject's multi-family units, several residential properties were surveyed in the vicinity of the subject property. Numerous other multi-family, condo, and SFR properties are located within close proximity. The rent comparables believed to be the most meaningful to the analysis of the subject property are summarized on the following pages.

Since the subject property is a proposed multi-family property, the estimated market rents will be utilized for the income approach.

Multi-Family Rental Comparables

	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	12325 Cheshire St	12313 Cheshire St #B	13090 Sycamore Village Dr	12053 162nd St	12257 Heritage Springs Dr	5382 Delong St
City	Norwalk	Norwalk	Norwalk	Norwalk	Santa Fe Springs	Cypress
Year Built	2017	2000	1995	1932	2015	2006
Type	Apartment	Condo	Condo	SFR (Detached)	Apartment	3 Unit
3 Bedroom						
Rent/Mo		$2,190			$2,770	$2,250
Size (SF)		1,297			1,207	1,500
2 Bedroom						
Rent/Mo			$1,950	$2,000	$2,260	
Size (SF)			1,369	1,100	1,007	
Average Rent/Mo - 3 Bedrooms		$2,403				
Average Rent/Mo - 2 Bedrooms		$2,070				

Market Rent Conclusion:

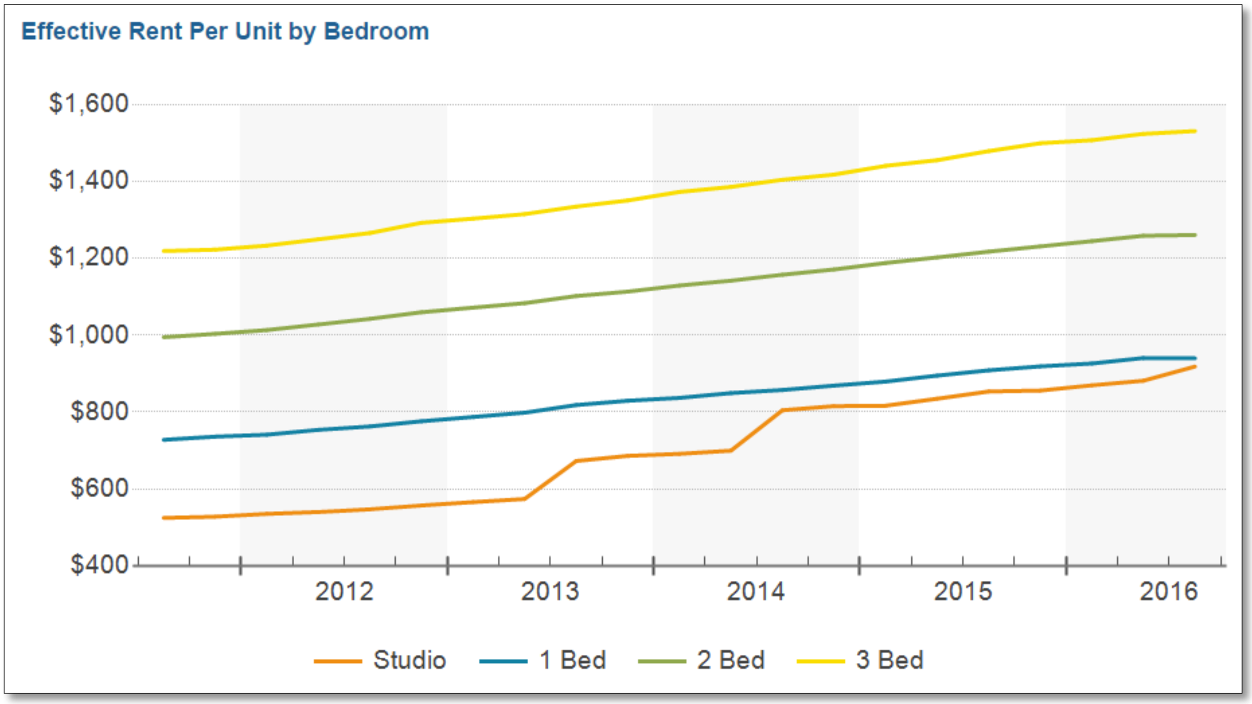
The market rent comparables ranged from $2,190 to $2,770 per month for the 3 bedroom units with an average of $2,403. The 2 bedroom units ranged from $1,950 to $2,260 per month with an average of $2,070.

Based on the rental comparables, the market rents for the subject were estimated at:

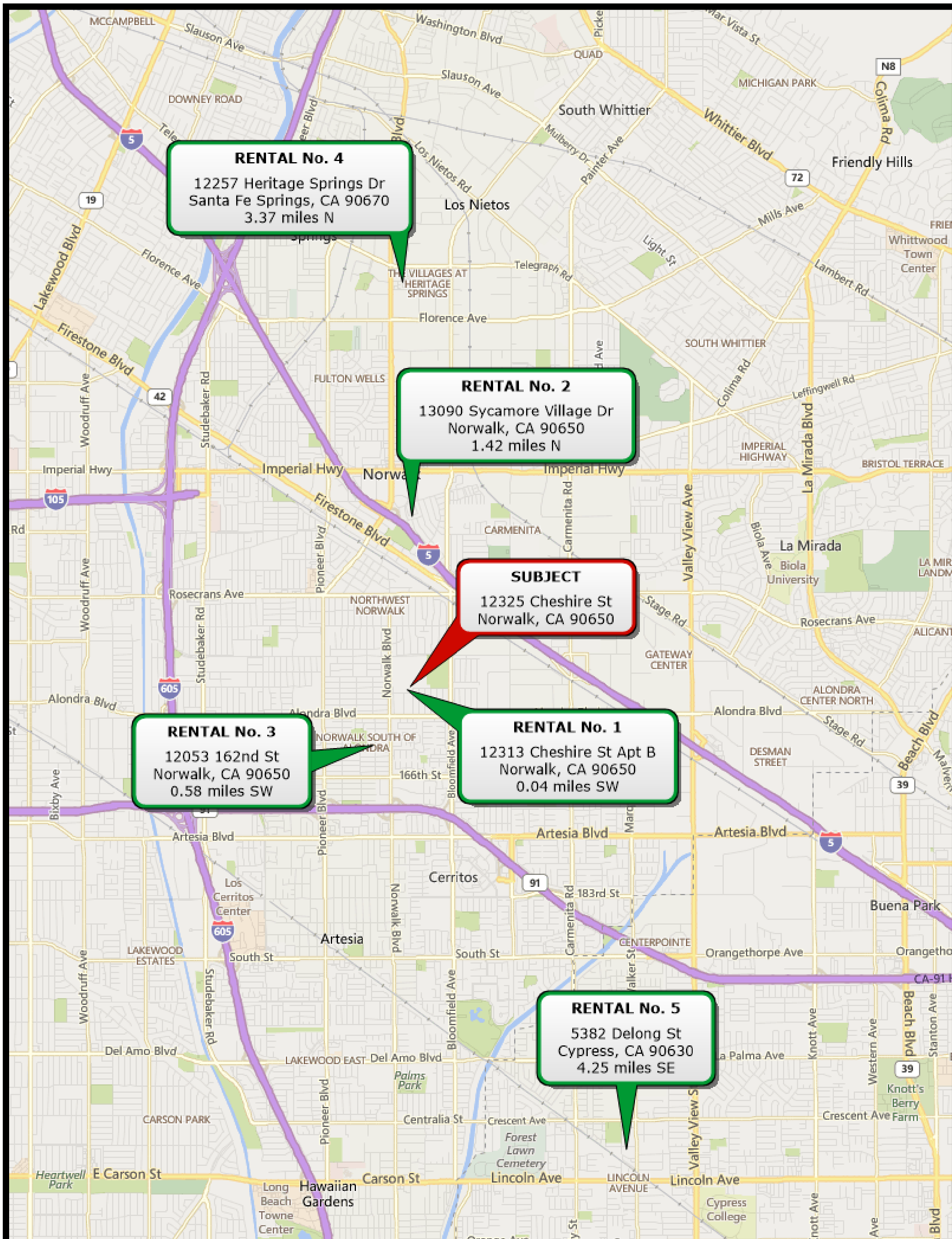
- **$2600** for the 3 Bedroom Unit
- **$2200** for the 2 Bedroom Units

These estimated market rents will be utilized in the projected gross income for the income approach. They are on the higher end of the range but appear to be appropriate since the subject property is going to be brand new.

The chart below shows the effective market rent by bedroom count for Multi-family properties under 20 units within a 5 mile radius (1027 Properties).



Location of Rental Comparables



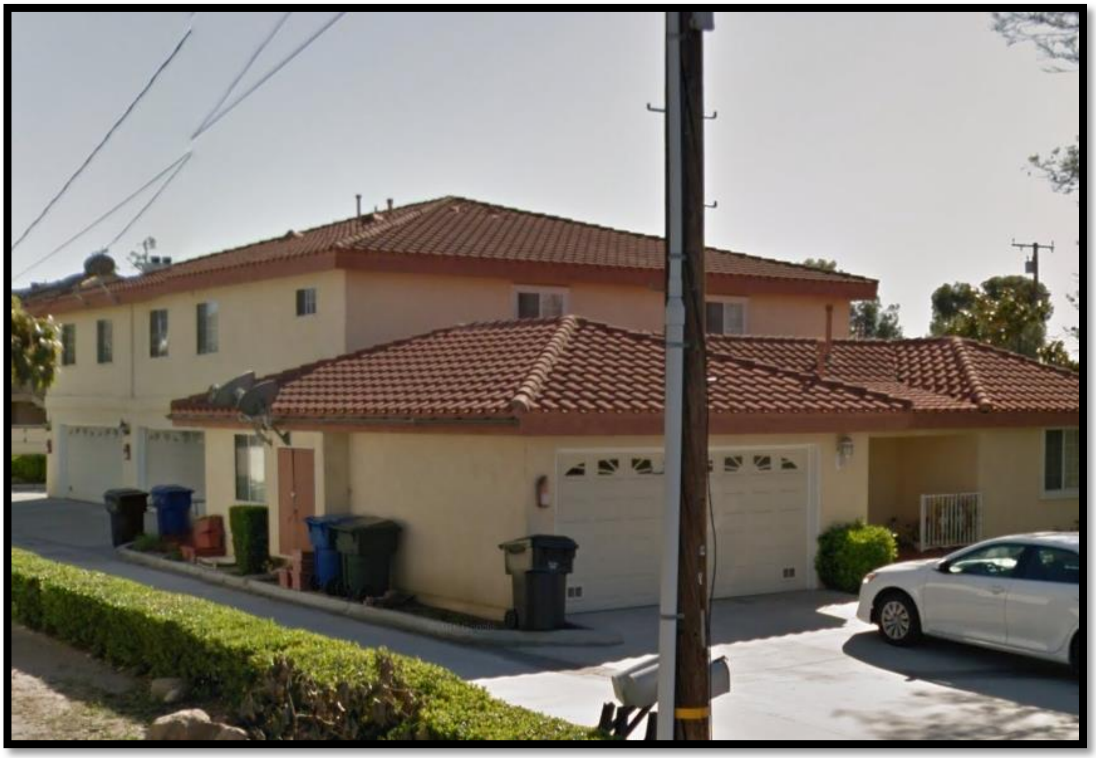
Rental Comparable 1 – 12313 Cheshire St #B, Norwalk, CA 90650

Rental Comparable 2 – 13090 Sycamore Village Dr, Norwalk, CA 90650

Rental Comparable 3 – 12053 162nd St, Norwalk, CA 90650

Rental Comparable 4 –12257 Heritage Springs Dr, Santa Fe Springs, CA 90670

Rental Comparable 5 – 5382 Delong St, Cypress, CA 90630



Forecasted Market Rent - Potential Gross Income

Since the subject is a proposed multi-family property, there are no current leases. Therefore, the market rental rates of $2,600 for the 3 bedroom unit and $2,200 for the 2 bedroom units were utilized.

Unit #	Bed Count	Bed Count	Size (SF)	Rent
A	3	2	1,833	$2,600
B	2	2	1,232	$2,200
C	2	2	1,232	$2,200
D	2	2	1,232	$2,200
E	2	2	1,232	$2,200
F	2	2	1,232	$2,200
Total Monthly				$13,600
Total Annual				$163,200

Vacancy/Collection Loss

Multi-family properties under 20 units within a 5 mile radius (1027 Properties):

Based on the above chart, Vacancy/Collection Loss is estimated at **3%** and applied to collected rents for the subject property. Newer properties typically have lower vacancy rates.

Cap Rate

Multi-family properties under 20 units within a 5 mile radius (1027 Properties):

Cap Rate Comparables

Address	# of Units	Price	Sales Date	Cap Rate
11982-11986 Walnut St Norwalk, CA	14	$1,780,000	10/30/2015	4.50%
7425 9th St Buena Park, CA	54	$10,000,000	1/20/2016	4.40%
4861 Clark Ave Long Beach, CA	6	$1,050,000	In Escrow	4.31%
11719 Coldbrook Ave Downey, CA	5	$1,050,000	2/17/2016	4.01%
9502 Oak St Bellflower, CA	16	$3,000,000	2/12/2016	3.89%
			Average	4.22%

Based on the cap rate comparables, sales comparables, and data provided by Costar in the previous charts, the estimated overall cap rate is **4.25%**.

Income Capitalization Approach to Value Summary

Income	Forecasted	Per SF	%
Projected Gross Income	$163,200		
Total Income	**$163,200**		
Vacancy	3.0%		
Effective Gross Income	**$158,304**	7,993	100%
Expenses			
Insurance	$2,000	$0.25	1%
Maintenance	$4,500	$0.56	3%
Utilities	$1,800	$0.23	1%
Property Taxes	$27,000	$3.38	17%
Management	$5,541	$0.69	3.5%
Misc	$2,500	$0.31	2%
Total Expenses	**$43,341**		**27.4%**
Net Operating Income	**$114,963**		
The NOI divided by a 4.25% overall capitalization rate, provides an indication of the prospective market value by the Income Capitalization Approach:	**4.25%**		
Value:	**$2,705,020**		

Income Approach Value "As Completed"

<u>$2,700,000</u>

Operating Expense Analysis

Since the subject property is a proposed property, there is no prior income and expense history. Therefore, estimated income and expenses were utilized for the income approach based on market data and our experience with past properties of this type.

Vacancy was estimated at 3% based on the market vacancy rates per Costar data and historical numbers. (See chart on prior page). Since the property will be a new construction, it typically would be rented easier than older properties. Therefore, we used a lower vacancy.

Insurance was estimated at $2,000 per year based on market data and typical insurance expenses of a property of this age and type.

Maintenance was estimated at $750 per unit per year, or $4,500. Maintenance includes repairs and landscaping. Newer buildings typically require less maintenance.

Utilities were estimated at $150 per month, or $1,800 per year. The utilities include common area electricity and water for landscaping.

Property Taxes were estimated at 1% of the appraised value, or $27,000 per year.

Management was estimated at 3.5% of the effective gross income, or $5,541 per year. No on-site management is required.

Miscellaneous expenses were estimated at $2,500 for the year. This would include admin, legal, and accounting.

Cap Rate was estimated at 4.25% based on the market cap rates per Costar data, similar comparables, and historical numbers.

The total estimated expenses are ~27.5% of the effective gross income, which is typical of this type and age of property.

Reconciliation and Final Value Estimate

The Sales Comparison Approach is based on analyzing buyer preferences related to property characteristics and adjusting comparable properties' sales prices to come to an indicated value for subject. The Sales Comparison Approach indicated a value for $2,600,000 for the subject property, or $435,000 per unit.

Indicated value from Income Approach is based on the amount an investor would pay for the income that the property would generate under typical management. Indicated value from the Income Approach with estimated market rents is $2,700,000.

Indicated value from the Income Approach was reconciled with the Sales Comparison Approach. The majority of the weight was given to the Income Approach since the property is a new construction and a typical buyer of this property would use this approach over the sales comparison approach when valuing the property.

Estimated Market Value "As Completed"

<u>$2,700,000</u>

Subject Photo Addendum

Subject Photos taken 07/22/2016

Addendum

Project Details

UNITS:	5 UNITS 2-BED 2-BATH 1 ACCESSIBLE UNIT 3-BED/ 2-BATH

PARKING CALCULATION

PARKING REQUIRED:

RESIDENT PARKING	6 UNITS X 2 CARS FOR 2-BED OR 3-BED UNITS	12 CARS
GUEST PARKING	6 UNITS X 0.25 CARS	2 CARS
TOTAL NUMBER OF REQUIRED PARKING		14 CARS

PARKING PROVIDED:

COVERED PARKING	12 STALLS
ON SITE PARKING	4 STALLS
TOTAL	16 STALLS

SETBACK REQUIREMENT:

	REQUIRED	PROVIDED
FRONT YARD	15'-0" PER ZONING CODE	15'-0"
SIDE YARD	4'-10" (10% OF LOT WIDTH (3'-0" MIN.))	5'-0"
REAR YARD	20% OF LOT WIDTH (20' MAX.)	28'-8 1/2"

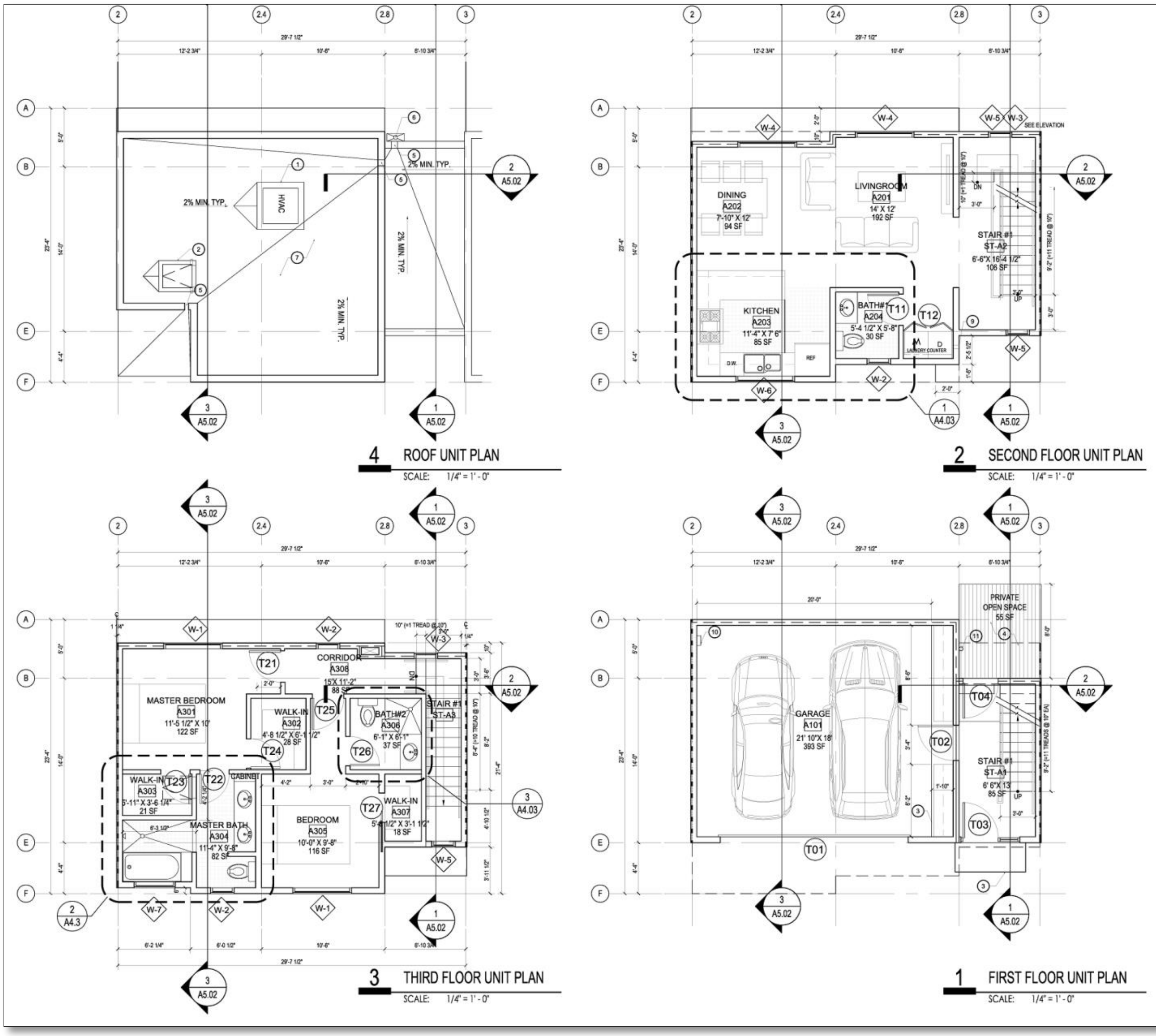
APARTMENT UNIT SUMMARY

	UNIT NAME	BED/BATH	FLOOR AREA
BUILDING "1"	UNIT TYPE 'A'	3 BED/2BATH	1,833 SF (GARAGE EXCLUDED / 428 SF)
	UNIT TYPE 'B'	2 BED/2BATH	1,232 SF (GARAGE EXCLUDED / 428 SF)
	UNIT TYPE 'C'	2 BED/2BATH	1,232 SF (GARAGE EXCLUDED / 428 SF)
	FLOOR AREA	SUBTOTAL	4,297 SF
BUILDING "2"	UNIT TYPE 'D'	2 BED/2BATH	1,232 SF (GARAGE EXCLUDED / 428 SF)
	UNIT TYPE 'E'	2 BED/2BATH	1,232 SF (GARAGE EXCLUDED / 428 SF)
	UNIT TYPE 'F'	2 BED/2BATH	1,232 SF (GARAGE EXCLUDED / 428 SF)
	FLOOR AREA	SUBTOTAL	3,696 SF
	TOTAL FLOOR AREA		7,993 SF (GARAGE EXCLUDED /2,568 SF)

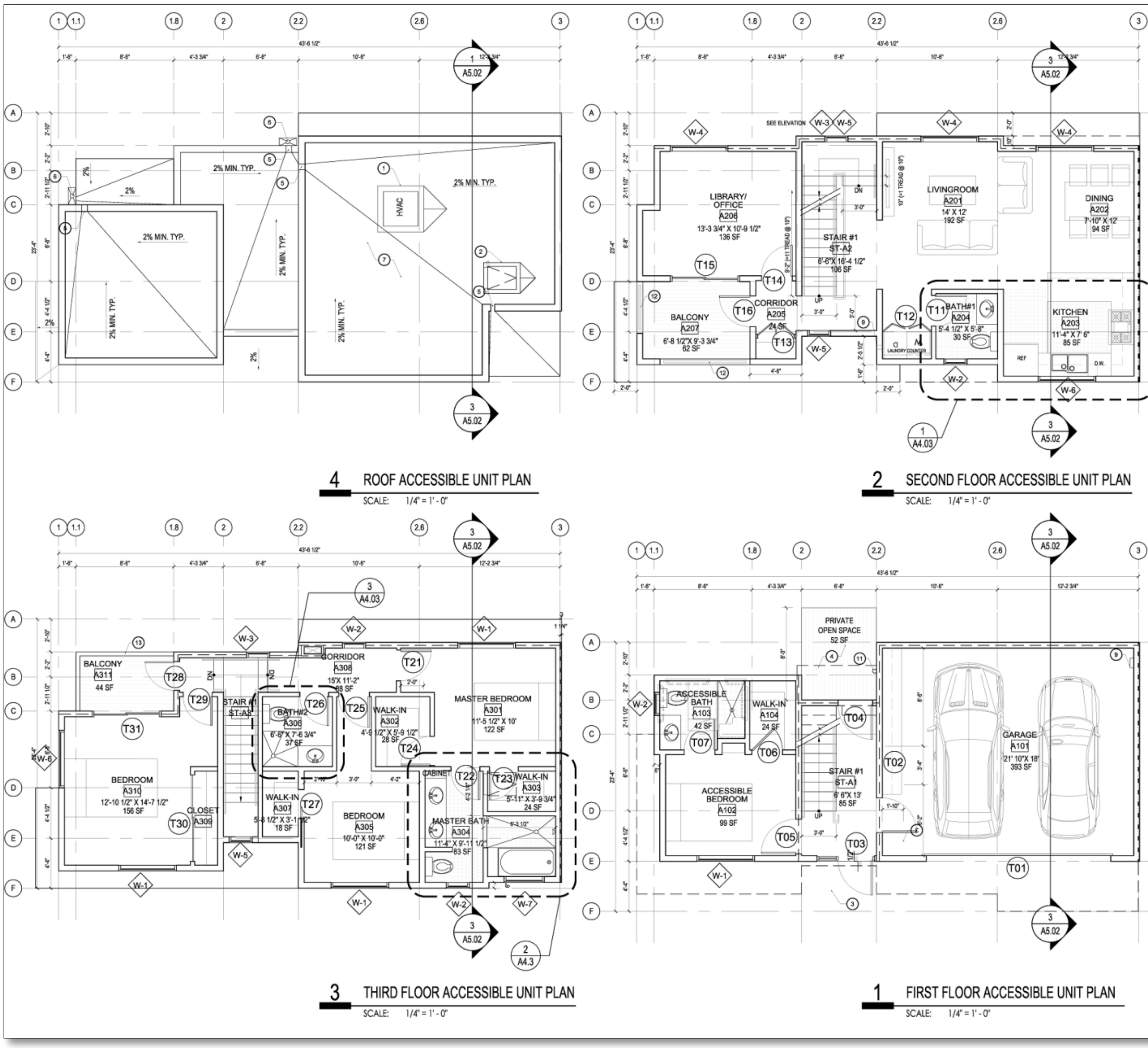
FLOOR AREA

	PER UNIT TYP.	PER ACC. UNIT.	BUILDING "1"	BUILDING "2"
FIRST FLOOR:	102 SF (428 SF GAR.)	297 SF (428 SF GAR.)	501 SF (1,284 GAR.)	306 SF (1,284 GAR.)
SECOND FLOOR:	579 SF	746 SF	1,904 SF	1,737 SF
THIRD FLOOR:	551 SF	790 SF	1,892 SF	1,653 SF
TOTAL FLOOR AREA:	1,232 SF (428 SF)	1,833 SF (428 SF)	4,297 SF (1,284)	3,696 SF(1,284)

2 Bedroom Floor Plan



3 Bedroom Accessible Floor Plan



Appraisal Issues - Conditions of Engagement

1. Conclusions & Opinions

   The conclusions and opinions expressed in this report apply to the date of value. The dollar amount of any value opinion or conclusion rendered or expressed in this report is based upon the purchasing power of the United States Dollar existing on this day.

2. Testimony or Attendance in Court

   Testimony or attendance in court or at any other hearing is not required by reason or rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the appraiser's time to prepare for and attend any such hearing.

3. Personal Property

   No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal. Additionally, the comparable data was of real property only, and no personal property was considered with any market data.

4. Land and Improvement Value

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

5. Sources of Financing

   Competitive institutional financing is assumed to be available.

6. Minerals & Other Rights

   No opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

7. Legal Expertise

   No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.

8. Appraiser Liability

   The liability of the appraiser is limited to the client only and to the fee actually received. If any legal action is brought against the appraiser, and the appraiser prevails, the party initiating such legal action shall reimburse the appraiser for all costs, including legal fees, incurred by the appraiser.

9. Sources of Information

   In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed or implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. No responsibility is assumed for errors or omissions, or for information not disclosed which might otherwise affect the valuation estimate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

10. Economic, Physical and Demographic Factors

    The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.

11. Disclosure

    Disclosure of the contents of this appraisal report is governed by the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP).

12. Rights of Publication

Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the appraiser(s), this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose. Neither all, nor any part, of the contents of this report (including 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, news media, sales media, or any other public means of communication without prior written consent and approval of the appraiser.

13. Ownership & Title

No opinion as to the title of the subject property is rendered. Information related to ownership and a legal description, was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.

14. Title Report

A title report was <u>not</u> provided to the appraiser.

The Site

15. Site Dimensions

No engineering survey or surveyor's dimensions have been made available to the appraiser(s). Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable.

16. Sub-soil Conditions

No distressed vegetation or other evidence of toxicity or soil contamination was observed during our inspection of the subject property. It is an assumption of this report that the sub-soil is clear of contaminants and other deleterious materials.

17. Drainage

As no hydrology studies were available for review, it is assumed that any drainage through or across the subject property would be contained, and the property under appraisement would not be subject to flooding.

Environmental Issues & Deleterious Materials

18. Hidden Conditions

The appraiser assumes no responsibility for hidden conditions in the subsoil, ground water or other structures, which render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden conditions.

19. Contamination/Toxicity

The appraiser has not been notified of the presence of any deleterious materials, such as asbestos. Unless otherwise stated, this report assumes the subject parcel is in compliance with all federal, state and local environmental laws, regulations and rules. It should be noted, however, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that any deleterious materials in the building are of such a minimal nature as to not affect the subject's value.

20. Earthquake & Seismic Disturbances

The property, which is the subject of this appraisal, is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geologic studies have been provided to the appraiser concerning the geologic and/or seismic condition of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

21. Americans with Disabilities Act

The Americans with Disabilities Act (ADA) became effective January 26, 1993. The appraisers have not made a specific compliance survey and analysis of the subject property to determine whether or not it is in conformity with the various detailed requirement 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 well 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 subject property. Since the appraisers have no direct evidence relating to this issue, possible non-compliance with the requirements of the ADA has not been considered.

Certification

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

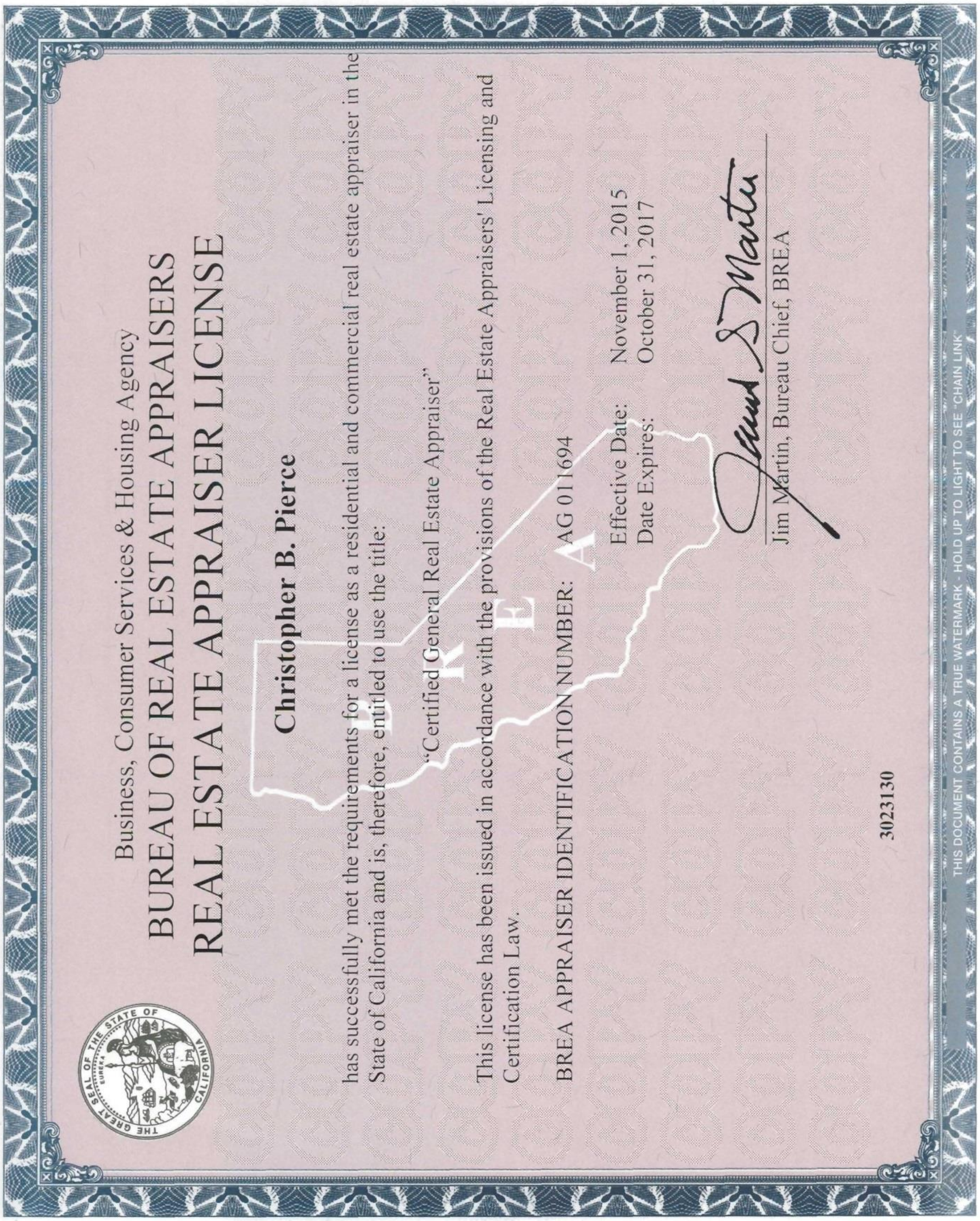
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Appraisers involved have not completed professional services related to subject property within the last 3 years.
- No one provided real significant real property appraisal assistance to the people signing the certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Chris Pierce personally inspected the property on 07/22/2016.
- Chris is current in his education for MAI and SRA designations.

Austin Fernald

Christopher Pierce – MAI, SRA
Licensed General Appraiser
AG011694

Austin Fernald
Licensed Appraiser
AL3002942

Christopher Pierce License



Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Christopher B. Pierce

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 011694

Effective Date: November 1, 2015

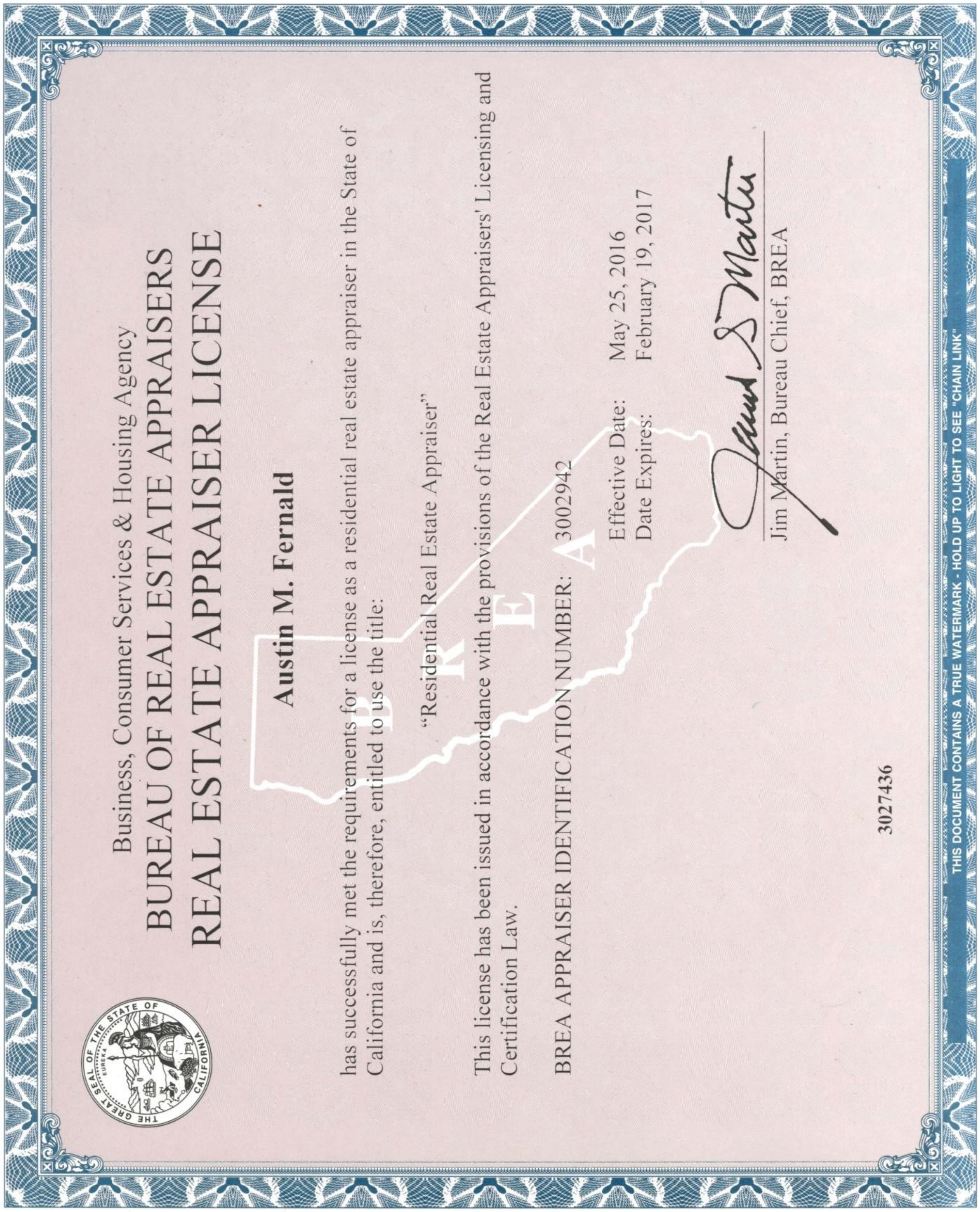
Date Expires: October 31, 2017

Jim Martin, Bureau Chief, BREA

3023130

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

Austin Fernald License



Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Austin M. Fernald

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

"Residential Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: 3002942

Effective Date: May 25, 2016

Date Expires: February 19, 2017

Jim Martin, Bureau Chief, BREA

3027436

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

Christopher Pierce Resume

CHRISTOPHER B. PIERCE

REALTY VALUATION SERVICES 2010-Present
Irvine, CA

Co-founder of a full service real estate appraisal company specializing in Commercial, Industrial and Residential valuation and quality control needs.

PCG APPRAISAL SERVICES (formerly Pierce Consulting Group)
Irvine, California 1991 - 2010

Work with various Real Estate Lenders, Attorneys, Accountants, Developers and Individuals performing, Commercial, Industrial and Residential appraisals, desk/field reviews and due diligence work.

TRW/SMS REAL ESTATE LOAN SERVICES
Anaheim, California 1992 - 1993

Staff Appraiser -Worked as a staff appraiser for a national appraisal firm. Appraisal work included, but is not limited to, FNMA/FHLMC Forms: 1004, 1073, 704, 1007, 216, 1025, 71A and 71B. Clients included: 1st Nationwide Bank, Countrywide Funding, Shearson Lehman, Chase Manhattan Bank, Sumitomo Bank and Security Pacific Bank.

MANNING COMPANY
Santa Ana Heights, California 1989 - 1991

Director of Land Acquisition and Forward Planning - Responsible for the acquisition and analysis of all single and multi-family residential development, project entitlements, formation and review of all special assessment districts, financing and updating of all project budgets, review and analysis of all MAI appraisals and related work.

A-M HOMES
Newport Beach, California 1985 - 1989

Project Manager - Responsible for project development, public hearings, coordination of consultants, land acquisition for future development, highest and best use analysis, zoning requirements/variances, general and specific plan amendments/updates and review of MAI appraisal work.

DAON CORPORATION
Newport Beach, California 1983 – 1985

Project Accountant - Responsibilities included feasibility of master planned communities, coordinated Assessment/Mello Roos district formation, assisted with the monthly financial statements, designed computer models for analysis of ongoing projects.

EDUCATION:
CENTRAL MICHIGAN UNIVERSITY, College of Business Administration. Bachelor of Science, Finance, 1983.

PROFESSIONAL ASSOCIATIONS AND LICENSES:
Appraisal Institute – MAI and SRA Designation
California Real Estate Broker- License #00892670
California State Contractor License - B1 - License #537895
California Certified General Appraiser - License #AG011694

RELATED APPRAISAL COURSE WORK:
Standards of Professional Practice Part A (Appraisal Institute)
Standards of Professional Practice Part B (Appraisal Institute)
Residential Appraisal 101 (Appraisal Institute)
Applied Residential Property Valuation 102 (Appraisal Institute)
Income Capitalization 310 (Appraisal Institute)
Advanced Income Capitalization 510 (Appraisal Institute)
Apartment Appraisal, Concepts and Applications (Appraisal Institute)
The Appraiser as an Expert Witness (Appraisal Institute)
Sales Comparison of Mixed Use Properties (Appraisal Institute)
National USPAP Course (Appraisal Institute)
Business Practices and Ethics (Appraisal Institute)
General Appraiser Market Analysis and Highest and Best Use (Appraisal Institute)
Advanced Applications (Appraisal Institute)
Advanced Sales/Cost Approach (Appraisal Institute)
Advanced Report Writing (Appraisal Institute)
Fundamentals of Separating Real/Personal Property and Intangible Assets (Appraisal Institute)

SEMINARS:
FNMA Guidelines (Appraisal Institute)
New Condo and New 2-4 Units (Appraisal Institute)
FHA and the Appraisal Process (Appraisal Institute)
Appraising Manufactured Housing (Appraisal Institute)
Subdivision Appraisal (Appraisal Institute)
Office Building Valuation (Appraisal Institute)
Appraising the Appraisal: Appraisal Review – General (Appraisal Institute)

PRINCIPAL MARKETS:
Orange, Los Angeles, Riverside, San Diego and San Bernardino Counties.

SOURCES OF DATA:
Carets
Comps Inc.
Core Logic
Inside Tract
Loop Net
NDC Data
Multiple Listing Service (MLS)
STDB

SOFTWARE:
A la mode
Apex
Argus

REFERENCES AVAILABLE UPON REQUEST

Austin Fernald Resume

Austin Fernald

Experience

2012-Present Realty Valuation Services San Clemente, CA

Commercial and Residential Real Estate Appraiser

- Researching and Writing of Appraisal Reports
- Residential Appraisal Reports (Forms 1004, 1073, 2055, GP Res.)
- Commercial Appraisal Reports (Property Types: Retail, Industrial, Office, Flex, Mixed-Use, Special Purpose, Multi-Family, Land, Heath Care, Hospitality)

2012-Present RVS South San Clemente, CA

Residential Real Estate Appraiser

- Researching and Writing of Appraisal Reports
- Residential Appraisal Reports (Forms 1004, 1073, 2055, GP Res.)

Summer 2009 Lender Processing Services, Inc. Mira Mesa, CA

Internship

- Assisted in Appraisal Reviews
- Researched data and information
- Assisted in administrative tasks

Education

2008-2012 Northern Arizona University Flagstaff, AZ

- Bachelor of Fine Arts, Visual Communication

License

Appraisal License #AL3002942

Principal Markets

Orange, Los Angeles, Riverside, San Bernardino, San Diego, Ventura

Sources of Data

Costar, CRMLS, Realist, Inside Tract

949-361-6609 • austin@rvssc.com

Realty Valuation Services • 302 N El Camino Real #100, San Clemente, CA 92672

E & O Insurance

NAVIGATORS INSURANCE COMPANY

THIS IS BOTH A CLAIMS MADE AND REPORTED INSURANCE POLICY.

THIS POLICY APPLIES TO THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED AND REPORTED IN WRITING TO THE COMPANY DURING THE POLICY PERIOD.

PLEASE READ THIS POLICY CAREFULLY.

REAL ESTATE APPRAISERS ERRORS AND OMISSIONS INSURANCE POLICY DECLARATIONS

POLICY NUMBER: PH15RALR30143IV **RENEWAL OF:** PH14RALR00039IV

1. **NAMED INSURED:** Christopher Pierce

2. **ADDRESS:** 9846 Research Drive 1st Floor
Irvine, CA 92618

3. **POLICY PERIOD: FROM:** 06/15/2015 **TO:** 06/15/2016
12:01 A.M. Standard Time at the address of the **Named Insured** as stated in Number 2 above.

4. **LIMITS OF LIABILITY:**
A. $ 1,000,000 **Damages** Limit of Liability – Each **Claim**
B. $ 1,000,000 **Claim Expenses** Limit of Liability – Each **Claim**
C. $ 1,000,000 **Damages** Limit of Liability – Policy Aggregate
D. $ 1,000,000 **Claim Expenses** Limit of Liability – Policy Aggregate

5. **DEDUCTIBLE** (Inclusive of **claim expenses**): **A.** $ 500 Each **Claim**
B. $ 1,000 Aggregate

6. **PREMIUM:** $ 895.00

7. **RETROACTIVE DATE:** 06/15/2006

8. **FORMS ATTACHED:**
RiskMgmt, NAV ML-002, CA Notice, NAV RAL DEC, NAV RAL NIC PF, NAV RAL 002, NAV RAL 003, NAV RAL 300 CA

PROGRAM ADMINISTRATOR: RealCare Insurance Marketing, Inc.

NAV RAL DEC (02 14) Page 1 of 2

Navigators
Insuring A World In Motion®

By Acceptance of this policy the Insured agrees that the statements in the Declarations and the Application and any attachments hereto are the Insured's agreements and representations and that this policy embodies all agreements existing between the Insured and the Company or any of its representatives relating to this insurance.

IN WITNESS WHEREOF, we have caused this policy to be signed by our President and Secretary.

[Emily Miner] Secretary	[Stanley A. Galanski] President