

A RESTRICTED APPRAISAL REPORT

PREPARED FOR

Mortgage Vintage, Incorporated
Attention: Mr. Sandy MacDougall
260 Newport Center Dr., 4th Floor
Newport Beach, CA 92660

APPRAISAL OF

A Restaurant & Banquet Facility Property

LOCATED AT

1297 Jonata Park Road
Buellton, Santa Barbara County, CA 93427

EFFECTIVE APPRAISAL DATE

July 23, 2019

PREPARED BY

Pacific Valuation
15615 Alton Parkway, Suite 450
Irvine, CA 92618

Pacific Valuation Real Estate Services

15615 Alton Pkwy # 450, Irvine, CA 92618 (949) 271-6377

July 25, 2019

Mortgage Vintage, Incorporated
Attention: Mr. Sandy MacDougall
260 Newport Center Dr., 4th Floor
Newport Beach, CA 92660

RE: Appraisal of a Restaurant & Banquet Facility property located at 1297 Jonata Park Road,
Buellton, CA 93427

Dear Mr. MacDougall;

Pursuant to your request, I have provided an "As Is" and "As Complete" Opinion of Market Value for the "Fee Simple" interest in the real property located at the above-referenced address as of July 23, 2019. The purpose of my analysis was to establish an opinion of Market Value for the Subject Property, subject to the definition of Market Value, the Assumptions and Limiting Conditions, and Certification contained in this report. The client and intended user of the report is Mortgage Vintage, Incorporated. The intended use of this appraisal is to assist the client in making underwriting decisions.

Per the client's request, this Report has been prepared in **Restricted** format in conformance with the Uniform Standards of Professional Appraisal Practice ("USPAP"). The client has indicated to the appraiser that they do not need the level of information required in a Self-Contained or Summary report. Furthermore, the client is fully aware that the appraiser's opinions and conclusions set forth in the report may not be understood properly without additional information contained within the appraiser's work file.

The "As Complete" Market Value of the subject is a current estimate of the subject based on the **Hypothetical Condition** that the subject improvements were complete as of the Effective Date of Value, when in fact they were not. Based on my findings, it is my opinion the **"As Complete"** Market Value of the Subject Property's Fee Simple Interest, as of July 23, 2019, is considered reasonable at **\$3,900,000**, & the **"As Is"** Fee Simple Interest, as of July 23, 2019, is considered reasonable at **\$2,570,000**.

Sincerely,



Michael Yates, MAI
Certified General Appraiser
Certification #AG026353

Pacific Valuation Real Estate Services

15615 Alton Pkwy # 450, Irvine, CA 92618 (949) 271-6377

EXECUTIVE SUMMARY

Property Type:	A Restaurant & Banquet Facility Property
Location:	1297 Jonata Park Road Buellton, CA 93427
Thomas Guide Page:	Santa Barbara County 77 B-1
Assessor's Parcel Number:	099-600-042
Property Rights Appraised:	Fee Simple Estate
Method of Valuation:	Sales Comparison Approach & Income Capitalization Approach
Subject Property:	
Site Area:	124,582 Square Feet (2.86 Acres)
Parcel Shape:	Basically Square
Topography:	Level at street grade
Net Rentable Area:	9,730 Square Feet
Year Built:	1941
Year Renovated:	2019
Quality/Appeal:	Good Class "C" & "D"
Condition:	Very Good
Effective Date of Value:	July 23, 2019
Date of Inspection:	July 23, 2019
Date of Report:	July 25, 2019
"As Complete" Value Indicators:	
Sales Comparison Approach:	\$ 3,900,000
Income Approach:	\$ 3,900,000
"As Complete" Opinion of Value:	\$ 3,900,000
"As Is" Opinion of Value:	\$ 2,570,000
Insurable Value:	\$ 2,280,000
Site Value:	\$ 1,550,000

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PHOTOGRAPHS OF SUBJECT



Exterior View of the Front Subject Building (Restaurant).



Exterior View of the Front Subject Building (Restaurant)..



Exterior View of the Front Subject Building (Restaurant).



Exterior View of the Rear Subject Building (Banquet Facility).



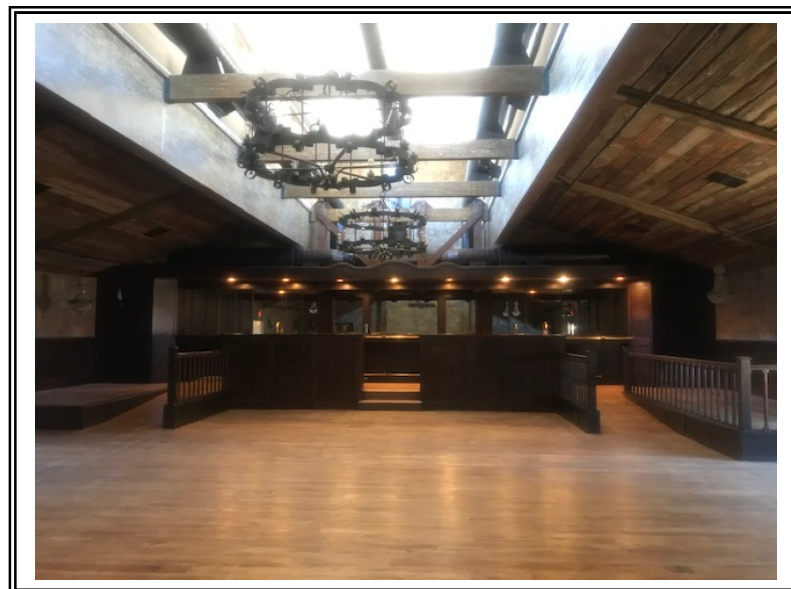
Exterior View of the Rear Subject Building (Banquet Facility).



Exterior View of the Rear Subject Building (Banquet Facility).



Exterior View of the Rear Subject Building (Banquet Facility).



Interior View.



Interior View.



Interior View.



Exterior Lot View.



Exterior View of the Parking Area.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

The Certification of Value appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth in the report.

EXTRAORDINARY ASSUMPTION

Information regarding the income & expenses were not provided to the appraiser. Also a preliminary title report was not provided to the appraisers. As a result, it is assumed the there are no deed restrictions associated with the property and the property rights appraised are that of Fee Simple estate.

GENERAL CONDITIONS

1. The Appraiser does not assume responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership, competent management, and is appraised as if free and clear of any or all liens or encumbrances.
2. 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.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal unless arrangements have been previously made.
4. Any distribution of the valuation in the report between land and improvements applies only under the 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.
5. The Appraiser assumes that there are no hidden or inapparent conditions of the property, subsoil, or structure, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering that might be required to discover such factors.
6. Information, estimates and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and are believed to be true and correct. However, the Appraiser assumes no responsibility for the accuracy of such items furnished to the Appraiser.
7. Neither all nor any part of the contents of this report shall be conveyed to any person or entity, other than the appraiser's client, through advertising, solicitation materials, public relations, news, sales or other media, or any other public means of communication without the prior written consent and approval of the appraiser, particularly as to

- valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected. Further, the appraiser or firm assumes no obligation, liability or accountability to any third party. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment.
8. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the Appraiser. The Appraiser has no knowledge of the existence of such materials on or in the vicinity of the property. The Appraiser, however, is not qualified to detect such substances. Therefore, the opinion of value is predicated on the assumption that there is no such material on or in the property that would cause a loss in value or have an adverse impact on its marketability or utility. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.
 9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
 10. It is assumed that all applicable use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the appraisal report.
 11. It is assumed that the utilization of the land and improvements is, or will be, within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
 12. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper written qualifications and only in its entirety.
 13. The subject property is assumed to comply with requirements of the Americans with Disabilities Act (ADA).
 14. The subject property was not found to have any natural, cultural, recreational, or scientific value.

**APPRAISER'S LIABILITY LIMITATIONS,
SPECIAL REPORT CONDITIONS
AND CLIENT AGREEMENTS**

The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgment by the client that this report is a satisfactory professional product, and that the client has personally read the report, and specifically agrees that the data herein is accurate to the best of the Appraiser's ability.

The report remains the personal property of the signer and may not be transmitted to the third party without the signer's written permission. (Permission is granted to transmit to third party trustee.) The Appraiser's personal responsibilities do not extend to a third party under any circumstances whatsoever.

As a part of the Appraiser-Client employment agreement, the Client agrees to notify the Appraiser of any error, omission, or invalid data herein within 15 days of receipt and to return the report along with all copies to the Appraisers for correction prior to any use whatsoever. Corrections will be made at the Appraiser's discretion.

Under no circumstances shall the Company or Appraiser's liability exceed the fee actually collected for this report.

Thus, by acceptance of this report, the client acknowledges that a value opinion is the product of a professionally trained mind, but nevertheless is an opinion only and not a provable fact. As a personal opinion, valuation may vary between Appraisers based on the same facts.

Thus, the appraiser warrants only that the value conclusion is the best opinion estimate as of the exact day of valuation.

CERTIFICATION OF VALUE ~ (Per USPAP SR 2-3)

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 analysis, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made an inspection of the property that is the subject of this report.
- I have not performed any services regarding the subject property in the prior three years as an appraiser or any other capacity.
- As of the date of this report Michael Yates, MAI has completed the requirements under the continuing education program of the Appraisal Institute.



Michael Yates, MAI
Certified General Appraiser
Certification #AG026353

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to obtain an opinion of the Market Value of the subject property, in its current condition, to be used in the underwriting of a lending transaction.

INTENDED USE OF THE APPRAISAL

The intended user of this appraisal is Mortgage Vintage, Incorporated .

DATE OF VALUE ESTIMATE

The Effective Date of Value in this assignment is July 23, 2019, the date of inspection.

DATE OF REPORT

The date of this report is July 25, 2019.

COMPETENCY OF APPRAISER

The appraiser is competent to appraise the subject property by having requisite abilities, qualities, knowledge, and insight to the surrounding subject area. He possesses the necessary appraisal experience along with continuous academics in order to remain abreast of current and future trends in the real estate market and the appraisal profession.

PROPERTY RIGHTS APPRAISED

We have appraised the Fee Simple interest in the subject property. The Dictionary of Real Estate Appraisal, Third Edition, 1993, Page 137, published by the Appraisal Institute, defines fee simple interest as:

"Absolute ownership unencumbered by any other interest."

SCOPE OF WORK - Appraisal Development and Reporting Process

The following steps were completed by Pacific Valuation for this assignment:

1. Analyzed regional, city, neighborhood, site, and improvement data.
2. Inspected the subject and the neighborhood.
3. Reviewed data regarding taxes, zoning, utilities, easements, and city services.
4. Considered comparable improved sales, comparable improved building and rental information. Confirmed data with principals, managers, or real estate agents representing principals, unless otherwise noted.
5. Analyzed the data to arrive at conclusions via each approach used in this report.
6. Reconciled the results of each approach to value employed into a probable range of market data and finally an estimate of value for the subject, as defined herein.
7. Estimated a reasonable exposure time associated with the value estimate.

By agreement between the appraiser and client, the reporting option employed for this assignment is that of a *Restricted Appraisal* presented in narrative format. The client has indicated to the appraiser that they do not need the level of information required in a Self-Contained or Summary report. Furthermore, the client is fully aware that the appraiser's opinions and conclusions set forth in the report may not be understood properly without the additional information contained within the appraiser's work file. Additionally, the client has requested the appraisal to present the Sales Comparison Approach to value. The opinions and conclusions within this report are consistent with those as if using a more descriptive "Summary" or "Self-Contained" format. Data contained within the appraiser's work file is sufficient for the appraiser to produce a "Summary" Report. The scope of work performed in collecting, confirming, analyzing and reconciling the data in this report includes the following:

Data Collection/Confirmation

- Market:** Information regarding the subject market was obtained through CoStar Inc., LoopNet, the MLS, Smith Guide, market trend reports prepared by various commercial brokerages, and the results of the field survey conducted by the appraiser during the appraisal process.
- Factual Data:** Specific information regarding the subject property such as site size, shape, access, soils condition, frontage, street improvements, topography, drainage, potential environmental hazards, etc. was obtained during the physical inspection, from Santa Barbara County Assessor's records and from the client. Flood zone information was obtained from First

American Real Estate Solutions and the city of Buellton Building Department. Zoning information was obtained from the City of Buellton Planning Department. Information regarding specifications of the subject improvements was based on an inspection of the property and Santa Barbara County Assessor's records.

Valuation: Information used to determine the Highest and Best Use of the subject property was obtained from analysis of information collected in the *Factual Data* section, comparable market data and conversations with market participants. Information regarding comparable data was obtained from CoStar Inc., the MLS, LoopNet, Smith Guide and Santa Barbara County public records.

Valuation Procedures

This report considers the Sales Comparison Approach to value, and is prepared in *Restricted* format under the guidelines set forth in the Uniform Standards of Professional Appraisal Practice. A definition of the Sales Comparison Approaches is provided as follows.

The **Sales Comparison Approach** is a method of estimating market value by comparing the subject property to similar properties that have recently sold, are listed for sale, or are under contract for sale. By using a system of comparative techniques, the sale prices of the comparable properties are adjusted for any major differences as compared to the subject. The resulting adjusted sale prices will provide an indication of value for the subject property. In other words, it is a systematic procedure of comparative shopping. The principal of substitution as it applies to this approach holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable time period.

DEFINITION OF MARKET VALUE

Market value means 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 own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with sale.¹

HYPOTHETICAL CONDITION

The 2018 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) defines a Hypothetical Condition as “that which is contrary to what exists, but is supposed for analysis”. The estimated Market Value of the Subject Property “As Completed” is a current value estimate subject to completion of the improvements that are currently under renovation. Therefore, the “As Completed” estimate of value involves the use of a hypothetical condition; namely that the current renovation is complete as of the Effective Date of Value, when in fact it is not.

¹Federal Reserve System, 12CFR, *Subpart G Section 225.62f

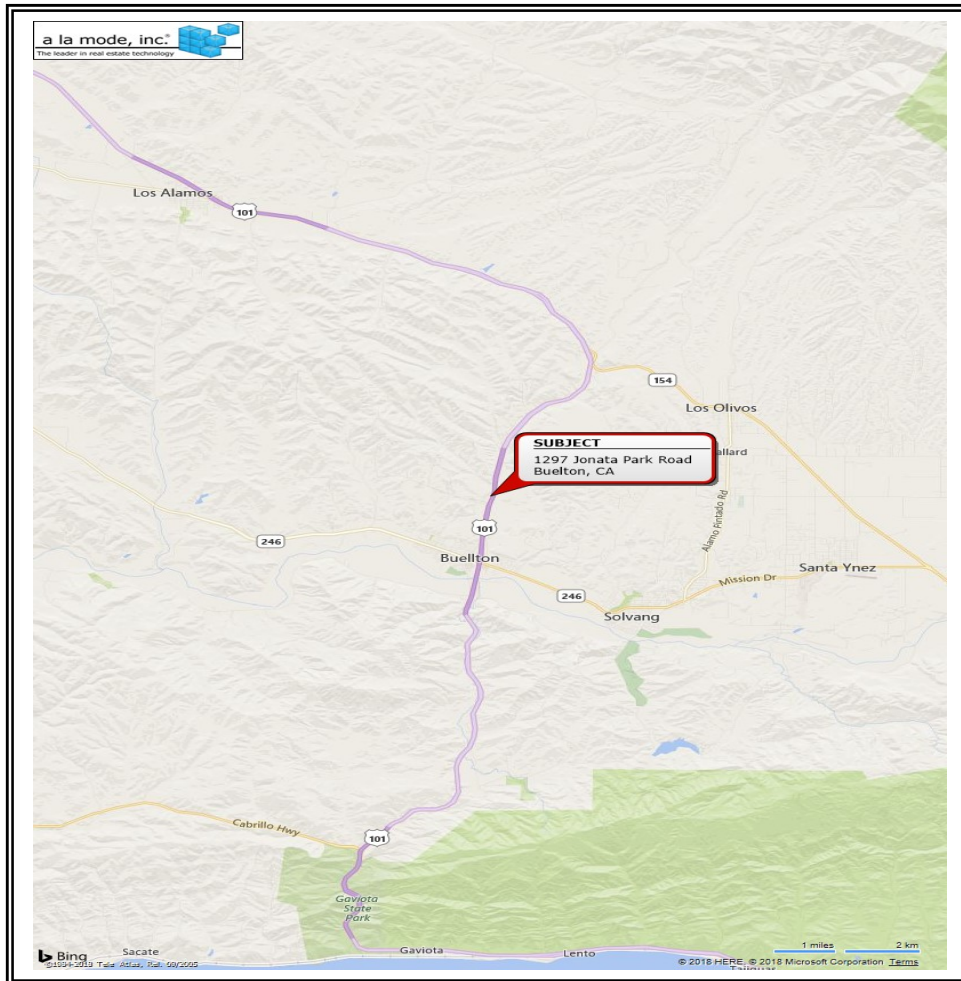
HISTORY OF THE SUBJECT PROPERTY

In accordance with Standards Rule 1-5 (b)(ii) of the Uniform Standards of Professional Appraisal Practice, a three-year sales history for the subject property shall be included. According to the Santa Barbara County Assessor's records provided by NDC data, the Subject Property transferred ownership on September 8, 2017 for a reported \$1,800,000 and most recently for \$2,000,000 on December 7, 2018 for a reported \$2,000,000. The Subject is currently not under a purchase agreement, and it has been actively marketed for sale within the past 12 months for a reported \$2,750,000.

EXPOSURE TIME

A survey of exposure times required to facilitate sales of properties such as the Subject and located within marketing areas similar to the Subject was conducted. The sales analyzed for comparison in this assignment indicated exposure times of 2 to 8 months, with an average of 4.5 months. Based on the survey, and considering characteristics specific to the Subject property, it is my opinion that the Subject property would have sold at its estimated value after an exposure time of 3 to 6 months.

NEIGHBORHOOD MAP



Neighborhood

The subject property is located within the City of Buellton, an incorporated portion of Santa Barbara County. Santa Barbara County, California, is a county located in the southern portion of the state of California, in the United States. The population is 423,895. The county seat is Santa Barbara, and the largest city is Santa Maria. Santa Barbara County comprises the Santa Maria-Santa Barbara, CA Metropolitan Statistical Area. Most of the county is part of the California Central Coast. Mainstays of the county's economy include engineering, resource extraction (particularly petroleum extraction and diatomaceous earth mining), winemaking, agriculture, and education. The software development and tourism industries are important employers in the southern part of the county.

According to the U.S. Census Bureau, the county has a total area of 3,789 square miles, of which 2,735 square miles is land and 1,054 square miles is water. Four of the Channel Islands – San Miguel Island, Santa Cruz Island, Santa Rosa Island and Santa Barbara Island – are in Santa Barbara County. They form the largest part of the Channel Islands National Park (which also includes Anacapa Island in Ventura County).

There are 20 independent school districts in Santa Barbara County, and the Santa Barbara County Education Office serves as an intermediate agency between those districts and the California Department of Education. During the 2018 school year, 67,701 students were enrolled in Santa Barbara County schools, kindergarten through grade 12. There are also a number of private schools in the county. The Los Angeles Archdiocese operates two Catholic high schools and several elementary schools.

Buellton is a small city in Santa Barbara County, California, United States. It is located in the Santa Ynez Valley. The population was 4,828 as of 2018. The population density was 859.0 people per square mile. There were 1,741 households and the average household size is 2.54. There were 1,886 housing units at an average density of 366.7 per square mile, of which 1,327 (76.2%) were owner-occupied, and 414 (23.8%) were occupied by renters.

With its convenient location at the junction of U.S. Route 101 and State Route 246, Buellton attracts many travelers. It is a town which is home to various hotels, restaurants, parks and shops. It may be most famous for its nickname “Home of Split Pea Soup,” which is a reference to Pea Soup Andersen's Restaurant. Buellton traces its beginnings to 1867 when a portion of a Mexican land grant was deeded Rufus T. Buell and his brother. They developed a successful cattle ranch in the 19th century

According to the United States Census Bureau, the CDP has a total area of 5.1 square miles, 99.86% of it land, and 0.14% of it covered by water. Buellton is located about 40 miles north of Santa Barbara, California, and is known for its world-class wineries. This region experiences warm and dry summers, with no average monthly temperatures above 71.6 °F.

Buellton is governed by a full-time elected mayor and four council members, each elected by the district. Serving four-year terms of office are the city council and citywide elected prosecutor, attorney and auditor. The city manager and city clerk are appointed by the city council. The city operates its own police, fire, and paramedic services.

Conclusion

Buellton is experiencing a market cycle of recovery from the countries economic recession which took place between 2008 - 2012. The economic environment in the subject area stabilized in 2012 and is continuing to improve. As the economy recovers, the subject area is anticipated to experience favorable growth.

Zoning

The Subject is zoned CH—Commercial Highway. According to a zoning official with the City of Buellton Planning Department, the district is considered flexible and allows for uses such as office, retail, restaurant, hotel as well as mixed use properties. Based upon the information contained herein, and the comments made by the planners office, the subject property appears to be a legal conforming use. As of the date of this appraisal, there were no anticipated changes in zoning, according to the zoning department.

Site

The Subject is located at 1297 Jonata Park Road within the City of Buellton, CA. The Subject site totals 2.86 Acres, or 124,582 square feet, and is located on a street that offers 2 asphalt-paved lanes. The site is basically square in shape and fully level at street grade. The subject site is situated in flood zone X. Flood insurance **is not** required in this zone.

Based on the site inspection and the existing development on the site and in the surrounding area, there does not appear to be any adverse site conditions (easements, encroachments, soils, hazardous, etc.) on the site or in the immediate vicinity that would have any adverse impact on the utility or development potential of the property.

In addition, it is assumed that there are no adverse title conditions that would have any impact on the utility, marketability or value of the property. The Property's soil conditions appear to be typical for the area. Given the surrounding structures and the existing improvements on the site, the subject site appears suitable for development; however, the Appraisers are not qualified engineers and reserve the right to amend this Appraisal should any adverse soil conditions be discovered.

Improvements

The subject property includes a 3 free standing buildings each offering wood frame & stucco good class “D” quality construction. Information obtained by the City of Buellton building department indicated that the improvements were originally constructed in 1941. The subject building has very good street visibility and exposure. The appraisers noted the improvements were in good condition and do offer economic vitality. The following table details the building sizes and characteristics for the subject buildings:

1223-1237 East Route 66, Glendora, CA				
Building Number	Property Address	Construction Quality	Current Condition	Building Size (SF)
1	Restaurant/Saloon	Good Class “D”	Average	5,150
2	Banquet Facility	Good Class “D”	Average	4,100
3	1 Bed/1 Bath Cottage	Good Class “D”	Average	480
Total	~	Good Class “D”	Average	9,730

The front building has been known as the Zaca Creek Restaurant and Saloon, a full service restaurant and saloon which is situated along the Jonata Park Road street frontage of the subject site. This building offers 5,150 SF with 6 luxury hotel suites, multiple dining areas, a full bar area, 4 restrooms (2 women’s & 2 men’s) a full service kitchen equipped with a walk in freezer and fridge, an office, a storage area, and a lobby. Situated behind the Zaca Creek Restaurant and Saloon is a 4,100 banquet facility which is often a wedding venue. This building offers a large dining area, a dance floor, a stage, a full bar area, 4 restrooms (2 women’s & 2 men’s) a full service kitchen equipped with a walk in freezer and fridge, an office, a storage area, and a lobby. Also there is a 1 bedroom/1-bathroom cottage on site that offers 480 SF. On site parking consists of a proposed pool, pool bar and 88 on-site asphalt paved and marked parking spaces.

Conversations with the property owner indicated that the subject improvements were undergoing a significant renovation as of the date of value. Our analysis of the construction cost budget indicated a project cost of \$1,850,000.

Conversations with the Buellton Building department indicated that the subject offers a building area of 9,730 SF. The Property is well located and is designed with adequate considerations for utility and functional factors related to tenancy. Thus, no functional obsolescence was noted.

AERIEL MAP ~

1297 Jonata Park Road, Buellton, CA 93427



HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined by The Appraisal of Real Estate, 11th Edition, Appraisal Institute, 1996, p. 297, as follows:

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

The highest and best use analysis is a critical determinant of value. Market value is based on the assumption that a potential purchaser will pay no more for a property than the price, which reflects their analysis of the most probable use of the land, or property as improved. Additionally, the highest and best use conclusions contained in this section provide the foundation for the market value analysis. The neighborhood analysis and site analysis are of critical importance in arriving at the highest and best use conclusion, as the highest and best use conclusions must be based on motivations evident in the marketplace.

The previously stated definition implies that there are two steps of determining the highest and best use of a site. Initially, the highest and best use of the land as vacant is considered. In this section, the site is analyzed as if there were no improvements located on the property. This analysis addresses current economic forces, which affect the subject site.

The second step analyzes the Subject property as if improved. The existing use may differ from the sites highest and best use. This section will resolve differences between the highest and best use "as is" and the highest and best use "as improved". The highest and best use of the subject property must meet the four criteria of (1) Physically Possible, (2) Legally Permissible, (3) Financially Feasible, and (4) Maximally Productive.

Highest and Best Use As If Vacant:

Surrounding Land Uses:

Mixed commercial and retail uses along the borders of the primary traffic artery with residential along the interior streets.

Physically Possible:

Commercial structure such as an office building, retail building, mini-warehouses, hotel, residential or commercial.

Legally Permissible:

Deed restrictions are private restrictions which limit the use of a site and are either already in place when the site is acquired or filed with proposed development and/or site plans. A title policy was not provided to the appraisers. Therefore, it is assumed that no any adverse deed restrictions exist. It is assumed that no deed restrictions exist that would restrict the development of the subject site. Zoning requirements limit development of the site to commercial development.

Conclusion:

Commercial Development

Highest and Best Use as Improved:

Conclusions:

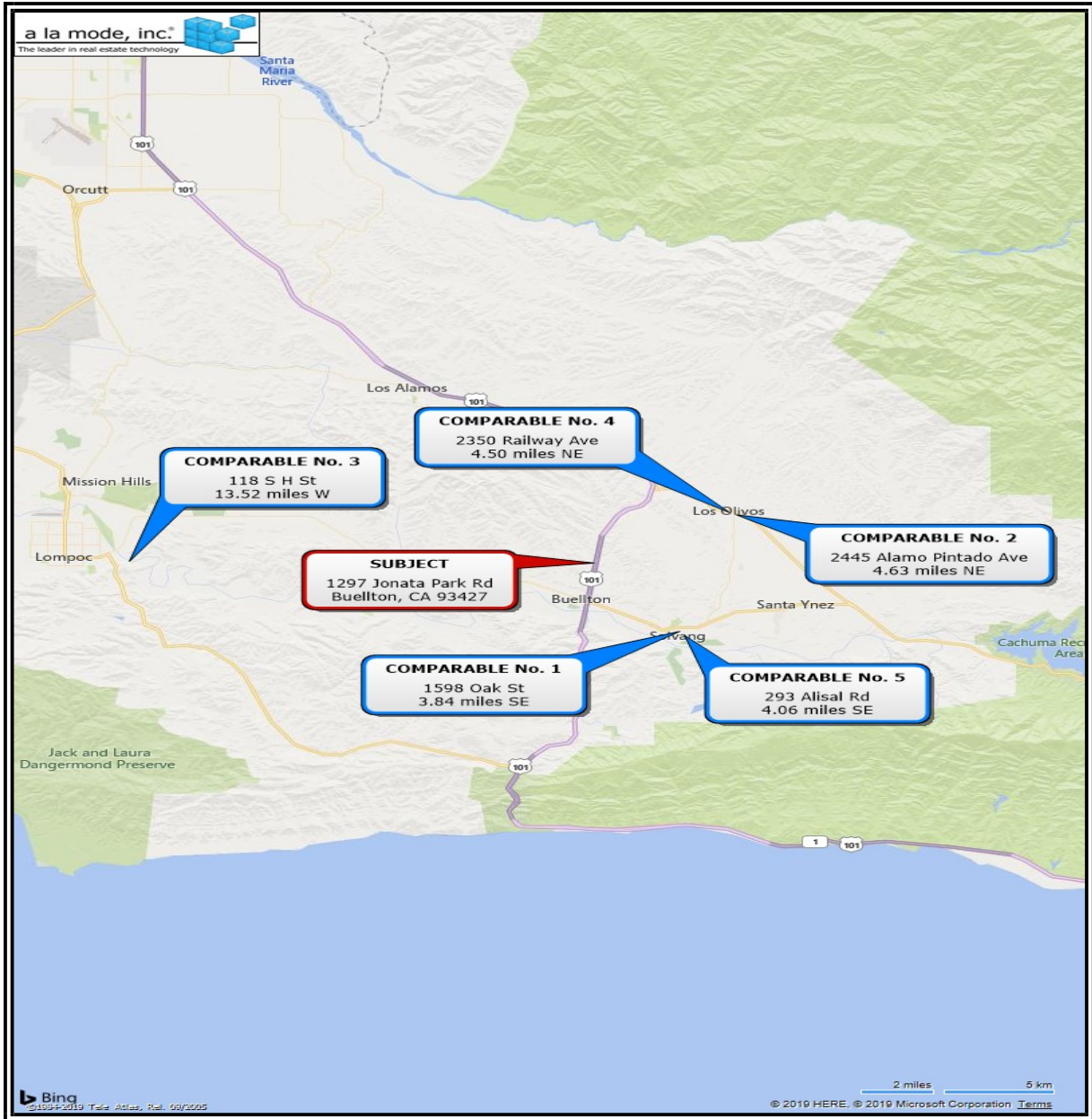
Based on our analysis of the market, the current improvements not only add value to the subject site, they also represent the maximally profitable use of the site, as improved. The value of the property as improved is well above that of the site as if vacant. Because the value of the anticipated income stream generated by the improvements exceeds the value of the land as if vacant, the subject improvements are considered representative of the site's highest and best use as improved. This has been substantiated by an analysis of both vacant land and similar type property sales and current rental rates for competing facilities. A change of use or expansion would not be economically feasible nor legally permissible. Thus, the current improvements represent an adequate expression of the highest and best use of the subject site as improved.

Sales Comparison Approach

The Sales Comparison Approach is a method of estimating market value by comparing the subject property to similar properties that have recently sold, are listed for sale, or are under contract for sale. By using a system of comparative techniques, which will be explained in detail throughout this analysis, the sale prices of the comparable properties are adjusted for any major differences as compared to the subject. The resulting adjusted sale prices will provide an indication of value for the subject property. In other words, it is a systematic procedure of comparative shopping. The principal of substitution as it applies to this approach holds that the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable time period.

A sufficient number of comparables were found within the general surrounding market area of the subject in order to do a proper analysis. Presented on the following pages is the map, detailing the location of each comparable property, as well as the sale comparable adjustment grid detailing the comparables of similar properties, which will be used to value the subject property.

SALES COMPARABLE MAP



IMPROVED SALES ADJUSTMENT GRID																																		
Datum No.	Subject	1	2	3	4	5																												
Location	1297 Jonata Park Road Buellton	1598 Oak St Solvang	2445 Alamo Pintado Ave Los Olivos	118 South H St Lompoc	2350 Railway Ave Los Olivos	293 Alisal Rd Solvang																												
APN	099-600-042	139-200-039	135-092-013	085-162-020	135-073-003	139-234-002																												
Sale Price	N/A	\$1,250,500	\$4,050,000	\$750,000	\$5,062,889	\$5,045,000																												
Date of Sale	07/25/19	07/05/19	04/01/19	08/17/18	08/31/17	07/25/19																												
Building Size (NRA)	9,730	3,697	9,320	3,600	7,138	9,901																												
Year Built/Average	1941	1960	1985	1962	1922	1950																												
Site Area	124,582	16,117	16,988	6,969	60,112	29,185																												
Acres	2.86	0.37	0.39	0.16	1.38	0.67																												
Site Coverage	8%	23%	55%	52%	12%	34%																												
Parking	Adequate	Similar	Similar	Similar	Similar	Similar																												
Sale Price/Sq.Ft.	N/A	\$338.25	\$434.55	\$208.33	\$709.29	\$509.54																												
Adjustments																																		
Property Rights	Fee Simple	0.0%	0.0%	0.0%	0.0%	0.0%																												
Financing Terms	Cash Equiv.	0.0%	0.0%	0.0%	0.0%	0.0%																												
Conditions of Sale	Market	0.0%	0.0%	0.0%	0.0%	-5.0%																												
Market Condition	Market	0.0%	0.0%	0.0%	0.0%	0.0%																												
Adjusted Value		\$338.25	\$434.55	\$208.33	\$709.29	\$484.07																												
Adjustments																																		
Occupancy		0.0%	0.0%	0.0%	0.0%	0.0%																												
Deferred Maintenance		0.0%	0.0%	0.0%	0.0%	0.0%																												
Location/Access		-10.0%	-10.0%	10.0%	-15.0%	-10.0%																												
Quality		0.0%	0.0%	0.0%	0.0%	0.0%																												
Age & Condition		0.0%	0.0%	10.0%	0.0%	5.0%																												
Interior Build Out		0.0%	0.0%	0.0%	0.0%	0.0%																												
Site Coverage		2.0%	3.0%	3.0%	0.0%	2.0%																												
Building Features		0.0%	0.0%	0.0%	0.0%	0.0%																												
Project Size		0.0%	0.0%	0.0%	0.0%	0.0%																												
Aggregate Adjustment	N/A	-8.0%	-7.0%	23.0%	-15.0%	-3.0%																												
Total Net Adjustment	N/A	-8.0%	-7.0%	23.0%	-15.0%	-3.0%																												
Indicated Value per Sq.Ft.	N/A	\$311.19	\$404.13	\$256.25	\$602.89	\$469.55																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Concluded Value per Sq.Ft.</td> <td style="width: 20%; text-align: right;">\$401.00</td> <td colspan="5"></td> </tr> <tr> <td>Building Size (NRA)</td> <td style="text-align: right;">9,730</td> <td colspan="5"></td> </tr> <tr> <td>Concluded Value</td> <td style="text-align: right;">\$3,901,730</td> <td colspan="5"></td> </tr> <tr> <td>Concluded Value</td> <td style="text-align: right;">\$3,900,000</td> <td colspan="5"></td> </tr> </table>							Concluded Value per Sq.Ft.	\$401.00						Building Size (NRA)	9,730						Concluded Value	\$3,901,730						Concluded Value	\$3,900,000					
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Improved Sales Analysis & Conclusion

The previous page details the comparable sales utilized in this analysis. The sale properties and the subject vary in terms of conditions of sale, date, location, size, age and condition, and construction quality. These and other factors directly relate to the property's ability to produce profits, the motivation of the sale. In order to account for all the differences between the comparables and the subject, we have examined these facilities on the basis of location, age, and other factors. The appropriate adjustments were made to the comparable sales as shown on the Improved Sale Adjustment Grid on the previous page.

It is our opinion that a value of \$ 401.00 per square foot is appropriate for the subject property. Multiplying this square foot amount by the subject's NRA of 9,730 SF produces an adjusted value estimate of \$ 3,900,000 (rounded). A summary of the adjustments is located on the previous page.

Price Per Square Foot

$$9,730 \text{ Sq. Ft.} \times \$ 401.00/\text{Sq. Ft.} = \$ 3,900,000 \text{ (Rounded)}$$

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach to value is based upon a definite relationship between the amount of income that a property will earn and its value. The most important consideration involved in using this approach is the selection of the capitalization technique most appropriate to the particular property being appraised.

This approach, which is predicated on investor thinking and motivations, is a basic tool for the valuation of income producing real estate. It is based on the principle of anticipation reflected in the definition of value as to the present worth of all the rights of future benefits accruing to ownership. These future benefits consist of some pattern of annual net income for a projected period of years, plus a capital sum realized through the disposition of the property at the end of the investment period. After comparison of yields for investments of similar property types and class, this figure is capitalized into an estimate of value.

The valuation technique utilized in this portion of the report is referred to as the **Direct Capitalization** method. In **Direct Capitalization**, the annual net operating income (NOI) on a stabilized basis, as of the date of appraisal, is estimated. This estimation of NOI is based on market rental rates and market based expenses for the subject property. This estimated NOI is then capitalized into a present value estimate.

Subject Property

As mentioned, subject property includes 3 free standing buildings each offering wood frame & stucco construction. The front building has been known as the Zaca Creek Restaurant and Saloon, a full service restaurant and saloon which is situated along the Jonata Park Road street frontage of the subject site. Situated behind the Zaca Creek Restaurant and Saloon is a banquet facility which is often a wedding venue. The building improvements (both proposed and existing) are wood frame and stucco, constitute a very good class “D” quality building and will offer a combined 9,730 square feet.

Rent Survey

Several rent comparables have been found and analyzed for the purpose of estimating the market rent to be applied to the subject. The rent comparables are considered to be the best available comparable data. Based on the rental survey, leases in the subject area are predominately negotiated on a FSG (Full Service Gross) basis. The following table details the rent comparables utilized to determine market rent:

Property Address	Property Type	Property Size (SF)	Monthly Rent / PSF
760 McMurry Rd, Buellton, CA	Special Use	9,010	\$9,010
1210 Mission Drive, Solvang, CA	Restaurant	17,855	\$36,246
234 East Hwy 246, Buellton, CA	Restaurant/Retail	4,000	\$2,545 \$2.25
Conclusion 1297 Jonata Park Road, Buellton, CA	Restaurant/Banquet	1,210	\$1,573 \$1.30

Property Address	Property Type	Property Size (SF)	Nightly Room Rate
114 E CA-246, Buellton, CA	Hotel	36 Rooms	\$185
3627 Sagunto Street, Santa Ynez, CA	Hotel	27	\$307
1598 Oak Street, Solvang, CA	Hotel	6 Rooms	\$275
Conclusion 1297 Jonata Park Road, Buellton, CA	Hotel	6 Rooms	\$250

In addition to the comparable leases, local brokers, property managers and leasing agents were surveyed concerning the market lease rate for the Subject property. They all quoted market rental rates consistent with the rent comparable data. In conclusion, based on the comparable data and consultation with local real estate professionals, and considering the subject's location, access and property characteristics, it is my opinion that a reasonable estimate of the market rent for the subject property is \$1.30 per square foot for the Restaurant / Banquet Facility ~ Full Service Gross, and \$250 per room the 6 luxury hotel rooms (based on a 48% occupancy rate).

Expenses

Conversations with the property owner indicated that the leases were based on a Full Service Gross expense terms. Information regarding these expenses was obtained by our analysis of the local market, interviews with market experts, and the 2018 BOMA survey, as well as an expense comparable. The projected expenses is utilized in the pro-forma located on page no. 38.

Direct Capitalization Analysis

The pro forma income is based on the income as previously discussed. A stabilized vacancy and collection loss has been accounted for. The expenses are based on the previously discussed analysis. In order to select an appropriate overall rate for the subject, we have analyzed the sales, reviewed the published investor survey's and conducted our own interview of investors.

The comparable sales detailed below indicated a range of capitalization rates from 6.25% to 7.22%. When taking into account the various economic conditions within each sale, a range between 6.50% and 7.00% is considered appropriate for the subject based on an income in place analysis. The following chart summarizes the capitalization rates extracted from the local market:

MARKET EXTRACTED CAPITALIZATION RATES					
Sale No.	1	2	3	4	5
Sales Price	\$7,465,749	\$6,012,500	\$3,875,000	\$1,600,000	\$2,850,000
NOI	\$466,609	\$412,458	\$279,775	\$112,480	\$183,255
Cap Rate	6.25%	6.86%	7.22%	7.03%	6.43%

The Korpacz Investor Survey indicates going-in overall rate range from 4.03% to 7.78%. As a result of the subject's position in the market, a rate within the range of the investor survey would be warranted. Based on this analysis, with emphasis placed on the rates extracted from the local market, an overall rate of 6.75% is considered appropriate for the subject. The following page contains our pro forma.

DIRECT CAPITALIZATION ANALYSIS - STABILIZED OCCUPANCY			
PROJECTED ANNUAL INCOME			
Potential Gross Rental Income:			
Income			
6 Luxury Hotel Rooms			\$262,500
Restaurant & Banquet Facility			\$123,708
Total Potential Gross Income			\$386,208
Less: Vacancy & Collection Allowance			
Vacancy Loss	-8.00%		(\$30,897)
Collection Loss	-2.00%		(\$7,724)
Total Vacancy & Collection Loss	-10.00%		(\$38,621)
Effective Gross Income			\$347,587
OPERATING EXPENSES	\$/SF/Yr	%/EGI	Subtotal
Fixed Expenses			
Real Estate Taxes	\$4.40	12.30%	\$42,770
Insurance	\$0.25	0.70%	\$2,433
Total Fixed Expenses	\$4.65	\$0	\$45,203
Variable Expenses			
Management	\$1.43	4.00%	\$13,903
Administrative & Marketing	\$0.30	0.84%	\$2,919
Other / Payroll	\$0.00	0.00%	\$0
Utilities	\$1.05	2.94%	\$10,217
Repairs and Maintenance	\$1.00	2.80%	\$9,730
Replacement Reserves	\$0.25	0.70%	\$2,433
Total Variable Expenses	\$4.03	11.28%	\$39,201
Total Operating Expenses	\$8.67	24.28%	\$84,404
Total Operating Expenses			\$84,404
Net Operating Income			\$263,183
CAPITALIZATION ANALYSIS			
Capitalization: (NOI/OAR)		\$263,183 / 6.75% =	\$3,899,011
Indicated Value (Rounded)		\$400.82 per Sq. Ft.	\$3,900,000

**"AS COMPLETE"
RECONCILIATION OF VALUE**

In the valuation analysis, the following indicator of Market Value was derived for the Subject property.

Sales Comparison Approach	\$ 3,900,000
Income Approach	\$ 3,900,000

Based on the analysis contained herein, it is my opinion that the "As Complete" Market Value of the Fee Simple Interest in the Subject property, as of July 23, 2019, is considered reasonable at:

\$ 3,900,000

“AS IS” MARKET VALUE

As mentioned, the property consists of an existing 3 building property designed as a restaurant and banquet facility. The improvements are well designed and offer good utility. Conversations with the owner indicated that subsequent to purchasing the property a major renovation began at a reported total cost of \$1,850,000. As of the date of value, the cost to complete the subject improvements is \$930,000. The appraisers were provided with a construction budget for the renovation. Our estimate was based on the construction budget as well as information obtained by local contractors. The cost estimate of \$930,000 did match with the Marshall Valuation Service Handbook as well as industry standards. The "As Is" market value of the subject property was estimated by subtracting the “As Complete” Market Value from the cost to complete the project as well as Developers Profit. The following table summarizes the “As Is” Market Value for the subject property.

Market Value “As Complete”	LESS	Construction Cost Estimate	Developers Profit	Market Value “As Is”	Market Value “As Is” (Rounded)
\$3,900,000	-	\$930,000	\$400,000	\$2,570,000	\$2,570,000

ADDENDA

REMAINING CONSTRUCTION COST ESTIMATE

Turner West Industries Inc
 P.O. Box 82
 Buellton, CA 93427
 (805)698-9359
 tunerwestind@gmail.com

Estimate

ADDRESS
Brixia Properties LLC

ESTIMATE #	DATE	
1154	07/19/2019	

DESCRIPTION	QTY	RATE	AMOUNT
6 Room Inn: \$45,000/room	6	45,000.00	270,000.00
Inn			
Framing			
Electrical			
Plumbing			
Insulation			
Sound walls			
Interior & exterior rock veneer			
New windows			
Tankless water heaters			
fixtures			
Landscape & Rock Walls	1	180,000.00	180,000.00
Landscape			
Remove asphalt except parking lot			
Grading			
Retainer walls			
Labor & Materials			
Trim & Light trees			
Waterfalls/rivers			
Pool \$110,000	1	120,000.00	120,000.00
Bar \$36,000			
Pool			
Construction to begin			
Demo grading			
Pool construction			
Decking			
Fence & Landscape			
Plumbing & electrical			
Build our Pool Bar & Restrooms			
Plumbing & Electrical			
Cabanna & Fire Pits			

DESCRIPTION	QTY	RATE	AMOUNT
Wine Cellar Tunnel	1	45,000.00	45,000.00
Parking Lot	1	180,000.00	180,000.00
Grading Engineering New ada spaces Sidewalks chip seal Lighting			
Infrastructure: Grading Engineering_Architecture	1	75,000.00	75,000.00
Fitness/wellness center/pool bathrooms/shower			60,000.00
TOTAL			\$930,000.00

Accepted By

Accepted Date

COMPARABLE SALE PHOTOS



Comparable Sale No. 1



Comparable Sale No. 2



Comparable Sale No. 3



Comparable Sale No. 4



Comparable Sale No. 5

COMPARABLE SALE PHOTOS



Comparable Sale No. 1



Comparable Sale No. 2



Comparable Sale No. 3



Comparable Sale No. 4



Comparable Sale No. 5

APPRAISER QUALIFICATIONS

***Appraisal / Valuation
Experience***

Education

MICHAEL YATES, MAI
President, Pacific Valuation

Aaron & Wright Inc – Regional Manager	1989 – 1997
Arthur Andersen – Senior Consultant	1997 – 1999
Pacific Valuation – President	1999 - Present

University of Southern California

Bachelor of Science degree in Business Administration,
Emphasis in Real Estate Finance 1990

Masters of Business Administration

In Progress

Appraisal Institute

List of Completed Courses:

Appraisal Principles 110 / Appraisal Procedures 120
Income Capitalization 310 / Income Capitalization 510
Highest & Best Use 520 / Report Writing 540
Advanced Applications 550 / Litigation Appraising 705
Standards of Professional Appraisal Practice 410 & 420

List of completed Seminars:

Market Analysis
Applied Sales Comparison Approach
Cash Equivalency
Market Trends
Accrued Depreciation

Numerous Other Local Seminars

Appraisal Assignments

- Apartment Properties
- Retail Properties
 - Office Properties
 - Industrial Properties
 - Apartment Properties
 - Single Family Residences
 - Congregate Care and Skilled Nursing Facilities
 - Religious Facilities
 - Agricultural Properties

Consultation

- Lease audits portfolio transactions exceeding 700 million dollars.
- Underwriting and loan service analysis
- Comprehensive feasibility studies
- Provided a variety of consulting and advisory services on Corporate Valuation – Purchase Price Allocation.

State Certifications

Certified General Real Estate Appraiser of California & Colorado

Professional Affiliations

Appraisal Institute
Member of the Appraisal Institute # 11662
NAIOP - National Association of Industrial and Office Properties
BOMA - Building Owners and Managers Association
University of Southern California School of Business Alumni
University of Southern California Alumni Association

INSURABLE VALUE

COST ANALYSIS - Marshall Valuation Estimate				Page 1 of 1
Project Name: Restaurant & Banquet Facility				
Address: 1297 Jonata Park Road				
Location: Buellton, CA				
File: PV 18_5				
Direct Building Costs				
	Size	No.	\$/Sq. Ft.	Total
Subject Buildings	9,730	--	\$163.94	\$1,595,136
Additional Buildout	0	--	\$50.00	\$0
Concrete Walkways & Islands	3,500	--	\$7.00	\$24,500
Asphalt Drives/Parking	44,855	--	\$5.00	\$224,275
Landscaping	33,000	--	\$3.00	\$99,000
Total Direct				\$1,942,911
Indirect Development Costs				
Lease-up Expense				
Development Fees				
Real Estate Taxes During Const.				
Permanent Loan Fees				
Professional Fees				
Subtotal	5.00%			\$97,146
Total Construction Cost New				\$2,040,057
Entrepreneurial Profit	12.00%			\$244,800
INSURABLE VALUE (rounded)				\$2,280,000

INVOICE

July 25, 2019

Mortgage Vintage, Incorporated
Attention: Mr. Sandy MacDougall
260 Newport Center Dr., 4th Floor
Newport Beach, CA 92660

RE: Appraisal of a Restaurant & Banquet Facility property located at 1297 Jonata Park Road,
Buellton, CA 93427

INVOICE

<u>Services</u>	<u>Amount</u>
Appraisal of 1297 Jonata Park Road, Buellton, CA	\$ 1,700.00
Amount Paid	<u>\$ 1,700.00</u>
TOTAL DUE	\$ 0.00

Please Remit To:

Michael Yates
15615 Alton Parkway # 450
Irvine, CA 92618