

Review Pacific Ridge Osgood Place, LP

County Board of Equalization Appeal

Mr. Boswell is protesting his 2018 valuation for his property located at 5050 40th Ave S in Fargo, parcel number 01-7001-00650-000. Mr. Boswell contacted me on April 27th and I completed an on-site inspection of the 117 unit property with Petter Eriksmoen, Appraisal Service, Inc., Wayne Ham, City of Fargo Assessment Office, and the property manager.

Cass County Board of Commissioners:

Mr. Boswell initially requested a reduction to the value of his property at the Fargo City Board of Equalization from \$10,495,000 to \$5,606,094, based on his application of the income approach to value. He emailed me on May 25th with an updated appraisal and a notification that he had a large error in his Net Operating Income (NOI) calculation and is now requesting a reduction in value from \$10,495,000 to \$9,760,000, which is the value determined from Mr. Eriksmoen's appraisal.

Mr. Eriksmoen's appraisal utilizes the three approaches to value with the most emphasis placed on the income approach. The appraisal suggests an effective value date (as is value) of May 15th, 2018 which is after the February 1st Assessment date, but goes on to state that no substantial changes have occurred that would affect the value of the property since February 1st. On a final note, Mr. Eriksmoen's appraisal uses a different definition of Market Value than the North Dakota Century Code.

The City of Fargo provided a detailed write-up of the property, prior to Mr. Boswell adjusting his PowerPoint presentation and valuation request to \$9,760,000. In the city write-up, the three approaches to value are utilized detailing equitability amongst competing properties. After the City of Fargo's initial review there was no increase in value between 2017 and 2018.

I had the opportunity to complete an on-site inspection of the property and sufficiently review the information provided by both parties. Although slightly lower in value, the appraisal submitted by Mr. Eriksmoen supports the current valuation set by the Fargo Assessment office. In their income approach, both the appraisal and The City of Fargo arrive at a similar NOI and the use of the correct cap rate is subjective. The City of Fargo demonstrated that their valuation, through the three approaches to value, is an equitable representation of similar competing properties.

SUGGESTED MOTION: "Accept the City of Fargo's 2018 certified value of \$10,495,000 for the 2018 taxable year."

Dated this 29th day May, 2018



Paul Fracassi
Director of Tax Equalization

Mr. John Boswell is protesting the 2018 value of the above referenced parcel. In the process of reviewing the value of this parcel, an inspection of the property occurred on May 15, 2018 with Paul Fracassi, Cass County Tax Director, Petter Eriksmoen, Appraisal Service, Inc, and the property manager.

Parcel improvements include a three-story apartment building (constructed in 2005) with 117 apartment units, a rental office, community room, and exercise room. Additionally, there is heated underground parking for approximately 122 vehicles, nine garage structures with 119 single garage stalls, and approximately 77 surface parking spaces.

A 2018 reappraisal effort of similar properties resulted in an initial increase from \$10,495,000 to \$11,582,000. A subsequent review, triggered by Mr. Boswell’s inquiry, resulting in a reversion to the previous value of \$10,495,000. As recapped in the following table, Mr. Boswell is requesting value of \$5,606,094, a reduction of \$4,888,906 or 46.6%.

Pacific Ridge Osgood Place, LP		Assessment Department				
	Requested 2018	Certified 2018	Non-Certified 2018	Certified 2017	Certified 2016	Certified 2015
Land Value	\$ 1,159,000	\$ 1,159,000	\$ 1,159,000	\$ 1,159,000	\$ 869,000	\$ 869,000
Improvement Value	\$ 4,447,094	\$ 9,336,000	\$ 10,423,000	\$ 9,336,000	\$ 9,626,000	\$ 9,126,200
True & Full Value	\$ 5,606,094	\$ 10,495,000	\$ 11,582,000	\$ 10,495,000	\$ 10,495,000	\$ 9,995,200
Building Area (sf)	166,453	166,453	166,453	166,453	166,453	166,453
Apartment Count (0/28/71/18) & Total	117	117	117	117	117	117
Land Area (sf)	289,680	289,680	289,680	289,680	289,680	289,680
Total Value / sf (Bldg Area)	\$ 33.68	\$ 63.05	\$ 69.58	\$ 63.05	\$ 63.05	\$ 60.05
Improvement Value / sf (Bldg Area)	\$ 26.72	\$ 56.09	\$ 62.62	\$ 56.09	\$ 57.83	\$ 54.83
Land Value / sf (Land Area)	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 3.00	\$ 3.00
Total Value / Apartment	\$ 47,915	\$ 89,701	\$ 98,991	\$ 89,701	\$ 89,701	\$ 85,429
Improvement Value / Apartment	\$ 38,009	\$ 79,795	\$ 89,085	\$ 79,795	\$ 82,274	\$ 78,002
Dollar Change (from 2018 Certified Value)	\$ (4,888,906)	\$ (1,087,000)	\$ 1,087,000	\$ -	\$ 499,800	(from Prior Year)
Percent Change (from Certified Value)	-46.6%		10.4%	0.0%	5.0%	(from Prior Year)
Change Cause		Recheck	Appraisal	Land w/ Zero Net	Market Index	

The applicant has stated, and included in a PowerPoint presentation, that the present value of \$10,495,000 equates to a 4.11% implied overall capitalization rate (OAR) and does not apply to the Fargo market but that more of the San Francisco market. Arriving at that conclusion, the applicant incorrectly includes financing expenses of \$276,125 as part of the operating costs of the property.

The Dictionary of Real Estate Appraisal, 6th Edition, as published by the Appraisal Institute defines Net Operating Income (NOI) as “*The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted.*”

When the expenses and subsequent Net Operating Income (NOI) are accurately determined the result is a cap rate of 6.74% and considered reasonable for the Fargo market.

ASSESSMENT DEPARTMENT RECOMMENDATION

Retain the value of \$10,495,000 on 5050 40 Ave S for the 2018 assessment.

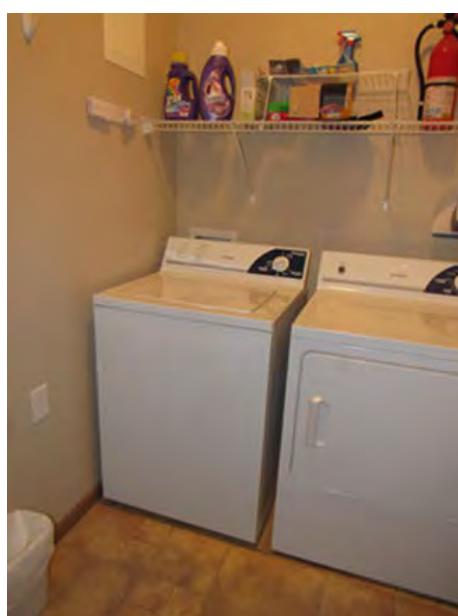


5050 40 Ave S (Looking South)
Subject Property: Osgood Place Apartments



5050 40 Ave S (Looking South from 40th Ave)
Subject Property: Osgood Place Apartments

Sample Interior Photos
Subject Property: Osgood Place Apartments



The following is a reproduction of Page 5 of the draft "Statement of Operations" for the period ending December 31, 2017 as prepared by Swalm & Associates, P.C. on March 19, 2018. This reproduction removes the financing costs from the expenses resulting in a revised NOI that is reflective of the current NOI definition as published by the Appraisal Institute.

PACIFIC RIDGE OSGOOD PLACE, LP	
HUD PROJECT NUMBER 094-11009	
Statement of Operations	
For the period ended December 31, 2017	
REVENUES	
Net Rental Income	\$ 1,281,634
Interest Income	223
Other Revenues	<u>22,943</u>
Total Revenues	<u>1,304,800</u>
EXPENSES	
Administrative	149,048
Utilities	78,847
Operating & Maintenance	186,980
Taxes & Insurance	182,309
Total Financial	<u>397,184</u>
Total Expenses: \$597,184	<u>597,184</u>
Total Cost of Operations before Depreciation	<u>707,616</u>
Profit (Loss) before Depreciation	Net Operating Income: \$707,616 <u>431,401</u>
Depreciation Expense	<u>258,560</u>
Net Income (Loss)	<u>\$ 172,841</u>
See accompanying notes to financial statements.	
-5-	

Formula: 2017 Net operating Income / Assessed Valuation = Implied OAR
 Applicants Determination: \$431,491/ \$10,495,000 = 4.11%

Recalculation before Financing (mortgage debt service and book depreciation)
 \$707,625/ \$10,495,000 = 6.74%

The following is page 22 of the PowerPoint Mr. Boswell provided this office with the corrected NOI and present value of the property reflected resulting in an Implied Overall Capitalization Rate (OAR) of 6.74%.

Osgood Place-Income Approach

Formula

2017 Net Operating Income/Assessed Valuation = Cap Rate

$$\frac{\text{NOI} = \$707,616 (\$431,491 + \$276,125 \text{ Financing Expense})}{\$10,495,000} = 6.74\%$$

$$\$431,491 / \$10,495,000 = 4.11\%$$

As the previous slide indicates, low 4% cap rates only apply to 2 cities in the United States:

The following table recaps the reconstructed operating statement for the period 2015 through 2017 and an estimate of a stabilized 2018 operating statement based on the prior three years. The reconstructed operating statement considers only actual costs to operating the property as originally designed; it does not consider costs, (as incurred) due to management decision, such as the conversion of several units within the complex to fully furnished units for corporate occupancy. An explanation relating to “supplies” was not obtained and is questioned due to the classification and amount reflected.

01-7001-00650-000	166,453 Bldg Area	2018 Land Value	\$ 1,159,000
5050 40 Ave S	117 Units	2018 Impr Value	\$ 9,336,000
Pacific Ridge Osgood Place		2018 Total Value	\$ 10,495,000

	2018 Stabilized		2017		2016		2015	
	\$	% of EGI	\$	% of EGI	\$	% of EGI	\$	% of EGI
Rents	\$ 1,293,365	98.00%	\$ 1,281,634	98.22%	\$ 1,298,224	97.32%	\$ 1,305,878	97.95%
Inv Income	\$ 264	0.02%	\$ 223	0.02%	\$ 258	0.02%	\$ 247	0.02%
Laundry Income	\$ 1,056	0.08%	\$ 1,011	0.08%	\$ 754	0.06%	\$ 292	0.02%
Tenant Charges	\$ 18,477	1.40%	\$ 17,751	1.36%	\$ 16,060	1.20%	\$ 16,215	1.22%
Mis Rev	\$ 6,599	0.50%	\$ 4,181	0.32%	\$ 18,672	1.40%	\$ 10,552	0.79%
EGI	\$ 1,319,760	100.00%	\$ 1,304,800	100.00%	\$ 1,333,968	100.00%	\$ 1,333,184	100.00%
Adv & Mktg	\$ 40,913	3.10%	\$ 40,250	3.08%	\$ 42,351	3.17%	\$ 45,632	3.42%
Other Rental	\$ 3,299	0.25%	\$ 2,955	0.23%	\$ 6,333	0.47%	\$ 3,376	0.25%
Office Salaries	\$ 24,416	1.85%	\$ 23,560	1.81%	\$ 23,422	1.76%	\$ 25,535	1.92%
Office Expense	\$ 330	0.03%	\$ 309	0.02%	\$ 4,800	0.36%	\$ 4,440	0.33%
Management	\$ 52,790	4.00%	\$ 52,042	3.99%	\$ 52,160	3.91%	\$ 52,305	3.92%
Audit Fees	\$ 13,198	1.00%	\$ 13,420	1.03%	\$ 12,768	0.96%	\$ 4,751	0.36%
Acctg Fees	\$ 6,599	0.50%	\$ 6,188	0.47%	\$ 6,278	0.47%	\$ 14,332	1.08%
Bad Debt	\$ 13,198	1.00%	\$ -	0.00%	\$ -	0.00%	\$ 13,688	1.03%
Misc Admin	\$ 660	0.05%	\$ 1,593	0.12%	\$ 68	0.01%	\$ 347	0.03%
Electric	\$ 32,334	2.45%	\$ 30,629	2.35%	\$ 33,027	2.48%	\$ 31,766	2.38%
Water/Sewer	\$ 32,334	2.45%	\$ 30,196	2.31%	\$ 31,936	2.39%	\$ 32,791	2.46%
Gas	\$ 19,796	1.50%	\$ 18,022	1.38%	\$ 19,307	1.45%	\$ 25,478	1.91%
Supplies ???	\$ 125,377	9.50%	\$ 131,689	10.09%	\$ 108,571	8.14%	\$ 92,827	6.96%
Contracts	\$ 29,035	2.20%	\$ 33,189	2.54%	\$ 26,355	1.98%	\$ 28,162	2.11%
Garbage	\$ 7,259	0.55%	\$ 7,096	0.54%	\$ 7,070	0.53%	\$ 7,306	0.55%
Security	\$ 924	0.07%	\$ 885	0.07%	\$ 894	0.07%	\$ 885	0.07%
Snow/Grounds	\$ 9,898	0.75%	\$ 14,121	1.08%	\$ 7,415	0.56%	\$ 8,479	0.64%
Insurance	\$ 50,811	3.85%	\$ 50,150	3.84%	\$ 50,279	3.77%	\$ 49,847	3.74%
Total Exp	\$ 463,170	35.10%	\$ 456,294	34.97%	\$ 433,034	32.46%	\$ 441,947	33.15%
NOI	\$ 856,590	\$ 5.15	\$ 848,506	65.03%	\$ 900,934	67.54%	\$ 891,237	66.85%

2017 Audited Profit & Loss Statement		
P&L B/F Depreciation	\$ 431,491	
+ Financing Costs	\$ 276,125	
NOI w/ RE Taxes	\$ 707,616	6.7% OAR
Real Estate Taxes	\$ 132,159	
NOI w/o RE Taxes	\$ 839,775	8.0% Loaded OAR

OAR (Mtg Equity)	6.90%
Tax Load	1.30%
Loaded OAR	8.20%

Indicated Value (Rnd)	\$ 10,442,000
\$/sf	\$ 62.73
\$/Apt	\$ 89,248

The following table recaps comparable apartment sales bracketing the year of the subject properties purchase and subsequent years. Recapped are several units of comparison as well as the mean and median units of comparison. At the time of the subject properties purchase, the median price per square foot of building area was \$64.94 while the median price per apartment was \$75,222 (contrast to \$54.47 and \$77,491). The mean and median has varied throughout the subsequent years; however, the overall median price per square for the years 2013 through 2018 is \$80.88 while the median price per apartment is \$91,869. This represent a 24.5% increase in purchase price on a per square foot basis and a 22.1% increase in purchase price on a price per unit basis.

Comparable Apartment Sales @ Time of Subject Sale

Bldg Name	Sale Date	Adj Sale \$	Yr Blt	Sale \$ / Bldg	Total Sale \$ / Apt	# Apt	Gross Apt	Net Apt
4422 30 AVE S	09-Sep-10	\$ 3,099,450	2008	\$ 75.73	\$ 73,796	42	975	864
4450 30 AVE S	09-Sep-10	\$ 3,099,450	2008	\$ 75.73	\$ 73,796	42	975	864
3155 43 ST S	17-Jun-11	\$ 3,266,900	2008	\$ 54.15	\$ 77,783	42	1,436	1,237
3142 44 ST S	17-Jun-11	\$ 3,219,200	2007	\$ 52.92	\$ 76,648	42	1,448	1,237

Mean	2008	\$ 64.63	\$ 75,506	42	1,208	1,050
Median	2008	\$ 64.94	\$ 75,222	42	1,205	1,050

5050 40 AVE S - SUBJECT	30-Sep-10	\$ 9,066,400	2005	\$ 54.47	\$ 77,491	117	1,423	1,165
-------------------------	-----------	--------------	------	----------	-----------	-----	-------	-------

Comparable Apartment Sales From 2013 through 2018

Bldg Name	Sale Date	Adj Sale \$	Yr Blt	Sale \$ / Bldg	Total Sale \$ / Apt	# Apt	Gross Apt	Net Apt
4630 33 AVE S	30-Apr-13	\$ 3,227,800	2012	\$ 80.56	\$ 89,661	36	1,113	978
4640 33 AVE S	30-Apr-13	\$ 3,235,100	2012	\$ 80.74	\$ 89,864	36	1,113	978
4677 49 AVE S4685 49 AVE S	11-Jul-13	\$ 11,578,500	2012	\$ 70.67	\$ 94,134	123	1,332	1,151
4071 34 AVE S	12-Nov-13	\$ 3,247,700	2012	\$ 81.05	\$ 90,214	36	1,113	978

Mean	2012	\$ 78.25	\$ 90,968	58	1,168	1,021
Median	2012	\$ 80.65	\$ 90,039	36	1,113	978

4045 34 AVE S	30-Jan-14	\$ 3,246,600	2012	\$ 81.03	\$ 90,183	36	1,113	978
4751 46 ST S	19-Feb-14	\$ 4,147,000	2013	\$ 75.76	\$ 92,156	45	1,216	1,058
4045 34 AVE S	14-Apr-14	\$ 3,247,700	2012	\$ 81.05	\$ 90,214	36	1,113	978

Mean	2012	\$ 79.28	\$ 90,851	39	1,148	1,005
Median	2012	\$ 81.03	\$ 90,214	36	1,113	978

4083 34 AVE S	29-Oct-15	\$ 3,497,300	2014	\$ 87.28	\$ 97,147	36	1,113	978
4425 31 AVE S	28-Dec-15	\$ 3,846,500	2004	\$ 63.66	\$ 91,583	42	1,439	1,237
3120 44 ST S	28-Dec-15	\$ 3,884,500	2006	\$ 64.39	\$ 92,488	42	1,436	1,237

Mean	2008	\$ 71.78	\$ 93,740	40	1,329	1,151
Median	2006	\$ 64.39	\$ 92,488	42	1,436	1,237

4083 34 AVE S	26-Jan-16	\$ 3,494,800	2014	\$ 87.22	\$ 97,078	36	1,113	978
4083 34 AVE S	04-Oct-16	\$ 3,504,760	2014	\$ 87.47	\$ 97,354	36	1,113	978
2479 60 AVE S5931 24 ST S	15-Dec-16	\$ 4,009,100	2013	\$ 83.36	\$ 95,455	42	1,145	1,007

Mean	2014	\$ 86.01	\$ 96,629	38	1,124	988
Median	2014	\$ 87.22	\$ 97,078	36	1,113	978

3401 41 ST S	26-Sep-17	\$ 3,987,900	2016	\$ 99.71	\$ 110,775	36	1,111	956
3620 42 ST S	31-Jan-18	\$ 2,526,400	2013	\$ 58.71	\$ 70,178	36	1,195	951
1940 DAKOTA DR N1920 DA	01-Mar-18	\$ 4,811,800	2001	\$ 71.67	\$ 84,418	57	1,178	1,012

Mean	2007	\$ 65.19	\$ 77,298	47	1,187	982
Median	2007	\$ 65.19	\$ 77,298	47	1,187	982

Overall Mean	2011	\$ 78.39	\$ 92,056	44	1,185	1,027
Overall Median	2012	\$ 80.88	\$ 91,869	36	1,113	978

The following table recaps the 2018 value of “box style” apartment buildings without underground parking and with underground parking that bracket the subject’s age. (Box style apartments are contrast to townhome style apartments due to the common area i.e. hallways, laundry facilities, etc. associated with this type of building.) Based on a review of these values, the subject property appears to be valued equitably.

2018 Values of Box Style Apartments w/o Underground Parking									
Land Addr	Tot Land Value	Impr Value	T&F Value	Yr Blt	Tot Val / sf	Tot Val / Apt	Total Apts	Avg Gross Area / Apt	Avg Net Area / Apt
4161 18 AVE S	\$ 408,000	\$ 4,366,600	\$ 4,774,600	2002	\$ 67.89	\$ 79,577	60	1,172	1,034
1951 DAKOTA DR N	\$ 574,000	\$ 4,566,700	\$ 5,140,700	2007	\$ 74.54	\$ 88,633	58	1,189	968
1431 OAK MANOR AVE S	\$ 255,000	\$ 3,081,300	\$ 3,336,300	2003	\$ 67.94	\$ 69,506	48	1,023	904
3135 BROADWAY N	\$ 151,000	\$ 2,466,400	\$ 2,617,400	2004	\$ 59.39	\$ 68,879	38	1,160	886
4379 33 AVE S	\$ 579,000	\$ 4,390,100	\$ 4,969,100	2008	\$ 72.45	\$ 82,818	60	1,143	1,017
4379 33 AVE S	\$ 579,000	\$ 4,410,900	\$ 4,989,900	2008	\$ 72.75	\$ 83,165	60	1,143	1,017
5231 AMBER VALLEY PKWYS	\$ 378,000	\$ 2,230,300	\$ 2,608,300	2003	\$ 68.26	\$ 74,523	35	1,092	957
5251 AMBER VALLEY PKWYS	\$ 405,000	\$ 2,105,600	\$ 2,510,600	2004	\$ 68.61	\$ 71,731	35	1,046	912
5351 AMBER VALLEY PKWYS	\$ 291,000	\$ 2,190,400	\$ 2,481,400	2004	\$ 67.81	\$ 70,897	35	1,046	912
5331 AMBER VALLEY PKWYS	\$ 276,000	\$ 2,156,600	\$ 2,432,600	2004	\$ 66.48	\$ 69,503	35	1,046	912
5301 AMBER VALLEY PKWYS	\$ 290,000	\$ 2,092,600	\$ 2,382,600	2004	\$ 65.11	\$ 68,074	35	1,046	912
5170 AMBER VALLEY PKWYS	\$ 1,113,000	\$ 8,829,400	\$ 9,942,400	2002	\$ 61.45	\$ 85,710	116	1,395	1,197
4422 30 AVE S	\$ 383,000	\$ 2,814,000	\$ 3,197,000	2008	\$ 78.11	\$ 76,119	42	975	864
4422 30 AVE S	\$ 383,000	\$ 2,790,000	\$ 3,173,000	2008	\$ 77.52	\$ 75,548	42	975	864
4466 47 ST S	\$ 266,000	\$ 2,255,000	\$ 2,521,000	2005	\$ 69.60	\$ 70,028	36	1,006	890
4452 47 ST S	\$ 393,000	\$ 2,123,800	\$ 2,516,800	2005	\$ 75.29	\$ 76,267	33	1,013	889
4482 47 ST S	\$ 268,000	\$ 2,263,400	\$ 2,531,400	2005	\$ 69.89	\$ 70,317	36	1,006	890
4536 47 ST S	\$ 268,000	\$ 2,263,400	\$ 2,531,400	2005	\$ 69.89	\$ 70,317	36	1,006	890
4522 47 ST S	\$ 386,000	\$ 2,110,000	\$ 2,496,000	2006	\$ 74.67	\$ 75,636	33	1,013	889
4550 47 ST S	\$ 257,000	\$ 2,253,600	\$ 2,510,600	2006	\$ 69.31	\$ 69,739	36	1,006	890
4574 44 AVE S	\$ 767,000	\$ 2,715,400	\$ 3,482,400	2006	\$ 71.50	\$ 69,648	50	974	748
350 26 AVEN	\$ 348,000	\$ 2,869,000	\$ 3,217,000	2007	\$ 55.14	\$ 74,814	43	1,357	762
4425 31 AVE S	\$ 437,000	\$ 3,744,500	\$ 4,181,500	2004	\$ 69.20	\$ 99,560	42	1,439	1,237
3120 44 ST S	\$ 449,000	\$ 3,885,200	\$ 4,334,200	2006	\$ 71.84	\$ 103,195	42	1,436	1,237
3155 43 ST S	\$ 390,000	\$ 3,842,600	\$ 4,232,600	2008	\$ 70.16	\$ 100,776	42	1,436	1,237
3142 44 ST S	\$ 401,000	\$ 3,813,100	\$ 4,214,100	2007	\$ 69.85	\$ 100,336	42	1,436	1,237
				Mean 2005	\$ 69.41	\$ 78,666	45	1,138	967
				Median 2005	\$ 69.73	\$ 75,181	42	1,046	912

2018 Values of Box Style Apartments w/ Underground Parking									
Land Addr	Tot Land Value	Impr Value	T&F Value	Yr Blt	Tot Val / sf	Tot Val / Apt	Total Apts	Avg Gross Area / Apt	Avg Net Area / Apt
2900 34 AVE S	\$ 375,000	\$ 8,095,000	\$ 8,470,000	2002	\$ 62.59	\$ 89,158	95	1,425	1,227
705 13 AVEN	\$ 303,000	\$ 4,976,000	\$ 5,279,000	2002	\$ 63.78	\$ 85,145	62	1,335	1,049
1709 25 AVE S - SegID 1	\$ 1,342,000	\$ 12,460,000	\$ 13,802,000	2007	\$ 84.74	\$ 106,992	129	1,263	433
1709 25 AVE S - SegID 2	\$ -	\$ 7,699,000	\$ 7,699,000	2010	\$ 78.78	\$ 104,041	74	1,321	441
1709 25 AVE S - SegID 3	\$ -	\$ 8,600,000	\$ 8,600,000	2013	\$ 80.94	\$ 111,688	77	1,380	432
				Mean 2007	\$ 74.16	\$ 99,405	87	1,345	716
				Median 2007	\$ 78.78	\$ 104,041	77	1,335	441

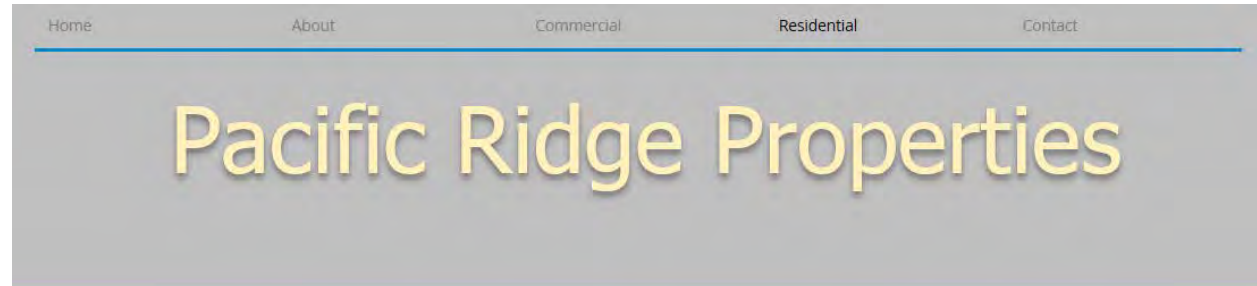
5050 40 AVE S - SUBJECT	\$ 1,159,000	\$ 9,336,000	\$ 10,495,000	2005	\$ 63.05	\$ 89,701	117	1,423	1,165
-------------------------	--------------	--------------	---------------	------	----------	-----------	-----	-------	-------

The following is a reproduction of the cost approach utilized to value this property for the 2018 mass reappraisal. The cost approach used by this office is based on a mass appraisal model calibrated to reflect market activity. This differs from a standard cost approach utilizing only replacement cost new, less depreciation, plus land value.

5/24/2018		Summary Report		Page: 1	
Estimate Number	:	4000			
Parcel Number	:	01-7001-00650-000			
Property Owner	:	PACIFIC RIDGE OSGOOD PLACE LP			
Property Address	:	5050 40 Ave S			
Property City	:	Fargo			
State/Province	:	ND			
ZIP/Postal Code	:	58104			
Section I					
Occupancy					
		<u>Class</u>	<u>Height</u>	<u>Rank</u>	
100% Multiple Res (Low Rise)		Wood or steel framed exterior walls	9.00	2.5	
Total Area	:	166,453			
Number of Stories (Section)	:	3.00			
Shape	:	3.00			
Effective Age (years)	:	9.00			
Components					
		<u>Units/%</u>	<u>Other</u>		
HVAC (Heating):					
Hot Water		100%			
Elevators:					
Passenger #		1	Stops	:	4
Sprinklers:					
Sprinklers		100%			
Basement					
		<u>Type</u>	<u>Area</u>	<u>Depth</u>	<u>Rank</u>
Multiple Res (Low Rise)		Parking	60,934	9.00	2.0
Number of Levels	:	1.00			
Shape	:	2.00			
Basement Components					
		<u>Units/%</u>	<u>Other</u>		
Sprinklers:					
Sprinklers		100%			
HVAC (Heating):					
Space Heater		100%			
Ventilation		100%			
Cost as of	01/2016				
		<u>Units/%</u>	<u>Cost</u>	<u>Total</u>	
Basic Structure					
Base Cost		166,453	33.93	5,647,750	
Exterior Walls		166,453	6.54	1,088,603	
Heating & Cooling		166,453	4.97	827,271	
Elevators		1	44,339.00	44,339	
Sprinklers		166,453	1.26	209,731	
Basic Structure Cost		166,453	46.97	7,817,694	
Basement					
Parking Basement		60,934	13.53	824,437	
Heating & Cooling		121,868	1.10	134,055	
Sprinklers		60,934	1.34	81,652	
Cost Data by Marshall & Swift					

5/24/2018		Summary Report		Page: 2
Estimate Number	:	4000		
ZIP/Postal Code	:	58104		
Building Cost New		166,453	53.22	8,857,838
Extras				
BALCONY/DECK		118	1,400.00	165,200
WALL AC		193	1,100.00	212,300
BUILT-INS		118	1,400.00	165,200
SINGLE STALL GARAGE		119	9,400.00	1,118,600
PAVING		77	1,100.00	84,700
BATHROOMS		89	4,100.00	364,900
1/2 BATHROOMS		2	1,400.00	2,800
Replacement Cost New		166,453	65.91	10,971,538
Less Depreciation				
Physical & Functional		5.0%		548,579
Depreciated Cost		166,453	62.62	10,422,959
Rounded to Nearest		1,000		10,423,000
Remarks for Section 1:				
Yr Blt: 2005 (Completed 2006). Site Area: 289,680 sf. Canopy valued at 25% of basic cost.				
<hr/> Cost Data by Marshall & Swift				

The following is the owner’s description of this property as depicted at <https://www.pacridgeproperties.com/residential>. Of interest “was bought at a significant discount to replacement cost”, financed with 35 year fixed-rate financing at a 3.9% interest rate” and “has enjoyed extraordinary returns”.



Residential



Osgood Place

Osgood Place is a 117 unit Class A apartment complex located in Fargo, North Dakota. It was bought at a significant discount to replacement cost, and financed with 35 year fixed-rate financing at a 3.9% interest rate. The project is arguably the nicest apartment project in the market, with underground parking and an average unit size of 1206 square feet. It has enjoyed extraordinary returns and we are proud to own it.



The Reserve

The Reserve at Lake Granbury is a 134 unit Class A apartment complex located in Granbury, Texas. This lakefront property was bought at a discount from replacement cost and also enjoys 2.6% 35 year fixed-rate financing. It is indisputably the nicest apartment project in the market.

The following correspondence was received from the applicant on March 28, 2018 and presented to the City Board of Equalization for their consideration on April 10, 2018.

From: John Boswell [mailto:jb657@sbcoxmail.com]
Sent: Wednesday, March 28, 2018 12:03 PM
To: Wayne Ham <WHam@FND.gov>; Wham@fnd.gov
Cc: Wayne Ham <WHam@FargoND.gov>
Subject: FW: Property Tax

Hi Wayne,

My first email bounced back so I sent it several different ways.

I ran the numbers and was very surprised by the result.

I am requesting a decrease in valuation of Osgood Place at 5050 40 AVE S, Parcel Number 01-7001-00650-000 from the proposed valuation of **\$11,582,000**.

I am requesting a revised valuation of **\$5,606,094**. This number was calculated by taking 2017 NOI, adding back depreciation, and dividing the result by a 7.5% capitalization rate.

2017 NOI (\$161,896.78) plus depreciation (\$258,560.34) = Adjusted NOI (\$420,457.12) / Capitalization rate (7.5%) = \$5,606,094.93.

Attached are the following documents:

- A) 2015, 2016 and 2017 Financial Statements. The 2015 statement is stamped "Pending". I never received any revision to it [from the management company](#).
- B) A current rent roll.
- C) December 17 Market Survey

My comments are:

- 1) Fargo can accurately be described as a severely distressed tertiary rental market. Physical vacancy in Area 5, where Osgood Place is located, was 13.84%, according to the December Market Survey attached. This would indicate falling rents.
- 2) A review of the NOI (adjusted by including depreciation) for the project reveals that it has dropped from 462,798.15 in 2015 to \$420,457.12 in 2017.
- 3) Deteriorating markets result in higher capitalization rates for obvious reasons. I do not believe a market as distressed as Fargo would warrant a 7% cap rate. I have used 7.5%

Thanks for your consideration. I look forward to discussing this with you further.

John Boswell
Pacific Ridge Properties
211 E Carrillo St #204
Santa Barbara, CA 93101
(O) 805-899-3210
(M) 805-729-1193
Jb657@sbcoxmail.com
www.pacridgeproperties.com

Osgood Place

Tax Assessment Analysis



5050 40th Ave S, Fargo, ND 58104

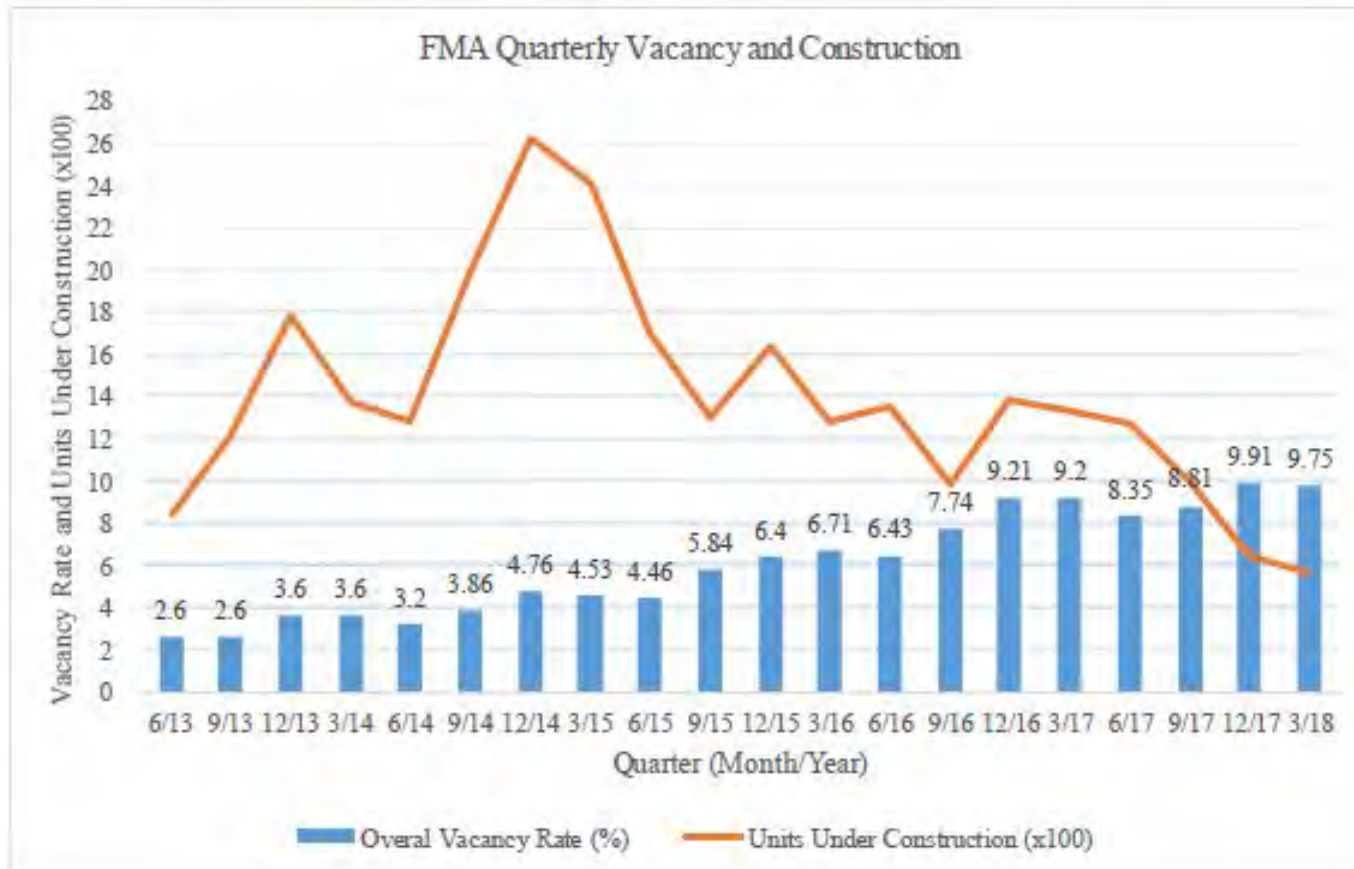
Current Status-Fargo Multi-family Market

Severely Distressed

- 1) Overbuilt
- 2) High Physical **9.75%** and Higher
Economic Vacancy

QUARTERLY MULTI-FAMILY VACANCY AND CONSTRUCTION
- FARGO-MOORHEAD METROPOLITAN AREA -
Conducted by Appraisal Services Inc. – March 1, 2018

The table below illustrates the relationship between the metro area vacancy rate and apartment units under construction over the last five years. New construction has averaged 1,359 units per year since 2013, and the market now reflects an oversupply. Over 6,000 new apartment units have been constructed since 2013, when vacancy rates reached a floor of 2.6% metro wide.



Osgood Place Location South Fargo Area 5

Most new Construction
Highest Physical and
Economic Vacancy Rate in
Fargo

14.45%

Result: Falling Rents

Eaglebrook - 2 MONTHS FREE ON ALL APARTMENTS!

5450 26th St S, Fargo, ND 58104 – Fargo

1 Bedroom \$775 – 810 2 Bedrooms \$975 – 1,200 3 Bedrooms \$1,350

[Home](#) / [North Dakota](#) / [Fargo](#) / Eaglebrook - 2 MONTHS FREE ON ALL APARTMENTS!



Hunter's View-2 MONTHS FREE!

3807-3885 30th Ave S, Fargo, ND 58103 – Fargo

Studio \$715 – 805 1 Bedroom \$825 – 845 2 Bedrooms \$1,030 – 1,050

[Home](#) / [North Dakota](#) / [Fargo](#) / Hunter's View-2 MONTHS FREE!



Osgood Place Performance in a Deteriorating Market

Between 2015 and 2017, Rents dropped slightly. Because of promotions and increased operating costs, Net Operating Income fell **30%**. In the first quarter of 2018, total income dropped **8.6%** **compared to 2017**, and net operating income dropped **19.5% compared to 2017**.

These are not happy times for apartment owners in Fargo. Many owners of newer properties are losing money, even after getting the properties fully leased up. Net income is not covering debt service

My 2018 assessment in the face of this severely distressed and deteriorating market?

A \$1,0087,000 increase in my valuation!

10.35% Bump



PACIFIC RIDGE OSGOOD PLACE LP
211 E CARILLO ST STE 204
SANTA BARBARA CA 93101

Date 3/23/2018

**NOTICE OF INCREASE IN REAL ESTATE ASSESSMENT
AND BOARD OF EQUALIZATION MEETINGS**

Parcel Number: 01-7001-00650-000 Property Location: 5050 40 AVE S

The Assessment Department has arrived at a new value on this property for the 2018 tax year. This change may have occurred because of new construction, improvements made to the property, a split from a larger tract, expiration of an exemption, a new appraisal, or an adjustment of the value due to changes in the market.

North Dakota statute (N.D.C.C. § 57-02-53) requires us to inform you that an increase in assessment value does not mean property taxes on the parcel will increase.

If you have any questions about your appraised value or this notice, please call our office.

Our hours are 7:45AM - 4:30PM, Monday thru Friday, and our phone number is (701) 241-1340.

Real Estate Description:

LOT 36 BLOCK 3 ADDITIONAL INFO *12/24/02 SPL/FR 3502-35000 *PLATTED
(4/10/03 B-T1, P-48) *SPL/FR 3502-35010, 3502-05030 & 3502-40000
Osgood Townsite 1st

	** Full Value **	** Net After Exemptions and Credits **
Current Year:	11,582,000	11,582,000
Last Year:	10,495,000	10,495,000
Change:	1,087,000	1,087,000

Hearing Schedule:

The City Board of Equalization will meet on April 10, 2018, in the City Commission Room at 200 3rd St. N. in Fargo at 7:30AM.

The County Board of Equalization will meet on June 4, 2018, in the Cass County Courthouse at 211 9th St. S. in Fargo at 3:30PM.

The State Board of Equalization will meet on August 14, 2018 in the State Capitol Building at 600 E. Boulevard Ave. in Bismarck at 9:30AM.

3 Ways to Value Real Estate

Market Approach: Compare and adjust sales prices of comparable properties to determine value

Income Approach: Apply a capitalization rate to the income stream to determine value.

Cost Approach: Estimate replacement cost to determine value.

Question: Which of these is the most reliable method?

Most Reliable-Market Approach
Second Most Reliable-Income
Approach

Least Reliable-Cost
Approach

The Primary Method Used to Appraise This Property According the City Appraiser?

Cost Approach

Flawed Methodology Leads to Absurd Result

As a result of using the cost approach, Osgood Place in a severely distressed, overbuilt market with sharply declining rents and income, receives a 10% **increase** in assessed value?

Why: The multi-family market is in free fall, but construction costs continue to rise so, using the cost approach, assessed property values go up.

What's wrong with this picture?

The Income Approach

How it works

Divide the project net operating income by the desired rate of return % (capitalization rate) to calculate the value of the project.

If the project makes \$500,000 and you want a 10% return on your investment, you will pay \$5,000,000 for it. $\$500,000/10\%=\$5,000,000$

Capitalization rates vary in different markets. Investors want a higher return in Topeka than in Manhattan or Los Angeles. The **higher** return the investor want, the **higher** the capitalization rate and the **lower** the price he/she will pay for the investment.

Example: Apartment Project makes
\$100,000 per year (Net Operating Income)

If I want to earn 10% on my investment it's
worth \$1,000,000.

If I want to earn 5% on my investment it's
Worth \$2,000,000.

Higher Capitalization rate means lower
Value.

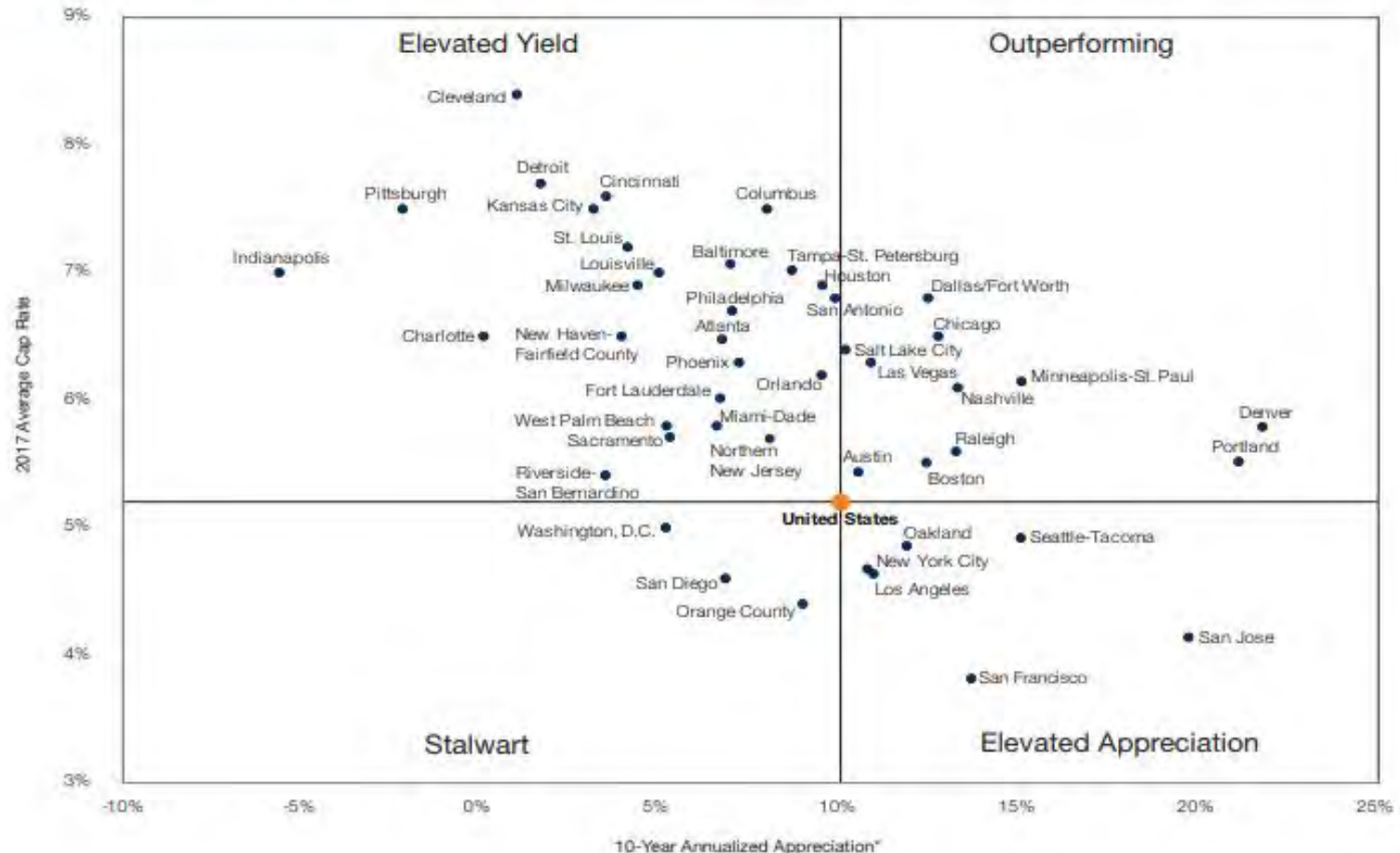
To apply the income approach to Osgood Place we take the 2017 Net operating income and divide it by a capitalization rate appropriate to the Fargo Market.

The question is: What should the capitalization rate for Fargo be?

Marcus and Millichap 2018 Multi-family North American Investment Forecast

2018 Pricing & Valuation Trends

Yield Range Offers Compelling Options for Investors;
Most Metros Demonstrate Strong Appreciation Rates



Osgood Place-Income Approach

Formula

2017 Net Operating Income/Assessed Valuation = Cap Rate

$$\text{\$431,491/\text{\$10,495,000} = 4.11\%}$$

As the previous slide indicates, low 4% cap rates only apply to 2 cities in the United States:

At the assessed valuation, the income from Osgood Place is being valued as if the property were located in San Francisco or San Jose, **the hottest and most desirable multi-family markets in the United States.**

According to the Income Approach
Osgood Place is being valued as if it is
located in San Francisco.

Does that make sense?

Conclusion: The assessor is using the cost approach in a rapidly declining market. This flawed methodology does not register deteriorating market conditions and is resulting in **grossly** distorted over-valuations of multi-family property in Fargo. The methodology must be changed to correct these inaccurate valuations.

To the extent this cost-based appraisal methodology has been used to value other apartment projects in Fargo for tax assessment purposes, all of those properties need to be re-assessed.

APPRAISAL REPORT

SUBJECT

OSGOOD PLACE APARTMENTS
5050 40th Avenue South
Fargo, North Dakota 58104

DATE OF REPORT

May 25, 2018

Appraisal Services Inc.

1220 MAIN AVENUE, SUITE 125
FARGO, NORTH DAKOTA 58103
PHONE: (701) 235-1189

CLIENT

Pacific Ridge Properties
211 East Carillo Street, Suite 204
Santa Barbara, California 93101

EFFECTIVE DATE OF VALUE

As Is Value - May 15, 2018

PREPARED BY

Petter N. Eriksmoen

petter@asind.com

File # 18P176

Appraisal Services Inc.

Neal A. Eriksmoen, MAI
Petter N. Eriksmoen
Alan P. Leirness, MAI, CCIM

1220 Main Avenue, Suite 125
Fargo, ND 58103-8201
Phone (701) 235-1189
Fax (701) 235-9465

May 25, 2018

Mr. John Boswell
Pacific Ridge Properties
211 East Carillo Street, Suite 204
Santa Barbara, California 93101

Dear Mr. Boswell:

In accordance with your request, I have completed an appraisal of the following described property:

Osgood Place Apartments
5050 40th Avenue South
Fargo, North Dakota 58104

This appraisal report was prepared at the request of Pacific Ridge Properties to be used as the basis for a tax assessment review. The intended users are limited to Pacific Ridge Properties, the Cass County Board of Equalization and the City of Fargo Assessor's Office. It is not to be relied on by any other parties for any other purpose, whatsoever.

I personally viewed the appraised property with the on-site manager, on May 15, 2018. I reviewed the building and site plans, the current rent roll and the available 2015-2017 income and expense information. These documents are included in the attachments.

Based on the appraisal analysis summarized in the attached report, it is my opinion that the market value of the fee simple interest in the appraised property, as of May 15, 2018, is:

NINE MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS
(\$9,760,000)

The appraised value includes the land, building improvements, site improvements and personal property normally associated with an apartment building. The personal property included in the value conclusion consists of the typical movable appliances (117 ranges, 117 refrigerators, 117 washers and 117 dryers) associated with an apartment building. The personal property was considered to have a market value of about \$225,000, estimating \$350 per range, \$800 per refrigerator, \$300 per washer and \$300 per dryer.

The current balance of special assessments total \$154,876.07. It is customary in the local area for buyers to assume the balance of unpaid special assessments since they are usually financed at below market interest rates. This is a debt against the property. Therefore, the client and intended user should may choose to deduct the current balance of special assessments from the market value indications to reflect the net value for assessment purposes.

It is assumed that there are no adverse environmental conditions impacting the property. The appraiser is not an expert in determining these conditions, and other expertise should be sought, if so desired. No adverse conditions were apparent based on the property viewing.

Real Estate Appraisers and Consultants

Mr. Boswell
May 25, 2018
Page 2

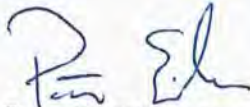
The accompanying report relates a summary of the data, reasoning and analysis, which was used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation, concerning the data, reasoning and analyses, is retained in the appraiser's files. The report is considered to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) and the appraisal requirements of Pacific Ridge Properties, the Cass County Board of Equalization and the City of Fargo Assessor's Office.

This appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan. The appraised value reflects a typical exposure time period of six to twelve months. Due to stable market conditions, the marketing time was also estimated to be six to twelve months.

Please call if any further information is required.

Respectfully submitted,

APPRAISAL SERVICES INC.



Petter N. Eriksmoen

ND Certified General Real Property Appraiser #CG-21517

MN Certified General Real Property Appraiser License #40367366

PNE/tim

TABLE OF CONTENTS

Summary of Important Facts and Conclusions	1
Appraisal Report	
Overview	2
Client	2
Appraiser	2
Subject Property	2
Purpose of the Appraisal	3
Intended Use of Report	3
Interest Valued	3 - 4
Effective Date of Value	4
Date of Report	4
Scope of Work	4 - 5
Description of the Real Estate Appraised	5 - 13
Highest and Best Use	13
Summary of Valuation and Analysis	14 - 27
Reconciliation and Value Conclusion	27 - 29
Assumptions and Limiting Conditions	29 - 31
Certification	31 - 32
Attachments	
Photographs of Subject Property	
Plat Map	
Flood Map	
Calculations Worksheet	
Site Value Analysis	
Location Map	
Comparable Sales Sheets	
Income Capitalization Approach Attachments	
Current Rent Roll	
Historic Income and Expense Information	
Apartment Vacancy Survey	
Sales Comparison Approach Attachments	
Location Map	
Comparable Sales Sheets	
Community Profile	
Qualifications of Appraiser	
Appraiser's Licenses	

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Name:	Osgood Place Apartments		
Property Address:	5050 40th Avenue South Fargo, North Dakota		
Effective Value Date (As Is Value):	5/15/2018		
Date of Appraisal Report:	5/25/2018		
Property Rights Appraised:	Fee Simple		
Zoning:	MR-3, Multiple Dwelling District		
Current Use:	Market-Rate Multi-Family Housing		
Use Appraised in the Report:	Market-Rate Multi-Family Housing		
Highest and Best Use:	Market-Rate Multi-Family Housing		
Flood Zone:	Zone X-Other Flood Areas		
Flood Map Number:	38017C0778G		
Tax Identification Number:	01-7001-00650-000		
MSA Number:	22020		
Census Tract Number:	38 017 589 0545 0405.00		
Year Built:	2005		
Site Size:	289,680 SF		
Gross Building Area:	166,453 SF	117 Units	1,423 SF/Unit
Net Building Area:	SF	On-site Parking:	88,657 SF
Parking: Exterior	79	Garages: Single	118
		Basement	122

Summary of Analysis

As Is Market Value Estimate

Value Indicated by Cost Approach:	\$10,079,000
Value Indicated by Income Approach:	\$9,620,000
Value Indicated by Comparable Sales Approach:	\$9,980,000

As Is Market Value Estimate

\$9,760,000

Balance of Special Assessments Included in Value Conclusions:	\$154,876
Personal Property Included in Market Value Estimate:	\$225,000
(Ranges & Refrigerators: 117 Washers & Dryers: 234) (\$300 per washer, \$300 per dryer, \$350 per range, \$800 per refrigerator)	

Estimated Exposure Time Period:

Six To Twelve Months

Estimated Marketing Time Period:

Six To Twelve Months

Forecasted Gross Annual Income:	\$11,887 /Unit		\$1,390,806
Vacancies:	10.00%		(\$139,081)
Effective Gross Income (EGI):	\$10,699 /Unit	100% EGI	\$1,251,725
Forecasted Annual Expenses:	(\$4,735) /Unit	44% EGI	(\$554,052)
Forecasted Net Annual Income:	\$5,963 /Unit	56% EGI	\$697,673

APPRAISAL REPORT

Overview

This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice (USPAP). It relates a summary discussion of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use that is stated herein. The appraiser is not responsible for unauthorized use of this report.

Client

Pacific Ridge Properties
211 East Carillo Street, Suite 204
Santa Barbara, California 93101

Appraiser

Petter N. Eriksmoen
Appraisal Services Inc.
1220 Main Avenue, Suite 125
Fargo, North Dakota 58103

Subject Property

The appraised property is improved with a three-story, wood frame apartment building with basement parking and nine detached garage buildings. There are 122 basement parking spaces, 118 single stall garages, and concrete-surfaced on-site parking for 79 vehicles. The property was constructed in 2005 and is pictured in the 2017 satellite image at right, from the City of Fargo GIS.

Thirteen units were vacant at the time the property was viewed, per the rent roll included in the attachments, indicating an 11.1% physical vacancy condition, which is inferior to the March 2018 9.77% physical vacancy condition of the Fargo market, but slightly stronger than the 14.45% physical vacancy reported for South Fargo Unit 5, per the Apartment Survey included in the attachments. The overall condition of the property was considered good for its age, as it has been adequately maintained over its 12-year life. The subject is depicted in the photographs and diagrams included in the report and attachments.



APPRAISAL REPORT (Cont.)

Purpose of the Appraisal

The purpose of this appraisal is to estimate the Market Value of the subject property as of the effective date of the value conclusion for assessment review purposes. Market Value is defined as follows:

"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 are 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 the sale."¹

Intended Use of Report

This appraisal report was prepared at the request of Pacific Ridge Properties to be used as the basis for a tax assessment review. The intended users are limited to Pacific Ridge Properties, the Cass County Board of Equalization and the City of Fargo Assessor's Office. It is not to be relied on by any other parties for any other purpose, whatsoever.

Interest Valued

Three terms are helpful in clarifying the rights appraised in real property. They are fee simple, leased fee and leasehold. They are defined as:

"Fee-Simple - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

"Leased Fee - The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."³

¹ Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-appraisals, 34.42 Definitions (g).

² The Dictionary of Real Estate Appraisal, Sixth Edition, The Appraisal Institute, Illinois, 2015, Page 90

³ *Ibid.*, Page 128

APPRAISAL REPORT (Cont.)

"Leasehold - The right held by the lessee to use and occupy the real estate for a stated term and under the conditions specified in the lease."⁴

Thirteen units were vacant at the time the property was viewed, per the rent roll included in the attachments. The indicated vacancy rate is 11.1%. The tenants have short-term leases, resulting in no long-term leasehold interest in the property. The value analysis was based on market rent estimates for the individual units and a market vacancy and credit loss factor relating the fee simple interest.

Effective Date of Value

The effective date of the value conclusion is May 15, 2018, the day the property was viewed. No substantial changes that would affect property value have occurred between the effective date of value and February 1, 2018, which is the day the assessor's taxable value for the year is to be certified.

Date of Report

May 25, 2018

Scope of Work

This appraisal was prepared in conformance with USPAP and the appraisal requirements of Pacific Ridge Properties, the Cass County Board of Equalization and the City of Fargo Assessor's Office. The appraised property is in Fargo, North Dakota, where I have previously appraised a variety of apartment properties including 100+ unit structures with basement parking. I have considerable experience appraising all types of apartments in the region. The assignment was considered within the scope of my qualifications. No additional steps were considered necessary or appropriate to comply with the competency USPAP. In preparing the appraisal, the appraiser:

- Physically viewed the property, reviewed the current rent roll and the available historic income and expense data and interviewed the owner. These documents are included in the attachments;
- Investigated and verified public records for descriptive data on the subject property including, but not limited to, taxes, assessments, easements, restrictions, zoning, municipal services, and a sales history of the subject property for the past three years;
- Inspected and analyzed the regional, community and neighborhood characteristics impacting the value of the appraised property;
- Considered the physical, governmental, social and economic factors, which impact the value of the subject property;
- Gathered information on site sales, construction costs, comparable property sales, rents, operating expenses, and capitalization rates;

⁴ Ibid., Page 128

APPRAISAL REPORT (Cont.)

- Confirmed and analyzed the data using the Cost, Income and Sales Comparison Approaches to value as they apply to the valuation scenario;
- Reconciled the value indications into a final estimate of value and summarized the analysis and conclusions in an Appraisal Report in conformance with Standard 2 of USPAP.

Description of the Real Estate Appraised

Community and Regional Data

The subject is in an established commercial/residential neighborhood (Osgood) on the southwest edge of Fargo, with frontage along 40th Avenue South. Its location is depicted on the area map that follows.

	Metropolitan Population			
	1990	2000	2010	2015 (Est)
Fargo, ND	74,111	90,599	105,549	118,523
West Fargo, ND	<u>12,287</u>	<u>14,940</u>	<u>25,830</u>	<u>33,597</u>
	86,398	105,539	131,379	152,120
Moorhead, MN	32,295	32,177	38,065	42,005
Dilworth, MN	<u>2,562</u>	<u>3,001</u>	<u>4,024</u>	<u>4,366</u>
	34,857	35,178	42,089	46,371
Metro Total	153,296	174,367	208,777	233,836

Source: U.S. Census

Fargo is the largest community in the state and is the nucleus of a metropolitan area consisting of Fargo and West Fargo, North Dakota, and Moorhead and Dilworth, Minnesota. The metro area is the regional center for retail and wholesale trade, transportation, finance, industry, education, culture, medicine, entertainment and conventions. This has resulted in the metropolitan area maintaining stable growth.

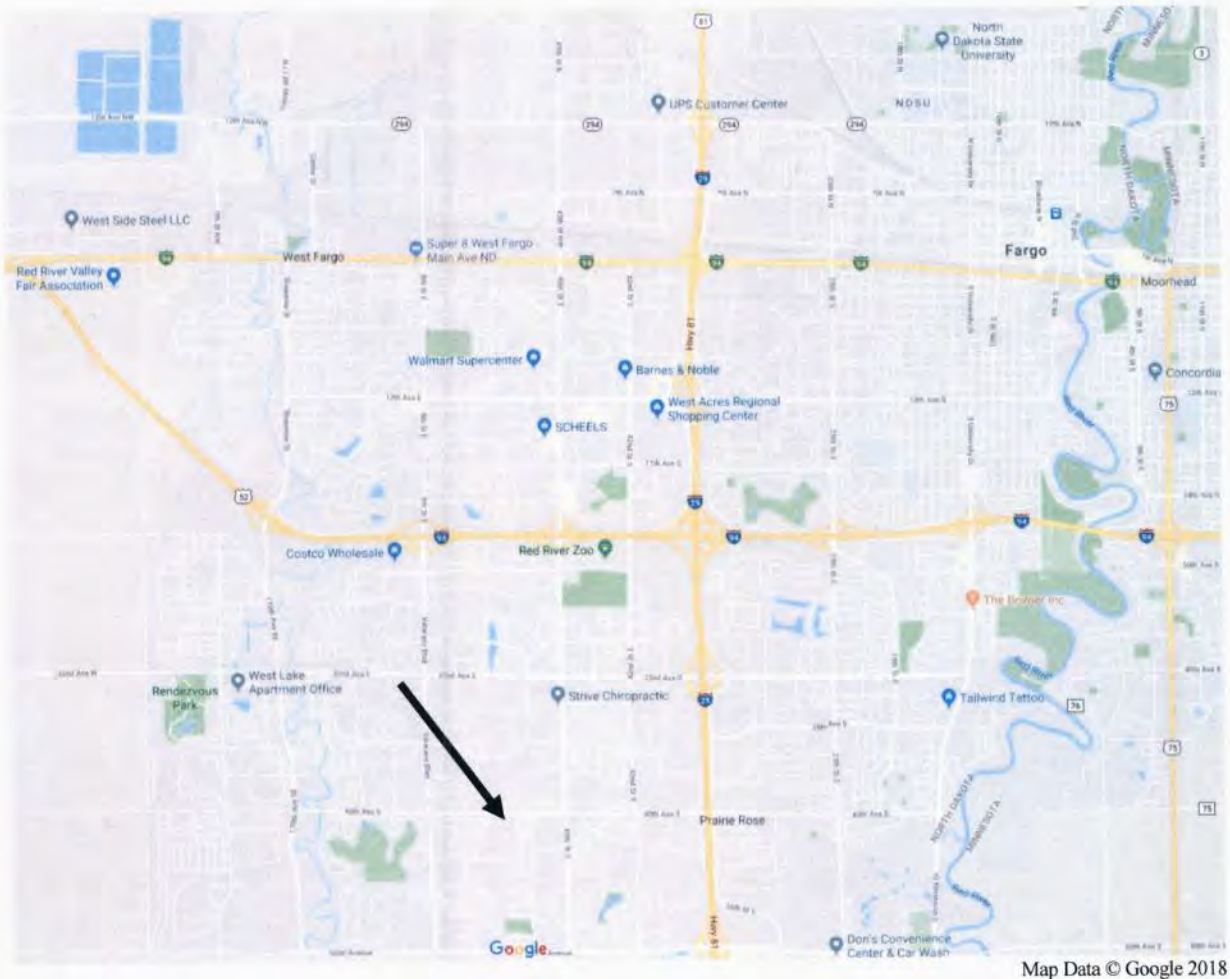
The general growth trend for the community is in a south/southwesterly direction. The Red River (North Dakota/Minnesota border), North Dakota State University, a regional airport and the community's industrial park restrict growth of the north portion of the community. The north side of the community is nearly fully developed. West Fargo is located immediately west of Fargo. These two communities continue to grow together around the regional retail center on the southwest edge of the Fargo. Most of the new residential development is occurring on the south and southwest edges of the metro area. The metro area has maintained a strong employment condition:

Year	Fargo-Moorhead MSA				ND	National
	Labor Force	Employed	Unemployed	Rate	Rate	Rate
2013	121,184	117,286	3,898	3.2%	2.9%	7.4%
2014	129,128	125,618	3,510	2.7%	2.8%	6.2%
2015	130,872	127,680	3,192	2.4%	2.7%	5.3%
2016	136,112	132,597	3,515	2.6%	3.2%	4.9%
2017	138,238	134,956	3,282	2.4%	2.6%	4.4%

Source: North Dakota Job Service

The economic downturn in late 2008 had a limited impact on the area due to the stability of the local and regional economy. The metro area is the major population center in the region, surrounded by rich agricultural land. It is also a regional distribution, education, medical and business center. Lending practices in the region are more conservative than in other parts of the nation. All these conditions have helped the local economy continue to grow, even during periodic downturns in the national economy.

APPRAISAL REPORT (Cont.)



The metro area is located at two intersecting interstate highways, which is one of the major factors responsible for the metropolitan area developing into a regional distribution and industrial center. The current industrial and warehouse inventory is estimated at about 20 million square feet with a vacancy rate of 2.88%. Most of the industrial space in the local market is owner-occupied. The historic vacancy information, in the adjacent table, indicates that steady growth has been occurring in the industrial market.

	FMA Industrial Vacancy Rates		
	Total	Vacant	Rate
2012	18,331,004	317,356	1.73%
2013	18,933,532	308,970	1.63%
2014	19,335,304	318,665	1.65%
2015	19,594,732	419,746	2.14%
2016	20,086,092	577,693	2.88%

Source: Konrad Olson Commercial Real Estate

The retail growth in the southwest portion of the community has been a catalyst for office space development in this area as well. Nominal office growth occurred in the CBD for many years, but the revitalization of this neighborhood has led to new office and retail space being developed. The development of Class B office space was exceeding demand in the community for several years, resulting in a temporary oversupply. The vacancy conditions have declined since 2013, as related in the office vacancy information below. The Class A office space vacancy rate has been consistently in

APPRAISAL REPORT (Cont.)

the 1 % to 3 % range for several years; however, some recent large vacancies and the loss of some office space has altered this condition. The Class A vacancy rate is expected to rebound, as strong commercial growth continues. The Class B market has declined to about 5.75%. Demand appears to have caught up with supply, favorably affecting the absorption of local office properties.

	FMA Office Vacancy Rates								
	Class A			Class B			Total		
	Total	Vacant	Rate	Total	Vacant	Rate	Total	Vacant	Rate
2012	2,292,634	28,982	1.26%	4,946,392	321,304	6.50%	7,239,026	350,286	4.8%
2013	2,292,634	37,044	1.62%	5,139,767	480,167	9.34%	7,432,401	517,211	7.0%
2014	2,292,634	49,372	2.15%	5,381,507	413,805	7.69%	7,674,141	463,177	6.0%
2015	2,186,240	69,024	3.16%	5,335,852	381,972	7.16%	7,522,092	450,996	6.0%
2016	2,061,257	140,123	6.80%	5,335,154	306,796	5.75%	7,396,411	446,919	6.0%

Source: Konrad Olson Commercial Real Estate

The dynamic growth of residential and commercial property in the community is reflected in the building permit summary table below.

METRO AREA BUILDING PERMIT SUMMARY										
Year	SINGLE FAMILY			MULTIPLE FAMILY				COMMERCIAL PERMITS		
	# of Units	Total \$ Volume	% of Metro	# of Bldgs	# of Units	Total \$ Volume	% of Metro	New \$ Volume	% of Metro	Remodel \$ Volume
2013	1,175	236,426,491		48	1,762	122,474,999		138,803,677		78,614,636
2014	1,178	246,552,382		65	2,559	199,419,203		562,584,408		156,700,585
2015	1,176	263,072,964		46	1,252	105,696,483		112,128,499		116,586,501
2016	1,111	262,101,497		40	1,136	99,165,376		171,096,413		191,304,192
2017	<u>883</u>	<u>194,889,915</u>		<u>16</u>	<u>846</u>	<u>76,369,598</u>		<u>207,275,730</u>		<u>112,852,074</u>
20yr Avg	950	152,599,446	100%	40	970	63,329,599	100%	120,246,284	100%	79,916,374
10yr Avg	931	182,509,270	100%	32	1,164	86,443,442	100%	158,511,164	100%	99,230,967
5yr Avg	1,105	240,608,650	100%	43	1,511	120,625,132	100%	238,377,745	100%	131,211,598

FARGO BUILDING PERMIT SUMMARY										
Year	SINGLE FAMILY			MULTIPLE FAMILY				COMMERCIAL PERMITS		
	# of Units	Total \$ Volume	% of Metro	# of Bldgs	# of Units	Total \$ Volume	% of Metro	New \$ Volume	% of Metro	Remodel \$ Volume
2013	521	99,978,938	42.29%	29	1170	84,674,999	69.14%	76,140,336	54.85%	41,591,963
2014	377	86,407,306	35.05%	44	1897	148,775,000	74.60%	482,318,840	85.73%	118,099,353
2015	526	114,137,979	43.39%	27	902	76,040,603	71.94%	60,723,155	54.15%	76,695,244
2016	476	122,155,124	46.61%	28	818	73,298,646	95.98%	86,914,623	41.93%	97,140,526
2017	<u>444</u>	<u>98,869,545</u>	<u>50.73%</u>	<u>15</u>	<u>801</u>	<u>71,969,598</u>	<u>94.24%</u>	<u>115,265,485</u>	<u>55.61%</u>	<u>78,321,227</u>
20yr Avg	379	54,927,748	35.99%	29	695	36,033,080	56.90%	63,645,710	52.93%	38,541,642
10yr Avg	412	80,395,030	44.05%	22	862	64,778,037	74.94%	110,620,969	69.79%	60,701,469
5yr Avg	469	104,309,778	43.35%	29	1,118	90,951,769	75.40%	164,272,488	68.91%	82,369,663

Source: Home Builder's Association of Fargo-Moorhead

The building permit information indicates that most of the metro area growth occurs in the Fargo portion of the market. The single-family housing construction in Fargo has averaged a rate of 469 houses per year over the last five years, with 2015 showing a new high for construction of housing units. Metro-wide, new single-family starts slowed about 20% in 2017, indicating that the housing market may be tempering after several abnormally strong years. The apartment construction in Fargo has averaged 1,118 units per year from 2013 to 2017, with new starts decreasing from 1,897 units in

APPRAISAL REPORT (Cont.)

2014 to 801 units in 2017, as vacancy conditions increased to about 9.8% in Fargo and throughout the metro area. The amount of recent apartment construction has caused a temporary oversupply resulting in rental concessions, flat rental rates and increasing vacancies. The slowdown in apartment growth should help bring the supply and demand conditions more into balance over the next several years.

The Fargo growth rate has been stronger than Moorhead due to a differential in business and income expenses. The individual income tax, real estate taxes, and unemployment insurance costs in Moorhead are higher than in adjacent North Dakota, making Fargo a more favorable business environment.

Local higher education is a major stabilizing force for the metro area with two public universities (NDSU and MSUM), a private college (Concordia College) and several technical and vocational schools. These institutions have a combined student population exceeding 22,000. The financial impact of these institutions on the local economy is substantial. They are considered a major stabilizing force for the metro area.

Two regional hospitals, the primary facilities for two regional clinics and numerous small medical and dental clinics are also considered a major stabilizing force for the local economy. In July 2017, Sanford Health opened a one million square foot, state-of-the-art regional medical center on the south side of I-94 between 45th Street South in Fargo and Veterans Boulevard in adjacent West Fargo. The total project cost was nearly 500 million dollars. The new hospital will employ about 2,000 full and part time employees.

The retail space in the metropolitan area totals about 9,600,000 square feet. The major retail center is the West Acres Mall, which contains about 10 % of the metro area retail space. This mall is located in the southwest quadrant of the 13th Avenue/ Interstate 29 interchange, four miles northeast of the subject. The community and regional retail center is related in yellow on the adjacent map. The primary streets of this retail center are 13th Avenue and 45th Street. This area now accounts for approximately 50 % of the retail space in the metropolitan area. The area surrounding West Acres is developed with a major concentration of motel rooms, restaurants, entertainment facilities, new office and apartment units.



The vacancy rate for retail space in the metro area is about 10 to 12%. The vacancy condition was elevated during the 2008 through 2010 because of the downturn in the national economy and the significant growth that had been occurring in the metro area. The retail market had strengthened over the last five years and experienced strong growth. The retail market is changing with more shopping online and vacancies have again started to increase. The peripheral commercial neighborhoods in the metro area are the areas with elevated commercial vacancy conditions.

APPRAISAL REPORT (Cont.)

The Central Business District (CBD) is a secondary commercial location in the community that is overshadowed by the commercial development on the community's southwest edge, surrounding the West Acres Mall. The CBD continues to be an office and business center and is improving as a boutique retail shopping center. A resurgence of residential development over the last ten years, through the extensive renovations of upper floors in many of the buildings in the CBD, has had a favorable impact on demand for commercial and residential space in the CBD. The CBD is located 7.6 miles northeast of the appraised property in the east-central portion of the metro area.

In conclusion, the Fargo Metropolitan Area is the major regional center for all types of trade and services. This status has been beneficial as indicated by the steady growth summarized herein. Economic growth typically begins with employment growth. Employment growth is related to expanding demand for office and industrial space, which in turn increases the demand for housing, education, and healthcare services. As housing and population growth occur, the demand for retail services and space increases. As demonstrated by the community and regional statistics related in this section, the Fargo/Moorhead metropolitan area experiences steady growth, even during downturns in the national economy. The steady growth is expected to continue for the foreseeable future, favorably affecting most real estate values.

Neighborhood Description



The subject is part of a neighborhood mixed with single and multi-family residential, and commercial development. It is indicated by the red dot and cursor overlay in the above GIS imagery. It is near the 40th Avenue-45th Street intersection, which is a primary commercial corner in the southwest portion of

APPRAISAL REPORT (Cont.)

the community, anchored by a Hornbacher's supermarket and large multi-tenant commercial strip centers. Forty-Firth Street is five blocks to the east of the subject site and is a primary north-south corridor providing Interstate access about 1.5 miles to the north. Fortieth Avenue South, a major east/west corridor, borders the subject parcel to the north.

The subject is bordered to the east by twin-home development and a multi-building apartment project to its south. A storm-water diversion channel borders the site to the west. There are public elementary, middle and high schools within walking distance of the subject and access to public transportation is also within walking distance. Public parks and walking paths are also within a block of the property.

The location of the property is suitable for a market rate apartment project based on its proximity to amenities desired by apartment dwellers including public schools, public transportation, restaurants, retail, banking and a supermarket. Based on all these characteristics the short-term value outlook for the property is stable.

Property Description

The subject site is square-shaped, as indicated in the satellite imagery that follows and the Plat Map included in the attachments. The appraised site is 289,680 square feet, according to City records.

The property is located in an area primarily designated Zone X-Other Flood Areas, according to the Flood Insurance Rate Map (Community Panel No. 38017C0778G, dated 1/16/2015) included in the attachments. This indicates areas of 0.2 percent annual chance flood; areas of one percent annual chance flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from one percent annual chance flood.

The site is zoned MR-3, Multiple Dwelling District. This district is primarily intended to accommodate household living in detached houses, attached houses, duplexes and multi-dwelling structures. This district allows up to 24 dwelling units per acre of land. The subject's density is 17.6 units per acre, which conforms to the Land Development Code (LDC). The location is suitable for apartment use as indicated by the other high-density residential development in the area and its proximity to retail and service amenities desired by apartment dwellers. The subject is connected to the city sewer and water systems and has adequate utility services to support its use.

Site improvements include nine detached garage buildings with steel siding, metal garage doors, and asphalt-shingled roofs. The garage buildings contain 118 single stall garages, each of which is leased with a unit. There is an extra garage for occupancy by the property's maintenance manager. There is also on-site, concrete-surfaced and lined parking for 79 vehicles. The apartment building is constructed atop a basement parking garage with 122 spaces, one for each unit and five for visitors and on-site staff. The on-site parking provides a parking ratio of 2.73 spaces per unit, which exceeds the 2.25 spaces per unit required by the Land Development Code.

The appraised property is improved with a three-story, wood frame apartment buildings constructed atop drive-in basement parking. The building has a single, 4,500-pound elevator serving all four levels. It was constructed in 2005 and has minimal maintenance steel siding, wood-cased vinyl slider windows,

APPRAISAL REPORT (Cont.)

metal fascia, soffit and gutters, and an asphalt-shingled roof. The building has multiple controlled access entries with security intercom entrance systems, closed-circuit cameras, a fire alarm system, and a wet fire sprinkler system. The electrical and telecom utility room is on the main floor. There are four utility/mechanical rooms in the basement that house the fire sprinkler riser, water mains, central hot water boilers that provide heat and the central hot water heaters that provide hot water. The subject does not have a common laundry area because each unit is leased with an in-unit washer and dryer. The main level also houses a small property management office, fitness room and resident lounge room with a kitchenette.



Image: City of Fargo GIS 2017

APPRAISAL REPORT (Cont.)

The 117-unit property has a total unit mix of 28 1-bedroom/1-bath units, 71 2-bedroom/2-bath units, and 18 3-bedroom/2-bath units. Each unit has a refrigerator, range, dishwasher, microwave/hood fan, washer, dryer, and wall air conditioner. The two and three-bedroom units have two wall air conditioners. The ground level units have walk-out patios and the upper floor units have balconies. The units are heated by central gas-fired, hot water baseboard heat and cooled by wall air conditioners. Centralized high-efficiency gas-fired hot water heaters provide hot water. Tenants are responsible for their electrical expenses including lights, cooking, and air conditioning. The property owner provides internet in all the units and cable TV in the furnished, corporate units. The owner also pays for heat, hot and cold water, and garbage service.

The notable dimensions for the property are as follows:

Lot Size:	289,680 Sq. Ft.
Gross Building Area (Above Grade):	166,453 Sq. Ft.
Basement Parking Area (Not in GBA):	60,933 Sq. Ft.
Exterior Garage Area:	31,372 Sq. Ft.
Concrete Paved Parking & Drives:	88,657 Sq. Ft.
Sidewalks:	7,920 Sq. Ft.

The overall condition of the property was noted to be good, as the facility has only been in service for about 12 years and has been well maintained. The units are re-floored and painted as necessary when they are turned. The property owner reportedly spent about \$250,000 over the last couple years replacing all the kitchen appliances with new, stainless steel appliances. Most of the washers and dryers appear to be original. The concrete parking and drives appeared to be in good condition. The condition of the appraised property is depicted in the photographs included in the attachments. The effective age of the property was estimated about 10 years, which is less than its actual physical age. The Marshall Valuation Service (MVS) manual indicates that the typical life for these improvements was estimated to be about 50 years, indicating a remaining economic life of about 40 years.

The Legal Description for the appraised property is Lot 36, Block 3, Osgood Townsite 1st Addition to the City of Fargo, Cass County, North Dakota. The Tax Parcel Identification Number for the appraised property is 01-7001-00650-000. The current assessment and tax information for the appraised property is as follows:

True & Full Value:	Land	\$1,159,000
	Improvements	<u>\$9,336,000</u>
	Total	\$10,495,000
Taxes:	General Real Estate Tax*	\$136,765.60
	Annual Specials Payment	\$17,029.23
	Annual Drain Payment	<u>\$2,231.92</u>
	Total	\$156,026.75

*North Dakota allows a five percent reduction in general taxes if paid by the 15th of February in the year they are due.

APPRAISAL REPORT (Cont.)

The current balance of special assessments total \$154,876.07. It is customary in the local area for buyers to assume the balance of unpaid special assessments since they are usually financed at below market interest rates. This is a debt against the property. Therefore, the client and intended should deduct the current balance of special assessments from the market value indications to reflect the net value for assessment purposes.

The appraised property is owned by Pacific Ridge Osgood Place, LLC, which purchased the property from its developer in September of 2010 for a reported \$8,750,000, with the buyer assuming all special unpaid special assessments. The most recent sale price is not considered to have any relation to the current market value of the property. There have been no other recent sales of the subject nor is it currently listed for sale.

Highest and Best Use

The determination of highest and best use is a result of the appraiser's judgment and analytical skill. It represents an opinion, rather than a fact that is found. The highest and best use analysis is based on the following definition: "The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."⁵

The site is zoned MR-3, Multiple Dwelling District. This district is primarily intended to accommodate household living in detached houses, attached houses, duplexes and multi-dwelling structures. This district allows up to 24 dwelling units per acre of land. The subject's density is 17.6 units per acre, which conforms to the Land Development Code (LDC). The site is in an area where a high density of single and multi-family residential development has occurred, indicating the appropriateness and financial viability of the use. The neighborhood is in the southern portion of the community, near employment, shopping and major thoroughfares. This should continue to provide reasonable demand for the subject units. The facility is currently operating at a lower physical vacancy than its sub section of South Fargo Unit 5, per the Apartment Survey included in the attachments. The Fargo and Metro-wide physical vacancy rate is around 9.8%, indicating an oversupply of units. Considering its zoning, the number of apartments in the immediate neighborhood of the subject and the favorable proximity to the community and regional commercial center, the highest and best use of the site, as if vacant, is considered the primary permitted use, for apartment development.

The appraised property is improved with a 117-unit apartment project that has a substantial remaining physical life. The subject's density of development is 17.6 units per acre, conforming to the current zoning code. The property has adequate on-site parking and has been maintained in good condition. The recent income and expense data and rent roll from the property indicate that the current use is financially viable and likely to continue. It is unlikely that it would be purchased and converted to a different use. Considering the characteristics of the property, it is my opinion that the highest and best use is the current and designed use, as a market-rate apartment project.

⁵ The Dictionary of Real Estate Appraisal, Sixth Edition, The Appraisal Institute, Illinois, 2015, Page 109

APPRAISAL REPORT (Cont.)

Summary of Valuation and Analysis

The appraisal of real estate typically includes the three approaches to value (Cost, Income Capitalization and Sales Comparison), which are reconciled into a final value conclusion. All the approaches were considered applicable to this valuation assignment.

Site Value Analysis

This valuation analysis begins with estimating the value of the subject site, as if vacant, for use in the Cost Approach. The market was researched for similar sized sites purchased for multi-family development. Five larger multi-family site sales from the local area are documented in the attachments. They are related to the appraised site in the Comparable Site Sales Grid that follows.

All the sales occurred within roughly the last four years. Multi-family site values peaked in the 2013-2014 period and have remained stable since this time, as reflected by the comparable sales. Therefore, only a modest upward *time* adjustment to the 2014 and 2015 sales was warranted.

All the comparable sales were considered arm's-length, market transactions that did not require *condition of sale* adjustments. Sale 1 was zoned LC for commercial development. The buyer had it re-zoned to MR-3 to accommodate multi-family development, which is a primary use in its neighborhood. It was not considered to warrant an adjustment for this. Sale 3 was zoned for General Office development, but obtained a conditional use permit for multi-family development, which is a primary use in its neighborhood as well, warranting no adjustment.

The comparable sales widely bracket the size of the subject site. The sales indicate that as size decreases, the price per square foot increases, reflecting the principle of diminishing marginal utility. The subject and sales 3-5 are reasonably comparably-sized in the 8.4 to 8.6-acre range and do not appear to warrant an adjustment. Sale 2 is substantially larger at nearly 20 acres and reflects the lowest unadjusted price per square foot indicator, warranting an upward *size* adjustment. Sales 1 and 3 are the smallest sales at 2.8 to 3.9 acres, and indicate the highest price per square foot indicators.

The subject and all the comparable sales are in the southwest portion of the metro area, where most of the new apartment growth is occurring. The subject has good visibility and direct access from 40th Avenue. This is inferior to Sale 1, which has visibility from 45th Street, which is a higher density traffic route than 40th Avenue. Sale 2 is directly south of the Microsoft campus with visibility from Interstate 29. This is considered superior visibility, but is in a developing neighborhood considered inferior to the higher level of development in the subject neighborhood, warranting no adjustment. Sale 3 has visibility and indirect access from 42nd Street, warranting no adjustment. Sale 4 is one block off 45th Street with indirect access and visibility. It warranted an upward adjustment. Sale 5 has frontage and direct access from Veterans Boulevard, warranting no adjustment.

The subject and Sales 1, 3, and 5 are generally rectangular-shaped. Sales 2 and 4 are slightly irregular shaped, but their development does not appear to be adversely impacted by this, based on their price per square foot indicators, warranting no adjustment.

APPRAISAL REPORT (Cont.)

The subject is zoned MR-3, which allows 24 units per acre. Sale 5 is zoned R-3, which also allows for 24 unit per acre development. Sales 1, 2 4 and 5 were not adjusted. Sale 3 is zoned GO, but obtained a conditional use permit that would allow for a similar development density, warranting no adjustment. zonings, which allow 24 units per acre. The sales do not appear to reflect an appreciable adjustment for this difference in zoning. Sale 2 is zoned for General Office, but has a conditional use permit for multi-family development. Its price indication is reasonably in line with the other comparable sales.

COMPARABLE SITE SALES GRID						
Sale No.	Subject	1 YN-78	2 Z-94	3 YN-71	4 Z-75	5 WF-45
Sale Date:	5/18	1/17	9/16	11/15	6/14	4/14
Land Size (SF):	289,680	168,684	870,464	377,412	120,280	368,244
Location:	SW Metro	SW Metro	SW Metro	SW Metro	SW Metro	SW Metro
Access:	Good	Comparable	Inferior	Comparable	Inferior	Comparable
Visibility:	Good	Superior	Superior	Comparable	Comparable	Superior
Condition of Sale:	Normal	Re-Zoned	Normal	Normal	Normal	Normal
Zoning:	MR-3	MR-3	MR-3	GO	MR-3	MR-3
Development Density:	117	Not Available	Not Available	Not Available	42	180
Sale Price:		\$1,286,664	\$4,351,703	\$2,172,587	\$748,665	\$2,088,251
Sale Price/Unit:					\$17,825	\$11,601
Sale Price/SF of Site:		\$7.63	\$5.00	\$5.76	\$6.22	\$5.67
				Adjustments		
Time		\$0.00	\$0.00	\$0.12	\$0.19	\$0.17
Condition of Sale		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Size		(\$0.80)	\$0.60	\$0.00	(\$1.00)	\$0.00
Location		(\$1.53)	\$0.00	\$0.00	\$0.31	\$0.00
Zoning		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Shape		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other		<u>\$0.00</u>	<u>\$0.03</u>	<u>\$0.01</u>	<u>\$0.00</u>	<u>\$0.03</u>
ADJUSTED SALE PRICE/SF		\$5.30	\$5.63	\$5.89	\$5.72	\$5.87
Indicated Value of Subject		\$1,535,304	\$1,630,898	\$1,706,596	\$1,656,970	\$1,700,422
Average of Value Indications		\$1,646,038				
Estimated Market Value of Site (Rounded)		\$1,650,000				
	Equates to	\$5.70 /SF			\$14,103 /Unit	

The final adjustment is for new special assessments that have been applied, or are pending, to the comparable sales, since they occurred. This was a relatively small adjustment.

The sales were considered comparable in most other respects. After being adjusted to the subject site, the comparable sales indicated a value range of \$1,535,304 to \$1,706,596. The average of the value indicators was \$1,646,038. The sales were considered to bracket the subject characteristics well and were given equal weight in the analysis. Based on the enclosed sales, it is my opinion that the value of the appraised site, as if vacant, with all special assessments paid, is \$1,650,000 or \$5.70 per square foot.

APPRAISAL REPORT (Cont.)

Cost Approach

The Cost Approach estimates the cost to replace the property and adjusts the cost for depreciation and obsolescence affecting the property. It is most reliable when dealing with new construction that fulfills the highest and best use of the site. The subject is about 12-year-old construction, that has been adequately maintained in good condition, indicating that the Cost Approach has some reliability for this analysis. It should be noted that market participants in the region primarily buy and sell apartment properties based on their income potential, rather than a depreciated replacement cost as reflected by the Cost Approach. However, a Cost Approach valuation was still completed. The conclusions of this approach are summarized below.

COST APPROACH SUMMARY			
SYNOPSIS			
As Is Value			
Land Value (from Land Value Analysis)			\$1,650,000
Cost New Of The Improvements			<u>\$14,433,000</u>
Total Cost New	(\$96.62 /SF)	\$16,083,000
Less Depreciation From All Sources	(41.60%)	<u>(\$6,004,000)</u>
Indicated Value By The Cost Approach	(\$60.55 /SF)	\$10,079,000

The Marshall Valuation Service (MVS) was used to provide the estimate of replacement cost for the appraised property. The Fair Quality Multiple Residence, Class D construction in MVS relates the cost of construction in the region, even though the quality of construction in the local area exceeds the quality defined in MVS. Adjustments to the MVS costs are necessary to reflect the basement parking, elevators, fire sprinkler systems and heating/cooling systems. Adjustments are also necessary to relate the economies associated with the size of the individual units, the story height, and the current and local cost multipliers.

The actual kitchen appliance costs were available from the owner's recent capital expenditure. MVS and data collected appraising other newer apartment properties provided the basis for the forecast costs new for the washer/dryers, window treatments and lounge/fitness center equipment. Cost information from MVS provided the basis for the estimating the replacement cost of the garages and site improvements. This information is related in the cost calculations that follow.

MVS costs exclude indirect costs and entrepreneurial incentive. The indirect costs, relating legal fees, costs of land planning, appraisal, financing, etc., were estimated at 3.00% of the direct cost, based on analysis of other project costs in the region.

Entrepreneurial incentive is a market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project. It is the difference between the total cost of the property and its market value, after completion. The typical real estate investor expectation is around 6% to 12% depending on the type of facility. Due to the elevated vacancy condition of the metro apartment market, the bottom of this range was considered appropriate for the subject.

APPRAISAL REPORT (Cont.)

The replacement cost new for the building and improvements was estimated at \$14,433,000. The overall replacement cost new for the entire property is \$16,083,000, using my market value estimate for the site (\$1,650,000).

COST CALCULATIONS (Based on Marshall Valuation Cost Manual)				
Fair Quality Multiple Residence				
Base Cost (Section 12, Page 16, Class D)			\$61.93 /SF	
Adjustments (Elevator and Basement Parking)			\$9.44 /SF	
Adjustments (Fire Sprinkler)			\$1.71 /SF	
Adjustments (HW Heat/Wall AC)			<u>\$3.43 /SF</u>	
Subtotal			\$76.51	
Area Multiplier	X		0.89	
Current Cost Multiplier	X		1.05	
Local Cost Multiplier	X		<u>0.99</u>	
Direct Cost			\$70.79	
Estimated Direct Cost of Building				
166,453 SF	X	\$70.79 /SF =		\$11,783,208
Kitchen Appliances (Developer's Cost)				
117 Units	X	\$2,137 /Unit =		\$250,000
Washers/Dryers (Surveyed Costs)				
117 Units	X	\$800 /Unit =		\$93,600
Window Treatments (Appraiser's Estimate)				
117 Units	X	\$150 /Unit =		\$17,550
Furniture & Fitness Center Equipment (Appraiser's Estimate)				
1 Lot	X	\$20,000 /Lot =		\$20,000
Site Improvements				
Balconies/Patios (Section 12, Page 38)				
8,424 SF	X	\$18.20 /SF =	\$153,317	
Sidewalk (Section 66, Page 1)				
7,920 SF	X	\$4.46 /SF =	\$35,323	
Paved Parking (Section 66, Page 1)				
88,657 SF	X	\$3.86 /SF =	\$342,216	
Parking Garage (Section 12, Page 35)				
31,372 SF	X	\$14.40 /SF =	\$451,757	
Sitework, Drainage and Landscaping (Developer's Costs)				
289,680 SF	X	\$0.25 /SF =	<u>\$72,420</u>	
Subtotal				<u>\$1,055,033</u>
Total (Direct Costs /SF)				\$13,219,391
Indirect Costs* (3.00% of Direct Costs)				<u>\$396,582</u>
Total Direct And Indirect Costs/SF				\$13,615,972
Entrepreneurial Incentive (6.00% of Direct & Indirect Costs)				<u>\$816,958</u>
Cost New Of Improvements				\$14,432,931
*(Legal Fees, Costs Of Land Planning, Appraisal, Financing Costs, & Funds For Operating Start-Up Costs Not Included In MVS Costs)				

The final adjustments in the Cost Approach are for depreciation and obsolescence that affect the property. Depreciation relates the loss of value associated with normal wear and tear. The building

APPRAISAL REPORT (Cont.)

improvements were estimated to have an effective age of 10 years, based on the actual age and observed condition. The typical life for similar buildings is approximately 50 years. Based on an effective age/life method of estimating physical deterioration, the property was estimated to be 20.0% percent physically depleted.

Functional obsolescence reflects conditions within the property that have an impact on its value. The cost calculations were based on replacement cost, which tends to eliminate functional obsolescence from consideration. The design of the appraised property is appropriate for the marketplace. Functional obsolescence was not considered a factor.

External obsolescence reflects conditions outside the property that have an adverse impact on value. Vacancy rates in the apartment market have been steadily rising for the last three years with the significant amount of new apartment construction occurring in the metro area. Current metro wide vacancies are near 10%, while the Fargo portion of the market is at about 9.8% city-wide and above 14% in the southwest portion of the community, where the subject is located. This information is summarized in the apartment vacancy survey included in the attachments. The elevated vacancies have resulted in stagnant rents and substantial incentives (1-3 months free rent) becoming commonplace in the market. Currently the owner is offering one month free for the subject, with the signing of a 12-month lease. It appears that rising area costs have outpaced rental rates in the apartment market, indicating the potential for external obsolescence.

The value, prior to considering external obsolescence (Replacement Cost New of \$14,433,000, less physical depreciation \$2,886,600) and adding the land value of \$1,650,000, is \$13,196,400. The necessary net operating income (NOI) to support this level of cost is \$956,739, using the market-based capitalization rate used in the Income Approach of 7.25%. The available NOI forecasted in the Income Approach is \$697,673 or 72.92% of the income necessary to support the depreciated cost. This analysis indicates that the external obsolescence, associated with the failure of rental rates to keep pace with rising costs due to the elevated vacancy condition of the metro area appears to impact the subject. Therefore, an external obsolescence estimate of 27.00% was considered appropriate.

Total Cost New of Entire Property			
Cost New of Improvements			Rounded \$14,433,000
Land Value	289,680 SF @	\$5.70 /SF =	<u>\$1,650,000</u>
Total Cost New			\$16,083,000
Less Depreciation			
Physical Deterioration	10yrs/50yrs = 20%	\$2,886,600	
Functional Obsolescence	0.00%	\$0	
External Obsolescence	27.00%	<u>\$3,117,528</u>	
	Total Depreciation		(\$6,004,128)
	Net Value Indication		\$10,078,872
INDICATED VALUE BY THE COST APPROACH			\$10,079,000

The indicated market value of the appraised property is \$10,079,000, based on the Cost Approach.

APPRAISAL REPORT (Cont.)

Income Capitalization Approach

The Income Capitalization Approach provides an indication of value based on the income potential of the appraised property. It is one of the primary methods used to value apartment properties. Several techniques are available to convert the income to be derived from the property into a value estimate. The technique that is typically applied to apartment properties is the direct capitalization of the anticipated net operating income (NOI) derived from the property. This technique converts the NOI into a value indication using the following calculation: $NOI / Overall Rate = Value$.

The rate used in direct capitalization is based on the prevailing relationship of the NOI to the selling prices for comparable properties. It is referred to as the overall rate and is abstracted from the market via the following calculation: $NOI / Sale Price = Overall Rate$. NOI is the annual income remaining after deducting all fixed and operating expenses and reserves for replacements, but excluding financial charges, such as recapture or debt service. It is obtained by constructing the likely income statement from the property reflecting the rent and expenses that would be incurred under prudent operation of the property.

The current rent roll for the subject is included in the attachments. It was the starting point for estimating the market rent for the subject units. The subject's rents reflect some variance, which is typical for most apartment properties. This appears to be primarily related to differences in the move-in date as the owner has changed rents to entice more occupants. The current gross scheduled rents are equal to \$115,640 per month, which includes the gross scheduled rents for the 13 vacant units, four of which are furnished, corporate units. Adjusting the corporate units to reflect typical market rents results in gross scheduled rents of \$113,290.

The manager reported that their current forecast gross asking rent schedule is as follows:

	1st Floor	2nd Floor	3rd Floor
1 Bed/1 Bath "A" Unit	\$820	\$810	\$830
2 Bed/2 Bath "B" Unit	\$970	\$960	\$980
3 Bed/2 Bath "C" Unit	\$1,120	\$1,110	\$1,130
3 Bed/2 Bath "D" Unit	\$1,140	\$1,130	\$1,150
1 Bed/1 Bath "E" Unit	\$860	\$850	\$870
1 Bed/1 Bath "F" Unit	\$840	\$830	\$850
2 Bed/2 Bath "G" Unit	\$990	\$980	\$1,000

The third floor has vaulted ceilings and no upper level neighborhoods, resulting in the highest asking rents. The middle floor has upper and lower level neighborhoods resulting in the lowest asking rents and the main floor has the middle asking rent, reflecting walk-out patios and only upper level neighbors. Using the manager's gross forecast rents results in gross scheduled rents of \$112,770, which is comparable to the current gross scheduled rents of \$113,290, but reflects 13 vacant units.

To simplify this analysis, I developed the following Monthly Rent Schedule based on the forecast gross asking rents:

APPRAISAL REPORT (Cont.)

MONTHLY RENT SCHEDULE - SUBJECT PROPERTY

Unit Descrip	No. of Units	Unit Rm Count			Total Rooms	Unit Size	Vacant Units	Scheduled Rents		Economic Rents		Sq. Ft.
		Tot.	BR	Bath				Unfurn	Total	Unfurn	Total	
A1	4	3	1	1	12	819		\$820	\$3,280	\$820	\$3,280	\$1.00
A2	4	3	1	1	12	819		\$810	\$3,240	\$810	\$3,240	\$0.99
A3	4	3	1	1	12	819		\$830	\$3,320	\$830	\$3,320	\$1.01
B1	20	5	2	2	100	1,250		\$970	\$19,400	\$970	\$19,400	\$0.78
B2	20	5	2	2	100	1,250		\$960	\$19,200	\$960	\$19,200	\$0.77
B3	20	5	2	2	100	1,250		\$980	\$19,600	\$980	\$19,600	\$0.78
C1	4	6	3	2	24	1,480		\$1,120	\$4,480	\$1,120	\$4,480	\$0.76
C2	4	6	3	2	24	1,480		\$1,110	\$4,440	\$1,110	\$4,440	\$0.75
C3	4	6	3	2	24	1,480		\$1,130	\$4,520	\$1,130	\$4,520	\$0.76
D1	2	6	3	2	12	1,550		\$1,140	\$2,280	\$1,140	\$2,280	\$0.74
D2	2	6	3	2	12	1,550		\$1,130	\$2,260	\$1,130	\$2,260	\$0.73
D3	2	6	3	2	12	1,550		\$1,150	\$2,300	\$1,150	\$2,300	\$0.74
E1	2	3	1	1	6	949		\$860	\$1,720	\$860	\$1,720	\$0.91
E2	2	3	1	1	6	949		\$850	\$1,700	\$850	\$1,700	\$0.90
E3	2	3	1	1	6	949		\$870	\$1,740	\$870	\$1,740	\$0.92
F1	2	3	1	1	6	852		\$840	\$1,680	\$840	\$1,680	\$0.99
F2	4	3	1	1	12	852		\$830	\$3,320	\$830	\$3,320	\$0.97
F3	4	3	1	1	12	852		\$850	\$3,400	\$850	\$3,400	\$1.00
G1	3	5	2	2	15	1,240		\$990	\$2,970	\$990	\$2,970	\$0.80
G2	4	5	2	2	20	1,240		\$980	\$3,920	\$980	\$3,920	\$0.79
G3	4	5	2	2	20	1,240		\$1,000	\$4,000	\$1,000	\$4,000	\$0.81
	117				547				\$112,770		\$112,770	

OTHER MONTHLY INCOME

Parking Income	1 Sgl Garage included in rent	\$0	\$0
Parking Income	1 Basement Garage Stall included in rent	\$0	\$0
Vending Income	117 Units @ \$0.50 /unit	\$84	\$59
Furnished Units	4 Units @ \$300.00 /unit	\$0	\$1,200
Laundry Income	Washer & dryer included in units	\$0	\$0
Other Income	117 Units @ \$16.00 /unit	<u>\$2,071</u>	<u>\$1,872</u>
Total Gross Monthly Income		\$114,925	\$115,901
Total Gross Potential Annual Income		\$1,379,104	\$1,390,806

Comparable rental data from the southwest portion of the metro is summarized in the table that follows, providing additional support for the market rent forecasts utilized in this analysis. This information provided support for the subject's market rent estimates included in the *Economic Rents* column of the Monthly Rent Schedule table above. These rents take into account the subject's location, amenities and a market vacancy and credit loss factor of 10.00%.

Rental housing typically produces additional income, such as garage income, income from common laundry facilities and miscellaneous income associated with money management, security deposit forfeitures and vending.

The property has detached garage buildings with 118 single stall garages and 122 basement parking stalls. Each of the units is leased with one single stall garage and one basement garage stall; therefore,

APPRAISAL REPORT (Cont.)

there was no additional *garage* income to forecast. Each unit is leased with a washer and dryer; therefore, there is no additional *laundry* income to forecast.

The subject has vending machines, which historic operations data indicates have netted between \$2 and \$9 per unit annually. A forecast vending income of \$0.50 per unit per month was considered appropriate.

Four of the subject units are furnished, corporate suites that the manager indicated rent for about \$525 more than an unfurnished unit. All four of the furnished units are vacant. Therefore, I have forecast only \$300.00 per furnished unit per month in additional income.

The income attributable to miscellaneous income sources, such as money management, security deposit forfeitures, pet fees, and vending machines, was based on the historic *miscellaneous* income data from the subject. A *miscellaneous* income forecast of \$16.00 per unit per month, prior to vacancy and credit losses, was used herein and was based on the historic *miscellaneous* income data from the subject.

COMPARABLE RENTAL DATA																		
Property	Yr Blt	Monthly Rent Rate/Unit Size/Rent Per SF (Paint to Paint)									Units	Amenities Included in Rent						
		1-Bedroom			2-Bedroom			3-Bedroom				Heat	Garage	Balcony	Dishwash	A/C	Micro	W/D
		Rent	Size	\$/sf	Rent	Size	\$/sf	Rent	Size	\$/sf								
Subject	2005	\$820	/ 819	\$1.00	\$970	/ 1240	\$0.78 *	\$1,120	/ 1480	\$0.76 *	117	Yes	Yes	Yes	Yes	Wall	Yes	In Unit
Osgood Place Apartments 5050 40th Avenue South		\$840	/ 852	\$0.99	\$990	/ 1250	\$0.79 *	\$1,140	/ 1550	\$0.74 *								
		\$860	/ 949	\$0.91														
*1 West Lake Apts 639 33rd Ave W	2006	\$825	/ 775	\$1.06	\$1,030	/ 1205	\$0.85 *	\$1,085	/ 1385	\$0.78 *	78	Yes	Bsmt	Yes	Yes	Yes	Yes	Yes
		\$800	/ 835	\$0.96	\$1,050	/ 1270	\$0.83 *	\$1,170	/ 1385	\$0.84 *								
		\$795	/ 850	\$0.94	\$970	/ 1400	\$0.69 *	\$1,075	/ 1495	\$0.72 *								
		\$800	/ 910	\$0.88	\$1,020	/ 1515	\$0.67 *	\$1,200	/ 1495	\$0.80 *								
		\$850	/ 1210	\$0.70														
2 Osgood Townsite Apts 4901-5051 44th Ave SW	2003	\$685	/ 625	\$1.10	\$780	/ 810	\$0.96 *	\$940	/ 1110	\$0.85 *	243	Yes	Yes		Yes	Yes	Yes	In Unit
		\$685	/ 655	\$1.05	\$800	/ 895	\$0.89 *	\$960	/ 1110	\$0.86 *								
		\$705	/ 675	\$1.04	\$830	/ 920	\$0.90 *											
3 Blackstone Apts 3142 44th St & 3155 43rd St	2007- 2008	\$725	/ 840	\$0.86	\$910	/ 1295	\$0.70 *	\$1,035	/ 1365	\$0.76 *	84	Yes	Yes	Yes	Yes	Wall	Yes	In Unit
		\$725	/ 840	\$0.86														
4 Stone West I Apts 4955 17th Ave S	2006	\$925	/ 775	\$1.19	\$1,025	/ 1010	\$1.01	\$1,475	/ 1370	\$1.08	79	All	Bsmt	Yes	Yes	Extra	Yes	In Unit
		\$925	/ 710	\$1.30	\$1,125	/ 1089	\$1.03	\$1,525	/ 1579	\$0.97								
		\$975	/ 913	\$1.07 +	\$1,125	/ 1105	\$1.02											
		\$995	/ 985	\$1.01 +	\$1,425	/ 1533	\$0.93 *											
5 Shadow Ridge Apts 862 36th Ave, W Ego	2013	\$725	/ 730	\$0.99	\$875	/ 977	\$0.90	\$1,025	/ 1363	\$0.75	108	Yes	Yes	Yes	Yes	Wall	Yes	In Unit
					\$925	/ 1113	\$0.83 *	\$1,045	/ 1363	\$0.77								
6 Urban Plains Apts II 5250-5480 28th Ave S	2015	\$830	/ 779	\$1.07	\$1,000	/ 1242	\$0.81	\$1,320	/ 1410	\$0.94	152	Yes	Yes	Yes*	Yes	Wall	Yes	Hookups
					\$1,600	/ 1242	\$1.29											
7 Wolf Creek Apts 5200-5210 44th Ave S	2011	\$850	/ 745	\$1.14	\$920	/ 955	\$0.96	\$1,150	/ 1235	\$0.93	54	Yes	Yes	Yes	Yes	Wall	Yes	Hookups
					\$925	/ 1025	\$0.90	\$1,200	/ 1300	\$0.92								

The Potential Gross Income for the subject was forecasted at \$1,390,806. The income forecast is based on a stabilized vacancy and credit loss factor, estimated at 10.00%. This vacancy estimate accounts for the location, the characteristics of the property, the current vacancy condition in the subject, and the current elevated vacancy conditions in the local market relating to an over-supply condition. The attachments include a vacancy survey that provides an indication of vacancy conditions throughout the metro area. The Effective Gross Income was estimated to be \$1,251,725, as related in the Income Approach Summary calculations that follow. This is reasonably in line with the 2017 annual effective gross income of \$1,307,498.

APPRAISAL REPORT (Cont.)

The 2015-2017 historic income and expense information for the subject is included in the attachments and summarized in the following table. It should be noted that effective gross income and net operating income have declined year-over-year since 2015, while area vacancies have climbed from around 6% to near 10% today. The historic income and expense information provided some of the basis for the expense forecast in the Income Approach Summary on page 24. The subject's historic expense data indicated an expense range of \$4,829 to \$5,198 per unit, with an average of \$4,964 per unit.

HISTORIC INCOME AND EXPENSE SUMMARY

	2017			2016			2015		
		12 Months			12 Months			12 Months	
		% EGI	/Unit		% EGI	/Unit		% EGI	/Unit
Gross Income									
Rent Receipts	\$1,281,634	98.0%	\$10,954	\$1,298,224	97.8%	\$11,096	\$1,305,878	98.0%	\$11,161
Vending	\$1,011	0.1%	\$9	\$754	0.1%	\$6	\$292	0.0%	\$2
Miscellaneous	<u>\$24,853</u>	<u>1.9%</u>	<u>\$212</u>	<u>\$28,351</u>	<u>2.1%</u>	<u>\$242</u>	<u>\$26,868</u>	<u>2.0%</u>	<u>\$230</u>
Effective Gross Income	\$1,307,498	100.0%	\$11,175	\$1,327,329	100.0%	\$11,345	\$1,333,038	100.0%	\$11,393
Less Expenses									
Real Estate Taxes	\$132,159	10.1%	\$1,130	\$126,756	9.5%	\$1,083	\$127,126	9.5%	\$1,087
Special Assessments	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Insurance	\$50,150	3.8%	\$429	\$50,279	3.8%	\$430	\$49,847	3.7%	\$426
Electricity/Gas	\$56,166	4.3%	\$480	\$50,710	3.8%	\$433	\$60,696	4.6%	\$519
Water/Sewer/Trash	\$40,841	3.1%	\$349	\$38,577	2.9%	\$330	\$40,195	3.0%	\$344
Pest Control	\$723	0.1%	\$6	\$723	0.1%	\$6	\$723	0.1%	\$6
Maintenance/Repairs	\$131,001	10.0%	\$1,120	\$112,257	8.5%	\$959	\$92,712	7.0%	\$792
Paint/Decorate	\$9,302	0.7%	\$80	\$8,877	0.7%	\$76	\$10,111	0.8%	\$86
Cleaning	\$15,681	1.2%	\$134	\$16,620	1.3%	\$142	\$17,948	1.3%	\$153
Supplies	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Snow Remove/Lawn	\$30,906	2.4%	\$264	\$18,572	1.4%	\$159	\$15,825	1.2%	\$135
Elevator Expense	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Management	\$52,042	4.0%	\$445	\$52,160	3.9%	\$446	\$52,305	3.9%	\$447
Resident Manager	\$23,560	1.8%	\$201	\$23,422	1.8%	\$200	\$25,535	1.9%	\$218
Other Salary-Maint	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Advertising	\$40,250	3.1%	\$344	\$42,351	3.2%	\$362	\$45,632	3.4%	\$390
Phone/Internet/Cable TV	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Legal & Acct	\$21,108	1.6%	\$180	\$19,046	1.4%	\$163	\$19,084	1.4%	\$163
Office/Admin	\$3,264	0.2%	\$28	\$7,886	0.6%	\$67	\$6,180	0.5%	\$53
Miscellaneous	\$978	0.1%	\$8	\$962	0.1%	\$8	\$1,066	0.1%	\$9
Replacements	\$0	0.0%	\$0	\$0	0.0%	\$0	\$0	0.0%	\$0
Total Expenses	<u>(\$608,132)</u>	<u>-46.5%</u>	<u>(\$5,198)</u>	<u>(\$569,198)</u>	<u>-42.9%</u>	<u>(\$4,865)</u>	<u>(\$564,985)</u>	<u>-42.4%</u>	<u>(\$4,829)</u>
Net Operating Income	\$699,366	53.5%	\$5,977	\$758,132	57.1%	\$6,480	\$768,053	57.6%	\$6,565

Comparable expense data is also included in the Comparable Expense Summary at the bottom of the following page, providing additional support for the stabilized expenses forecast. The comparable data indicates an expense range of \$3,450 to \$4,821 per unit, with an average of \$4,023 per unit, in line with the subject's historic expense ratios.

The stabilized expense forecast is related in the center of the expense comparable table that follows and in the Income Approach Summary on page 24, indicating a stabilized expense equal to \$4,760 per unit. This is appropriately bracketed by the comparable expense data and is positioned at the low end of the subject's historic operating expenses. It should be noted that I utilized the 2017 tax expense for the subject, since this analysis is being completed for an assessment challenge.

Reserves for replacements relates an allowance for the periodic replacements of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life. Examples include heating systems, floor covering, parking lot, etc. Based on the current condition of the property, and the in-unit appliances, the reserves for replacements were estimated at

APPRAISAL REPORT (Cont.)

\$200 per unit, which is appropriate for the condition and quality of the subject. The stabilized expense forecast is well supported by the enclosed expense data, considering the subject's characteristics, resulting in a forecast net operating income of \$697,673.

COMPARABLE EXPENSE SUMMARY

	SUBJECT		Comparables							
			Fargo	West Fargo	Moorhead	Fargo	Fargo			
Number Of Units:	117		144	78	90	84	63			
GBA/Unit:	1,423		1,195	1,469	1,094	1,438	1,031			
Heat Provided:	Yes		Yes	Yes	Yes	Yes	Yes			
Style:	Walk-up		Elevator	Elevator	Walk-up	Elevator	Walk Up			
Age:	2005		2013	2006	2007	2004-06	1998			
Income/Expense Year:	2017		Appraisers' Forecast							
		Per Unit		Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	Per Unit	
Rentals	\$1,281,634	\$10,954	\$1,217,916	\$10,410	\$9,765	\$10,737	\$9,534	\$10,427	\$9,032	
Furnished Unit	\$0	\$0	\$632	\$5	\$0	\$35	\$0	\$0	\$0	
Vending	\$1,011	\$9	\$12,960	\$111	\$0	\$0	\$0	\$0	\$135	
Other	<u>\$24,853</u>	<u>\$212</u>	<u>\$20,218</u>	<u>\$173</u>	<u>\$166</u>	<u>\$287</u>	<u>\$299</u>	<u>\$89</u>	<u>\$179</u>	
Effective Gross Income	\$1,307,498	\$11,175	\$1,251,725	\$10,699	\$9,931	\$11,059	\$9,833	\$10,516	\$9,346	
Less Expenses										Average
Real Estate Taxes	\$132,159	\$1,130	\$132,159	\$1,130	\$1,273	\$1,092	\$1,461	\$1,209	\$913	\$1,190
Special Assessments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$50,150	\$429	\$50,310	\$430	\$250	\$253	\$175	\$280	\$340	\$260
Electricity/Gas	\$56,166	\$480	\$57,330	\$490	\$284	\$482	\$338	\$999	\$355	\$492
Water, Sewer, Trash	\$40,841	\$349	\$40,950	\$350	\$335	\$385	\$343		\$345	\$352
Maintenance/Repairs	\$131,725	\$1,126	\$46,800	\$400	\$276	\$237	\$270	\$291	\$617	\$338
Paint/Decorate	\$9,302	\$80	\$9,360	\$80		\$75	\$19		\$73	\$56
Cleaning	\$15,681	\$134	\$16,380	\$140	\$123	\$166	\$160	\$58	\$209	\$143
Supplies	\$0	\$0	\$585	\$5	\$2			\$6	\$4	\$4
Parking/Snow/Lawn	\$30,906	\$264	\$30,420	\$260	\$94	\$75	\$94	\$26	\$89	\$76
Management	\$52,042	\$445	\$62,586	\$535	\$497	\$611	\$518	\$431	\$467	\$505
Resident Manager	\$23,560	\$201	\$25,272	\$216	\$181	\$395	\$33	\$126	\$303	\$208
Other Salary-Maint.	\$0	\$0	\$0	\$0		\$292	\$70		\$62	\$141
Advertising	\$40,250	\$344	\$39,780	\$340	\$35	\$54	\$21	\$71	\$58	\$48
Telephone/Internet	\$0	\$0	\$0	\$0	\$3	\$8	\$25	\$12	\$0	\$10
Legal & Accounting	\$21,108	\$180	\$14,625	\$125		\$23	\$123	\$100	\$12	\$65
Office/Administration	\$3,264	\$28	\$2,925	\$25	\$16	\$73	\$56	\$20	\$22	\$37
Miscellaneous	\$978	\$8	\$1,170	\$10	\$44		\$8	\$24	\$25	\$25
Replacements Reserves	<u>\$0</u>	<u>\$0</u>	<u>\$26,325</u>	<u>\$225</u>		<u>\$181</u>			<u>\$673</u>	<u>\$427</u>
Total Expenses	<u>(\$608,132)</u>	<u>(\$5,198)</u>	<u>(\$556,978)</u>	<u>(\$4,760)</u>	<u>(\$3,450)</u>	<u>(\$4,454)</u>	<u>(\$3,736)</u>	<u>(\$3,653)</u>	<u>(\$4,821)</u>	<u>(\$4,023)</u>
Net Operating Income	\$699,366	\$5,977	\$694,747	\$5,938	\$6,481	\$6,605	\$6,097	\$6,863	\$4,525	

The final item required for the direct capitalization process is to select the appropriate overall rate. The sales in the Sales Comparison Approach had adequate income information available for abstracting market-based overall rates. This data is summarized in the table below.

	Units	OAR	Adj OAR	Exp %	Heat Paid
Sale 1	57	6.70%	7.06%	45.88%	Yes
Sale 2	144	6.76%	6.76%	35.10%	Yes
Sale 3	84	7.03%	6.81%	38.52%	Yes
Sale 4	80	7.21%	7.21%	32.86%	Yes
Sale 5	78	7.24%	7.26%	36.88%	Yes
Average		6.99%	7.02%	37.85%	
Subject	117			44.26%	Yes

APPRAISAL REPORT (Cont.)

The adjusted overall rate (Adj OAR) column in the overall rate table, above, reflects an overall rate range of 6.76% to 7.26% after recalculating the net income of the comparable sales to reflect the same level of reserves for replacements (\$200 per unit) included in the subject's expense forecast. The abstracted overall rates need to be adjusted to reflect this condition; otherwise, they would tend to understate the value of the appraised property.

As age increases, condition often declines and the overall rate tends to increase. Based on the good condition of the appraised property, the property's characteristics, the current elevated vacancy condition of the local market and the overall rate data related by the enclosed comparable sales, it is my opinion that the appropriate overall rate for capitalizing the subject's net operating income is 7.25%. The value indicated by the Income Capitalization Approach is \$9,620,000, per the calculations below.

INCOME APPROACH SUMMARY

Forecast Potential Gross Annual Income				
Monthly Apartment Rental Income (Economic Rents)			\$112,770	
Parking Income	1	Sgl Garage included in rent	\$0	
Parking Income	1	Basement Garage Stall included in rent	\$0	
Vending Income	117	Units @ \$0.50 /Unit =	\$59	
Furnished Units	4	Units @ \$300.00 /Unit =	\$1,200	
Laundry Income		Washer & dryer included in units	\$0	
Other Income	117	Units @ \$16.00 /Unit =	<u>\$1,872</u>	
		Monthly Subtotal	\$115,901	X 12 Mo. = \$1,390,806
Less Forecasted Vacancy & Collection Loss				10.00% <u>(\$139,081)</u>
Effective Gross Annual Income				\$1,251,725
Less Forecasted Annual Expenses and Replacement Reserves				
Fixed Expenses				
Real Estate Taxes		\$1,130 /Unit		\$132,159
Insurance		\$430 /Unit		\$50,310
Operational Expenses				
Electricity/Heat		\$490 /Unit		\$57,330
Water & Sewer & Trash		\$350 /Unit		\$40,950
Building Maintenance & Repairs		\$400 /Unit		\$46,800
Interior & Exterior Decorating		\$80 /Unit		\$9,360
Cleaning Expense		\$140 /Unit		\$16,380
Snow Removal/Gardening		\$260 /Unit		\$30,420
Nonresident Management		5.00% of EGI		\$62,586
Resident Manager's Salary		\$18 /Unit/Mo		\$25,272
Other Salary-Maint.		\$0 /Unit		\$0
Advertising		\$340 /Unit		\$39,780
Legal & Audit		\$125 /Unit		\$14,625
Office/Administration		\$25 /Unit		\$2,925
Miscellaneous		\$10 /Unit		\$1,170
Replacement Reserves				
Floor & Window Coverings		\$100 /Unit		\$11,700
Ranges & Refrigerators		\$25 /Unit		\$2,925
Dishwashers & Disposals		\$25 /Unit		\$2,925
Heating & AC Units		\$25 /Unit		\$2,925
Roof		\$25 /Unit		\$2,925
Other		\$0 /Unit		<u>\$0</u>
Total Expenses and Reserves		\$4,735 /Unit		(<u>\$554,052</u>)
Net Annual Income From Real Property				\$697,673
Capitalization Process Value =				
	Income	<u>\$697,673</u>	\$9,623,073	Rounded \$9,620,000
	Rate	7.25%		

APPRAISAL REPORT (Cont.)

Comparable Sales Approach

The Sales Comparison Approach is based on comparative indicators that are abstracted from sales of similar properties and applied to the appraised property. It requires an ample amount of sales information to provide a reliable estimate of value.

Four local sales were found that bracket most of the characteristics of the subject, including its design, condition, unit type, size and amenities. The comparable sales are documented in the attachments and related to the appraised property in the comparable sales grid on the following page.

Sale 1 is the most recent sale, occurring in March 2018. It is of three buildings (two 24-plexes and a 9-plex) near the NDSU campus that is primarily occupied by, and marketed to students. The 24-plexes have owned paid heat, common laundry and garages, but no basement parking. Making it inferior to the subject. The 9-plex has tenant paid heat with in-unit washers and upscale appliances, making it more comparable to the subject. It reflects a reasonably comparable GBA/unit with the subject and the different buildings bracket the age of the subject. Based on its quality, it is inferior to the subject, but its location near the region's largest public University is considered advantageous to strong occupancy. Its unadjusted price per unit of \$84,358 is considered in line with what the subject should capture.

Sale 2 is a 2016 sale of four, three-story apartment buildings in the southeast portion of Fargo, near Davies High School. This sale included additional land and two 36-plex foundations, the contributory value of which was not included in the sale price reflected by this approach. It has owner heat paid, garages, balconies and in-unit laundry, but was constructed in 2014, making it far superior to the subject's age and condition. This facility does not have elevators and reflects a smaller gross building area per unit. It also does not have basement parking. Basement parking is not a common attribute of most facilities in the area, and does not appear to capture a greater demand than typical facilities with on-grade garage parking, as reflected by the subject's 13% vacancy. Due to its much newer age, Sale 2 was still considered superior.

Sale 3 is a 2015 sale of a two-building, 84-unit apartment property that is about one-mile northeast of the subject in a similar multi-family neighborhood that borders 45th Street South. This property was constructed in 2004/2006 and has amenities including elevator access design, detached garages, dishwashers, balconies and in-unit washers/dryers. This property has owner-paid heat and hot water, and a comparable gross building area per unit size, making it a strong comparable to the subject.

Sale 4 is a 2015 sale of a two-building, 80-unit apartment property located in a similar multi-family neighborhood near a major thoroughfare in Moorhead, Minnesota. This property is located near a new Sanford Clinic in south Moorhead. This property is similar as the buildings have elevators. The amenities are similar, including detached garages, dishwashers, balconies, and in-unit washers/dryers. This property has a comparable gross building area per unit size as the subject. This property has central air conditioning and owner-paid heat and hot water, reflecting superior tenant features. It is also 2015 construction, being a full 10-years newer than the subject. Therefore, its unadjusted sale price per unit of \$103,199 is considered superior to the subject.

APPRAISAL REPORT (Cont.)

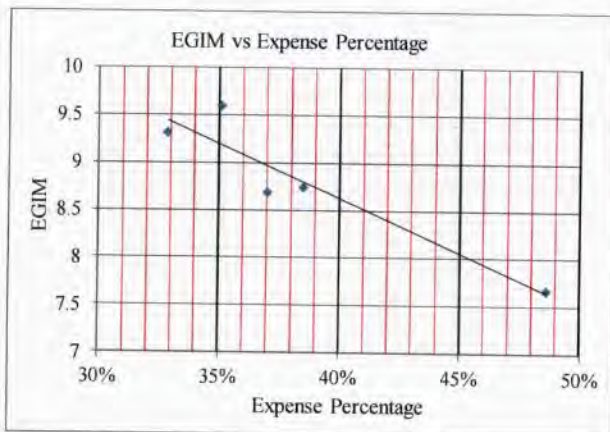
Sale 5 is a 2010 sale, but was included being the most recently available sale of a property with basement parking. It is wood-framed construction with walk-out patios and balconies. It has owner-paid heat with in-unit laundry. All the units are leased with a basement parking spot and a single garage like the subject. It also has a community room and fitness room like the subject. It was constructed in 2005, like the subject. It was 15% vacant at the time of sale. Our historic vacancy survey indicates that the metro area was at a 6.0% vacancy condition when this sale occurred, reflecting a stronger market than the current. Based on its 15% vacancy in a stronger market, and its status being an 8-year old sale prior to the elevated construction costs and overbuilding trend in the current market, its unadjusted price per unit of \$65,415 is considered inferior to the subject. As a reference, the subject property sold for about \$74,000 per unit three months after this sale occurred.

The comparable sales indicate unadjusted sale prices per unit of \$65,415 (Sale 5) to \$104,687 (Sale 2), indicating that the subject's price per unit estimate should fall within this range.

The sales information demonstrates that there is a direct relationship between the value per unit and net income per unit. As the net income per unit increases, the value per unit also increases. The primary adjustments in the comparable sales grid have been based on the relationship of the net income per unit produced by the individual properties to the net income per unit produced by the subject. This "per unit" adjustment relates all the differences between the subject property and the individual comparable sale.

The adjustment process provided a per unit value range of \$82,142 to \$88,211. The average of this range was \$85,010. Therefore, my forecast price per unit of \$85,000, results in a market value estimate of \$9,945,000.

The comparative indicators also included the effective gross income multiplier (EGIM). This indicator reflects the relationship of the total annual collected rents (Effective Gross Income, or EGI) to the sale price, as related in the following formula: $\text{Sale Price}/\text{EGI}=\text{EGIM}$. The enclosed sales indicate an EGIM range of 7.67 to 9.60, with an average of 8.80. The EGIM is sensitive to expense ratios, as indicated by the following EGIM graph. The EGIM decreases as expense ratio increases. Newer properties and properties in better than average condition tend to reflect EGIMs above the line.



Based on the subject's forecasted expense ratio of 44.26% and its good condition, an EGIM of 8.00 was considered appropriate for the subject. The resulting value indication from applying a 8.00 EGIM to the subject's forecasted Effective Gross Income of \$1,251,725 is \$10,013,800.

The comparative indicators abstracted from the comparable sales also included the price per room and the price per square foot. These indicators have little significance to the market and were not applied to the appraised property.

APPRAISAL REPORT (Cont.)

The lump sum value indication and EGIM value indication formed a narrow range. The average of the value indications from the selected comparative indicators was \$9,979,400. Based on the enclosed comparable sales and the current condition of the property, it is my opinion that the indicated value via the Sales Comparison Approach is \$9,980,000.

COMPARABLE SALES GRID

Subject	Sale 1 - A18102FG			Sale 2 - A16102FG			Sale 3 - A15117FG			Sale 4 - A15101MD			Sale 5 - A10101WF			
Address	1920-1940 Dakota Drive			22330-2450 65th Ave S			4425 31st Ave, 3140 44 St S			2400 36th St S			639 33rd Ave W			
City/State	Fargo, ND			Fargo, ND			Fargo, ND			Moorhead, MN			West Fargo, ND			
Lot Size	106,982 SF			378,093 SF			221,559 SF			196,456 SF			196,917 SF			
Number of Units	57 Units			144 Units			84 Units			80 Units			78 Units			
Year Built	2001-2010			2014			2004-2006			2015			2005			
Brief Description of Improvements	Two 3-story wood-frame apt bldg w/ bsmt parking and elevator			Four 3-story wood-frame apartments w/ elevators			Two 3-Story wood frame, brick veneer elevator-up apt bldgs			3-story wood-frame, steel-sided, elevator apt bldgs			3-story wood-frame apt bldg w/ bsmt parking and elevator			
Quality	Avg-Good			Good			Average			Good			Good			
Condition	Avg-Good			New			Ave-Good			New			Good			
Rec. Facilities	Balconies/Patios, Fitness			Balconies/Patios			Balconies			Balconies, Patios			Balconies/Patios			
Parking	118 Sgl, 122 Bsmt, 79 Ext			51 Sgl, 85 Ext			29 Sgl, 116 Dbl, 100 Ext			26 Sgl, 69 Dbl, 57 Ext			78 Dbl, 48 Sgl, 77 Ext			
Tenant Appeal	Average			Average-College			Good			Ave-Good			Average			
GBA	166,453 SF			77,135 SF			165,596 SF			120,756 SF			115,406 SF			
GBA/Unit	1,423 SF			1,353 SF			1,150 SF			1,438 SF			1,443 SF			
	Number of Units		Room Count		Number of Units		Room Count		Number of Units		Room Count		Number of Units		Room Count	
Unit Breakdown	28	3	1	1	6	3	1	1	28	3	1	1	26	3	1	1
	71	5	2	2	33	5	2	1.75	20	4	2	1	34	4	2	2
	18	6	3	2	12	6	3	1.75	60	5	2	1.75	24	5	3	2
					3	6	3	2	36	6	3	1.75	12	6	3	2
					3	7	4	2								
Number of rooms	547			294			680			334			316			
Owner's Utilities	Swr,Wtr,Gbg,Heat			Swr,Wtr,Gbg,Heat			Swr,Wtr,Gbg,Heat			Swr,Wtr,Gbg,Heat			Swr,Wtr,Gbg,Heat			
Data Source	Owner			Records/Buyer			Records/Buyer			Records/Seller			Records/Buyer			
Price	\$4,808,415			\$4,808,415			\$15,074,985			\$7,722,110			\$8,255,936			
Sale/List/Off	Private Sale			Private Sale			Private Sale			Sale			Sale			
Date Of Sale	3/1/2018			3/1/2018			4/1/2016			12/28/2015			7/1/2015			
Terms	Conventional			Conventional			Conventional			Conventional			Conventional			
Effective Gross Income (EGI)	\$1,251,725 Forecast			\$627,000			\$1,570,099			\$883,315			\$886,700			
Effective Gross Income Multiplier (EGIM)	7.67			9.60			8.74			9.31			8.69			
Net Operating Income (NOI)	\$697,673 Forecast			\$322,000 Actual			\$1,019,063 Reconstructed			\$543,036			\$595,300			
NOI/Unit	\$5,963			\$5,649			\$6,465			\$7,441			\$7,441			
Expense Percent	44.26% Forecast			48.64%			35.10%			38.52%			32.80%			
Reserves in Expenses/Unit	\$200			\$504			\$200			\$0			\$200			
Overall Rate (OAR)	6.70%			6.70%			6.70%			7.03%			7.21%			
Price/Room	\$16,355			\$22,169			\$23,120			\$26,126			\$22,045			
Price/SF	\$62.34			\$91.03			\$63.95			\$71.54			\$70.36			
Price/Unit	\$84,358			\$104,687			\$91,930			\$103,199			\$147,811			
Adjustment for Subject's Reserves Level (per unit)	(\$304)			\$0			\$200			\$0			(\$25)			
Total Adjustment to Net Operating Income	(\$17,328)			\$0			\$16,800			\$0			(\$1,950)			
Adjusted Net Operating Income	\$339,328			\$1,019,063			\$526,236			\$595,300			\$836,950			
Recalculated Expense Ratio Adjusted with \$200/unit Reserves	45.88%			35.10%			40.42%			32.80%			36.88%			
Recalculated OAR Adjusted for \$200/unit Reserves Level	7.06%			6.70%			6.81%			7.21%			7.26%			
Adjusted NOI per Unit	\$5,953			\$7,077			\$6,265			\$7,441			\$10,730			
Subject's NOI per Unit	\$5,963			\$5,963			\$5,963			\$5,963			\$5,963			
Differential (Diff.)	0.17%			-15.74%			-4.82%			-19.87%			-44.43%			
Diff. applied to Price per Unit	-\$84,498			-\$88,211			-\$87,502			-\$82,698			-\$82,142			
EGIM -	\$1,251,725	X	8.00	=	\$10,013,800											
Price/Unit -	\$85,000	X	117	=	\$9,945,000	Indicated Value by the Comparable Sales Approach										\$9,980,000
Average					\$9,979,400											

Reconciliation and Value Conclusion

Indications of value for the appraised property have been presented in this report by utilizing all three approaches to value, as follows:

Value by the Cost Approach	\$10,079,000
Value by the Income Approach	\$9,620,000
Value by the Sales Comparison Approach	\$9,980,000

The Cost Approach is applicable to valuing new or proposed construction. The subject has been in operation for more than 12 years and has an estimated effective age of about 10 years. The Cost

APPRAISAL REPORT (Cont.)

Approach required a subjective depreciation estimate. Due to the overbuilt status of the metro apartment market, a substantial external obsolescence estimate was also warranted, affecting the reliability of this approach. It was weighted least heavily in the final reconciliation of value.

The Income Capitalization Approach relates the value of the property as an investment. It is one of the primary approaches used by the market in valuing apartment properties. The quality and quantity of supportive information for this approach was considered adequate, resulting in a reliable indication of value. The Income Approach produced a reliable value indication, which supported the Sales Comparison Approach value indication. Apartment properties are bought and sold based on their income potential, resulting in the Income Approach being weighted most heavily in the final reconciliation of value.

The Sales Comparison Approach included five comparable sales from the local area that bracketed most of the characteristics of the appraised property. The quality and quantity of supportive information for this approach was considered adequate, resulting in a reliable indication of value. The weakness of this approach was the availability of only one 2018 comparable sale with the rest of the sales having occurred between April 2016 and June 2010. The local market has experienced additional increases in vacancies since this period. The value indication from the Sales Comparison Approach was supportive of the Income Approach value indication, but was weighted less heavily.

Based on the appraisal analysis summarized herein, it is my opinion that the market value of the fee simple interest in the appraised property, as of May 15, 2018, was:

NINE MILLION SEVEN HUNDRED SIXTY THOUSAND DOLLARS
(\$9,760,000)

The value conclusion includes the land, building, site improvements and the personal property normally associated with an apartment building. The personal property is the movable appliances, which includes 117 washers, 117 dryers, 117 ranges and 117 refrigerators. The personal property was considered to have a market value of about \$225,000, estimating \$350 per range, \$800 per refrigerator, \$300 per washer and \$300 per dryer.

The current balance of special assessments total \$154,876.07. It is customary in the local area for buyers to assume the balance of unpaid special assessments since they are usually financed at below market interest rates. This is a debt against the property. Therefore, the client and intended user may choose to deduct the current balance of special assessments from the market value indications to reflect the net value for assessment purposes.

It is assumed that there are no adverse environmental conditions impacting the property. The appraiser is not an expert in determining the presence of adverse environmental conditions and other expertise should be sought, if so desired.

Two additional estimations are required in the appraisal process. These include the estimate of the typical market exposure time and the typical marketing time. Market exposure time is that period that the property is exposed to the market, prior to the date of the appraisal, which results in a sale at the

APPRAISAL REPORT (Cont.)

appraised value. Marketing time is the period after the date of appraisal, which is required to affect a sale at the appraised value.

The comparable sales information is usually the basis for the best indication of the appropriate market exposure time. The enclosed sales related transactions where knowledgeable buyers and sellers came together without typical market exposure for the property to a property that was exposed to the market for about four months. Apartment properties experience strong demand in the local area and have short exposure time periods of only two to four months. Sales exceeding one year tend to indicate properties that are initially overpriced.

It is noteworthy that market exposure time is a process. It requires the listing of the property, exposure of the property to the market, negotiations of the sale between the buyer and the seller, due diligence of the buyer and additional time to obtain financing. Considering this process and the characteristics of the appraised property, it is my opinion that the typical market exposure time period reflected by the value conclusion herein is six to twelve months.

Due to the stability of the local market, it is my opinion that the typical marketing time period would also be six to twelve months, based on the value conclusion.

Assumptions and Limiting Conditions

1. This is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standards Rule 2 of the Uniform Standards of Professional Appraisal Practice. It provides a summary of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed by thfor matters that are legal in nature. The title is assumed to be good and marketable and the legal description, as furnished to me by others, is assumed to be true and correct.
3. The property is appraised as if free and clear of any or all liens and encumbrances unless otherwise stated in this report.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

APPRAISAL REPORT (Cont.)

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been identified, defined, and considered in the appraisal report.
10. It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates in this report are based.
11. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is confined within the boundaries or property lines of the property described and that there are no encroachments or trespasses unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value, unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
15. 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 buildings must not be used in conjunction with any other appraisal and are invalid if so used.

APPRAISAL REPORT (Cont.)

16. 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 qualification and only in its entirety.
17. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without the prior written consent and approval of the appraiser.

Certification

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

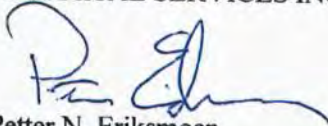
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and in accordance with the Code of Professional Ethics of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

APPRAISAL REPORT (Cont.)

- As of the date of this report, I, Petter N. Eriksmoen, have completed the Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The appraisal assignment was not based on a requested minimum valuation or specific valuation or approval of a loan.
- I have viewed the appraised property and took photographs and viewed the interior and exterior of the appraised property.

Osgood Place Apartments
5050 40th Avenue South
Fargo, North Dakota

APPRAISAL SERVICES INC.



Petter N. Eriksmoen

ND Certified General Real Property Appraiser #CG-21517

MN Certified General Real Property Appraiser License #40367366

ATTACHMENTS

PHOTOGRAPHS OF SUBJECT PROPERTY

SUBJECT PHOTOGRAPHS



Subject Looking Southwest



Garage Buildings Looking Southwest



Common Lounge Room



Fitness Room



Basement Parking



Elevator

SUBJECT PHOTOGRAPHS (Cont.)



Typical Unfinished Unit Kitchen



Living Room



Bedroom



Bathroom



Bathroom



In-Unit Laundry Room

SUBJECT PHOTOGRAPHS (Cont.)



Typical Furnished Unit Kitchen



Living Room



Bedroom



Bedroom



Bathroom



Laundry Room

SUBJECT PHOTOGRAPHS (Cont.)



Typical Window Condition



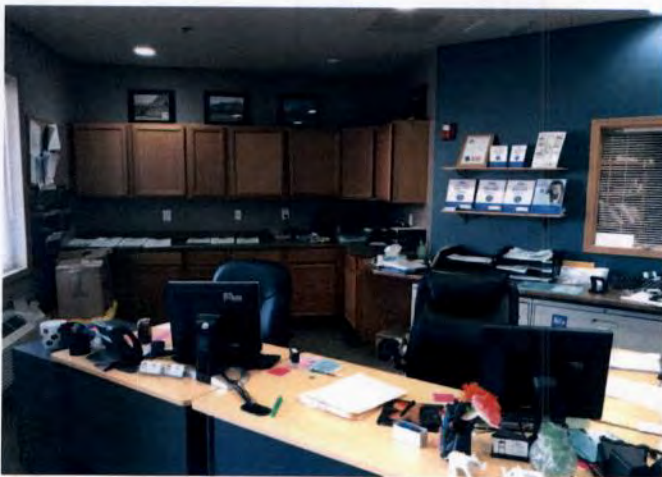
Typical Wall AC



Walk Out Patio



Upper Level Balcony

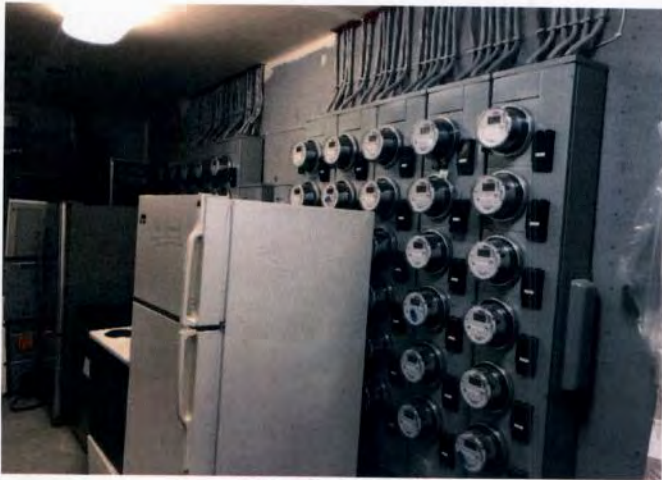


On-Site Rental Office



Electrical Meters

SUBJECT PHOTOGRAPHS (Cont.)



Electrical Meters



Boilers

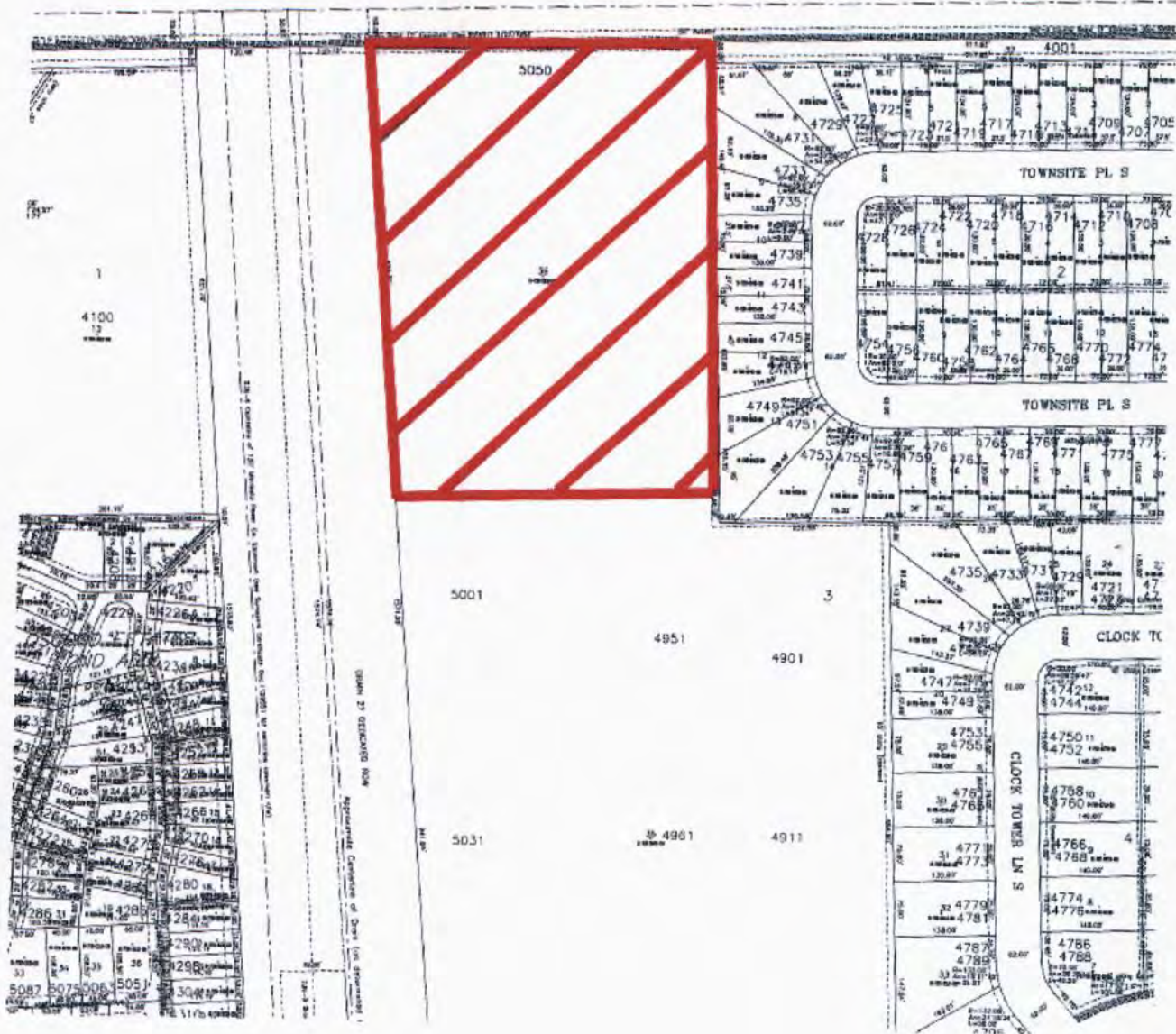


Hot Water Heaters



Water Main and Fire Sprinkler Risers

PLAT MAP



Calculations Worksheet
Osgood Place Apartments

Concrete Parking & Drives				Concrete Curbing - Per GIS				On-Site Sidewalk/Concrete - Per Google Earth			
A	B	C	A*B*C	A	B	C	A*B*C	A	B	C	A*B*C
a	Per GIS		117,370.0	a	1.0		0.0	a	East Side		3,230.0
b	Less Islands		-3,530.0	b	1.0		0.0	b	East Island		640.0
c			-2,215.0	c	1.0		0.0	c	South Side		2,630.0
d	Less Garages		-1,848.0	d	1.0		0.0	d	South Island		1,020.0
e		1	-21,120.0	e	1.0		0.0	e	West Entry		400.0
f		1	0.0	f	1.0		0.0	f		1	0.0
g		1	0.0	g	1.0		0.0	g		1	0.0
h		1	0.0	h	1.0		0.0	h		1	0.0
i		1	0.0	i	1.0		0.0	i		1	0.0
j		1	0.0	j	1.0		0.0	j		1	0.0
k		1	0.0	k	1.0		0.0	k		1	0.0
l		1	0.0	l	1.0		0.0	l		1	0.0
m		1	0.0	m	1.0		0.0	m		1	0.0
n		1	0.0	n	1.0		0.0	n		1	0.0
o		1	0.0	o	1.0		0.0	o		1	0.0
Subtotal Concrete			88,657.0	Total Curbing			0.0	On-Site Sidewalk			7,920.0
Total Concrete Rounded			88,657	Total Curbing Rounded			0	Total Sidewalk			7,920.0
								Rounded			7,920
Basement Parking				Building Size				Other			
A	B	C	A*B*C	A	B	C	A*B*C	A	B	C	A*B*C
a	Per City Plans		60,933.0	a	First Floor	1	57,023.0	a	22.0	84.0	1,848.0
b		1	0.0	b	Second Floor	1	54,715.0	b	44.0	96.0	21,120.0
c		1	0.0	c	Third Floor	1	54,715.0	c	22.0	166.0	3,652.0
d		1	0.0	d		1	0.0	d	108.0	22.0	4,752.0
e		1	0.0	e		1	0.0	e			2
Basement Parking			60,933	f		1	0.0	f			2
Gross Site Area				g		1	0.0	g			1
A	B	C	A*B*C	h		1	0.0	h			1
a		1	289,680.0	i		1	0.0	a	Total Garages		31,372.0
b		1	0.0	j		1	0.0	b	Rounded		31,372
c		1	0.0	k		1	0.0	c	Balconies		
d		1	0.0	l		1	0.0	d	12.0	6.0	117
e		1	0.0	m		1	0.0	e			1
Calculated Site Size			289,680.0	Total Bldg Area			166,453.0	Total Balconies			8,424.0
City Size			289,680	Rounded			166,453	Rounded			8,424
Survey				GBA/Unit			1,423.0	On-Site Parking			
Density (Units/Acre)			17.6	Building Footprint Calculations				On-Site Parking			
Site Size Used In Report								Basement Parking			
Rounded			289,680					Sgl Garages			
Less				2				Dbl Garages			
Building Footprint			57,023					Exterior Parking			
Garage Footprint			31,372					Total			
Parking Lot			88,657					Parking Ratio			
Concrete Curb (LF*2/LF)			0					Required Parking Ratio			
On-site Sidewalk			7,920	Total							
Landscaping			104,708	Number of Units				117			
Rounded			104,710								

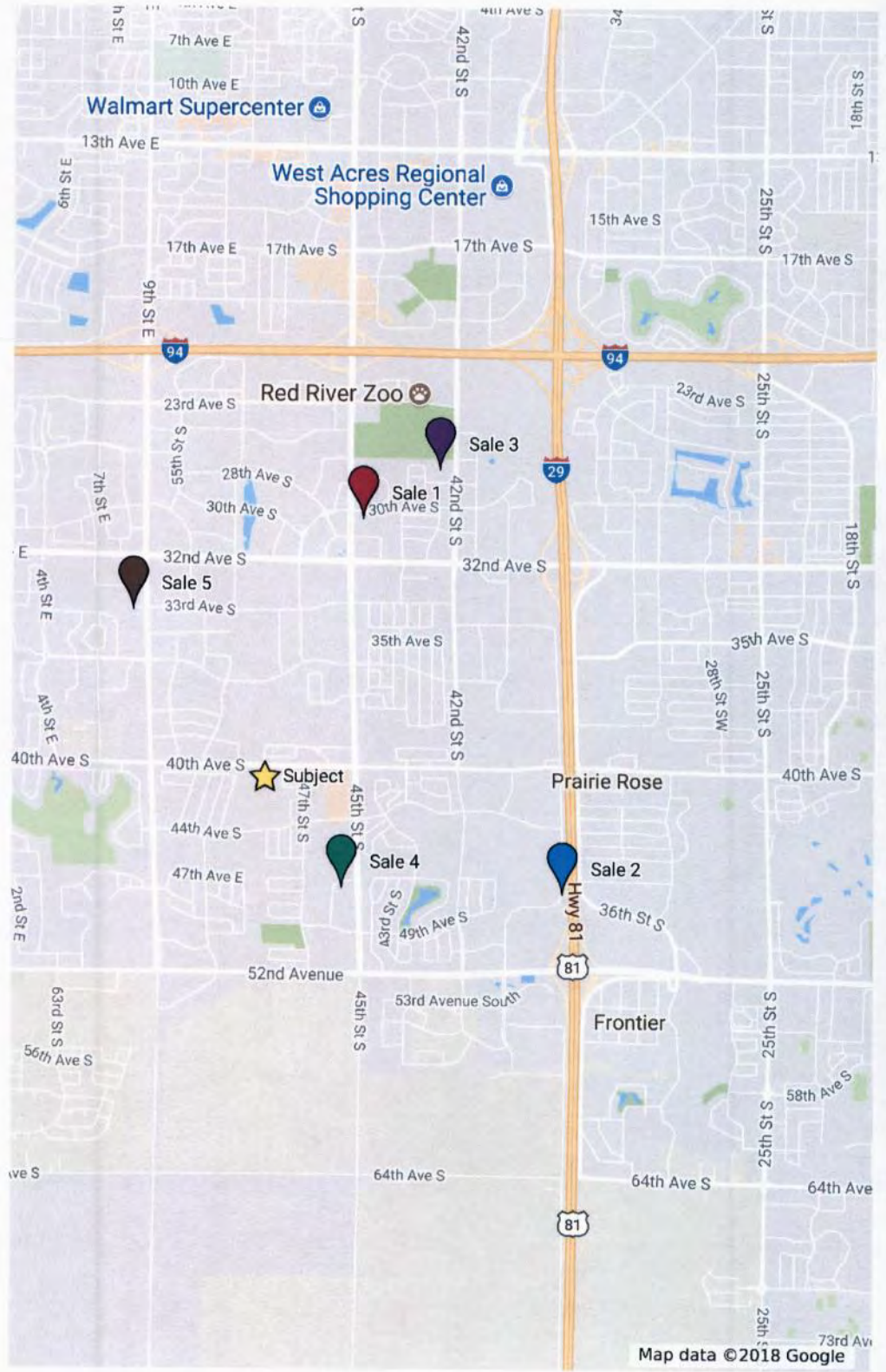
CONSTRUCTION FIGURES

SITE VALUE ANALYSIS ATTACHMENTS

Comparable Site Sales

Osgood Place Apartments

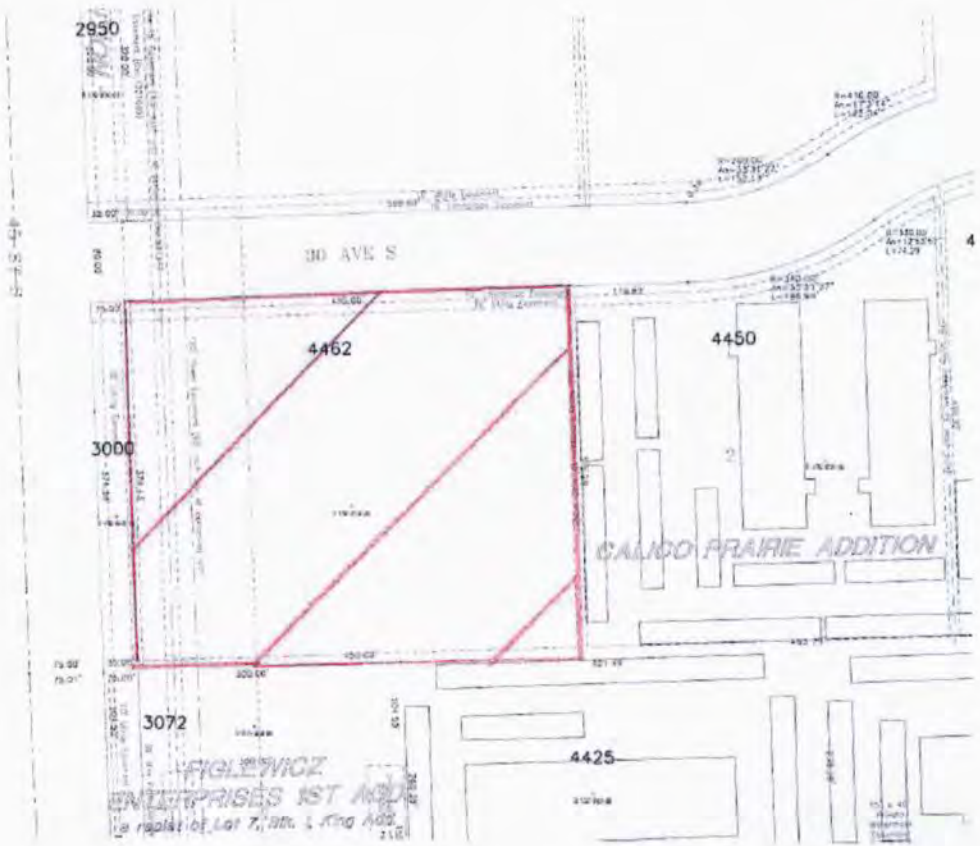
- ★ Subject
- 📍 Sale 1
- 📍 Sale 2
- 📍 Sale 3
- 📍 Sale 4
- 📍 Sale 5



Sale Number YN-78

Date of Sale: 1/20/2017
Property Address: 4462 30th Avenue S
Fargo, ND
Data on Recording: Warranty Deed# 1501579
Grantor: Gate City Bank
Grantee: Fargo Housing & Redevelopment
Verified To: Petter Eriksmoen
Verified By: Records
Legal Description: Lot 3, Block 2, Calico Prairie Addition to the City of Fargo,
Cass County, North Dakota.

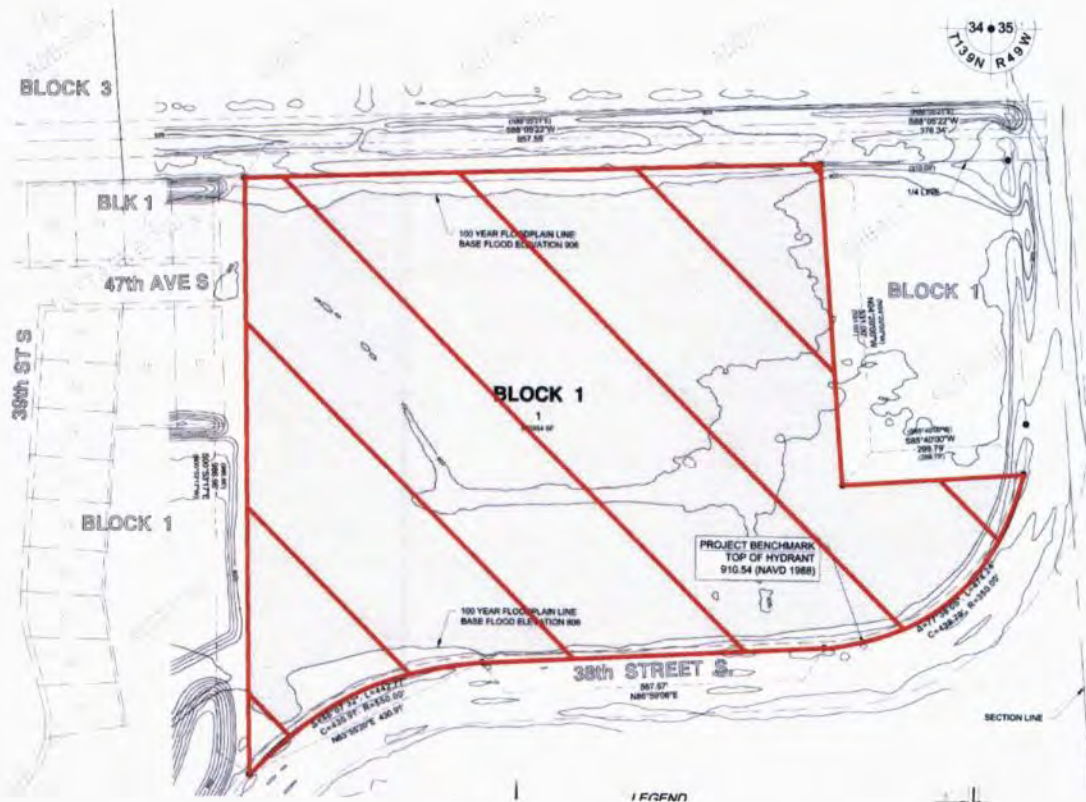
Zoning: MR-3, Multiple Dwelling
Land Size: 168,684 Sq. Ft.
Frontage:
Sale Price: \$1,286,664.00
Sale Price Per Unit: \$7.63/sq. ft.
Remarks: Listed at \$7.50/sf plus special since May 2015. Went under contract in September 2016 for \$1,200,000 plus specials. Zoned LC at time of listing and contract. Buyer had re-zoned to MR-3. Sale price includes \$86,664 of unpaid special assessments.



Sale Number Z-94

Date of Sale: 9/19/2016
Property Address: 4835 38th Street South
Fargo, ND
Data on Recording: Warranty Deed #1490763
Grantor: Fred Hector, Jr.
Grantee: Edition Partners, LLP
Verified To: Neal Eriksmoen
Verified By: Records / Buyer
Legal Description: Lot 1, Block 1, Edition Addition to the City of Fargo, Cass County, North Dakota. (PID 01-8626-00100-000)

Zoning: MR-3, Multi-Family Residential
Land Size: 870,464 Sq. Ft. 19.98 Acres
Frontage: 1,485 feet on 38th Street South
Sale Price: \$4,351,703.00
Sale Price Per Unit: \$5.00/sq. ft. \$217,803/acre
Remarks: Vacant parcel along Interstate 29 frontage road. Sale price includes unpaid special assessment balance of \$869,847 assumed by the buyer.



Sale Number YN-71

Date of Sale: 11/18/2015
Property Address: 4245 28th Avenue South
Fargo, ND
Data on Recording: Warranty Deed #1463904
Grantor: AIR Properties, LLC
Grantee: Beyond Shelter, Inc.
Verified To: Jeff Mangen
Verified By: Buyer's Representative
Legal Description: Lots 1, 2 and 3, Block 1, Autumn Fields Second Addition to the City of Fargo, Cass County, North Dakota.

Zoning: GO, General Office
Land Size: 377,412 Sq. Ft.
Frontage: 562.15' on 42nd St S, 647.07' on 28th Ave S
Sale Price: \$2,172,587.00
Sale Price Per Unit: \$5.76/sq. ft.
Remarks: Frontage also includes 344.53' on Saffron Drive South and 680.02' on 26th Avenue South of which only approximately 180' are paved. Property has conditional use permit for multi-family development. Sale price includes unpaid special assessment balance of \$272,587.13 assumed by the buyer.



Sale Number Z-75

Date of Sale: 6/30/2014
Property Address: 4700 46th Street S
Fargo, ND
Data on Recording: Warranty Deed# 1420862
Grantor: J & O Real Estate, LLC
Grantee: 45th Street Group Apartments #3 LLC
Verified To: SMM Verified By: Records
Legal Description: Lot 1, Block 2, Osgood Townsite 12th Addition to the city of Fargo, Cass County, North Dakota.

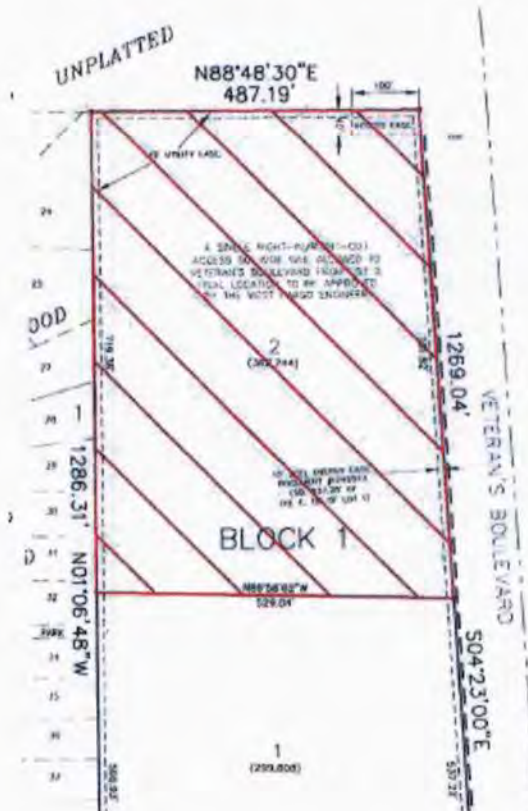
Zoning: MR-3, Multiple Dwelling
Land Size: 120,280 Sq. Ft.
Frontage:
Sale Price: \$748,665.00
Sale Price Per Unit: \$6.22/sq. ft.
Remarks: The site is being developed with a 42 unit apartment building.
Sales price includes SPUNS = \$298,665.09



Sale Number WF-45

Date of Sale: 4/1/2014
Property Address: 34th Ave & Veterans Blvd
West Fargo, ND
WD 1413842
Data on Recording:
Grantor: Atlas Capital, LLC
Grantee: Shadow Bay Apartments, LLC
Verified To: PNE
Verified By: Records/Buyer
Legal Description: Lot 2, Block 1, Shadow Wood 6th Addition to the City of West Fargo, Cass County, North Dakota

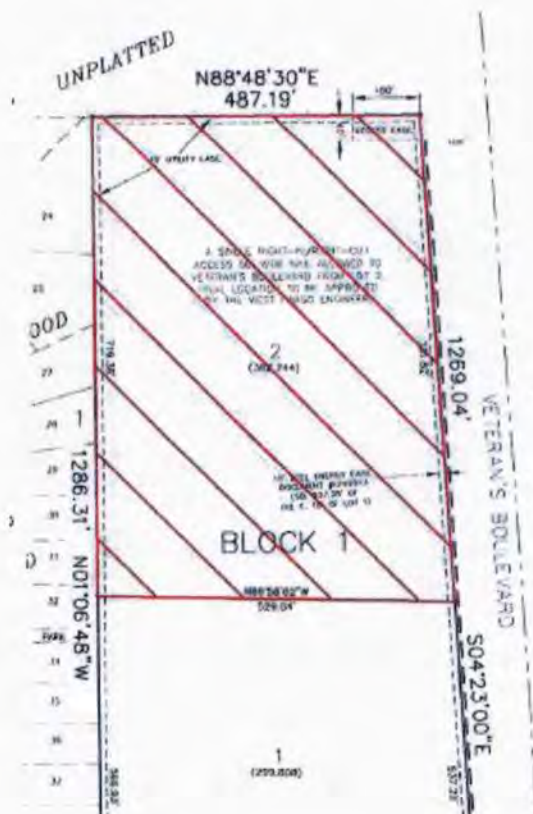
Zoning: R-3, Multiple Dwelling
Land Size: 368,244 Sq. Ft.
Frontage: 690' on Veterans Boulevard
Sale Price: \$2,088,251.00
Sale Price Per Unit: \$5.67/sq. ft.
Remarks: Vacant parcel purchased for development of 180-unit apartment complex. Direct access from Veterans Blvd to be installed. Sale price includes \$627,251 balance of special assessments assumed by the buyer. Sale was second transfer because Shadow Bay entity was not set up for original purchase from Shadow Ridge Estates II, LLC. No discount in sale price.



Sale Number WF-45

Date of Sale: 4/1/2014
Property Address: 815 34th Ave E
West Fargo, ND
Data on Recording: WD 1413842
Grantor: Atlas Capital, LLC
Grantee: Shadow Bay Apartments, LLC
Verified To: PNE Verified By: Records/Buyer
Legal Description: Lot 2, Block 1, Shadow Wood 6th Addition to the City of West Fargo, Cass County, North Dakota

Zoning: R-3, Multiple Dwelling
Land Size: 368,244 Sq. Ft.
Frontage: 690' on Veterans Boulevard
Sale Price: \$2,088,251.00
Sale Price Per Unit: \$5.67/sq. ft.
Remarks: Vacant parcel purchased for development of 180-unit apartment complex. Direct access from Veterans Blvd to be installed. Sale price includes \$627,251 balance of special assessments assumed by the buyer. Sale was second transfer because Shadow Bay entity was not set up for original purchase from Shadow Ridge Estates II, LLC. No discount in sale price.



INCOME CAPITALIZATION APPROACH ATTACHMENTS

Rent Roll with Lease Charges

Pacific Ridge Osgood Place, LP (r-propic)

As of: 05/11/2018

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-101	.og2/2.	1,354	t0023262	Susie Buretta	990.00	rent	990.00	250.00	0.00	9/29/2017	9/30/2018		0.00
						Total	990.00						
OP-103	.og2/2.	1,271	t0015754	Joan Swanson	970.00	rent	970.00	250.00	0.00	12/12/2016	12/31/2018		-970.00
						Total	970.00						
OP-104	.og2/2.	1,271	t0007703	Brittany Davis	970.00	rent	1,020.00	250.00	0.00	5/1/2015	4/30/2018	5/31/2018	185.00
						Total	1,020.00						
OP-105	.og2/2.	1,271	t0005690	Aaron Cutlip	970.00	rent	970.00	250.00	0.00	6/1/2013	5/31/2018		0.00
						Total	970.00						
OP-106	.og2/2.	1,271	t0008114	Adam Miller	970.00	rent	970.00	250.00	0.00	8/24/2015	8/31/2019		0.00
						Total	970.00						
OP-107	.og2/2.	1,271	t0010223	Tlaloc Munoz	970.00	rent	1,020.00	250.00	0.00	3/19/2016	4/30/2018	5/31/2018	0.00
						Total	1,020.00						
OP-108	.og2/2.	1,271	t0018910	Joseph Radmanovich	970.00	rent	970.00	250.00	0.00	5/11/2017	5/31/2018		0.00
						Total	970.00						
OP-109	.og3/2.	1,465	t0023707	Ricardo Castillo	1,120.00	rent	1,120.00	300.00	0.00	10/28/2017	10/31/2018		-540.48
						Total	1,120.00						
OP-110	.og1/1.	828	VACANT	VACANT	820.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-113	.og3/2.	1,577	t0007416	Betty Vorwerk	1,140.00	rent	1,140.00	300.00	0.00	11/14/2014	5/31/2019		0.00
						Total	1,140.00						
OP-114	.og3/2.	1,577	t0020671	Ann Grotjohn	1,140.00	rent	1,140.00	300.00	0.00	9/15/2017	9/30/2018		2,250.00
						Total	1,140.00						
OP-115	.og1/1.	966	t0032600	Marissa Lindemoen	860.00	incent rent	-860.00	200.00	0.00	4/27/2018	4/30/2019		-860.00
						Total	860.00						
OP-116	.og1/1.	966	VACANT	VACANT	860.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-117	.og2/2.	1,271	t0007790	Lance Greff	970.00	rent	970.00	250.00	0.00	6/1/2015	5/31/2020		0.00
						Total	970.00						

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-118	.og2/2.	1,271	t0021226	Max Hager	970.00	rent	970.00	250.00	0.00	8/15/2017	8/31/2018	8/31/2018	0.00
						Total	970.00						
OP-119	.og3/2.	1,465	VACANT	VACANT	1,675.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-120	.og1/1.	828	t0010511	Marvin Kaseman	820.00	incent rent	-820.00	200.00	0.00	4/6/2016	4/30/2019	4/30/2019	-820.00
						Total	820.00						
OP-121	.og2/2.	1,354	t0010702	Paul Sire	990.00	incent rent	-990.00	250.00	0.00	5/1/2016	4/30/2019		0.00
						Total	990.00						
OP-122	.og1/1.	869	VACANT	VACANT	840.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-123	.og2/2.	1,271	t0006073	Susan Smith	970.00	rent	970.00	250.00	0.00	10/1/2013	9/30/2019		0.00
						Total	970.00						
OP-124	.og2/2.	1,271	t0007776	Marjorie Conyers	970.00	rent	970.00	250.00	0.00	5/31/2015	11/30/2018		-550.00
						Total	970.00						
OP-125	.og2/2.	1,271	t0025065	Murina Sackie	970.00	rent	970.00	250.00	0.00	12/1/2017	11/30/2018		-490.00
						Total	970.00						
OP-126	.og2/2.	1,271	VACANT	VACANT	970.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-127	.og2/2.	1,271	t0025378	Adam Landin	970.00	rent	970.00	250.00	0.00	12/1/2017	11/30/2018		-10.00
						Total	970.00						
OP-128	.og2/2.	1,271	t0015261	Neha Bhogal	970.00	rent	1,020.00	250.00	0.00	10/30/2016	11/30/2018		50.00
						Total	1,020.00						
OP-129	.og3/2.	1,465	t0018316	Margo Glogoza	1,120.00	rent	1,120.00	300.00	0.00	6/22/2017	6/30/2018		0.00
						Total	1,120.00						
OP-130	.og1/1.	828	t0012503	Katie Skadeland	820.00	rent	820.00	200.00	0.00	8/26/2016	8/31/2018	8/31/2018	0.00
						Total	820.00						
OP-131	.og1/1.	869	VACANT	VACANT	840.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-132	.og2/2.	1,354	t0019088	Shayla Gustafson	990.00	rent	990.00	250.00	0.00	6/26/2017	6/30/2018		0.00
						Total	990.00						

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-133	.og2/2.	1,271	t0005195	Eric Buringrud	970.00	rent	970.00	250.00	0.00	12/1/2012	11/30/2018		0.00
						Total	970.00						
OP-134	.og2/2.	1,271	t0024084	Jeremiah Gwaro	970.00	rent	970.00	250.00	0.00	10/1/2017	9/30/2018		0.00
						Total	970.00						
OP-135	.og2/2.	1,271	t0007261	Joseph Carter	970.00	rent	970.00	250.00	0.00	11/15/2014	11/30/2018		1,000.00
						Total	970.00						
OP-136	.og2/2.	1,271	t0006439	Douglas Miller	970.00	rent	970.00	250.00	0.00	2/14/2014	3/31/2019		0.00
						Total	970.00						
OP-137	.og2/2.	1,271	t0010725	Zachary Akers	970.00	rent	970.00	250.00	0.00	5/31/2016	5/31/2018		0.00
						Total	970.00						
OP-138	.og2/2.	1,271	t0017482	Andrea Eide	970.00	rent	970.00	250.00	0.00	4/20/2017	4/30/2019		0.00
						Total	970.00						
OP-139	.og3/2.	1,465	t0027071	Misty Miller	1,120.00	rent	1,120.00	300.00	0.00	12/28/2017	12/31/2018		0.00
						Total	1,120.00						
OP-140	.og1/1.	828	VACANT	VACANT	820.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-201	.og2/2.	1,354	t0014846	William Winter	1,625.00	rent	1,625.00	812.50	0.00	9/29/2016	10/31/2016		1,625.00
						Total	1,625.00						
OP-202	.og1/1.	869	VACANT	VACANT	1,405.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-203	.og2/2.	1,271	t0012501	Bryan Bloemendaal	960.00	rent	960.00	250.00	0.00	6/17/2016	6/30/2018		0.00
						Total	960.00						
OP-204	.og2/2.	1,271	t0002683	Sharon Larson	960.00	incent rent	-960.00 960.00	250.00	0.00	5/1/2007	4/30/2019		0.00
						Total	0.00						
OP-205	.og2/2.	1,271	t0021999	Ashley Meehan	960.00	rent	960.00	250.00	0.00	9/22/2017	9/30/2018	5/31/2018	0.00
						Total	960.00						
OP-206	.og2/2.	1,271	t0004984	Greg Hanson	960.00	rent	1,010.00	250.00	0.00	10/1/2012	9/30/2014		0.00
						Total	1,010.00						
OP-207	.og2/2.	1,271	t0002713	Douglas Nelson	960.00	rent	960.00	250.00	0.00	6/23/2007	12/31/2018		0.00
						Total	960.00						
OP-208	.og2/2.	1,271	t0005783	Phebe Freeland	960.00	rent	960.00	250.00	0.00	6/1/2013	5/31/2018		0.00
						Total	960.00						

Rent Roll with Lease Charges

Friday, May 11, 2018

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-209	.og3/2.	1,465	t0008259	Steven Tomanek	1,110.00	rent	1,110.00	300.00	0.00	11/1/2015	10/31/2018		0.00
						Total	1,110.00						
OP-210	.og1/1.	828	t0029635	Connie Klein	810.00	rent	810.00	200.00	0.00	4/1/2018	3/31/2019		0.00
						Total	810.00						
OP-211	.og1/1.	869	t0002842	Linda Hausauer	830.00	rent	830.00	200.00	0.00	7/26/2008	12/31/2018		0.00
						Total	830.00						
OP-212	.og2/2.	1,354	t0012841	Caitlyn Obregon	980.00	rent	980.00	250.00	0.00	7/1/2016	6/30/2018	6/30/2018	-10.00
						Total	980.00						
OP-213	.og3/2.	1,577	t0015035	Lucas Pazdemik	1,130.00	rent	1,180.00	300.00	0.00	10/15/2016	4/30/2017		-63.10
						Total	1,180.00						
OP-214	.og3/2.	1,577	t0030499	Amanda Freitag	1,130.00	incent rent	-1,130.00	300.00	0.00	5/1/2018	4/30/2019		0.00
						Total	0.00						
OP-215	.og1/1.	966	t0017870	Robert Sauter	850.00	rent	900.00	200.00	0.00	4/14/2017	10/31/2017		0.00
						Total	900.00						
OP-216	.og1/1.	966	t0007879	Nicolett Stromme	850.00	rent	850.00	200.00	0.00	7/31/2015	1/31/2019		0.00
						Total	850.00						
OP-217	.og2/2.	1,271	t0026654	Alphonso Dahn	960.00	rent	960.00	250.00	0.00	1/1/2018	12/31/2018		984.00
						Total	960.00						
OP-218	.og2/2.	1,271	t0024584	William Tarpeh	960.00	rent	960.00	250.00	0.00	10/28/2017	10/31/2018		0.00
						Total	960.00						
OP-219	.og3/2.	1,465	t0019879	Nicole Clark	1,110.00	rent	1,110.00	300.00	0.00	7/1/2017	6/30/2018		0.00
						Total	1,110.00						
OP-220	.og1/1.	828	t0008169	Michaela Saunders	810.00	rent	810.00	200.00	0.00	9/28/2015	3/31/2019		0.00
						Total	810.00						
OP-221	.og2/2.	1,354	t0006668	Kristine Payne	980.00	rent	980.00	250.00	0.00	5/24/2014	2/28/2019		0.00
						Total	980.00						
OP-222	.og1/1.	869	VACANT	VACANT	830.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-223	.og2/2.	1,271	t0015516	Minnie Wenger	960.00	rent	960.00	250.00	0.00	12/1/2016	11/30/2018		-480.00
						Total	960.00						
OP-224	.og2/2.	1,271	t0014164	Pamela Rohde	960.00	rent	960.00	250.00	0.00	9/28/2016	9/30/2018		0.00
						Total	960.00						

Rent Roll with Lease Charges

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-225	.og2/2.	1,271	t0006641	Kyle Schoenheit	960.00	rent	960.00	250.00	0.00	4/30/2014	10/31/2018		0.00
						Total	960.00						
OP-226	.og2/2.	1,271	t0007743	Jason Anderson	960.00	rent	960.00	250.00	0.00	5/1/2015	4/30/2019		0.00
						Total	960.00						
OP-227	.og2/2.	1,271	t0007690	Glenna Carlson	960.00	rent	960.00	250.00	0.00	3/28/2015	3/31/2019		0.00
						Total	960.00						
OP-228	.og2/2.	1,271	t0020897	Megan Binstock	960.00	rent	960.00	250.00	0.00	8/16/2017	8/31/2018		0.00
						Total	960.00						
OP-229	.og3/2.	1,465	t0002890	Lawrence Hahn	1,110.00	rent	1,110.00	300.00	0.00	7/1/2009	7/31/2019		0.00
						Total	1,110.00						
OP-230	.og1/1.	828	t0005327	Kimberly Santangelo	810.00	rent	810.00	200.00	0.00	2/9/2013	8/31/2018		0.00
						Total	810.00						
OP-231	.og1/1.	869	VACANT	VACANT	830.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-232	.og2/2.	1,354	VACANT	VACANT	1,625.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-233	.og2/2.	1,271	t0008418	Randy Schmidt	960.00	rent	960.00	250.00	0.00	10/31/2015	10/31/2018		0.00
						Total	960.00						
OP-234	.og2/2.	1,271	t0007962	Joey Duttonhefer	960.00	rent	960.00	250.00	0.00	7/1/2015	6/30/2018	6/30/2018	0.00
						Total	960.00						
OP-235	.og2/2.	1,271	t0020110	Brady Blaufuss	960.00	rent	960.00	250.00	0.00	7/15/2017	7/31/2018		0.00
						Total	960.00						
OP-236	.og2/2.	1,271	t0020103	Heather Halvorson	960.00	rent	960.00	250.00	0.00	7/1/2017	5/30/2019		0.00
						Total	960.00						
OP-237	.og2/2.	1,271	t0007243	Robert Lain	960.00	rent	960.00	250.00	0.00	9/28/2014	9/30/2019		0.00
						Total	960.00						
OP-238	.og2/2.	1,271	t0004481	Kelly Cunningham	960.00	rent	960.00	250.00	0.00	6/15/2012	6/30/2018		-36.00
						Total	960.00						
OP-239	.og3/2.	1,465	t0007825	Ty Ochsendorf	1,110.00	rent	50.00	300.00	0.00	5/31/2015	5/31/2016		141.00
						rent	1,110.00						
						Total	1,160.00						
OP-240	.og1/1.	828	t0015876	Michael Strege	810.00	rent	860.00	200.00	0.00	1/1/2017	6/30/2017		340.00
						Total	860.00						

Rent Roll with Lease Charges

Friday, May 11, 2018

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-301	.og2/2.	1,354	t0018016	Jesse Ramirez	1,000.00	rent	1,000.00	250.00	0.00	5/24/2017	5/31/2018		0.00
						Total	1,000.00						
OP-302	.og1/1.	869	VACANT	VACANT	850.00		0.00	0.00	0.00				0.00
						Total	0.00						
OP-303	.og2/2.	1,271	t0008056	Jessie Topp	980.00	rent	980.00	250.00	0.00	7/1/2015	6/30/2018		0.00
						Total	980.00						
OP-304	.og2/2.	1,271	t0002922	Duane Scott	980.00	rent	980.00	250.00	0.00	10/1/2009	1/31/2019		0.00
						Total	980.00						
OP-305	.og2/2.	1,271	t0005393	James Micheletti	980.00	rent	980.00	250.00	0.00	4/1/2013	3/31/2019		0.00
						Total	980.00						
OP-306	.og2/2.	1,271	t0019084	Nancy Peterson	980.00	rent	980.00	250.00	0.00	7/29/2017	7/31/2018		0.00
						Total	980.00						
OP-307	.og2/2.	1,271	t0013051	Kourtney Holloway	980.00	rent	980.00	250.00	0.00	7/28/2016	7/31/2018		0.00
						Total	980.00						
OP-308	.og2/2.	1,271	t0027116	Morgan King	980.00	rent	980.00	250.00	0.00	3/1/2018	2/28/2019		0.00
						Total	980.00						
OP-309	.og3/2.	1,465	t0008116	Megan Meyer	1,130.00	rent	1,130.00	300.00	0.00	9/1/2015	5/31/2018		30.00
						Total	1,130.00						
OP-310	.og1/1.	828	t0014213	Morgan Paige	830.00	rent	830.00	200.00	0.00	8/19/2016	5/31/2018	5/31/2018	0.00
						Total	830.00						
OP-311	.og1/1.	869	t0019077	Erin Teravskis	850.00	rent	850.00	200.00	0.00	6/22/2017	12/31/2018		0.00
						Total	850.00						
OP-312	.og2/2.	1,354	t0013856	Sheldonna Moizahn	1,000.00	rent	1,000.00	250.00	0.00	8/26/2016	8/31/2018	8/31/2018	0.00
						Total	1,000.00						
OP-313	.og3/2.	1,577	t0028025	Emile Dargbeh	1,150.00	rent	1,150.00	300.00	0.00	2/1/2018	1/31/2019		100.00
						Total	1,150.00						
OP-314	.og3/2.	1,577	t0017927	Christopher Martens	1,150.00	rent	1,150.00	300.00	0.00	6/1/2017	5/31/2018		0.00
						Total	1,150.00						
OP-315	.og1/1.	966	t0008107	Sheila Hellman	870.00	rent	870.00	200.00	0.00	8/25/2015	8/31/2018		0.00
						Total	870.00						
OP-316	.og1/1.	966	t0029280	Kati Foster	870.00	rent	870.00	200.00	0.00	3/10/2018	3/31/2019		-200.00
						Total	870.00						

Rent Roll with Lease Charges

Friday, May 11, 2018

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-317	.og2/2.	1,271	t0027980	Lynelda Rodriguez	980.00	rent	980.00	250.00	0.00	2/1/2018	1/31/2019		0.00
				Total			<u>980.00</u>						
OP-318	.og2/2.	1,271	t0021928	Trista Curry	980.00	rent	980.00	250.00	0.00	9/1/2017	8/31/2018		0.00
				Total			<u>980.00</u>						
OP-319	.og3/2.	1,465	t0005599	Steve Resell	1,130.00	rent	1,130.00	300.00	0.00	5/17/2013	5/31/2019		0.00
				Total			<u>1,130.00</u>						
OP-320	.og1/1.	828	t0004536	Chetan Maingl	830.00	rent	880.00	200.00	0.00	5/11/2012	11/30/2012		-5.00
				Total			<u>880.00</u>						
OP-321	.og2/2.	1,354	t0008446	Kelli Brevoort	1,000.00	rent	1,000.00	250.00	0.00	11/9/2015	5/31/2019		0.00
				Total			<u>1,000.00</u>						
OP-322	.og1/1.	869	VACANT	VACANT	850.00		0.00	0.00	0.00				0.00
				Total			<u>0.00</u>						
OP-323	.og2/2.	1,271	t0017401	Stephanie Deemer	980.00	rent	980.00	250.00	0.00	6/1/2017	5/31/2018		0.00
				Total			<u>980.00</u>						
OP-324	.og2/2.	1,271	t0003224	Roxanne Gau	980.00	rent	980.00	250.00	0.00	4/1/2011	12/31/2018		-5.00
				Total			<u>980.00</u>						
OP-325	.og2/2.	1,271	t0028235	Dino Musielewicz	980.00	rent	980.00	250.00	0.00	2/1/2018	7/31/2018	7/31/2018	0.00
				Total			<u>980.00</u>						
OP-326	.og2/2.	1,271	t0002891	Brooke Brekke	980.00	rent	1,030.00	250.00	0.00	7/30/2009	4/30/2015		0.00
				Total			<u>1,030.00</u>						
OP-327	.og2/2.	1,271	t0006291	Lakshmi Yervasu	980.00	rent	980.00	250.00	0.00	11/1/2013	1/31/2019		-980.00
				Total			<u>980.00</u>						
OP-328	.og2/2.	1,271	t0022130	Christopher Walton	980.00	rent	980.00	250.00	0.00	9/1/2017	8/31/2018		0.00
				Total			<u>980.00</u>						
OP-329	.og3/2.	1,465	t0012302	Daniel Cervantez	1,130.00	rent	1,130.00	300.00	0.00	6/28/2016	6/30/2018		0.00
				Total			<u>1,130.00</u>						
OP-330	.og1/1.	828	t0008957	Morgan Tupa	830.00	rent	830.00	200.00	0.00	12/30/2015	12/31/2018		0.00
				Total			<u>830.00</u>						
OP-331	.og1/1.	869	t0031411	Devin Murray	850.00	rent	850.00	200.00	0.00	4/1/2018	3/31/2019		0.00
				Total			<u>850.00</u>						
OP-332	.og2/2.	1,354	t0011663	Barbara Eltz	1,000.00	rent	1,000.00	250.00	0.00	7/1/2016	6/30/2019		0.00
				Total			<u>1,000.00</u>						

Rent Roll with Lease Charges

Friday, May 11, 2018

Unit	Unit type	Unit Sq Ft	Resident	Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
Current/Notice Residents													
OP-333	.og2/2.	1,271	t0006188	Carol Bjerke	980.00	rent	980.00	250.00	0.00	10/1/2013	9/30/2018		980.00
						Total	980.00						
OP-334	.og2/2.	1,271	t0006413	Shannon Miller	980.00	rent	980.00	250.00	0.00	2/1/2014	1/31/2017		0.00
						Total	980.00						
OP-335	.og2/2.	1,271	t0005051	Barbara Olson	980.00	rent	980.00	250.00	0.00	10/20/2012	10/31/2019		0.00
						Total	980.00						
OP-336	.og2/2.	1,271	t0007497	Richard Allen	980.00	rent	980.00	250.00	0.00	1/30/2015	1/31/2019		0.00
						Total	980.00						
OP-337	.og2/2.	1,271	t0008430	Joshua Breije	980.00	rent	980.00	250.00	0.00	11/12/2015	5/31/2018	5/31/2018	0.00
						Total	980.00						
OP-338	.og2/2.	1,271	t0022440	Sharon Evenson	980.00	rent	980.00	250.00	0.00	9/1/2017	8/31/2018		0.00
						Total	980.00						
OP-339	.og3/2.	1,465	t0018330	Austin Noyes	1,130.00	rent	1,130.00	300.00	0.00	6/18/2017	6/30/2018		0.00
						Total	1,130.00						
OP-340	.og1/1.	828	t0008358	Jerilyn Chesley	830.00	rent	830.00	200.00	0.00	9/17/2015	9/30/2018		0.00
						Total	830.00						
Future Residents/Applicants													
OP-107	.og2/2.	1,271	t0033710	Ashleigh Burbank	970.00		0.00	0.00	0.00	6/1/2018	5/31/2019		0.00
						Total	0.00						
OP-116	.og1/1.	966	t0031838	Mariah Bertolotto	860.00		0.00	0.00	0.00	6/1/2018	5/31/2019		0.00
						Total	0.00						
OP-126	.og2/2.	1,271	t0032424	Michael Carpenter	970.00		0.00	0.00	0.00	6/1/2018	5/31/2019		250.00
						Total	0.00						
OP-202	.og1/1.	869	t0032497	Timothy Regan	1,405.00		0.00	705.00	0.00	6/1/2018	11/30/2018		0.00
						Total	0.00						
OP-325	.og2/2.	1,271	t0032389	Makayla Schroeder	980.00		0.00	250.00	0.00	8/1/2018	7/31/2019		0.00
						Total	0.00						
OP-337	.og2/2.	1,271	t0033506	Morgan Paige	980.00		0.00	250.00	0.00	6/1/2018	5/31/2019		0.00
						Total	0.00						

Unit	Unit type	Unit Sq Ft	Resident Name	Market Rent	Charge Code	Amount	Resident Deposit	Other Deposit	Move In	Lease Expiration	Move-Out	Balance
		Square Footage		Market Rent	Lease Charges	Security Deposit	Other Deposit	# of Units		Unit Occupancy	SqFt Occupancy	Balance
Current/Notice Res.					97,715.00	26,512.50	0.00					1,665.42
Future Residents/Applicants					0.00	1,205.00	0.00					250.00
Occupied Units		129,823.00		101,975.00						88.89	50.00	
Total Non Rev Units		0.00		0.00				104		0.00	0.00	
Vacant Units		129,823.00		101,975.00				0		0.00	0.00	
Totals:		259,646.00		203,950.00	97,715.00	27,717.50	0.00	13		11.11	50.00	1,915.42
								117		100.00	100.00	

Summary of Charges by Charge Code (Current/Notice residents only)

Incent	-4,760.00
rent	102,475.00
Total	97,715.00

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2017

INCOME	Month to Date	%	Year to Date	%
RENT INCOME				
Rent	101,779.52	104.32	1,297,453.78	99.22
Less: Concessions	-5,810.00	-5.96	-15,820.00	-1.21
NET RENT INCOME	95,969.52	98.37	1,281,633.78	98.01
OTHER INCOME				
Passthru App. Processing Fee	200.00	0.21	3,435.00	0.26
Passthru Repair & Maintenance	0.00	0.00	3,842.36	0.29
Passthru Re-rental Fee	150.00	0.15	300.00	0.02
Passthru Miscellaneous	0.00	0.00	50.00	0.00
Passthru Cleaning	333.50	0.34	6,230.00	0.48
Passthru Utilities	0.00	0.00	333.71	0.03
Miscellaneous Income	710.00	0.73	7,062.00	0.54
Vending & Laundry Income	18.35	0.02	1,010.93	0.08
Interest Income	9.56	0.01	14.06	0.00
Interest on Bank Accounts	9.25	0.01	122.26	0.01
Late Fee	160.00	0.16	3,600.00	0.28
TOTAL OTHER INCOME	1,590.66	1.63	26,000.32	1.99
TOTAL INCOME	97,560.18	100.00	1,307,634.10	100.00
EXPENSES				
DIRECT EXPENSES				
Utilities - Electricity	3,207.78	3.29	33,880.50	2.59
Utilities-Water (Lawn)	0.00	0.00	926.30	0.07
Utilities - Water & Sewer	2,825.19	2.90	31,998.16	2.45
Utilites - Waste Disposal	650.00	0.67	7,916.50	0.61
Utilities - Gas	2,701.45	2.77	22,285.31	1.70
Painting & Decorating	0.00	0.00	9,302.01	0.71
Custodial Expense	0.00	0.00	174.38	0.01
Furnished Apartment Expense	516.39	0.53	8,730.89	0.67
Extermination / Pest Control	0.00	0.00	723.40	0.06
Contracted Cleaning	650.00	0.67	15,507.04	1.19
Repair & Maint. - Misc.	-2,510.70	-2.57	122,270.50	9.35
Snow removal	977.25	1.00	14,121.00	1.08
Grounds Maintenance	0.00	0.00	16,784.59	1.28
Security Expense	0.00	0.00	123.75	0.01
Fire Alarm Monitoring	0.00	0.00	761.50	0.06
Property Insurance Expense	4,294.19	4.40	50,149.93	3.84

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2017

	Month to Date	%	Year to Date	%
Real Estate Taxes	16,659.24	17.08	132,159.24	10.11
Management	4,077.58	4.18	52,042.35	3.98
Property Staff Expense	1,955.00	2.00	23,560.00	1.80
Security Deposit Interest Exp	0.00	0.00	40.00	0.00
TOTAL DIRECT EXPENSES	36,003.37	36.90	543,457.35	41.56
GENERAL & ADMINISTRATIVE				
Office Supplies & Expense	0.00	0.00	176.69	0.01
Advertising & Promotion	3,272.95	3.35	40,249.74	3.08
Professional Fees	0.00	0.00	13,420.00	1.03
Legal Fees	0.00	0.00	188.00	0.01
Accounting Fees	500.00	0.51	6,000.00	0.46
Licenses & Fees	0.00	0.00	1,500.00	0.11
Credit Check Costs	30.00	0.03	1,294.75	0.10
Bank Fees	11.00	0.01	132.00	0.01
Collection Fees	0.00	0.00	1,660.19	0.13
Bad Debt Expense	6,203.10	6.36	2,880.75	0.22
Miscellaneous Expense	5.68	0.01	93.16	0.01
Interest Expense	289.83	0.30	8,539.83	0.65
TOTAL G & A EXPENSE	10,312.56	10.57	76,135.11	5.82
DEPRECIATION EXPENSE				
Depreciation Expense	29,760.34	30.50	258,560.34	19.77
TOTAL DEPRECIATION	29,760.34	30.50	258,560.34	19.77
NON-OPERATING EXPENSE				
Mortgage Interest	19,024.83	19.50	230,462.67	17.62
Amortization - Financing Fees	606.00	0.62	7,272.00	0.56
Mortgage Ins. Expense	2,474.97	2.54	29,849.85	2.28
TOTAL NON-OPERATING EXPENSE	22,105.80	22.66	267,584.52	20.46
TOTAL EXPENSES	98,182.07	100.64	1,145,737.32	87.62
NET INCOME	-621.89	-0.64	161,896.78	12.38

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2016

	Month to Date	%	Year to Date	%
INCOME				
RENT INCOME				
Rent	108,616.30	97.82	1,298,867.65	97.85
Less: Concessions	0.00	0.00	-643.52	-0.05
NET RENT INCOME	108,616.30	97.82	1,298,224.13	97.80
OTHER INCOME				
Passthru App. Processing Fee	180.00	0.16	4,205.00	0.32
Passthru Repair & Maintenance	22.00	0.02	1,438.58	0.11
Passthru Re-rental Fee	0.00	0.00	300.00	0.02
Passthru Miscellaneous	275.00	0.25	475.00	0.04
Passthru Cleaning	988.75	0.89	5,489.45	0.41
Passthru Utilities	0.00	0.00	97.11	0.01
Miscellaneous Income	538.00	0.48	12,221.00	0.92
Vending & Laundry Income	12.35	0.01	754.21	0.06
Interest Income	7.50	0.01	19.77	0.00
Interest on Bank Accounts	10.93	0.01	122.33	0.01
Late Fee	390.00	0.35	4,020.00	0.30
NSF Fee	0.00	0.00	105.00	0.01
TOTAL OTHER INCOME	2,424.53	2.18	29,247.45	2.20
TOTAL INCOME	111,040.83	100.00	1,327,471.58	100.00
EXPENSES				
DIRECT EXPENSES				
Utilities - Electricity	2,485.18	2.24	32,607.95	2.46
Utilities-Water (Lawn)	0.00	0.00	322.80	0.02
Utilities - Water & Sewer	2,555.48	2.30	31,524.86	2.37
Utilites - Waste Disposal	520.00	0.47	6,729.00	0.51
Utilities - Gas	1,797.36	1.62	18,102.38	1.36
Painting & Decorating	2,164.13	1.95	8,877.22	0.67
Custodial Expense	0.00	0.00	674.57	0.05
Furnished Apartment Expense	764.00	0.69	11,780.73	0.89
Extermination / Pest Control	0.00	0.00	723.40	0.05
Contracted Cleaning	1,512.25	1.36	15,945.25	1.20
Repair & Maint. - Misc.	15,227.31	13.71	100,476.15	7.57
Snow removal	1,750.00	1.58	9,560.00	0.72
Grounds Maintenance	390.00	0.35	9,011.92	0.68
Fire Alarm Monitoring	0.00	0.00	894.00	0.07
Property Insurance Expense	4,132.32	3.72	50,279.41	3.79

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2016

	Month to Date	%	Year to Date	%
Real Estate Taxes	8,008.05	7.21	123,508.05	9.30
Management	4,360.25	3.93	52,159.57	3.93
Property Staff Expense	1,905.00	1.72	23,421.60	1.76
Security Deposit Interest Exp	70.00	0.06	70.00	0.01
TOTAL DIRECT EXPENSES	47,641.33	42.90	496,668.86	37.41
GENERAL & ADMINISTRATIVE				
Office Supplies & Expense	0.00	0.00	206.53	0.02
Travel Expense	1,213.92	1.09	1,213.92	0.09
Advertising & Promotion	3,612.75	3.25	42,350.88	3.19
Professional Fees	0.00	0.00	12,768.35	0.96
Legal Fees	0.00	0.00	278.00	0.02
Accounting Fees	500.00	0.45	6,000.00	0.45
Credit Check Costs	165.00	0.15	1,595.00	0.12
Bank Fees	11.00	0.01	132.00	0.01
Collection Fees	4,000.00	3.60	4,738.22	0.36
State Income Tax	0.00	0.00	3,248.00	0.24
Bad Debt Expense	-10,000.00	-9.01	-6,450.56	-0.49
Miscellaneous Expense	5.68	0.01	68.16	0.01
Interest Expense	162.02	0.15	8,962.02	0.68
TOTAL G & A EXPENSE	-329.63	-0.30	75,110.52	5.66
DEPRECIATION EXPENSE				
Depreciation Expense	39,706.67	35.76	247,153.92	18.62
TOTAL DEPRECIATION	39,706.67	35.76	247,153.92	18.62
NON-OPERATING EXPENSE				
Mortgage Interest	19,415.96	17.49	235,082.33	17.71
Amortization - Financing Fees	606.00	0.55	7,272.00	0.55
Mortgage Ins. Expense	2,525.04	2.27	30,445.53	2.29
TOTAL NON-OPERATING EXPENSE	22,547.00	20.31	272,799.86	20.55
TOTAL EXPENSES	109,565.37	98.67	1,091,733.16	82.24
NET INCOME	1,475.46	1.33	235,738.42	17.76

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2015

	Month to Date	%	Year to Date	%
INCOME				
RENT INCOME				
Rent	103,937.49	99.07	1,305,878.14	97.95
NET RENT INCOME	<u>103,937.49</u>	<u>99.07</u>	<u>1,305,878.14</u>	<u>97.95</u>
OTHER INCOME				
Passthru App. Processing Fee	70.00	0.07	3,920.00	0.29
Passthru Repair & Maintenance	3.55	0.00	1,410.82	0.11
Passthru Re-rental Fee	0.00	0.00	1,050.00	0.08
Passthru Miscellaneous	0.00	0.00	50.00	0.00
Passthru Cleaning	477.20	0.45	6,712.20	0.50
Passthru Utilities	0.00	0.00	33.03	0.00
Miscellaneous Income	0.00	0.00	10,552.33	0.79
Vending & Laundry Income	29.35	0.03	291.70	0.02
Interest Income	7.35	0.01	7.35	0.00
Interest on Bank Accounts	9.87	0.01	126.42	0.01
Late Fee	340.00	0.32	3,000.00	0.23
NSF Fee	35.00	0.03	140.00	0.01
TOTAL OTHER INCOME	<u>972.32</u>	<u>0.93</u>	<u>27,293.85</u>	<u>2.05</u>
TOTAL INCOME	<u>104,909.81</u>	<u>100.00</u>	<u>1,333,171.99</u>	<u>100.00</u>

PENDING

EXPENSES**DIRECT EXPENSES**

Utilities - Electricity	2,429.98	2.32	32,047.96	2.40
Utilities-Water (Lawn)	0.00	0.00	322.80	0.02
Utilities - Water & Sewer	2,809.58	2.68	32,656.21	2.45
Utilites - Waste Disposal	530.00	0.51	7,538.50	0.57
Utilities - Gas	2,062.23	1.97	28,324.98	2.12
Painting & Decorating	200.00	0.19	10,110.93	0.76
Custodial Expense	0.00	0.00	54.79	0.00
Furnished Apartment Expense	684.65	0.65	10,891.45	0.82
Extermination / Pest Control	0.00	0.00	723.40	0.05
Contracted Cleaning	962.20	0.92	17,893.20	1.34
Repair & Maint. - Misc.	-3,892.95	-3.71	81,820.92	6.14
Snow removal	884.10	0.84	6,334.10	0.48
Grounds Maintenance	1,017.29	0.97	9,490.89	0.71
Fire Alarm Monitoring	0.00	0.00	884.95	0.07
Property Insurance Expense	3,349.24	3.19	49,846.65	3.74
Real Estate Taxes	7,190.56	6.85	125,440.56	9.41

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 12/31/2015

	Month to Date	%	Year to Date	%
Management	4,171.10	3.98	52,305.31	3.92
Property Staff Expense	2,005.00	1.91	25,535.00	1.92
Security Deposit Interest Exp	101.00	0.10	101.00	0.01
TOTAL DIRECT EXPENSES	24,503.98	23.36	492,323.60	36.93
GENERAL & ADMINISTRATIVE				
Office Supplies & Expense	462.84	0.44	580.81	0.04
Travel Expense	1,942.64	1.85	1,942.64	0.15
Vehicle Exp/Mileage	54.35	0.05	54.35	0.00
Advertising & Promotion	3,856.47	3.68	45,631.95	3.42
Professional Fees	0.00	0.00	13,083.50	0.98
Administration Services Fees	50.00	0.05	50.00	0.00
Accounting Fees	500.00	0.48	6,000.00	0.45
Credit Check Costs	55.00	0.05	2,905.00	0.22
Bank Fees	11.00	0.01	176.72	0.01
Collection Fees	0.00	0.00	470.87	0.04
State Income Tax	0.00	0.00	1,685.00	0.13
Bad Debt Expense	613.17	0.58	18,087.77	1.36
Miscellaneous Expense	98.15	0.09	181.42	0.01
Interest Expense	-3,836.82	-3.66	9,363.18	0.70
TOTAL G & A EXPENSE	3,806.80	3.63	100,213.21	7.52
DEPRECIATION EXPENSE				
Depreciation Expense	18,075.00	17.23	216,900.00	16.27
TOTAL DEPRECIATION	18,075.00	17.23	216,900.00	16.27
NON-OPERATING EXPENSE				
Mortgage Interest	19,793.73	18.87	239,544.18	17.97
Amortization - Financing Fees	606.00	0.58	7,272.00	0.55
Mortgage Ins. Expense	2,573.40	2.45	31,020.85	2.33
TOTAL NON-OPERATING EXPENSE	22,973.13	21.90	277,837.03	20.84
TOTAL EXPENSES	69,358.91	66.11	1,087,273.84	81.56
NET INCOME	35,550.90	33.89	245,898.15	18.44

PENDING

QUARTERLY MULTI-FAMILY VACANCY AND CONSTRUCTION
- FARGO-MOORHEAD METROPOLITAN AREA -
Conducted by Appraisal Services Inc. – March 1, 2018

The March 1 survey received responses from 58 of the 62 managers and owners surveyed, reflecting 32,539 units. This is 649 more units than the December survey captured. Our figures show that 191 new units came online over the last quarter, with 563 units remaining under construction.

Vacancy rates held mostly steady in the last quarter with a slight decline in the total metro vacancy rate and a minor increase in Fargo's overall vacancy rate. The March 1 vacancy rate for the metro area is 9.75%, down slightly from December's figure of 9.91%. Fargo moved up from 9.65% in December to 9.77% in March, with Areas 2, 3 and 5 showing full percentage point increases over the last period.

Survey Area	Units Surveyed	Percent Vacant				Average Annual Vacancy			
		3/18	3/17	3/16	3/15	2017	2016	2015	2014
North Fargo	3,324	9.60	6.30	5.51	3.46	7.9	6.1	4.4	2.9
Downtown Fargo	1,745	7.30	8.17	3.38	3.29	8.9	5.3	3.7	
S Fgo Area 1	4,652	7.40	7.17	3.73	2.42	7.3	4.9	2.7	3.2
S Fgo Area 2	1,923	10.70	5.26	3.10	2.04	7.9	4.5	2.4	2.9
S Fgo Area 3	1,109	7.80	5.64	5.31	3.66	6.6	6.4	3.5	4.6
S Fgo Area 4	5,664	8.20	7.46	6.81	3.15	7.4	6.7	4.2	3.4
S Fgo Area 5	<u>5,314</u>	<u>14.45</u>	<u>16.49</u>	<u>10.32</u>	<u>6.28</u>	<u>13.3</u>	<u>12.3</u>	<u>7.2</u>	<u>4.0</u>
Total Fargo	23,731	9.77	9.29	5.94	3.61	9.0	7.1	4.3	3.4
West Fargo, ND	4,212	8.67	9.80	9.86	6.38	9.6	10.1	8.9	5.8
Moorhead, MN	4,410	10.84	8.15	7.85	7.99	9.1	7.4	7.5	4.1
Dilworth, MN	<u>186</u>	<u>6.45</u>	<u>7.65</u>	<u>12.10</u>	<u>3.16</u>	<u>4.6</u>	<u>11.7</u>	<u>6.2</u>	<u>6.9</u>
Overall	32,539	9.75	9.20	6.71	4.53	9.1	7.5	5.3	3.8

The table at right shows the last four quarters of vacancy percentages. West Fargo and Downtown Fargo appear to be strengthening their occupancy with most other sectors experiencing stable or increasing vacancies. South Fargo 5 remains the highest vacancy sector, but is also where the majority of new unit development is occurring. The tightening in West Fargo, with losses in other sectors, may suggest that more tenants are opting to move to this portion of the community to take advantage of newer products with incentives and competitive rents. Moorhead continued a rather precipitous loss of occupancy, up 2.38% since June of last year.

Survey Area	Percent Vacant			
	3/18	12/17	9/17	6/17
North Fargo	9.60	9.34	8.35	7.39
DT Fargo	7.28	9.68	10.74	7.26
S Fgo Area 1	7.42	7.81	7.31	6.91
S Fgo Area 2	10.71	9.60	8.02	8.53
S Fgo Area 3	7.84	5.99	7.62	7.09
S Fgo Area 4	8.23	8.32	7.54	6.56
S Fgo Area 5	<u>14.45</u>	<u>13.34</u>	<u>10.87</u>	<u>12.47</u>
Total Fargo	9.77	9.65	8.66	8.39
West Fargo	8.67	11.17	9.32	8.28
Moorhead	10.84	10.49	9.30	8.46
Dilworth	<u>6.45</u>	<u>4.95</u>	<u>4.57</u>	<u>1.18</u>
Total	9.75	9.91	8.81	8.35

New construction this quarter included 135 units in the South Fargo 5 sector and 56 new units in Moorhead, which included the 43-unit homelessness-transition facility on the east edge of the community. In Fargo, permits show 5 units under construction in North Fargo, 86 units Downtown, and 288 units in SF5. Two foundations for 36-unit buildings in SF4 have remained unimproved since 2015.

This survey measures physical vacancy. It does not consider economic vacancy factors such as rental incentives, delinquencies and lost rent from skips, which are also part of the true vacancy picture. This is especially important to note in the current rental climate, as most apartment managers are now offering free month rental incentives. This suggests that the economic vacancy in the metro is likely well above 10%.

The table below illustrates the relationship between the metro area vacancy rate and apartment units under construction over the last five years. New construction has averaged 1,359 units per year since 2013, and the market now reflects an oversupply. Over 6,000 new apartment units have been constructed since 2013, when vacancy rates reached a floor of 2.6% metro wide.



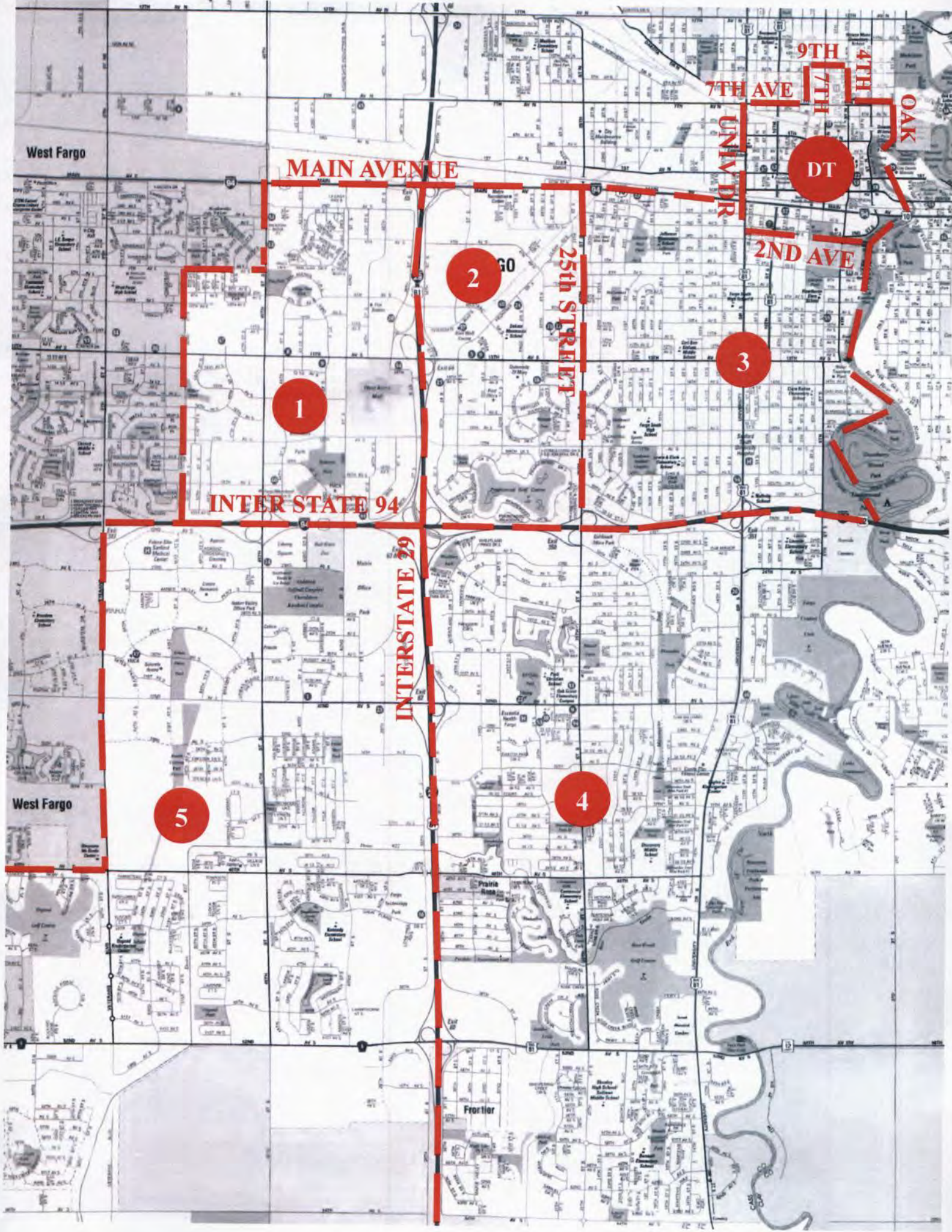
Occupied units increased 2.26% from last quarter, while units surveyed increased only 2.10%, indicating a positive demand trend for only the third time in the last nine quarters.

Metro-wide, our construction figures show that 1,392 new units came online in 2017. In the first three months of 2018, 191 units have come online and 620 remain under construction. This contrasts with 210 units completed in the first quarter of 2017 and another 1,328 still under construction.

*FM Metro Multi-Family Growth						
Year		Fargo	West Fargo	Moorhead	Dilworth	Metro Total
2014	Bldg Permits	1,897	513	227	0	2,637
	Units Completed	1,825	513	227	0	2,565
2015	Bldg Permits	933	191	302	0	1,426
	Units Completed	933	191	302	0	1,426
2016	Bldg Permits	811	65	275	0	1,151
	Units Completed	739	65	275	0	1,079
2017	Bldg Permits	587	46	45	0	678
	Units Completed	228	0	0	0	228
2018	Bldg Permits	14	4	12	0	30
	Units Completed	0	0	0	0	0
Approx Existing Multi-Family Total		30,450	3,756	5,887	405	40,498
5-Yr Avg Growth (2013-2017)		979	194	216	0	1,388
Completed Construction 12/17-3/18		0	135	56	0	191
Under Construction as of 3/18		517	46	57	0	620

*Multi-family building defined in this table as a building with three (3) or more single-family units, based on ACS parameters.

Petter N. Eriksmoen – Appraisal Services Inc.



MAIN AVENUE

INTER STATE 94

INTERSTATE 29

25th STREET

UNIV DR

2ND AVE

7TH AVE

9TH

7TH

4TH

OAK

DT

1

2

3

5

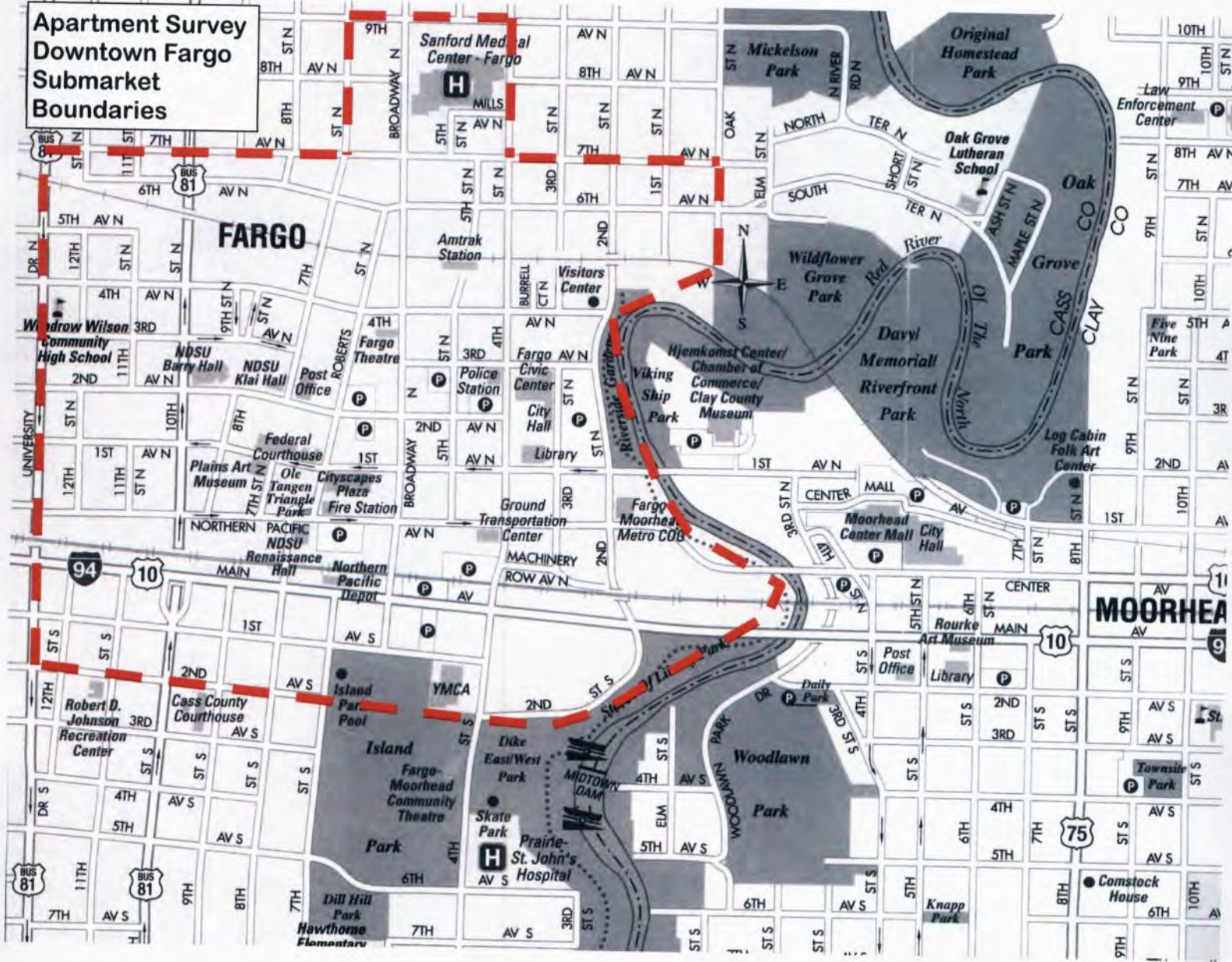
4

West Fargo

West Fargo

Frontier

**Apartment Survey
Downtown Fargo
Submarket
Boundaries**

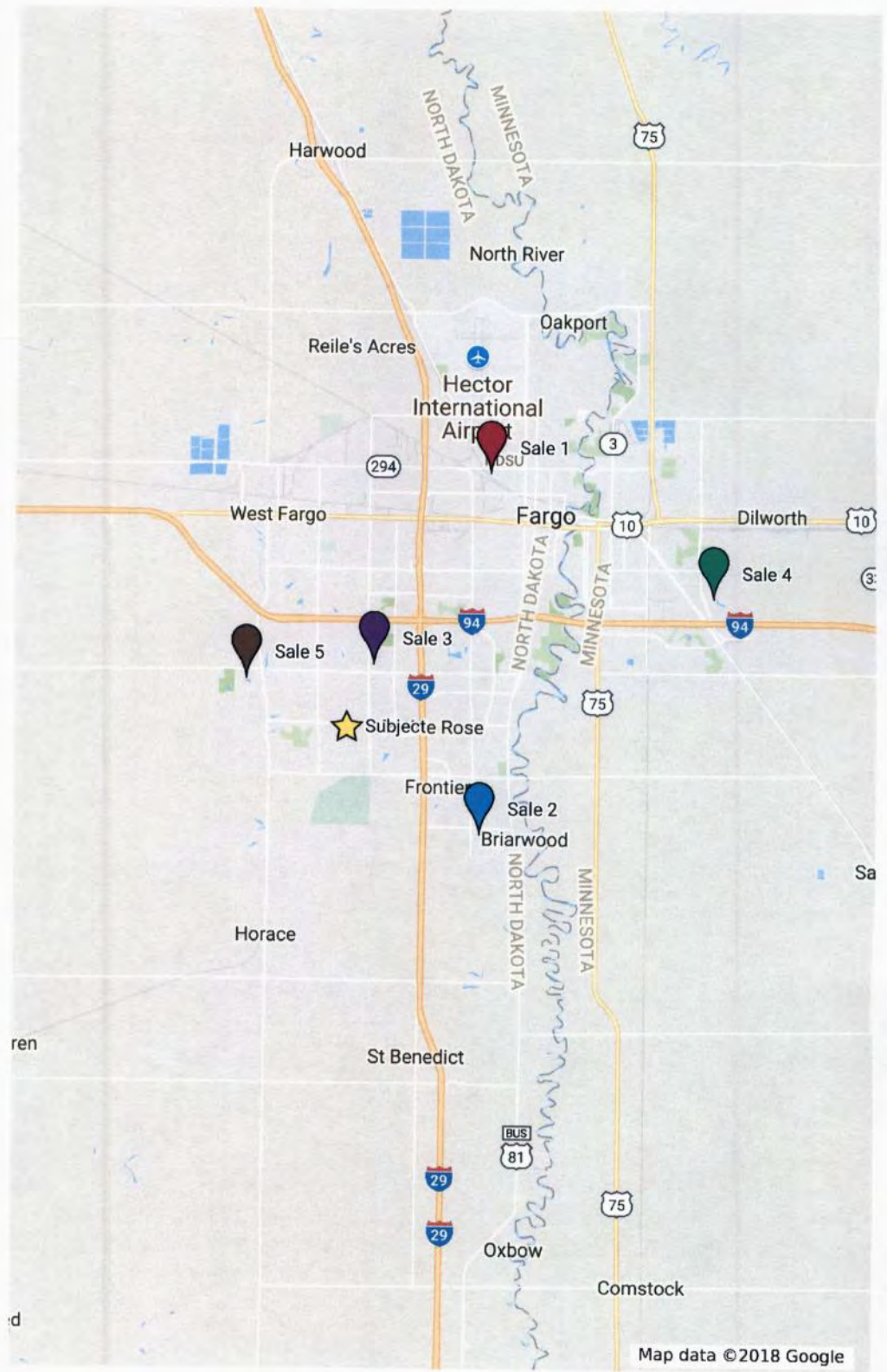


SALES COMPARISON APPROACH ATTACHMENTS

Comparable Building Sales

Osgood Place Apartments

- ★ Subject
- 📍 Sale 1
- 📍 Sale 2
- 📍 Sale 3
- 📍 Sale 4
- 📍 Sale 5



Sale Number A18102FG



Date of Sale:	3/1/2018	Address:	1920, 1930, 1940 Dakota Dr Fargo, ND	
Sale Price:	\$4,808,415			
Price/Unit:	\$84,358/unit	Units:	57	
Sale Price/Room:	\$16,355/room	Rooms:	294	
Price/Sq.Ft.:	\$62.34/sq. ft.	Building Size	77,135 Sq. Ft.	
Eff Gross Income:	\$627,000	E.G.I.M.:	7.67	
Net Income:	\$322,000	Actual	O.A.R.:	6.70%
Reserves in NI:	\$504	Expense Ratio:	48.64%	
Land Size:	106,982 Sq. Ft.	Zoning:	UMU, Univ Mixed Use	
Year Built:	2001, 2010	Parking:	51 Sgl; 85 Ext	
Condition:	Ave-Good	Quality:	Ave-Good	
Data on Recording:	Warranty Deed# 1532890	Days on Market:	Private Sale	
Grantor:	Campbell Properties, LLC	Verified To:	MME	
Grantee:	Wayzata Village Shoppes, LLP	Verified By:	Records/Buyer	
Legal:	Lots 7-18, Great Northern 2nd Addition to the City of Fargo, Cass County, North Dakota.			

Remarks: Two 24-plexes, a 9-plex, & 2 garage bldgs. Apts: steel-sided, vinyl windows, asphalt shingle roofs, secure access entry. 24-plx: HWBB heat (O), common laundry. 9-plx: blt 2010, EBB heat (T), in-unit w/d, upscale appliances, fire sprinklered, no balcs.

Terms: Conventional -Eagle Valley Bank. Sale price includes \$248,415 in unpaid special assessments.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
6	3	1	1
33	5	2	1.75
12	6	3	1.75
3	6	3	2
3	7	4	2

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	Common	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	Most
Elevator	N
Balcony	Most
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units,
 Common=Laundry in building, but no private facilities

Sale Number A16102FG



Date of Sale: 4/1/2016 Address: 2230 - 2450 65th Avenue S
 Sale Price: \$15,074,985 Fargo, ND

Price/Unit: \$104,687/unit Units: 144
 Sale Price/Room: \$22,169/room Rooms: 680
 Price/Sq.Ft.: \$91.03/sq. ft. Building Size 165,596 Sq. Ft.

Eff Gross Income: \$1,570,099 E.G.I.M.: 9.60
 Net Income: \$1,019,063 Reconstructed O.A.R.: 6.76%
 Reserves in NI: \$200 Expense Ratio: 35.10%

Land Size: 378,093 Sq. Ft. Zoning: MR-3, Multiple Dwelling
 Year Built: 2014 Parking: 100 Ext; 29 Sgl; 116 Dbl
 Condition: New Quality: Good

Data on Recording: Warranty Deed #1473794 Days on Market: Private Sale
 Grantor: Davies 2nd Addition, LLC Verified To: MME
 Grantee: Aspen Trail Apartments, LLP Verified By: Records / Buyer

Legal: Lots 2 & 3, Block 1, Davies 2nd Addition to the City of Fargo, Cass County, North Dakota.

Remarks: Four 3-story, wood-frame, walkup 36-plexes w/ steel siding, asphalt roofs, fire sprinkler systems. 16 garage bldgs. Sale included addl land, two 36-plx foundations (valued by buyer at \$2,812,000) not included in sale price. I&E is appraiser's estimate.

Terms: Conventional. Sale price includes unpaid special assessment balance of \$386,985 assumed by buyer.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
28	3	1	1
20	4	2	1
60	5	2	1.75
36	6	3	1.75
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	In Unit	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	Y
Elevator	N
Balcony	Y
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=Washer/Dryer Hook-ups in units, In Unit=Furnished Washer/Dryer in units,
 Common=Laundry in building, but no private facilities

Sale Number A15117FG



Date of Sale:	12/28/2015	Address:	4425 31 Ave S, 3120 44 St S Fargo, ND	
Sale Price:	\$7,722,110			
Price/Unit:	\$91,930/unit	Units:	84	
Sale Price/Room:	\$19,699/room	Rooms:	392	
Price/Sq.Ft.:	\$63.95/sq. ft.	Building Size	120,756 Sq. Ft.	
Eff Gross Income:	\$883,315	E.G.I.M.:	8.74	
Net Income:	\$543,036	Actual	O.A.R.:	7.03%
Reserves in NI:	\$0	Expense Ratio:	38.52%	
Land Size:	221,559 Sq. Ft.	Zoning:	MR-3, Multi-Family	
Year Built:	2004/2006	Parking:	57 Ext; 26 Sgl; 69 Dbl	
Condition:	Ave-Good	Quality:	Average	
Data on Recording:	Warranty Deed# 1466839	Days on Market:	Private Sale	
Grantor:	Borg Residential 1, LLC	Verified To:	NAE	
Grantee:	Old Orchard Apartments, LLP	Verified By:	Records/Buyer	

Legal: Lots 1 & 2, Block 1, Kings Second Addition to the city of Fargo, Cass County, North Dakota.

Remarks: Two 3-story, wood frame 42-plexes with steel and vinyl exteriors, vinyl windows, asphalt roofs, elevators, fire sprinklers, intercom access. 10 detached garage buildings. Units have microwaves. Mutually beneficial driveway easement w/ adjacent property.

Terms: Conventional - Bremer Bank. Sale price includes unpaid special assessments totaling \$67,110.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
26	3	1	1
34	5	2	2
24	6	3	2
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	In Unit	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	Y
Elevator	Y
Balcony	Y
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=Washer/Dryer Hook-ups in units, In Unit=Furnished Washer/Dryer in units,
 Common=Laundry in building, but no private facilities

Sale Number A15101MD



Date of Sale:	7/1/2015	Address:	2400 36th Street South Moorhead, MN
Sale Price:	\$8,255,936		
Price/Unit:	\$103,199/unit	Units:	80
Sale Price/Room:	\$26,126/room	Rooms:	316
Price/Sq.Ft.:	\$71.54/sq. ft.	Building Size	115,406 Sq. Ft.
Eff Gross Income:	\$886,700	E.G.I.M.:	9.31
Net Income:	\$595,300	O.A.R.:	7.21 %
Reserves in NI:	\$200	Expense Ratio:	32.86 %
Land Size:	196,456 Sq. Ft.	Zoning:	RMD-2, Res Med Density
Year Built:	2015	Parking:	20 Sgl, 60 Dbl, Ample Ext
Condition:	New	Quality:	Good
Data on Recording:	Warranty Deed #746961	Days on Market:	Private Sale
Grantor:	South Shore Landing LLC	Verified To:	NAE
Grantee:	Horizon Shores Estates LLC	Verified By:	Records / Buyer

Legal: Lots 1 and 2 in Block 1 of Horizon Shores Fourth Addition to the City of Moorhead, Clay County, Minnesota. (PID 58.340.0010)

Remarks: Two-building apartment project that sold shortly after construction with few units formally leased. Buildings are wood-frame construction with steel siding, elevators, fitness rooms, and upscale finishes and appliances. I&E data is buyer's forecast.

Terms: Conventional. Sale price includes unpaid special assessment balance of \$155,936 assumed by the buyer.

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
8	2	0	1
12	3	1	1
48	4	2	1
12	6	3	2
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	GFA	O
Hot Water		O
A/C	Central	T
Laundry	In Unit	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	Y
Elevator	Y
Balcony	Y
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units, Common=Laundry in building, but no private facilities

Sale Number A10101WF



Date of Sale:	6/1/2010	Address:	639 33rd Avenue West West Fargo, ND
Sale Price:	\$5,102,379		
Price/Unit:	\$65,415/unit	Units:	78
Sale Price/Room:	\$14,704/room	Rooms:	347
Price/Sq.Ft.:	\$44.54/sq. ft.	Building Size	114,563 Sq. Ft.
Eff Gross Income:	\$703,706	E.G.I.M.:	7.25
Net Income:	\$381,203	O.A.R.:	7.47%
Reserves in NI:	\$0	Expense Ratio:	45.83%
Land Size:	196,917 Sq. Ft.	Zoning:	R-PUD, Residential
Year Built:	2005	Parking:	89 bsmt, 78 sgl, 90 ext
Condition:	Good	Quality:	Average
Data on Recording:	Contract for Deed 1295925	Days on Market:	Private Sale
Grantor:	West Lake Apartment Homes LLC	Verified To:	NAE
Grantee:	West Lake Apartments, LLP	Verified By:	KZ/Records
Legal:	Lot 3, Block 1, West Lake 1st Addition to the City of West Fargo, Cass County, North Dakota. (PID 02-3325-00020-000)		
Remarks:	Vacancy and credit loss at time of sale was 15%. Units have microwaves and are leased with one basement parking spot and a single garage stall. Large 2-bedroom and all 3-bedroom units have 2nd A/C. Project has community room and fitness center.		
Terms:	Sale price includes \$102,379 in unpaid special assessments assumed by the buyer.		

UNIT MIX			
Units	Rooms	Bedrooms	Bathrooms
33	3	1	1
22	5	2	2
23	6	3	2
0	0	0	0
0	0	0	0

AMENITIES IN RENT*		
Amenity		Paid By:
Heat	HW	O
Hot Water		O
A/C	Wall	T
Laundry	In Unit	

AMENITIES IN RENT	
Amenity	
Dishwasher	Y
Garage	Y
Elevator	Y
Balcony	Y
Pool	N

*Paid By: T=Tenant, O=Owner
 Heat Types: EBB=Electric Baseboard, HW=Hot Water, GFA=Gas Forced Air
 A/C Types: Wall=Through-the-wall or window unit, C/A=Central Air
 Laundry: Hook-Ups=WasherDryer Hook-ups in units, In Unit=Furnished Washer Dryer in units, Common=Laundry in building, but no private facilities

COMMUNITY PROFILE

2017 Fargo-Moorhead & West Fargo Community Profile

Population

Fargo	120,762	Moorhead	42,492
West Fargo	34,858	Dilworth	4,397
Metropolitan Statistical Area (MSA)			241,356

Labor Statistics

Fargo-Moorhead MSA labor force	139,151
Unemployment rate	2.4%
National average unemployment rate	4.4%

Metropolitan Area Major Employers

<u>Employer Name & Industry</u>	<u># Employed</u>
Sanford Health System – Healthcare Services	7,151
North Dakota State University – Education	4,315
Essentia Health – Healthcare Services	2,540
Fargo Public School District #1 – Education	1,860
West Fargo Public School District #6 – Education	1,622
US Bank – Business Services	1,229
Veterans’ Affairs Medical Center – Healthcare Services	1,114
Noridian Administrative Services – Insurance	1,074
Microsoft (Fargo Locations) – Computer Software/Service	1,024
Integrity Windows & Doors – Manufacturing	1,000
Blue Cross Blue Shield of North Dakota – Insurance	991
City of Fargo – Government	948
Moorhead Area Public Schools – Education	925
Eventide Senior Living Communities – Nursing Homes	883
Hornbacher’s Foods – Retail	875
Wanzek Construction, Inc. – General Contractor	800
Minnesota State University Moorhead – Education	724
Discovery Health Benefits – Insurance	699
John Deere Electric Solutions. – Manufacturing	675
Concordia College – Education	652
CNH America LLC – Agriculture	600
Swanson Health Products – Retail	592
Concordia Language Villages	540
TrueNorth Steel – Manufacturing	505
Bell Bank – Financial	505

Represents Fargo-Moorhead Chamber member firms (October 2017). Employee numbers are based on full-time equivalents.

Employment By Industry

Trade (Wholesale & Retail)	17.5%	Leisure & Hospitality	9.8%
Government	13.4%	Manufacturing	6.9%
Professional & Business	11.1%	Education & Health Services	17.0%
Mining & Construction	6.2%	Financial & Information	10.2%
Transport, Warehouse, Util	4.0%	Other Services	3.9%

Sources: U.S. Census Bureau, Fargo-Moorhead West Fargo Chamber of Commerce, North Dakota Jobs Service, Fargo-Moorhead Convention & Visitors Bureau

Real Estate

Average Apartment Rental (2 bed/2 bath, 950 sq. ft., <10 yrs. old): \$829/Month

Average Home Purchase Price (Existing Homes & New Construction): \$224,536

Transportation

- Airlines:** Hector International Airport serviced by: Delta Air Lines, United Airlines, Allegiant Air; Frontier Airlines; multiple cargo/freight carriers; aircraft maintenance & avionics repair station; aircraft charter service; flight school; aircraft rental; heated hangar space for all aircraft; complete 24-hour service and a U.S. Port of Entry with on-site customs services.
- Bus:** Jefferson Lines; charters; Metropolitan Area Transit (MAT) (Greater Fargo-Moorhead Area), Clay County Rural Transit, Handi-Wheels and Paratransit.
- Freeways:** The community sits at the crossroads of I-94 and I-29. The I-94 corridor connects with I-90 to stretch from Boston on the east coast to Seattle on the west. I-29 reaches from Winnipeg, Canada to Kansas City, where I-35 continues to the board of Mexico
- Railroads:** Passenger: Amtrak
Freight: BNSF Railway Company hub with intermodal terminal
- Trucking:** More than 125 trucking companies and brokers

Meeting Facilities

Hotels: 63

Total Rooms: 6,100+

<u>Meeting Facility</u>	<u>Seating (Maximum)</u>
FARGODOME	25,000
Scheels Arena	6,000
Newman Outdoor Field	4,500
Fargo Civic Center / Centennial Hall	2,700
Holiday Inn of Fargo	2,560
Ramada Plaza Suites and Convention Center	2,350
Courtyard by Marriot	1,452
Hilton Garden Inn	1,292
NDSU Memorial Union	1,273
Avalon West	1,180
NDSU Festival Concert Hall	1,000
Fargo Theatre	944
Baymont Inn & Suites	904
Cambria Inn & Conference Center	762
Concordia College (Moorhead)	700
MSUM Comstock Memorial Union	625
Total Meeting Space (100+ Seats)	64,457

Points of Interest

Bonanzaville (West Fargo), Children's Museum at Yunker Farm (Fargo), Comstock Historic House (Moorhead), FargoDome (Fargo), Heritage-Hjemkomst Interpretive Center (Moorhead), Plains Art Museum (Fargo), Planetarium (Moorhead), Red River Zoo (Fargo), Regional Science Center (Glyndon), Roger Maris Museum (Fargo), Trollwood Park (Fargo), 22 golf courses, 5 area state parks

Education

<u>Type of Educational Facility</u>	<u># of Facilities</u>	<u>Enrollment</u>
Pre-schools & Child Care (Licensed, 2016)	491	N/A
Fargo Public Schools	22	11,265
Fargo Private & Parochial Schools	9	2,901
Moorhead Public Schools	6	6,530
Moorhead Private & Parochial Schools	2	672
West Fargo Public Schools	17	9,585
Dilworth-Glyndon-Felton Public Schools	4	1,628
Higher Education –		
North Dakota State University		14,358
Minnesota State University Moorhead		5,844
Concordia College		2,14
Minnesota State Community & Technical College		2,029
Rasmussen Business College		749
University of Mary/Fargo Center		150
North Dakota State College of Science - Fargo		442

2016 College Entrance Test Scores (ACT)*

Moorhead:	21.1	Dilworth-Glyndon-Fenton:	20.7
Fargo:	21.0	West Fargo	20.0
Average Scores: North Dakota – 20.3 Minnesota – 21.5 National – 21.0			

*Minnesota provides the ACT at no cost to all high school juniors. Nearly 100% of MN juniors were tested in 2017.

Health Care

Hospitals	8	Physicians	650+
Medical Centers	4	Chiropractic Clinics/Centers	70
Dentists/Oral Surgeons	100+	Retirement/Care Facilities	24
Optometrists	30+	Clinics	33

Demographics (FM Metropolitan Statistical Area)

Female	49.8%
Male	50.2%
Median Age	32.2 years
Median Household Income	\$55,941
Population Below Poverty Level	11.8%

--DO NOT INCLUDE THIS PAGE IN REPORTS--

Sources of Information

Most of what you need to update comes from various places on the Fargo-Moorhead Chamber of Commerce website. (<http://fmwfchamber.com/>) There, you can get:

- Major Employers
- Apt. rental and home purchase price
- School enrollment
- Some demographic information, including employment numbers.

Employment by Industry statistics can be found at the ND Job service.

- Go to www.jobsnd.com
- Click on the odd little bubble that says WIN
- On the left, there's a menu. Hover mouse over Employment & Wage Data
- Hover over Industry Data
- Click on Current Employment Statistics (CES)
- Search by Metropolitan Statistical Area. Select Fargo-Moorhead
- Choose Annual and select year.
- This will also show the number of non-farm jobs. You may need to figure out the Mining & Construction number.

To figure out the MSA population:

- Go to Census.gov. Look for "American Fact Finder"
- Search for MSA and cities.
- Can get population estimates, median income, poverty, etc.

ACT Scores:

- MN Dept of Education keeps track. Head to the website. Scroll down to the bottom to find "Student Data." ACT Data should be the first option in that group.
 - <http://w20.education.state.mn.us/MDEAnalytics/Data.jsp>
 - Download the spreadsheet. Peruse, sort, and search to find your data.
- To find ND scores, you'll have to head to the website below.
 - <http://www.business.nd.gov/data/community/>
 - Search for the community.
 - Go to the Education tab.
 - There will be two ACT score results: one for public schools and one for private. Unless you really want to do some math, just take the public school ACT score.

Motel Rooms:

Look at the F-M motel rents sheet. Should have totals there.

LETTER OF ENGAGEMENT

Appraisal Services Inc.

Neal A. Erksmoen, MAI
Alan P. Leirness, MAI, CCIM
Petter N. Erksmoen

220 Main Avenue, Suite 125
Fargo, ND 58103-8201
Phone (701) 235-1189
Fax (701) 235-9465

April 27, 2018

Mr. John Boswell
Pacific Ridge Properties
211 East Carillo Street, Suite 204
Santa Barbara, CA 93101

Dear Mr. Boswell:

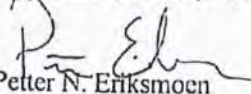
The purpose of this letter is to confirm my engagement to complete a market value Appraisal Report of the Osgood Place Apartments at 5050 40th Avenue South in Fargo, ND. The fee for this assignment will be \$3,100 and the report will be completed and delivered via email to you by June 1, 2018.

Additionally, it is my understanding you would like me to provide further consulting services at the Cass County Commissioner's Meeting on June 4, 2018. Additional services will be billed at \$175 per hour.

Thank you for your consideration and please feel free to call with any questions.

Respectfully submitted,

Appraisal Services, Inc.



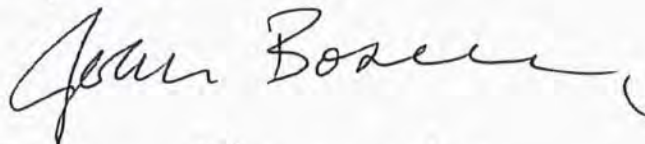
Petter N. Erksmoen

ND Certified General Real Property Appraiser #CG-21517

MN Certified General Real Property Appraiser License #40367366

John Boswell
Pacific Ridge Properties

Proposal accepted



John Boswell 4/27/18

APPRAISER'S QUALIFICATIONS & LICENSES

QUALIFICATIONS OF PETTER N. ERIKSMOEN

EDUCATION:

Concordia College, Moorhead, MN, Bachelor of Arts, May 2010

Seminars & Workshops -

Basic Appraisal Procedures, 6/12	2016-2017 USPAP Update, 12/15
Basic Appraisal Principles, 7/12	Advanced Income Capitalization, 2/16
15-Hour USPAP Qualification, 7/12	Advanced Concepts & Case Studies 11/16
Site Valuation & Cost Approach, 9/12	Advanced Market Analysis & Highest & Best Use, 2/17
Sales Comparison Approach, 10/12	2018-2019 USPAP Update, 12/17
Income Approach/Part 1, 2/13	
Income Approach/Part 2, 6/13	
Real Estate Finance Statistics & Valuation 2/14	
Market Analysis & Highest & Best Use, 3/14	
Report Writing and Case Studies, 12/14	
Quantitative Analysis, 2/15	
2014-2015 USPAP Update, 8/15	

WORK EXPERIENCE:

November 2010 through October 2011 – Non-Profit Independent Contractor

October 2011 through July 2012 – Whole Foods Market (Supervisor)

August 2012 through May 2015 – Appraisal Services Inc. (Apprentice Appraiser)

June 2015 to present – Appraisal Services Inc. (Certified General Appraiser)

EXPERIENCE SUMMARY:

Approximate number of appraisals accomplished during the last five years:

Apartments	43	Motel	6
Office	61	Restaurant/Lounge	18
Retail	49	Vacant Land	26
Warehouse/Industrial	59	Church/School	0
Mini-Storage	1	Serv.Station/Car Wash	4
Mobile Home Parks	0	Special Purpose	5
Mixed Use	25	Comparable Rent Studies	0
		Other	10

MEMBERSHIPS/LICENSES:

North Dakota Certified General Appraiser Permit #CG-21517

Minnesota Non-Resident Appraiser #40367366

Candidate for Designation – Appraisal Institute

REFERENCES:

Kory Werlinger, Bell Bank, 3100 13th Avenue South, Fargo, ND 58103, (701) 298-7109

Tom Devorak, Bremer Bank, 1444 45th Street Southwest, Fargo, ND 58103, (701) 502-2631

STATE OF MINNESOTA



Department of Commerce

PETTER NEALSSON ERIKSMOEN
1220 MAIN AVENUE
SUITE 125
FARGO, ND 58103

The Undersigned COMMISSIONER OF COMMERCE for the State of Minnesota hereby certifies that
Petter Nealsson Eriksmoen

1220 MAIN AVENUE
SUITE 125
FARGO, ND 58103

has complied with the laws of the State of Minnesota and is hereby licensed to transact the business of
Non-Resident Appraiser : Certified General

License Number: 40367366

unless this authority is suspended, revoked, or otherwise legally terminated. This license shall be in effect
until August 31, 2019.

IN TESTIMONY WHEREOF, I have hereunto set my hand this July 13, 2017.

COMMISSIONER OF COMMERCE

Minnesota Department of Commerce

Licensing Division

85 7th Place East, Suite 500

St. Paul, MN 55101-3165

Telephone: (651) 538-1599

Email: licensing.commerce@state.mn.us

Website: commerce.state.mn.us

Notes:

- Individual Licensees Only - Continuing Education: 15 hours is required in the first renewal period, which includes a 7 hour USPAP course. 30 hours is required for each subsequent renewal period, which includes a 7 hour USPAP course.
- Appraisers: You must hold a licensed Residential, Certified Residential, or Certified General qualification in order to perform appraisals for federally-related transactions. Trainees do not qualify. For further details, please visit our website at commerce.state.mn.us.



**North Dakota
Real Estate Appraiser
Qualifications and Ethics Board**

THIS IS TO CERTIFY THAT

PETTER N. ERIKSMOEN

IS FULLY QUALIFIED IN THE STATE OF NORTH DAKOTA AS A:

CERTIFIED GENERAL APPRAISER

PERMIT NO. CG-21517

FROM THE DATE HEREOF UNLESS TERMINATED BY THE APPRAISER BOARD

IN WITNESS WHEREOF, The Appraiser Board has caused these
presents to be signed and the official seal to be hereunto affixed this

8th day of June 20 15



North Dakota Real Estate Appraiser Qualifications and Ethics Board

Jill Kasper
Executive Secretary

North Dakota Real Estate Appraiser Qualifications and Ethics Board

This is to certify that: **Petter N. Eriksmoen**
is fully qualified in the State of North Dakota as a:
Certified General Appraiser

Permit Number: CG-21517
Date of Issuance: 01/01/18
Expiration Date: 12/31/18

Unless sooner suspended or revoked, as provided by law
Appraiser Signature

QUARTERLY MULTI-FAMILY VACANCY AND CONSTRUCTION
- FARGO-MOORHEAD METROPOLITAN AREA -
Conducted by Appraisal Services Inc. – December 1, 2017

Vacancy rates continued to increase across most portions of the FM metro market, even while construction slowed in 2017. The end of year vacancy rate for the metro area is 9.91% according to our survey respondents. This figure is slightly lower for the Fargo market at 9.65%, which makes up about 75% of the total metro market. Metro-wide, our construction figures show that 1,392 new units came online in 2017 with an additional 740 under construction and 45 permitted, but not yet built. New unit completion was in line with the 2016 numbers of 1,394 new units; however, current units under construction is about half that of the 1,389 units under construction as of December 1, 2016. Total new unit building permit issuance in 2017 is 678, down from 1,194 in 2016 and 1,426 in 2015. Based on the information below, we estimate that the conventional apartment stock in the metro area is now over 40,000 units.

*FM Metro Multi-Family Growth						
Year		Fargo	West Fargo	Moorhead	Dilworth	Metro Total
2013	Bldg Permits	1,170	200	274	0	1,644
2014	Bldg Permits	<u>1,897</u>	<u>513</u>	<u>227</u>	<u>0</u>	<u>2,637</u>
	Units Completed	1,825	513	227	0	2,565
2015	Bldg Permits	<u>933</u>	<u>191</u>	<u>302</u>	<u>0</u>	<u>1,426</u>
	Units Completed	933	191	302	0	1,426
2016	Bldg Permits	<u>811</u>	<u>65</u>	<u>318</u>	<u>0</u>	<u>1,194</u>
	Units Completed	694	65	262	0	1,021
2017	Bldg Permits	<u>587</u>	<u>46</u>	<u>45</u>	<u>0</u>	<u>678</u>
	Units Completed	138	0	0	0	138
Approx Existing Multi-Family Total		30,315	3,756	5,874	405	40,212
5-Yr Avg Growth (2013-2017)		952	194	213	0	1,576
Completd Construction 1/17-12/17		1,027	65	300	0	1,392
Under Construction as of 12/17		638	46	56	0	740

*Multi-family building defined in this table as a building with three (3) or more single-family units, based on ACS parameters.

The December 1 survey received responses from 60 of the 63 managers and owners surveyed, reflecting 31,890 units. Our figures show that 415 new units came online over the last quarter, with recorded vacancies increasing by 360. However, this survey captured about 1,800 more units than the previous quarter's, suggesting stable or positive net absorption. The survey results are summarized below, showing year-over-year trends and the annualized vacancy information. The table on the following page depicts the quarterly trends of 2017.

Survey Area	Units Surveyed	Percent Vacant				Average Annual Vacancy			
		12/17	12/16	12/15	12/14	2017	2016	2015	2014
North Fargo	3,308	9.34	5.99	5.4	3.1	7.8	6.7	4.4	2.9
Downtown Fargo	1,798	9.68	9.22	3.6		8.9	4.4	3.8	
S Fgo Area 1	4,687	7.81	5.91	3.4	4.2	7.3	4.8	2.7	3.2
S Fgo Area 2	1,896	9.60	5.58	3.8	4.1	7.9	4.4	2.4	2.9
S Fgo Area 3	1,502	5.99	6.74	3.8	5.3	6.6	6.4	3.5	4.6
S Fgo Area 4	4,673	8.32	7.36	6.0	4.4	7.4	6.7	4.2	3.4
<u>S Fgo Area 5</u>	<u>5,764</u>	<u>13.34</u>	<u>16.03</u>	<u>7.8</u>	<u>5.7</u>	<u>13.3</u>	<u>12.3</u>	<u>7.2</u>	<u>4.0</u>
Total Fargo	23,628	9.65	8.85	5.3	4.4	9.0	7.1	4.3	3.4
West Fargo, ND	3,733	11.17	12.55	11.7	7.9	9.6	10.1	8.9	5.8
Moorhead, MN	4,307	10.49	7.98	7.6	4.1	9.1	7.3	7.5	4.1
Dilworth, MN	<u>222</u>	<u>4.95</u>	<u>12.20</u>	<u>10.1</u>	<u>6.4</u>	<u>4.6</u>	<u>10.5</u>	<u>6.2</u>	<u>6.9</u>
Total	31,890	9.91	9.21	6.4	4.8	9.1	7.5	5.3	3.8

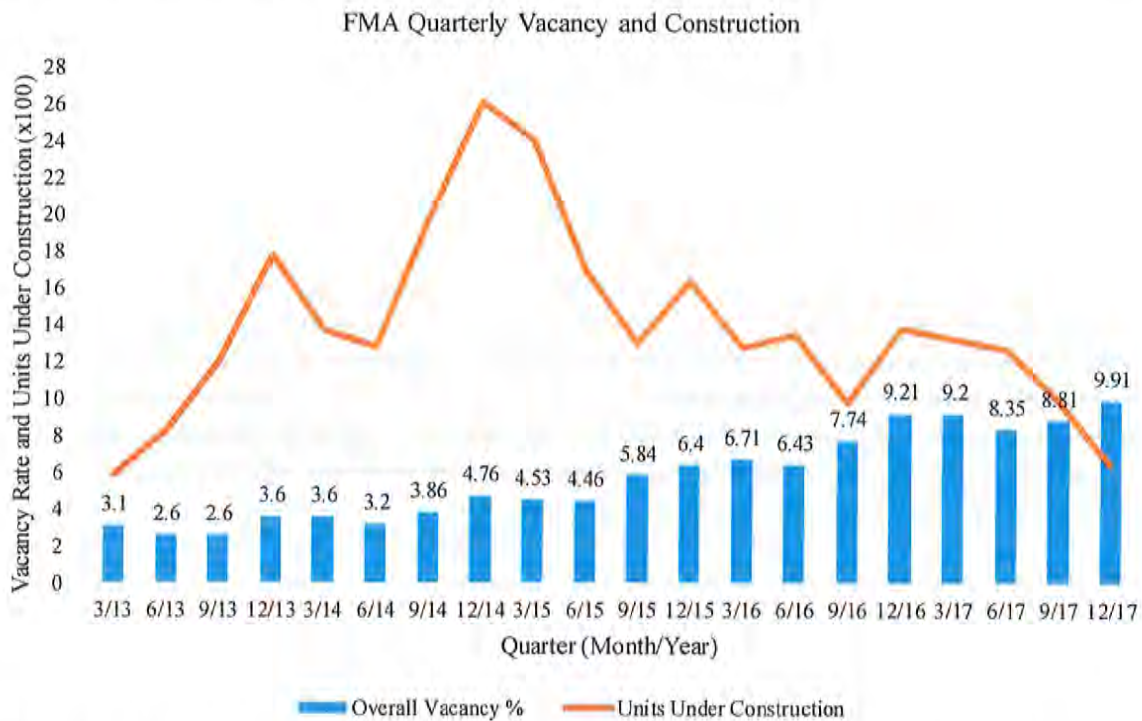
Most sectors of the market showed higher vacancies at year end than in the first quarter. South Fargo 5 remained in double digits all year, with West Fargo also hovering around double-digit vacancy. These are the areas where the most new construction is occurring. South Fargo 2 showed the greatest vacancy increase of over 4%, while the Moorhead market softened considerably by more than 2%.

Survey Area	Percent Vacant			
	3/17	6/17	9/17	12/17
North Fargo	6.30	7.39	8.35	9.34
DT Fargo	8.17	7.26	10.74	9.68
S Fgo Area 1	7.17	6.91	7.31	7.81
S Fgo Area 2	5.26	8.53	8.02	9.60
S Fgo Area 3	5.64	7.09	7.62	5.99
S Fgo Area 4	7.46	6.56	7.54	8.32
<u>S Fgo Area 5</u>	<u>16.49</u>	<u>12.47</u>	<u>10.87</u>	<u>13.34</u>
Total Fargo	9.29	8.39	8.66	9.65
West Fargo	9.80	8.28	9.32	11.17
Moorhead	8.15	8.46	9.30	10.49
Dilworth	<u>7.65</u>	<u>1.18</u>	<u>4.57</u>	<u>4.95</u>
Total	9.20	8.35	8.81	9.91

New construction this quarter included 66 units in the South Fargo 2 sector and 195 in South Fargo 5 sector. The remainder of new units included 136 in Moorhead and 18 in West Fargo. In Fargo, permits show 5 units under construction in North Fargo, 72 units Downtown, 66 units in SF2, 72 units in SF4 and 387 units in SF5.

Remember that this survey measures physical vacancy. It does not consider economic vacancy factors such as rental incentives, delinquencies and lost rent from skips, which are also part of the true vacancy picture. This is especially important to note in the current rental climate, as most apartment managers are now offering free month rental incentives. This suggests that the economic vacancy in the metro is likely well above 10%.

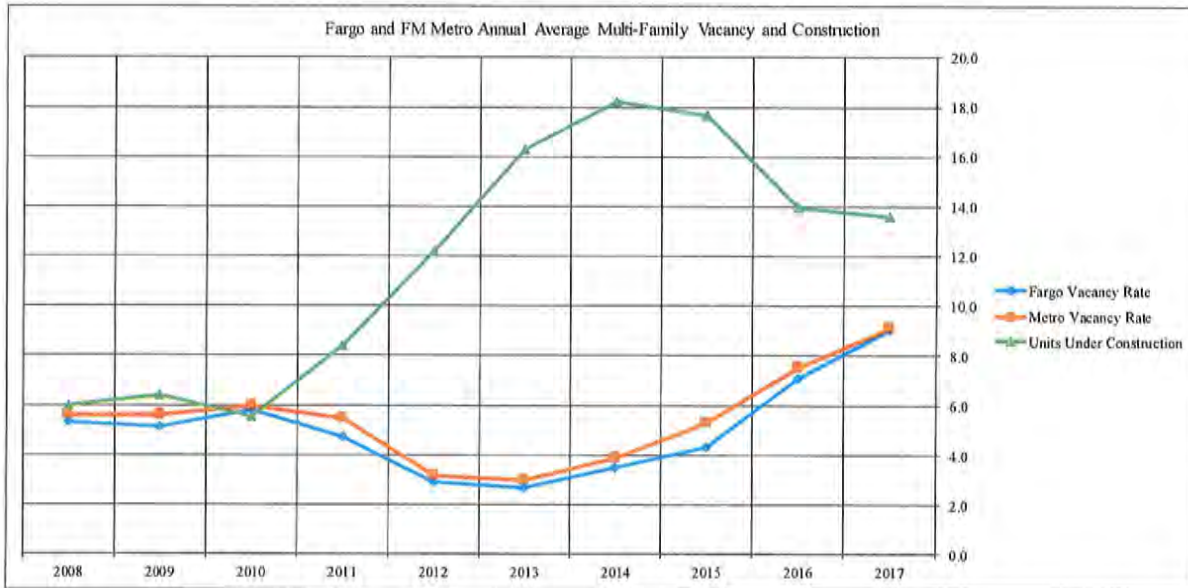
The table below illustrates the relationship between the metro area vacancy rate and apartment units under construction over the last five years. New construction has averaged 1,359 units per year since 2013, and the market now reflects an oversupply. Over 6,000 new apartment units have been constructed since 2013, when vacancy rates reached a floor of 2.6% metro wide.



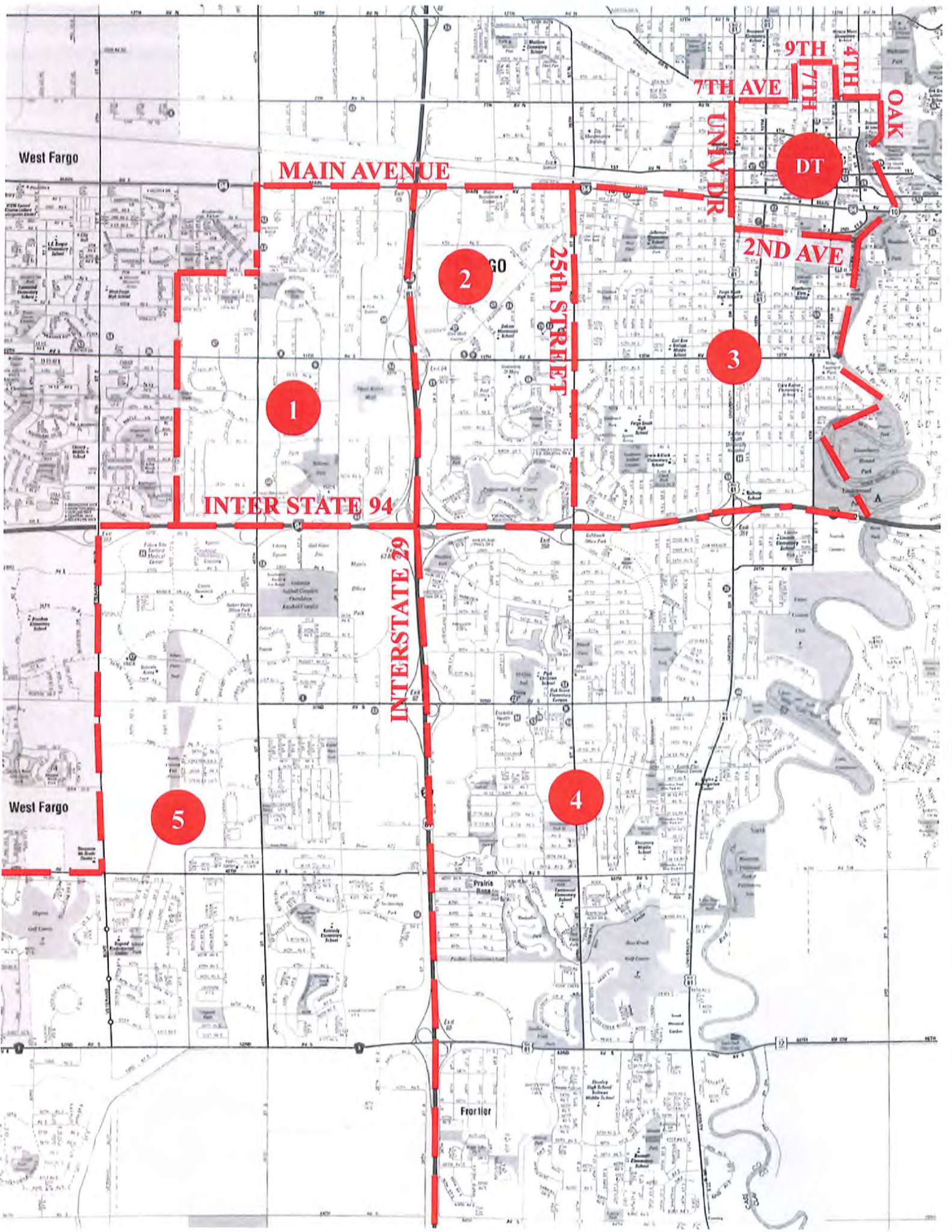
I reviewed the last two years of survey information and found that total surveyed units (cumulative units reporting for all four quarters) increased 4.89% from 2016 to 2017, while total occupied units increased by only 3.15%, indicating that new units continue to outpace absorption rates. This survey is the first time that total vacant units has been greater than 3,000 at 3,156, metro-wide.

Even as the boom in apartment construction was taking place, occupied units as a percentage of total units mostly kept pace with the new units coming on line, indicating healthy demand to support the market's expansion. As I stated in the December 2016 survey, occupied units as a percentage of total units surveyed appears to have peaked in the first half of 2016. As a result, the overall vacancy rate has increased by 3.5% since that time.

The following table depicts the last 10 years of annual completed apartment construction and corresponding Fargo and Metro-wide annualized vacancy rates.



Petter N. Eriksmoen – Appraisal Services Inc.



West Fargo

MAIN AVENUE

9TH 4TH
7TH AVE 7TH OAK

DT

2ND AVE

2

25th STREET

3

INTER STATE 94

INTERSTATE 29

5

4

West Fargo

Frattler

Pacific Ridge Osgood Place, LP
Balance Sheet
As of 03/31/2017

As of 03/31/2017

ASSETS**CURRENT ASSETS**

Operating Cash	371,058.27
Savings - Security Deposits	30,962.67
Prepaid Insurance	55,772.37
Escrow - Insurance	36,547.24
Escrow - Replacement Res	68,392.62
Escrow - R. Est. Taxes	33,988.39
Cash Escrow Account	3,126.19
Accounts Receivable	4,804.43
Allowance for Bad Debts	-600.00

TOTAL CURRENT ASSETS**604,052.18****PROPERTY & EQUIPMENT**

Land	600,724.00
Land Improvement	68,263.00
Special Assessments	207,164.62
Buildings	8,428,649.40
Building Improvements	85,202.94
Fixtures & Equipment	223,350.87
Accum. Depreciation	-1,472,254.92

TOTAL PROPERTY & EQUIPMENT**8,141,099.91****OTHER ASSETS**

Financing Fees	254,550.95
Accum. Amort. - Financing Fees	-56,190.00

TOTAL OTHER ASSETS**198,360.95****TOTAL ASSETS****8,943,513.04****LIABILITIES & CAPITAL****CURRENT LIABILITIES**

Accrued Taxes & Assessments	33,750.00
Accrued Utilities Payable	12,051.56
Accounts Payable	124,933.89
Prepaid Rent	31,112.19
Tenant Deposits	29,037.50
Interest on Tenant Deposits	107.33
Accrued Interest Mortgage	19,319.45

Pacific Ridge Osgood Place, LP
Balance Sheet
As of 03/31/2017

	<u>As of 03/31/2017</u>
TOTAL CURRENT LIABILITIES	<u>250,311.92</u>
LONG-TERM LIABILITIES	
Special Assessments Payable	163,365.47
Notes Pay. - Wells Fargo	6,661,878.84
TOTAL LONG-TERM LIABILITIES	<u>6,825,244.31</u>
TOTAL LIABILITIES	<u>7,075,556.23</u>
CAPITAL	
Owners Capital	1,902,604.93
Owner Draw	-84,078.57
Current Year Income	49,430.45
TOTAL CAPITAL	<u>1,867,956.81</u>
TOTAL LIABILITIES & CAPITAL	<u><u>8,943,513.04</u></u>

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 03/31/2017

	Month to Date	%	Year to Date	%
INCOME				
RENT INCOME				
Rent	109,448.71	98.70	327,194.25	98.35
NET RENT INCOME	109,448.71	98.70	327,194.25	98.35
OTHER INCOME				
Passthru App. Processing Fee	235.00	0.21	475.00	0.14
Passthru Repair & Maintenance	0.00	0.00	342.16	0.10
Passthru Miscellaneous	0.00	0.00	-225.00	-0.07
Passthru Cleaning	0.00	0.00	1,208.25	0.36
Passthru Utilities	0.00	0.00	16.04	0.00
Miscellaneous Income	882.00	0.80	2,598.00	0.78
Vending & Laundry Income	16.65	0.02	50.30	0.02
Interest Income	4.50	0.00	4.50	0.00
Interest on Bank Accounts	10.54	0.01	30.61	0.01
Late Fee	290.00	0.26	1,000.00	0.30
TOTAL OTHER INCOME	1,438.69	1.30	5,499.86	1.65
TOTAL INCOME	110,887.40	100.00	332,694.11	100.00
EXPENSES				
DIRECT EXPENSES				
Utilities - Electricity	2,938.07	2.65	9,638.94	2.90
Utilities - Water & Sewer	2,475.92	2.23	7,733.05	2.32
Utilities - Waste Disposal	578.50	0.52	1,997.00	0.60
Utilities - Gas	3,452.09	3.11	11,884.37	3.57
Painting & Decorating	100.00	0.09	653.01	0.20
Custodial Expense	0.00	0.00	86.00	0.03
Furnished Apartment Expense	715.90	0.65	1,856.90	0.56
Extermination / Pest Control	0.00	0.00	180.85	0.05
Contracted Cleaning	750.00	0.68	2,922.00	0.88
Repair & Maint. - Misc.	7,652.46	6.90	23,401.13	7.03
Snow removal	113.75	0.10	6,033.75	1.81
Grounds Maintenance	153.00	0.14	208.00	0.06
Fire Alarm Monitoring	0.00	0.00	375.00	0.11
Property Insurance Expense	4,143.24	3.74	12,407.88	3.73
Real Estate Taxes	10,500.00	9.47	31,500.00	9.47
Management	4,389.55	3.96	13,127.77	3.95
Property Staff Expense	1,805.00	1.63	5,840.00	1.76
TOTAL DIRECT EXPENSES	39,767.48	35.86	129,845.65	39.03

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 03/31/2017

	Month to Date	%	Year to Date	%
GENERAL & ADMINISTRATIVE				
Advertising & Promotion	3,695.53	3.33	10,749.98	3.23
Professional Fees	4,000.00	3.61	7,500.00	2.25
Legal Fees	0.00	0.00	188.00	0.06
Accounting Fees	500.00	0.45	1,500.00	0.45
Licenses & Fees	0.00	0.00	700.00	0.21
Credit Check Costs	45.00	0.04	180.00	0.05
Bank Fees	11.00	0.01	33.00	0.01
Collection Fees	80.28	0.07	178.58	0.05
State Income Tax	800.00	0.72	800.00	0.24
Bad Debt Expense	-200.70	-0.18	-551.75	-0.17
Miscellaneous Expense	30.68	0.03	42.04	0.01
Interest Expense	750.00	0.68	2,250.00	0.68
TOTAL G & A EXPENSE	9,711.79	8.76	23,569.85	7.08
DEPRECIATION EXPENSE				
Depreciation Expense	20,800.00	18.76	62,400.00	18.76
TOTAL DEPRECIATION	20,800.00	18.76	62,400.00	18.76
NON-OPERATING EXPENSE				
Mortgage Interest	19,319.45	17.42	58,055.04	17.45
Amortization - Financing Fees	606.00	0.55	1,818.00	0.55
Mortgage Ins. Expense	2,525.04	2.28	7,575.12	2.28
TOTAL NON-OPERATING EXPENSE	22,450.49	20.25	67,448.16	20.27
TOTAL EXPENSES	92,729.76	83.63	283,263.66	85.14
NET INCOME	18,157.64	16.37	49,430.45	14.86

Pacific Ridge Osgood Place, LP
Balance Sheet
As of 03/31/2018

As of 03/31/2018

ASSETS**CURRENT ASSETS**

Operating Cash	180,323.59
Savings - Security Deposits	27,545.18
Prepaid Insurance	26,882.15
Escrow - Insurance	32,903.97
Escrow - Replacement Res	68,838.70
Escrow - R. Est. Taxes	22,969.80
Cash Escrow Account	32,174.89
Accounts Receivable	8,981.02
Allowance for Bad Debts	-600.00

TOTAL CURRENT ASSETS400,019.30**PROPERTY & EQUIPMENT**

Land	600,724.00
Land Improvement	68,263.00
Special Assessments	207,164.62
Buildings	8,428,649.40
Building Improvements	126,464.94
Fixtures & Equipment	299,241.37
Accum. Depreciation	-1,732,915.26

TOTAL PROPERTY & EQUIPMENT7,997,592.07**OTHER ASSETS**

Financing Fees	254,550.95
Accum. Amort. - Financing Fees	-63,462.00

TOTAL OTHER ASSETS191,088.95**TOTAL ASSETS**8,588,700.32**LIABILITIES & CAPITAL****CURRENT LIABILITIES**

Accrued Taxes & Assessments	35,925.00
Accounts Payable	30,471.88
Prepaid Rent	38,470.08
Tenant Deposits	27,837.50
Interest on Tenant Deposits	112.05
Accrued Interest Mortgage	18,924.91

Pacific Ridge Osgood Place, LP
Balance Sheet
As of 03/31/2018

	<u>As of 03/31/2018</u>
TOTAL CURRENT LIABILITIES	151,741.42
LONG-TERM LIABILITIES	
Special Assessments Payable	154,876.07
Notes Pay. - Wells Fargo	6,525,829.33
TOTAL LONG-TERM LIABILITIES	6,680,705.40
TOTAL LIABILITIES	6,832,446.82
CAPITAL	
Owners Capital	1,833,585.84
Owner Draw	-88,078.57
Current Year Income	10,746.23
TOTAL CAPITAL	1,756,253.50
TOTAL LIABILITIES & CAPITAL	8,588,700.32

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 03/31/2018

	Month to Date	%	Year to Date	%
INCOME				
RENT INCOME				
Rent	101,957.42	99.33	306,637.42	102.65
Less: Concessions	-1,960.00	-1.91	-13,440.00	-4.50
NET RENT INCOME	99,997.42	97.42	293,197.42	98.15
OTHER INCOME				
Passthru App. Processing Fee	200.00	0.19	640.00	0.21
Passthru Repair & Maintenance	459.50	0.45	759.50	0.25
Passthru Cleaning	1,212.50	1.18	1,782.50	0.60
Miscellaneous Income	600.00	0.58	1,225.00	0.41
Vending & Laundry Income	33.35	0.03	54.60	0.02
Interest on Bank Accounts	9.36	0.01	27.14	0.01
Late Fee	130.00	0.13	920.00	0.31
NSF Fee	0.00	0.00	105.00	0.04
TOTAL OTHER INCOME	2,644.71	2.58	5,513.74	1.85
TOTAL INCOME	102,642.13	100.00	298,711.16	100.00
EXPENSES				
DIRECT EXPENSES				
Utilities - Electricity	3,327.47	3.24	10,752.34	3.60
Utilities - Water & Sewer	2,566.39	2.50	8,511.67	2.85
Utilites - Waste Disposal	757.00	0.74	1,983.50	0.66
Utilities - Gas	5,149.21	5.02	14,786.10	4.95
Painting & Decorating	698.66	0.68	1,699.99	0.57
Custodial Expense	195.03	0.19	323.13	0.11
Furnished Apartment Expense	618.22	0.60	1,675.21	0.56
Extermination / Pest Control	0.00	0.00	180.85	0.06
Contracted Cleaning	1,752.50	1.71	3,672.50	1.23
Repair & Maint. - Misc.	15,364.08	14.97	29,163.58	9.76
Snow removal	0.00	0.00	1,106.25	0.37
Grounds Maintenance	0.00	0.00	198.23	0.07
Fire Alarm Monitoring	690.00	0.67	1,826.00	0.61
Property Insurance Expense	4,285.44	4.18	12,873.78	4.31
Real Estate Taxes	11,250.00	10.96	33,750.00	11.30
Management	4,083.50	3.98	12,263.10	4.11
Property Staff Expense	1,805.00	1.76	5,865.00	1.96
Security Deposit Interest Exp	35.00	0.03	35.00	0.01
TOTAL DIRECT EXPENSES	52,577.50	51.22	140,666.23	47.09

Pacific Ridge Osgood Place, LP
Income Statement
For The Period Ending 03/31/2018

	Month to Date	%	Year to Date	%
GENERAL & ADMINISTRATIVE				
Office Supplies & Expense	43.54	0.04	43.54	0.01
Advertising & Promotion	2,882.71	2.81	9,793.31	3.28
Professional Fees	188.00	0.18	188.00	0.06
Accounting Fees	500.00	0.49	1,500.00	0.50
Credit Check Costs	30.00	0.03	237.50	0.08
Bank Fees	11.00	0.01	33.00	0.01
State Income Tax	825.00	0.80	825.00	0.28
Bad Debt Expense	1,868.62	1.82	1,868.62	0.63
Miscellaneous Expense	5.68	0.01	17.04	0.01
Interest Expense	725.00	0.71	2,175.00	0.73
TOTAL G & A EXPENSE	7,079.55	6.90	16,681.01	5.58
DEPRECIATION EXPENSE				
Depreciation Expense	21,500.00	20.95	64,500.00	21.59
TOTAL DEPRECIATION	21,500.00	20.95	64,500.00	21.59
NON-OPERATING EXPENSE				
Mortgage Interest	18,924.91	18.44	56,874.84	19.04
Amortization - Financing Fees	606.00	0.59	1,818.00	0.61
Mortgage Ins. Expense	2,474.91	2.41	7,424.85	2.49
TOTAL NON-OPERATING EXPENSE	22,005.82	21.44	66,117.69	22.13
TOTAL EXPENSES	103,162.87	100.51	287,964.93	96.40
NET INCOME	-520.74	-0.51	10,746.23	3.60

PACIFIC RIDGE OSGOOD PLACE, LP
HUD Project Number 094-11009

Financial Statements and Supplementary Information

Together with the Independent Auditor's Report

For the Year Ended December 31, 2015

SWALM & ASSOCIATES, P.C.
Certified Public Accountants

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Table of Contents

Independent Auditor's Report	2
Balance Sheet	4
Statement of Operations	5
Statement of Changes in Partners' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	9
Supplementary Data Required by HUD	14
Balance Sheet Data	15
Profit & Loss Data	17
Statement of Changes in Partners' Equity	19
Statement of Cash Flows Data	20
Schedule of Reserve for Replacements	22
Computation of Surplus Cash	23
Schedule of Fixed Assets	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control over Compliance in Accordance with the <i>Consolidated Audit Guide for Audits of HUD Programs</i>	27
Schedule of Findings and Questioned Costs	29
Auditor's Comments on Audit Resolution Matters Relating to HUD Programs	30
Certification of Partners	31
Management Agent's Certification	32

Independent Auditor's Report

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited the accompanying financial statements of Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009, which comprise the balance sheet as of December 31, 2015, and the related statements of operations, changes in Partners' equity, and cash flows for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of December 31, 2015, and the results in its operations and its cash flows for the period then ended in conformity with accounting principals generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental data required by HUD shown on pages 14 to 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report Issued in Accordance with Government Audit Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2015, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and important in considering the entity's internal control and compliance.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas

March 19, 2016

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Balance Sheet
December 31, 2015

ASSETS

Cash - Operations	\$ 337,252
Tenant Accounts Receivable	3,197
Prepaid Expenses	<u>43,981</u>
Total Current Assets	384,430
Tenant Deposits Held in Trust	<u>28,993</u>
Escrow Deposits	189,516
Replacement Reserve	<u>61,194</u>
Total Deposits	<u>250,710</u>
Land, Building, Furniture and Equipment	
Land	868,844
Building	8,452,849
Furniture for Tenant Use	87,335
Furniture and Equipment	<u>20,702</u>
Total Fixed Assets	9,429,730
Less: Accumulated Depreciation	<u>(1,162,701)</u>
Net Fixed Assets	<u>8,267,029</u>
Deferred Financing Costs, net of Amortization	<u>207,451</u>
Total Assets	<u>\$ 9,138,613</u>

LIABILITIES AND PARTNERS' EQUITY

A/P - Operations	\$ 25,695
Accrued Interest Payable-First Mortgage	19,794
Accrued Property Taxes	142,470
Mortgage Payable - Short Term	130,644
Prepaid Revenues	<u>23,805</u>
Total Current Liabilities	<u>342,408</u>
Tenant Deposit Liabilities	<u>28,025</u>
Mortgage Payable	6,694,781
Misc Other Liabilities	<u>171,433</u>
Total Long Term Liabilities	<u>6,866,214</u>
Total Liabilities	<u>7,236,647</u>
Partners' Equity	<u>1,901,966</u>
Total Liabilities and Partners' Equity	<u>\$ 9,138,613</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Operations
For the period ended December 31, 2015

REVENUES

Net Rental Income	\$ 1,305,878
Interest Income	247
Other Revenues	<u>27,059</u>
Total Revenues	<u>1,333,184</u>

EXPENSES

Administrative	175,297
Utilities	90,036
Operating & Maintenance	137,659
Taxes & Insurance	175,288
Financial Expenses	279,928
Depreciation Expense	216,900
Amortization Expense	<u>11,484</u>
Total Expenses	<u>1,086,592</u>

Net Income (Loss) \$ 246,592

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Partners' Equity
For the period ended December 31, 2015

PARTNERS' EQUITY - December 31, 2014	\$ 2,069,317
Net Income (Loss)	246,592
Distributions	<u>(413,943)</u>
PARTNERS' EQUITY - December 31, 2015	\$ <u>1,901,966</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows
For the period ended December 31, 2015

CASH FLOW FROM OPERATING ACTIVITIES

Rental Receipts	\$ 1,316,435
Interest Receipts	247
Other Operating Receipts	<u>27,059</u>
Total Receipts	<u>1,343,741</u>
Administrative Expenses	(97,457)
Management Fees	(52,305)
Utilities	(90,036)
Salaries and Wages	(25,535)
Operating and Maintenance	(147,838)
Real Estate Taxes	(130,283)
Property Insurance	(49,918)
Tenant Security Deposits	293
Interest on Mortgage	(239,909)
Mortgage Insurance Premium	(31,021)
Miscellaneous Financial	<u>(9,363)</u>
Total Disbursements	<u>(873,372)</u>
Net Cash Provided by (Used in) Operating Activities	<u>470,369</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net Deposits to Mortgage Escrow	(1,475)
Net Deposits to Replacement Reserve	29,527
Net Purchase of Fixed Assets	<u>(28,868)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(816)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal Payments on Mortgage	(125,817)
Payments on Misc. Liabilities - Special Assessment	(7,666)
Distributions to partners	<u>(413,943)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(547,426)</u>
Net Increase (Decrease) in Cash for the Period	(77,873)
Cash - December 31, 2014	<u>415,125</u>
Cash - December 31, 2015	<u>\$ 337,252</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows - continued
For the period ended December 31, 2015

RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net Income (Loss)	\$ 246,592
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation Expenses	216,900
Amortization Expenses	11,484
Decrease (increase) in Tenant Account Receivable	12,129
Decrease (increase) in Prepaid Expenses	(71)
Decrease (increase) in Cash Restricted for Tenant Security Deposits	1,418
Increase (decrease) in Vendors Accounts Payable	(10,179)
Increase (decrease) in Accrued Liabilities	(4,842)
Increase (decrease) in Accrued Interest Payable	(365)
Increase (decrease) in Tenant Security Deposits Held in Trust	(1,125)
Increase (decrease) in Prepaid Revenues	<u>(1,572)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 470,369</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2015

NOTE 1 – Organization and Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. Department of Housing and Urban Development (HUD) in the Audit guide for Auditing Development Costs of HUD-Insured Multifamily Projects. These standards differ in some respects from accounting principles generally accepted in the United States of America; however, the differences are not material in the accompanying financial statements.

Pacific Ridge Osgood Place, LP (the Company), was formed as a California limited partnership on March 19, 2010, to acquire and manage a 117-unit multifamily apartment complex located in Fargo, North Dakota. The project is secured by a mortgage insured by The Department of Housing and Urban Development under section 207 and pursuant to section 223(f). As such, the project is subject to a regulatory agreement that restricts cash disbursements, encumbering the property with additional liabilities and unauthorized changes of ownership.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting - The accrual method of accounting is used for financial statement purposes. Project equity represents contributions made by the owners that were required to fund the costs incurred to construct or purchase the Project, plus the results of operations of the Project less any distributions made to the owners.

Cash and cash equivalents - For purposes of reporting cash flows, the Project considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Project maintains its cash balances at financial institutions that participate in the Federal Deposit Insurance Corporation's Transaction Account Guarantee Program which insures non-interest bearing accounts for the full balance and interest bearing accounts up to \$250,000.

Accounts Receivable, Rental Income - Tenant receivables are recorded the day rent is due, usually the first day of each month. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants of the property are operating leases.

Allowance for Uncollectible Accounts - Amounts are considered past due based on the tenant's individual lease. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fixed Assets, Depreciation and Amortization - Property and equipment are recorded at cost. Depreciation and amortization methods for fixed and intangible assets are based on generally accepted accounting principals methods. When assets are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any given gain or loss is included in operations.

Management of the Partnership reviews the depreciated value of the property to determine if circumstances exist that would indicate the carrying value of the property has been impaired. If impairment is indicated, an adjustment will be made to the depreciated value of the property based on discounted future cash flows. Management does not believe that there are any factors or circumstances indicating impairment of its investment in the property as of December 31, 2015.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2015

NOTE 2 – Summary of Significant Accounting Policies (continued)

Deferred financing costs - Deferred financing costs are capitalized and amortized over the life of the loan using the effective interest method.

Revenue Recognition - The apartment units are leased under operating leases normally of one year or less; however there are no leases that exceed a term of 3 years. The Company also has certain garages, carports and storage compartments available to rent by resident tenants. Income is recognized monthly as earned. Advance rental payments and tenant security deposits are reflected as liabilities until earned or refunded. Fees and forfeitures of deposits are recognized when incurred. Normally these are cash transactions and are fully recognized when recorded.

Operational Expenses - Operational expenses are recorded or accrued when incurred. Expenses that are paid in advance of the goods or service being provided are deferred and amortized over their contract or useful period. Prepaid property insurance is the principal prepaid asset.

Federal Income Tax Matters - The Company is not directly liable for Federal income taxes. Company income and deductions are allocated to the partners who are directly responsible for any income taxes due on such allocation; however, the Company does prepare a Federal income tax return as required by the Federal income tax laws.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - Bank Accounts and Petty Cash

The Company maintains its cash in two bank accounts with Bremer Bank, a regional banking institution. Federal Deposit Insurance Corporation insures each account balance. Currently all balances are within the FDIC insured limits.

To comply with HUD regulations, tenant security deposits provided under tenants' lease provisions are maintained in a separate bank account. The cash in this account is restricted from use in the general operations of the Company. As security deposits increase or decrease, the amount held in the aforementioned restricted account is adjusted accordingly.

A petty cash fund is maintained by the property manager to pay minor expenditures that arise in the normal course of business. This fund is replenished periodically on an impress basis. At December 31, 2015, the following were the balances in the bank and petty cash accounts:

Operating Account	\$ 337,252
Total Cash	<u>\$ 337,252</u>
 Tenant Deposits Held in Trust	 <u>\$ 28,993</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2015

NOTE 4 - Reserves and Escrows

Each month the mortgage payment includes escrow payments for payment of annual property tax, hazard insurance and mortgage insurance premiums as well as a replacement reserve contribution. The monthly escrow payment currently totals \$22,222 which includes \$12,365 property tax escrow, \$4,933 hazard insurance escrow, \$2,486 mortgage insurance premium and \$2,438 replacement reserve contribution. Replacement reserves are available for future replacement needs and can only be withdrawn with approval from HUD.

At December 31, 2015, the outstanding mortgage-escrow balances included the following, which management believe are adequate to pay the underlying obligations being escrowed:

Property Tax Escrow	\$ 142,313
Property Insurance Escrow	21,381
Mortgage Insurance Premium Escrow	<u>25,822</u>
	<u>\$ 189,516</u>
 Replacement Reserve	 <u>\$ 61,194</u>

NOTE 5 – Fixed Assets

Land, building and furniture, fixtures and equipment are recorded at cost incurred to construct or acquire the assets. At December 31, 2015, fixed assets were reflected in the following accounts:

Land (non-depreciated)	\$ 868,844
Building	8,452,849
Furniture for project/tenant use	87,335
Office furniture and equipment	<u>20,702</u>
	9,429,730
Less: Accumulated Depreciation	<u>(1,162,701)</u>
	<u>\$ 8,267,029</u>

Depreciation expenses are based on expected useful lives of the related assets, ranging from 5 to 40 years, as provided under generally accepted accounting principals. Assets began being depreciated when put into service.

NOTE 6 – Deferred Financing Costs and Amortization

The costs incurred in obtaining financing have been capitalized and are being amortized. The balances of such costs at December 31, 2015, are as follows:

Financing costs	\$ 254,551
Less: Accumulated amortization	<u>(47,100)</u>
Net deferred fees	<u>\$ 207,451</u>

Amortization expense for the year ended December 31, 2015, was \$11,484.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2015

NOTE 7 – Other Liabilities

Accrued expenses at December 31, 2015, represent estimated operational expenses incurred but not yet billed or paid. Most of these accrued expenses are normally not billed and paid monthly; therefore, estimates of the amount due are accrued and moved to accounts payable when billed. The components of accrued expenses at December 31, 2015, include accrued property taxes of \$142,470.

Vendor payables are recorded when billings for expenses and other purchases are received. All vendor payables recorded at December 31, 2015, were paid within 30 days subsequent to year end.

NOTE 8 – Mortgage Payable

At December 31, 2015, the Company has a HUD-insured mortgage outstanding in the amount of \$6,825,425 (\$130,644 due within the next 12 months). The mortgage bears interest at 3.48% per annum payable monthly installments of \$30,477, including principal and interest through January 1, 2046. Amounts due over the next five years and thereafter are as follows:

2016	\$ 130,644
2017	135,264
2018	140,047
2019	144,999
2020	150,126
Thereafter	<u>6,124,345</u>
	<u>\$ 6,825,425</u>

The Company is required to pay an annual mortgage insurance premium in advance equal to 0.45% of the average outstanding balance of the mortgage payable for the following 12 months.

NOTE 9 – Partners' Equity

The following reflects the changes in Partners' Equity during the year ended December 31, 2015:

Beginning balance at December 31, 2014	\$ 2,069,317
Income for period ended December 31, 2015	246,592
Distributions to partners	<u>(413,943)</u>
Ending balance at December 31, 2015	<u>\$ 1,901,966</u>

Under the regulatory agreement between the Company and HUD, distributions to partners from funds provided by rental operations are allowed provided that: 1) surplus cash, as defined by HUD, is available for such purposes; 2) the project is in compliance with all outstanding notices of requirements for proper maintenance; and 3) there is no default under the regulatory agreement or under the mortgage note. During 2015 distributions of \$413,943 of surplus cash were made. Distributable surplus cash as of December 31, 2015, amounted to \$255,644.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2015

NOTE 10 – Management Fees

Property Resources Group, managed the property during 2015 under a HUD approved management arrangement. The management fee arrangement is 4% of monthly tenant revenue collected. Management fees for 2015 were \$52,305.

NOTE 11 - Concentrations

The Partnership's cash balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2015.

Partnership's principal asset is a 117-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 12 - Subsequent Events

The Partnership has evaluated subsequent events through March 19, 2015, the date the financial statements were available to be issued, and has determined that there are none to be reported.

SUPPLEMENTARY DATA
REQUIRED BY HUD

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

1120	Cash - Operations	\$ 337,252
1130	Tenant/Member Accounts Receivable (Coops)	3,197
1200	Prepaid Expenses	<u>43,981</u>
1100T	Total Current Assets	<u>384,430</u>

1191	Tenant/Patient Deposits Held in Trust	<u>28,993</u>
------	---------------------------------------	---------------

RESTRICTED DEPOSITS

1310	Escrow Deposits	189,516
1320	Replacement Reserve	<u>61,194</u>
1300T	Total Deposits	<u>250,710</u>

PROPERTY AND EQUIPMENT

1410	Land	868,844
1420	Buildings	8,452,849
1450	Furniture for Project/Tenant Use	87,335
1465	Office Furniture and Equipment	<u>20,702</u>
1400T	Total Fixed Assets	9,429,730
1495	Accumulated Depreciation	<u>(1,162,701)</u>
1400N	Net Fixed Assets	<u>8,267,029</u>

1520	Deferred Financing Costs	<u>207,451</u>
1500T	Total Other Assets	<u>207,451</u>

1000T	TOTAL ASSETS	<u>\$ 9,138,613</u>
-------	--------------	---------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA - CONTINUED
DECEMBER 31, 2015

LIABILITIES AND EQUITY

CURRENT LIABILITIES

2110	Accounts Payable - Operations	\$	25,695
2131	Accrued Interest Payable-First Mortgage		19,794
2150	Accrued Property Taxes		142,470
2170	Mortgage Payable - First Mortgage (Short Term)		130,644
2210	Prepaid Revenue		<u>23,805</u>
2122T	Total Current Liabilities		<u>342,408</u>

2191	Tenant/Patient Deposits Held In Trust (Contra)		<u>28,025</u>
------	--	--	---------------

LONG-TERM LIABILITIES

2320	Mortgage (or Bonds) Payable - First Mortgage		6,694,781
2390	Other Loans and Notes Payable		<u>171,433</u>
2300T	Total Long Term Liabilities		<u>6,866,214</u>

2000T	Total Liabilities		<u>7,236,647</u>
-------	-------------------	--	------------------

PARTNERS' EQUITY

3130	Total Equity		<u>1,901,966</u>
------	--------------	--	------------------

2033T	TOTAL LIABILITIES AND EQUITY	\$	<u>9,138,613</u>
-------	------------------------------	----	------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2015

REVENUE

5120	Rent Revenue - Gross Potential	\$ 1,305,878
5100T	Total Rent Revenue	<u>1,305,878</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>1,305,878</u>
Financial Revenue		
5440	Revenue from Investments	247
5400T	Total Financial Revenue	<u>247</u>
Other Revenue		
5910	Laundry and Vending Revenue	292
5920	Tenant Charges	16,215
5990	Misc. Revenue	10,552
5900T	Total Other Revenue	<u>27,059</u>
5000T	TOTAL REVENUE	<u>1,333,184</u>

EXPENSES

Administrative Expenses

6210	Advertising and Marketing	45,632
6250	Other Renting Expenses	3,376
6310	Office Salaries	25,535
6311	Office Expenses	4,440
6312	Office or Model Apartment Rent	10,891
6320	Management Fee	52,305
6350	Audit Fees	4,751
6351	Bookkeeping Fees/Accounting Services	14,332
6370	Bad Debts	13,688
6390	Miscellaneous Administrative Expenses	347
6263T	Total Administrative Expenses	<u>175,297</u>

Utilities Expenses

6450	Electricity	31,766
6451	Water	323
6452	Gas Utility Expense	25,478
6453	Sewer	32,469
6400T	Total Utilities Expense	<u>90,036</u>

Operating & Maintenance Expenses

6515	Supplies	92,827
6520	Contracts	28,162
6525	Garbage and Trash Removal	7,306
6530	Security Payroll/Contract	885
6548	Snow Removal	8,479
6500T	Total Operating and Maintenance Expenses	<u>137,659</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2015

Taxes & Insurance		
6710	Real Estate Taxes	125,441
6720	Property & Liability Insurance (Hazard)	<u>49,847</u>
6700T	Total Taxes and Insurance	<u>175,288</u>
Financial Expenses		
6820	Interest on Mortgage (or Bonds) Payable	239,544
6850	Mortgage Insurance Premium/Service Charge	31,021
6890	Miscellaneous Financial Expenses	<u>9,363</u>
6800T	Total Financial Expenses	<u>279,928</u>
Operating Results		
6000T	Total Cost of Operations before Depreciation	858,208
5060T	Profit (Loss) before Depreciation	474,976
6600	Depreciation Expense	216,900
6610	Amortization Expense	<u>11,484</u>
5060N	Operating Profit or (Loss)	<u>246,592</u>
CHANGE IN NET ASSETS FROM OPERATIONS		
3250	Change in Total Net Assets from Operations	<u>\$ 246,592</u>

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages.	\$ 125,817
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$ 29,200

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR PERIOD ENDED DECEMBER 31, 2015

S1100-010	Beginning of Year Balance	\$ 2,069,317
3250	Net Income or Loss	246,592
S1200-420	Distributions	<u>(413,943)</u>
3130	End of Year	<u>\$ 1,901,966</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
S1200-010 Rental Receipts	\$ 1,316,435
S1200-020 Interest Receipts	247
S1200-030 Other Operating Receipts	<u>27,059</u>
S1200-040 Total Receipts	<u>1,343,741</u>
S1200-050 Administrative	(97,457)
S1200-070 Management Fee	(52,305)
S1200-090 Utilities	(90,036)
S1200-100 Salaries and Wages	(25,535)
S1200-110 Operating and Maintenance	(147,838)
S1200-120 Real Estate Taxes	(130,283)
S1200-140 Property Insurance	(49,918)
S1200-160 Tenant Security Deposits	293
S1200-180 Interest on Mortgages	(239,909)
S1200-210 Mortgage Insurance Premium (MIP)	(31,021)
S1200-220 Miscellaneous Financial	<u>(9,363)</u>
S1200-230 Total Disbursements	<u>(873,372)</u>
S1200-240 NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>470,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-245 Net Deposits to the Mortgage Escrow account	(1,475)
S1200-250 Net Deposits to the Reserve for Replacement account	29,527
S1200-330 Net Purchase of Fixed Assets	<u>(28,868)</u>
S1200-350 NET CASH PROVIDED BY (USED IN) INVESTING	<u>(816)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-360 Principal Payments - First Mortgage (or Bonds)	(125,817)
S1200-420 Distributions	(413,943)
S1200-450 Other Financing Activities	<u>(7,666)</u>
S1200-460 NET CASH PROVIDED BY (USED IN) FINANCING	<u>(547,426)</u>
S1200-470 NET INCREASE (DECREASE) IN CASH	(77,873)
S1200-480 Beginning of Period Cash	<u>415,125</u>
S1200T END OF PERIOD CASH	<u><u>\$ 337,252</u></u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2015

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED
BY (USED IN) OPERATING ACTIVITIES

3250	Change in Total Net Assets from Operations	\$ 246,592
------	--	------------

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by
(Used in) Operating Activities

6600	Depreciation Expenses	216,900
6610	Amortization Expense	11,484
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	12,129
S1200-520	Decrease (increase) in Prepaid Expenses	(71)
S1200-530	Decrease (increase) in Cash Restricted For Tenant Security Deposits	1,418
S1200-540	Increase (decrease) in Accounts Payable	(10,179)
S1200-560	Increase (decrease) in Accrued Liabilities	(4,842)
S1200-570	Increase (decrease) in Accrued Interest Payable	(365)
S1200-580	Increase (decrease) in Tenant Security Deposits Held in Trust	(1,125)
S1200-590	Increase (decrease) in Prepaid Revenue	<u>(1,572)</u>

S1200-610	NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 470,369</u>
-----------	---	-------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

SCHEDULE OF RESERVE FOR REPLACEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2015

SCHEDULE OF RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$	90,721
1320DT	Total Monthly Deposits		29,200
1320INT	Interest on Replacement Reserve Accounts		7
1320WT	Approved Withdrawals		<u>(58,734)</u>
1320	Balance at End of Year, Confirmed by Mortgagee	\$	<u>61,194</u>
1320R	Deposits Suspended or Waived Indicator		NO

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

COMPUTATION OF SURPLUS CASH
FOR THE PERIOD ENDED DECEMBER 31, 2015

Annual - December 31, 2015

S1300-010 Cash	\$ <u>366,245</u>
S1300-040 Total Cash	<u>366,245</u>
Current Obligations	
S1300-050 Accrued Mortgage (or Bond) Interest Payable	19,794
S1300-075 Accounts Payable - 30 days	25,695
S1300-090 Deficient Tax, Insurance or MIP Escrow Deposits	160
2210 Prepaid Revenue	23,805
2191 Tenant Security Deposits Liability	28,025
S1300-110 Other Current Obligations	<u>13,122</u>
S1300-140 Total Current Obligations	<u>110,601</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ 255,644</u>
S1300-200 Amount Available for Distribution during next fiscal period	<u>\$ 255,644</u>

Semi-Annual - June 30, 2015

S1400-020 Cash	\$ <u>393,275</u>
S1400-050 Total Cash	<u>393,275</u>
Current Obligations	
S1400-060 Accrued Mortgage Interest Payable	19,978
S1400-090 Accounts Payable - 30 days	33,953
S1400-130 Prepaid Revenue	13,724
S1400-140 Tenant Security Deposits Liability	<u>30,864</u>
S1400-180 Total Current Obligations	<u>98,519</u>
S1400-190 Surplus Cash (Deficiency)	<u>\$ 294,756</u>
S1400-240 Amount Available for Distribution	<u>\$ 294,756</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

SCHEDULE OF FIXED ASSETS
DECEMBER 31, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
1410 Land	\$ 868,844	\$ -	\$ -	\$ 868,844
1420 Buildings	8,452,849	-	-	8,452,849
1450 Furniture for Project/Tenant Use	69,592	17,743	-	87,335
1465 Office Furniture and Equipment	<u>9,577</u>	<u>11,125</u>	-	<u>20,702</u>
Total	9,400,862	<u>\$ 28,868</u>	<u>\$ -</u>	9,429,730
1495 Depreciation	<u>(945,801)</u>	<u>\$ (216,900)</u>	<u>-</u>	<u>(1,162,701)</u>
1400N Net Book Value	<u>\$ 8,455,061</u>			<u>\$ 8,267,029</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pacific Ridge Osgood Place, LP (Project), HUD Contact No. 094-11009, which comprise the balance sheet as of December 31, 2015, and the related statements of operations, partners' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government*

Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas

March 19, 2016

**Independent Auditor's Report on Compliance with Requirements that Could
Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control
over Compliance in Accordance with the *Consolidated Audit Guide for Audits of HUD Programs***

To the Partners of
Pacific Ridge Osgood Place, LP

Report on Compliance for Major HUD Program

We have audited Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009 compliance with the compliance requirements governing federal financial reports, mortgage status, replacement reserve, distributions to owners, equity skimming, cash receipts, cash disbursements, security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, unauthorized loans of project funds described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Project's major U.S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2015. The Project's major HUD program is a Section 221(d)(4).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the HUD program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pacific Ridge Osgood Place, LP's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. However, our audit does not provide a legal determination of Pacific Ridge Osgood Place, LP's compliance.

Opinion on Major HUD Program

In our opinion, Pacific Ridge Osgood Place, LP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Pacific Ridge Osgood Place, LP, is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas
March 19, 2016

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2015

No matters were reported for the year ended December 31, 2015.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

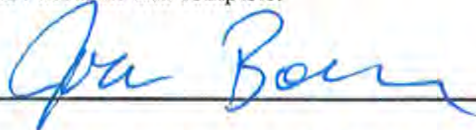
AUDITOR'S COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
DECEMBER 31, 2015

No matters were reported for the year ended December 31, 2015.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

CERTIFICATE OF PARTNERS
DECEMBER 31, 2015

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Signed: 

Title: Managing Member

Date: 3/30/16

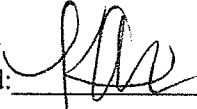
Telephone Number: 1-877-412-8474

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT 094-11009

MANAGEMENT AGENT'S CERTIFICATION
DECEMBER 31, 2015

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Management Company: Property Resources Group

Signed: 

Title: Asst. Controller

Date: 3-30-16

Tax Identification Number: ██████████ 501-72-9165

Property Manager: ██████████ Kami Olson

PACIFIC RIDGE OSGOOD PLACE, LP
HUD Project Number 094-11009

Financial Statements and Supplementary Information

Together with the Independent Auditor's Report

For the Year Ended December 31, 2016

SWALM & ASSOCIATES, P.C.
Certified Public Accountants

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Table of Contents

Independent Auditor's Report	2
Balance Sheet	4
Statement of Operations	5
Statement of Changes in Partners' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	9
Supplementary Data Required by HUD	14
Balance Sheet Data	15
Profit & Loss Data	17
Statement of Changes in Partners' Equity	19
Statement of Cash Flows Data	20
Schedule of Reserve for Replacements	22
Computation of Surplus Cash	23
Schedule of Fixed Assets	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control over Compliance in Accordance with the <i>Consolidated Audit Guide for Audits of HUD Programs</i>	27
Schedule of Findings and Questioned Costs	29
Auditor's Comments on Audit Resolution Matters Relating to HUD Programs	30
Certification of Partners	31
Management Agent's Certification	32

Independent Auditor's Report

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited the accompanying financial statements of Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, changes in Partners' equity, and cash flows for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of December 31, 2016, and the results in its operations and its cash flows for the period then ended in conformity with accounting principals generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental data required by HUD shown on pages 14 to 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report Issued in Accordance with Government Audit Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2017, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and important in considering the entity's internal control and compliance.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas

March 19, 2017

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Balance Sheet
December 31, 2016

ASSETS

Cash - Operations	\$ 340,002
Tenant Accounts Receivable	2,549
Prepaid Expenses	<u>43,144</u>
Total Current Assets	385,695
Tenant Deposits Held in Trust	<u>30,857</u>
Escrow Deposits	188,128
Replacement Reserve	<u>61,076</u>
Total Deposits	<u>249,204</u>
Land, Building, Furniture and Equipment	
Land	876,152
Building	8,428,649
Furniture for Tenant Use	81,518
Furniture and Equipment	<u>185,132</u>
Total Fixed Assets	9,571,451
Less: Accumulated Depreciation	<u>(1,409,855)</u>
Net Fixed Assets	<u>8,161,596</u>
Total Assets	<u>\$ 8,827,352</u>

LIABILITIES AND PARTNERS' EQUITY

A/P - Operations	\$ 59,829
Accrued Interest Payable-First Mortgage	19,416
Accrued Property Taxes	140,537
Mortgage Payable - Short Term	135,264
Prepaid Revenues	<u>16,678</u>
Total Current Liabilities	<u>371,724</u>
Tenant Deposit Liabilities	<u>28,838</u>
Mortgage Payable	6,359,716
Misc Other Liabilities	<u>163,365</u>
Total Long Term Liabilities	<u>6,523,081</u>
Total Liabilities	6,923,643
Partners' Equity	<u>1,903,709</u>
Total Liabilities and Partners' Equity	<u>\$ 8,827,352</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Operations
For the period ended December 31, 2016

REVENUES

Net Rental Income	\$ 1,298,224
Interest Income	258
Other Revenues	<u>35,486</u>
Total Revenues	<u>1,333,968</u>

EXPENSES

Administrative	159,961
Utilities	84,270
Operating & Maintenance	150,305
Taxes & Insurance	173,787
Total Financial	<u>281,762</u>

Total Cost of Operations before Depreciation 850,085

Profit (Loss) before Depreciation 483,883

Depreciation Expense 247,154

Net Income (Loss) \$ 236,729

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Partners' Equity
For the period ended December 31, 2016

PARTNERS' EQUITY - December 31, 2015	\$ 1,901,966
Net Income (Loss)	236,729
Distributions	<u>(234,986)</u>
PARTNERS' EQUITY - December 31, 2016	\$ <u>1,903,709</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows
For the period ended December 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES

Rental Receipts	\$ 1,291,745
Interest Receipts	258
Other Operating Receipts	<u>35,486</u>
Total Receipts	<u>1,327,489</u>
Administrative Expenses	(81,131)
Management Fees	(52,160)
Utilities	(91,339)
Salaries and Wages	(23,422)
Operating and Maintenance	(109,102)
Real Estate Taxes	(125,441)
Property Insurance	(49,442)
Misc. Taxes and Insurance	(3,248)
Tenant Security Deposits	(1,051)
Interest on Mortgage	(235,460)
Mortgage Insurance Premium	(30,446)
Miscellaneous Financial	<u>(8,962)</u>
Total Disbursements	<u>(811,204)</u>
Net Cash Provided by (Used in) Operating Activities	<u>516,285</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net Deposits to Mortgage Escrow	1,388
Net Deposits to Replacement Reserve	118
Net Purchase of Fixed Assets	<u>(141,721)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(140,215)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal Payments on Mortgage	(130,266)
Distributions to partners	(234,986)
Payments on Misc. Liabilities - Special Assessment	<u>(8,068)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(373,320)</u>

Net Increase (Decrease) in Cash for the Period	2,750
Cash - December 31, 2015	<u>337,252</u>
Cash - December 31, 2016	<u>\$ 340,002</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows - continued
For the period ended December 31, 2016

RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net Income (Loss)	\$ 236,729
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation Expenses	247,154
Amortization of Debt Issuance Costs	7,272
Decrease (increase) in Tenant Account Receivable	648
Decrease (increase) in Prepaid Expenses	837
Decrease (increase) in Cash Restricted for Tenant Security Deposits	(1,864)
Increase (decrease) in Vendors Accounts Payable	34,134
Increase (decrease) in Accrued Liabilities	(1,933)
Increase (decrease) in Accrued Interest Payable	(378)
Increase (decrease) in Tenant Security Deposits Held in Trust	813
Increase (decrease) in Prepaid Revenues	<u>(7,127)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 516,285</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2016

NOTE 1 – Organization and Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. Department of Housing and Urban Development (HUD) in the Audit guide for Auditing Development Costs of HUD-Insured Multifamily Projects. These standards differ in some respects from accounting principles generally accepted in the United States of America; however, the differences are not material in the accompanying financial statements.

Pacific Ridge Osgood Place, LP (the Company), was formed as a California limited partnership on March 19, 2010, to acquire and manage a 117-unit multifamily apartment complex located in Fargo, North Dakota. The Company operates under the provisions of Section 221(d) (4) of the National Housing Act, with insurance provided by the Federal Housing Administration (FHA) of HUD, and has agreed to adhere to provisions of a regulatory agreement between it and HUD.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting - The accrual method of accounting is used for financial statement purposes. Project equity represents contributions made by the owners that were required to fund the costs incurred to construct or purchase the Project, plus the results of operations of the Project less any distributions made to the owners.

Cash and cash equivalents - For purposes of reporting cash flows, the Project considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Project maintains its cash balances at financial institutions that participate in the Federal Deposit Insurance Corporation's Transaction Account Guarantee Program which insures non-interest bearing accounts for the full balance and interest bearing accounts up to \$250,000.

Accounts Receivable, Rental Income - Tenant receivables are recorded the day rent is due, usually the first day of each month. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants of the property are operating leases.

Allowance for Uncollectible Accounts - Amounts are considered past due based on the tenant's individual lease. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fixed Assets, Depreciation and Amortization - Property and equipment are recorded at cost. Depreciation and amortization methods for fixed and intangible assets are based on generally accepted accounting principals methods. When assets are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any given gain or loss is included in operations.

Management of the Partnership reviews the depreciated value of the property to determine if circumstances exist that would indicate the carrying value of the property has been impaired. If impairment is indicated, an adjustment will be made to the depreciated value of the property based on discounted future cash flows. Management does not believe that there are any factors or circumstances indicating impairment of its investment in the property as of December 31, 2016.

Deferred financing costs - Deferred financing costs are capitalized and amortized over the life of the loan using the effective interest method.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2016

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition - The apartment units are leased under operating leases normally of one year or less; however there are no leases that exceed a term of 3 years. The Company also has certain garages, carports and storage compartments available to rent by resident tenants. Income is recognized monthly as earned. Advance rental payments and tenant security deposits are reflected as liabilities until earned or refunded. Fees and forfeitures of deposits are recognized when incurred. Normally these are cash transactions and are fully recognized when recorded.

Operational Expenses - Operational expenses are recorded or accrued when incurred. Expenses that are paid in advance of the goods or service being provided are deferred and amortized over their contract or useful period. Prepaid property insurance is the principal prepaid asset.

Federal Income Tax Matters - The Company is not directly liable for Federal income taxes. Company income and deductions are allocated to the partners who are directly responsible for any income taxes due on such allocation; however, the Company does prepare a Federal income tax return as required by the Federal income tax laws.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncement - In April 2015, the Financial Accounting Services Board (FASB) published Accounting Standards Update (ASU) No. 2015-03, which changes the presentation and disclosure of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. Previous U.S. GAAP required debt issuance costs to be reported as an asset. The new guidance does not change the subsequent accounting for debt issuance costs and these amounts will continue to be amortized over the term of the related debt. However, amortization of debt issuance costs will now be required to be reported as a component of interest expense. The Company reclassified the debt issuance costs of \$12,388 as a contra-account to the mortgage liability.

NOTE 3 - Bank Accounts and Petty Cash

The Company maintains its cash in two bank accounts with Bremer Bank, a regional banking institution. Federal Deposit Insurance Corporation insures each account balance. Currently all balances are within the FDIC insured limits.

To comply with HUD regulations, tenant security deposits provided under tenants' lease provisions are maintained in a separate bank account. The cash in this account is restricted from use in the general operations of the Company. As security deposits increase or decrease, the amount held in the aforementioned restricted account is adjusted accordingly.

A petty cash fund is maintained by the property manager to pay minor expenditures that arise in the normal course of business. This fund is replenished periodically on an impress basis. At December 31, 2016, there was an operating account of \$340,002 and a tenant security deposit account of \$30,857.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2016

NOTE 4 - Reserves and Escrows

Each month the mortgage payment includes escrow payments for payment of annual property tax, hazard insurance and mortgage insurance premiums as well as a replacement reserve contribution. The monthly escrow payment currently totals \$19,452 which includes \$10,728 property tax escrow, \$3,852 hazard insurance escrow, \$2,434 mortgage insurance premium and \$2,438 replacement reserve contribution. Replacement reserves are available for future replacement needs and can only be withdrawn with approval from HUD.

At December 31, 2016, the outstanding mortgage-escrow balances included the following, which management believe are adequate to pay the underlying obligations being escrowed:

Property Tax Escrow	\$ 138,865
Property Insurance Escrow	23,922
Mortgage Insurance Premium Escrow	<u>25,341</u>
Total Escrows	<u>\$ 188,128</u>
Replacement Reserve	<u>\$ 61,076</u>

NOTE 5 – Fixed Assets

Land, building and furniture, fixtures and equipment are recorded at cost incurred to construct or acquire the assets. At December 31, 2016, fixed assets were reflected in the following accounts:

Land (non-depreciated)	\$ 876,152
Building	8,428,649
Furniture for project/tenant use	81,518
Office furniture and equipment	<u>185,132</u>
Total Fixed Assets	9,571,451
Less: Accumulated Depreciation	<u>(1,409,855)</u>
Net Fixed Assets	<u>\$ 8,161,596</u>

Depreciation expenses are based on expected useful lives of the related assets, ranging from 5 to 40 years, as provided under generally accepted accounting principals. Assets began being depreciated when put into service.

NOTE 6 – Other Liabilities

Accrued expenses at December 31, 2016, represent estimated operational expenses incurred but not yet billed or paid. Most of these accrued expenses are normally not billed and paid monthly; therefore, estimates of the amount due are accrued and moved to accounts payable when billed. The components of accrued expenses at December 31, 2016, include accrued property taxes of \$140,537.

Vendor payables are recorded when billings for expenses and other purchases are received. All vendor payables recorded at December 31, 2016, were paid within 30 days subsequent to year end.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009
Notes to Financial Statements
As of December 31, 2016

NOTE 7 – Mortgage Payable

At December 31, 2016, the Company has a HUD-insured mortgage outstanding in the amount of \$6,695,159 (\$135,264 due within the next 12 months). The mortgage bears interest at 3.48% per annum payable monthly installments of \$30,477, including principal and interest through January 1, 2046. Amounts due over the next five years and thereafter are as follows:

2017		\$ 135,264
2018		140,047
2019		144,999
2020		150,126
2021		155,435
Thereafter		5,969,288
Unamortized Debt Issuance Costs		<u>(200,179)</u>
		<u>\$ 6,494,980</u>

Deferred financing costs of \$254,551 are included as a reduction in the mortgage liability. All costs are considered to be long-term. The amounts are being amortized over the 40-year term of the mortgage. Accumulated amortization for the year ended December 31, 2016, was \$54,372. Amortization expense of \$7,272 was included as a component of interest expense.

The Company is required to pay an annual mortgage insurance premium in advance equal to 0.45% of the average outstanding balance of the mortgage payable for the following 12 months.

NOTE 8 – Partners' Equity

The following reflects the changes in Partners' Equity during the year ended December 31, 2016:

Beginning balance at December 31, 2015		\$ 1,901,966
Income for period ended December 31, 2016		236,729
Distributions to partners		<u>(234,986)</u>
Ending balance at December 31, 2016		<u>\$ 1,903,709</u>

Under the regulatory agreement between the Company and HUD, distributions to partners from funds provided by rental operations are allowed provided that: 1) surplus cash, as defined by HUD, is available for such purposes; 2) the project is in compliance with all outstanding notices of requirements for proper maintenance; and 3) there is no default under the regulatory agreement or under the mortgage note. During 2016 surplus cash distributions of \$234,986 were made. Distributable surplus cash as of December 31, 2016, was \$215,621.

NOTE 9 – Management Fees

Property Resources Group, managed the property during 2016 under a HUD approved management arrangement. The management fee arrangement is 4% of monthly tenant revenue collected. Management fees for 2016 were \$52,160.

PACIFIC RIDGE OSGOOD PLACE, LP

HUD PROJECT NUMBER 094-11009

Notes to Financial Statements

As of December 31, 2016

NOTE 10 - Concentrations

The Partnership's cash balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2016.

Partnership's principal asset is a 117-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 11 - Subsequent Events

The Partnership has evaluated subsequent events through March 19, 2017, the date the financial statements were available to be issued, and has determined that there are none to be reported.

SUPPLEMENTARY DATA
REQUIRED BY HUD

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

1120	Cash - Operations	\$ 340,002
1130	Tenant/Member Accounts Receivable (Coops)	2,549
1200	Prepaid Expenses	<u>43,144</u>
1100T	Total Current Assets	<u>385,695</u>

1191	Tenant/Patient Deposits Held in Trust	<u>30,857</u>
------	---------------------------------------	---------------

RESTRICTED DEPOSITS

1310	Escrow Deposits	188,128
1320	Replacement Reserve	<u>61,076</u>
1300T	Total Deposits	<u>249,204</u>

PROPERTY AND EQUIPMENT

1410	Land	876,152
1420	Buildings	8,428,649
1450	Furniture for Project/Tenant Use	81,518
1465	Office Furniture and Equipment	<u>185,132</u>
1400T	Total Fixed Assets	9,571,451
1495	Accumulated Depreciation	<u>(1,409,855)</u>
1400N	Net Fixed Assets	<u>8,161,596</u>

1000T	TOTAL ASSETS	<u>\$ 8,827,352</u>
-------	--------------	---------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA - CONTINUED
DECEMBER 31, 2016

LIABILITIES AND EQUITY

CURRENT LIABILITIES

2110	Accounts Payable - Operations	\$	59,829
2131	Accrued Interest Payable-First Mortgage		19,416
2150	Accrued Property Taxes		140,537
2170	Mortgage Payable - First Mortgage (Short Term)		135,264
2210	Prepaid Revenue		<u>16,678</u>
2122T	Total Current Liabilities		<u>371,724</u>

2191	Tenant/Patient Deposits Held In Trust (Contra)		<u>28,838</u>
------	--	--	---------------

LONG-TERM LIABILITIES

2320	Mortgage (or Bonds) Payable - First Mortgage		6,559,895
2340	Debt Issuance Costs		(200,179)
2390	Miscellaneous Long Term Liabilities		<u>163,365</u>
2300T	Total Long Term Liabilities		<u>6,523,081</u>

2000T	Total Liabilities		<u>6,923,643</u>
-------	-------------------	--	------------------

PARTNERS' EQUITY

3130	Total Equity		<u>1,903,709</u>
------	--------------	--	------------------

2033T	TOTAL LIABILITIES AND EQUITY	\$	<u><u>8,827,352</u></u>
-------	------------------------------	----	-------------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2016

REVENUE

5120	Rent Revenue - Gross Potential	\$ 1,298,868
5100T	Total Rent Revenue	1,298,868

Vacancies

5250	Rental Concessions	644
5200T	Total Vacancies	644
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	1,298,224

Financial Revenue

5490	Revenue from Investments- Misc.	258
5400T	Total Financial Revenue	258

Other Revenue

5910	Laundry and Vending Revenue	754
5920	Tenant Charges	16,060
5990	Misc. Revenue	18,672
5900T	Total Other Revenue	35,486

5000T	TOTAL REVENUE	1,333,968
-------	---------------	-----------

EXPENSES

Administrative Expenses

6210	Advertising and Marketing	42,351
6250	Other Renting Expenses	6,333
6310	Office Salaries	23,422
6311	Office Expenses	4,800
6312	Office or Model Apartment Rent	11,781
6320	Management Fee	52,160
6340	Legal Expense-Project	278
6350	Audit Fees	12,768
6351	Bookkeeping Fees/Accounting Services	6,000
6390	Miscellaneous Administrative Expenses	68
6263T	Total Administrative Expenses	159,961

Utilities Expenses

6450	Electricity	33,027
6451	Water	323
6452	Gas Utility Expense	19,307
6453	Sewer	31,613
6400T	Total Utilities Expense	84,270

Operating & Maintenance Expenses

6515	Supplies	108,571
6520	Contracts	26,355
6525	Garbage and Trash Removal	7,070
6530	Security Payroll/Contract	894
6548	Snow Removal	7,415
6500T	Total Operating and Maintenance Expenses	150,305

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2016

Taxes & Insurance		
6710	Real Estate Taxes	123,508
6720	Property & Liability Insurance (Hazard)	<u>50,279</u>
6700T	Total Taxes and Insurance	<u>173,787</u>

Financial Expenses		
6820	Interest on Mortgage (or Bonds) Payable	242,354
6850	Mortgage Insurance Premium/Service Charge	30,446
6890	Miscellaneous Financial Expenses	<u>8,962</u>
6800T	Total Financial Expenses	<u>281,762</u>

Operating Results		
6000T	Total Cost of Operations before Depreciation	850,085
5060T	Profit (Loss) before Depreciation	483,883
6600	Depreciation Expense	<u>247,154</u>
5060N	Operating Profit or (Loss)	<u>236,729</u>

CHANGE IN NET ASSETS FROM OPERATIONS

3250	Change in Total Net Assets from Operations	<u>\$ 236,729</u>
------	--	-------------------

Part II

S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages.	\$ 130,266
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$ 29,250

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR PERIOD ENDED DECEMBER 31, 2016

S1100-010	Beginning of Year Balance	\$ 1,901,966
3250	Net Income or Loss	236,729
S1200-420	Distributions	<u>(234,986)</u>
3130	End of Year	<u>\$ 1,903,709</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010 Rental Receipts	\$ 1,291,745
S1200-020 Interest Receipts	258
S1200-030 Other Operating Receipts	<u>35,486</u>
S1200-040 Total Receipts	<u>1,327,489</u>
S1200-050 Administrative	(81,131)
S1200-070 Management Fee	(52,160)
S1200-090 Utilities	(91,339)
S1200-100 Salaries and Wages	(23,422)
S1200-110 Operating and Maintenance	(109,102)
S1200-120 Real Estate Taxes	(125,441)
S1200-140 Property Insurance	(49,442)
S1200-150 Miscellaneous Taxes and Insurance	(3,248)
S1200-160 Tenant Security Deposits	(1,051)
S1200-180 Interest on Mortgages	(235,460)
S1200-210 Mortgage Insurance Premium (MIP)	(30,446)
S1200-220 Miscellaneous Financial	<u>(8,962)</u>
S1200-230 Total Disbursements	<u>(811,204)</u>
S1200-240 NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>516,285</u>

CASH FLOWS FROM INVESTING ACTIVITIES

S1200-245 Net Deposits to the Mortgage Escrow account	1,388
S1200-250 Net Deposits to the Reserve for Replacement account	118
S1200-330 Net Purchase of Fixed Assets	<u>(141,721)</u>
S1200-350 NET CASH PROVIDED BY (USED IN) INVESTING	<u>(140,215)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360 Principal Payments - First Mortgage (or Bonds)	(130,266)
S1200-420 Distributions	(234,986)
S1200-450 Other Financing Activities	<u>(8,068)</u>
S1200-460 NET CASH PROVIDED BY (USED IN) FINANCING	<u>(373,320)</u>

S1200-470 NET INCREASE (DECREASE) IN CASH	2,750
S1200-480 Beginning of Period Cash	<u>337,252</u>

S1200T END OF PERIOD CASH	<u><u>\$ 340,002</u></u>
---------------------------	--------------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2016

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED
BY (USED IN) OPERATING ACTIVITIES

3250 Change in Total Net Assets from Operations \$ 236,729

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by
(Used in) Operating Activities

6600	Depreciation Expenses	247,154
S1200-486	Amortization of Debt Issuance Costs	7,272
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	648
S1200-520	Decrease (increase) in Prepaid Expenses	837
S1200-530	Decrease (increase) in Cash Restricted For Tenant Security Deposits	(1,864)
S1200-540	Increase (decrease) in Accounts Payable	34,134
S1200-560	Increase (decrease) in Accrued Liabilities	(1,933)
S1200-570	Increase (decrease) in Accrued Interest Payable	(378)
S1200-580	Increase (decrease) in Tenant Security Deposits Held in Trust	813
S1200-590	Increase (decrease) in Prepaid Revenue	<u>(7,127)</u>
S1200-610	NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 516,285</u>

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009**

**SCHEDULE OF RESERVE FOR REPLACEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2016**

SCHEDULE OF RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$	61,194
1320DT	Total Monthly Deposits		29,250
1320INT	Interest on Replacement Reserve Accounts		20
1320WT	Approved Withdrawals		<u>(29,388)</u>
1320	Balance at End of Year, Confirmed by Mortgagee	\$	<u>61,076</u>
1320R	Deposits Suspended or Waived Indicator		NO

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

COMPUTATION OF SURPLUS CASH
FOR THE PERIOD ENDED DECEMBER 31, 2016

Annual - December 31, 2016

S1300-010 Cash	\$ 370,859
S1300-040 Total Cash	<u>370,859</u>
Current Obligations	
S1300-050 Accrued Mortgage (or Bond) Interest Payable	19,416
S1300-075 Accounts Payable - 30 days	59,829
2210 Prepaid Revenue	16,678
2191 Tenant Security Deposits Liability	28,838
S1300-110 Other Current Obligations	<u>30,477</u>
S1300-140 Total Current Obligations	<u>155,238</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ 215,621</u>
S1300-200 Amount Available for Distribution during next fiscal period	<u>\$ 215,621</u>

Semi-Annual - June 30, 2016

S1400-020 Cash	\$ 394,138
S1400-050 Total Cash	<u>394,138</u>
Current Obligations	
S1400-060 Accrued Mortgage Interest Payable	19,606
S1400-090 Accounts Payable - 30 days	41,232
S1400-120 Accrued Expenses [not escrowed]	12,051
S1400-130 Prepaid Revenue	25,408
S1400-140 Tenant Security Deposits Liability	<u>30,200</u>
S1400-180 Total Current Obligations	<u>128,497</u>
S1400-190 Surplus Cash (Deficiency)	<u>\$ 265,641</u>
S1400-240 Amount Available for Distribution	<u>\$ 265,641</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

SCHEDULE OF FIXED ASSETS
DECEMBER 31, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
1410 Land	\$ 876,152	\$ -	\$ -	\$ 876,152
1420 Buildings	8,428,649	-	-	8,428,649
1450 Furniture for Project/Tenant Use	81,518	-	-	81,518
1465 Office Furniture and Equipment	<u>43,411</u>	<u>141,721</u>	-	<u>185,132</u>
Total	9,429,730	<u>\$ 141,721</u>	<u>\$ -</u>	9,571,451
1495 Depreciation	<u>(1,162,701)</u>	<u>\$ (247,154)</u>	<u>-</u>	<u>(1,409,855)</u>
1400N Net Book Value	<u>\$ 8,267,029</u>			<u>\$ 8,161,596</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pacific Ridge Osgood Place, LP (Project), HUD Contact No. 094-11009, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, partners' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government*

Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas

March 19, 2017

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control over Compliance in Accordance with the *Consolidated Audit Guide for Audits of HUD Programs*

To the Partners of
Pacific Ridge Osgood Place, LP

Report on Compliance for Major HUD Program

We have audited Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009, compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Project's major U.S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2016. The Project's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
HUD Loan under Section 223 (a) (7) Program	Federal financial reports, fair housing and non-discrimination, mortgage status, replacement reserve, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership/acquisition of liabilities and unauthorized loans from project funds.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the HUD program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pacific Ridge Osgood Place, LP's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. However, our audit does not provide a legal determination of Pacific Ridge Osgood Place, LP's compliance.

Opinion on Major HUD Program

In our opinion, Pacific Ridge Osgood Place, LP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Pacific Ridge Osgood Place, LP, is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas
March 19, 2017

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

No matters were reported for the year ended December 31, 2016.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

AUDITOR'S COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
DECEMBER 31, 2016

No matters were reported for the year ended December 31, 2016.

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009**

**CERTIFICATE OF PARTNERS
DECEMBER 31, 2016**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Signed: _____

Title: _____

Date: _____

Telephone Number: 1-877-412-8474

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT 094-11009**

**MANAGEMENT AGENT'S CERTIFICATION
DECEMBER 31, 2016**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Management Company: _____

Signed: _____

Title: _____

Date: _____

Tax Identification Number: 45-0459350

Property Manager: Lisa Gefroh

PACIFIC RIDGE OSGOOD PLACE, LP

HUD Project Number 094-11009

Financial Statements and Supplementary Information

Together with the Independent Auditor's Report

For the Year Ended December 31, 2017

DRAFT

SWALM & ASSOCIATES, P.C.
Certified Public Accountants

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Table of Contents

Independent Auditor's Report	2
Balance Sheet	4
Statement of Operations	5
Statement of Changes in Partners' Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	9
Supplementary Data Required by HUD	14
Balance Sheet Data	15
Profit & Loss Data	17
Statement of Changes in Partners' Equity	19
Statement of Cash Flows Data	20
Schedule of Reserve for Replacements	22
Computation of Surplus Cash	23
Schedule of Fixed Assets	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control over Compliance in Accordance with the <i>Consolidated Audit Guide for Audits of HUD Programs</i>	27
Schedule of Findings and Questioned Costs	29
Auditor's Comments on Audit Resolution Matters Relating to HUD Programs	30
Certification of Partners	31
Management Agent's Certification	32

Independent Auditor's Report

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited the accompanying financial statements of Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, changes in Partners' equity, and cash flows for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of December 31, 2017, and the results in its operations and its cash flows for the period then ended in conformity with accounting principals generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental data required by HUD shown on pages 14 to 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Report Issued in Accordance with Government Audit Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 19, 2018, on our consideration of the Project's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and important in considering the entity's internal control and compliance.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas

March 19, 2018

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Balance Sheet
December 31, 2017

ASSETS

Cash - Operations	\$ 243,417
Tenant Accounts Receivable	11,004
Prepaid Expenses	<u>44,374</u>
Total Current Assets	298,795
Tenant Deposits Held in Trust	<u>27,144</u>
Escrow Deposits	182,198
Replacement Reserve	<u>61,526</u>
Total Deposits	<u>243,724</u>
Land, Building, Furniture and Equipment	
Land	876,152
Building	8,428,649
Furniture for Tenant Use	120,147
Furniture and Equipment	<u>289,687</u>
Total Fixed Assets	9,714,635
Less: Accumulated Depreciation	<u>(1,668,415)</u>
Net Fixed Assets	<u>8,046,220</u>
Total Assets	<u>\$ 8,615,883</u>

LIABILITIES AND PARTNERS' EQUITY

A/P - Operations	\$ 25,602
Accrued Interest Payable-First Mortgage	19,025
Accrued Property Taxes	149,188
Mortgage Payable - Short Term	140,047
Prepaid Revenues	<u>39,102</u>
Total Current Liabilities	<u>372,964</u>
Tenant Deposit Liabilities	<u>27,037</u>
Mortgage Payable	6,227,333
Misc Other Liabilities	<u>154,876</u>
Total Long Term Liabilities	<u>6,382,209</u>
Total Liabilities	6,782,210
Partners' Equity	<u>1,833,673</u>
Total Liabilities and Partners' Equity	<u>\$ 8,615,883</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Operations
For the period ended December 31, 2017

REVENUES

Net Rental Income	\$ 1,281,634
Interest Income	223
Other Revenues	<u>22,943</u>
Total Revenues	<u>1,304,800</u>

EXPENSES

Administrative	149,048
Utilities	78,847
Operating & Maintenance	186,980
Taxes & Insurance	182,309
Total Financial	<u>276,125</u>
Total Cost of Operations before Depreciation	<u>873,309</u>
Profit (Loss) before Depreciation	431,491
Depreciation Expense	<u>258,560</u>
Net Income (Loss)	<u>\$ 172,931</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Partners' Equity
For the period ended December 31, 2017

PARTNERS' EQUITY - December 31, 2016	\$ 1,903,709
Net Income (Loss)	172,931
Distributions	<u>(242,967)</u>
PARTNERS' EQUITY - December 31, 2017	<u>\$ 1,833,673</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows
For the period ended December 31, 2017

CASH FLOW FROM OPERATING ACTIVITIES

Rental Receipts	\$ 1,295,603
Interest Receipts	223
Other Operating Receipts	<u>22,943</u>
Total Receipts	<u>1,318,769</u>
Administrative Expenses	(73,446)
Management Fees	(52,042)
Utilities	(78,847)
Salaries and Wages	(23,560)
Operating and Maintenance	(221,207)
Real Estate Taxes	(123,508)
Property Insurance	(43,955)
Tenant Security Deposits	1,912
Interest on Mortgage	(230,854)
Mortgage Insurance Premium	(37,275)
Miscellaneous Financial	<u>(8,540)</u>
Total Disbursements	<u>(891,322)</u>
Net Cash Provided by (Used in) Operating Activities	<u>427,447</u>

CASH FLOW FROM INVESTING ACTIVITIES

Net Deposits to Mortgage Escrow	5,930
Net Deposits to Replacement Reserve	(450)
Net Purchase of Fixed Assets	<u>(143,184)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(137,704)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal Payments on Mortgage	(134,872)
Distributions to partners	(242,967)
Payments on Misc. Liabilities - Special Assessment	<u>(8,489)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(386,328)</u>

Net Increase (Decrease) in Cash for the Period	(96,585)
Cash - December 31, 2016	<u>340,002</u>
Cash - December 31, 2017	<u>\$ 243,417</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Statement of Changes in Cash Flows - continued
For the period ended December 31, 2017

RECONCILIATION OF NET INCOME (LOSS) TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net Income (Loss)	\$ 172,931
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation Expenses	258,560
Amortization of Debt Issuance Costs	7,272
Decrease (increase) in Tenant Account Receivable	(8,455)
Decrease (increase) in Prepaid Expenses	(1,230)
Decrease (increase) in Cash Restricted for Tenant Security Deposits	3,713
Increase (decrease) in Vendors Accounts Payable	(34,227)
Increase (decrease) in Accrued Liabilities	8,651
Increase (decrease) in Accrued Interest Payable	(391)
Increase (decrease) in Tenant Security Deposits Held in Trust	(1,801)
Increase (decrease) in Prepaid Revenues	<u>22,424</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 427,447</u>

See accompanying notes to financial statements.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2017

NOTE 1 – Organization and Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. Department of Housing and Urban Development (HUD) in the Audit guide for Auditing Development Costs of HUD-Insured Multifamily Projects. These standards differ in some respects from accounting principles generally accepted in the United States of America; however, the differences are not material in the accompanying financial statements.

Pacific Ridge Osgood Place, LP (the Company), was formed as a California limited partnership on March 19, 2010, to acquire and manage a 117-unit multifamily apartment complex located in Fargo, North Dakota. The Company operates under the provisions of Section 221(d) (4) of the National Housing Act, with insurance provided by the Federal Housing Administration (FHA) of HUD, and has agreed to adhere to provisions of a regulatory agreement between it and HUD.

NOTE 2 – Summary of Significant Accounting Policies

Basis of accounting - The accrual method of accounting is used for financial statement purposes. Project equity represents contributions made by the owners that were required to fund the costs incurred to construct or purchase the Project, plus the results of operations of the Project less any distributions made to the owners.

Cash and cash equivalents - For purposes of reporting cash flows, the Project considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Project maintains its cash balances at financial institutions that participate in the Federal Deposit Insurance Corporation's Transaction Account Guarantee Program which insures non-interest bearing accounts for the full balance and interest bearing accounts up to \$250,000.

Accounts Receivable, Rental Income - Tenant receivables are recorded the day rent is due, usually the first day of each month. Rental payments received in advance are deferred until earned. All leases between the Project and the tenants of the property are operating leases.

Allowance for Uncollectible Accounts - Amounts are considered past due based on the tenant's individual lease. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fixed Assets, Depreciation and Amortization - Property and equipment are recorded at cost. Depreciation and amortization methods for fixed and intangible assets are based on generally accepted accounting principals methods. When assets are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any given gain or loss is included in operations.

Management of the Partnership reviews the depreciated value of the property to determine if circumstances exist that would indicate the carrying value of the property has been impaired. If impairment is indicated, an adjustment will be made to the depreciated value of the property based on discounted future cash flows. Management does not believe that there are any factors or circumstances indicating impairment of its investment in the property as of December 31, 2017.

Deferred financing costs - Deferred financing costs are capitalized and amortized over the life of the loan using the effective interest method.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2017

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition - The apartment units are leased under operating leases normally of one year or less; however there are no leases that exceed a term of 3 years. The Company also has certain garages, carports and storage compartments available to rent by resident tenants. Income is recognized monthly as earned. Advance rental payments and tenant security deposits are reflected as liabilities until earned or refunded. Fees and forfeitures of deposits are recognized when incurred. Normally these are cash transactions and are fully recognized when recorded.

Operational Expenses - Operational expenses are recorded or accrued when incurred. Expenses that are paid in advance of the goods or service being provided are deferred and amortized over their contract or useful period. Prepaid property insurance is the principal prepaid asset.

Federal Income Tax Matters - The Company is not directly liable for Federal income taxes. Company income and deductions are allocated to the partners who are directly responsible for any income taxes due on such allocation; however, the Company does prepare a Federal income tax return as required by the Federal income tax laws.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncement - In April 2016, the Financial Accounting Services Board (FASB) published Accounting Standards Update (ASU) No. 2016-03, which changes the presentation and disclosure of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. Previous U.S. GAAP required debt issuance costs to be reported as an asset. The new guidance does not change the subsequent accounting for debt issuance costs and these amounts will continue to be amortized over the term of the related debt. However, amortization of debt issuance costs will now be required to be reported as a component of interest expense. The Company reclassified the debt issuance costs of \$192,907 as a contra-account to the mortgage liability.

NOTE 3 - Bank Accounts and Petty Cash

The Company maintains its cash in two bank accounts with Bremer Bank, a regional banking institution. Federal Deposit Insurance Corporation insures each account balance. At December 31, 2017 the cash balances exceeded the FDIC insured limits.

To comply with HUD regulations, tenant security deposits provided under tenants' lease provisions are maintained in a separate bank account. The cash in this account is restricted from use in the general operations of the Company. As security deposits increase or decrease, the amount held in the aforementioned restricted account is adjusted accordingly.

A petty cash fund is maintained by the property manager to pay minor expenditures that arise in the normal course of business. This fund is replenished periodically on an impress basis. At December 31, 2017, there was an operating account of \$243,417 and a tenant security deposit account of \$27,144.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2017

NOTE 4 - Reserves and Escrows

Each month the mortgage payment includes escrow payments for payment of annual property tax, hazard insurance and mortgage insurance premiums as well as a replacement reserve contribution. The monthly escrow payment currently totals \$19,351 which includes \$11,080 property tax escrow, \$3,452 hazard insurance escrow, \$2,381 mortgage insurance premium and \$2,438 replacement reserve contribution. Replacement reserves are available for future replacement needs and can only be withdrawn with approval from HUD.

At December 31, 2017, the outstanding mortgage-escrow balances included the following, which management believe are adequate to pay the underlying obligations being escrowed:

Property Tax Escrow	\$ 136,484
Property Insurance Escrow	20,870
Mortgage Insurance Premium Escrow	<u>24,844</u>
Total Escrows	<u>\$ 182,198</u>
Replacement Reserve	<u>\$ 61,526</u>

NOTE 5 – Fixed Assets

Land, building and furniture, fixtures and equipment are recorded at cost incurred to construct or acquire the assets. At December 31, 2017, fixed assets were reflected in the following accounts:

Land (non-depreciated)	\$ 876,152
Building	8,428,649
Furniture for project/tenant use	120,147
Office furniture and equipment	<u>289,687</u>
Total Fixed Assets	9,714,635
Less: Accumulated Depreciation	<u>(1,668,415)</u>
Net Fixed Assets	<u>\$ 8,046,220</u>

Depreciation expenses are based on expected useful lives of the related assets, ranging from 5 to 40 years, as provided under generally accepted accounting principals. Assets began being depreciated when put into service.

NOTE 6 – Other Liabilities

Accrued expenses at December 31, 2017, represent estimated operational expenses incurred but not yet billed or paid. Most of these accrued expenses are normally not billed and paid monthly; therefore, estimates of the amount due are accrued and moved to accounts payable when billed. The components of accrued expenses at December 31, 2017, include accrued property taxes of \$149,188.

Vendor payables are recorded when billings for expenses and other purchases are received. All vendor payables recorded at December 31, 2017, were paid within 30 days subsequent to year end.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2017

NOTE 7 – Mortgage Payable

At December 31, 2017, the Company has a HUD-insured mortgage outstanding in the amount of \$6,560,287 (\$140,047 due within the next 12 months). The mortgage bears interest at 3.48% per annum payable monthly installments of \$30,477, including principal and interest through January 1, 2046. Amounts due over the next five years and thereafter are as follows:

2018	\$ 140,047
2019	144,999
2020	150,126
2021	155,435
2022	160,931
Thereafter	5,808,749
Unamortized Debt Issuance Costs	<u>(192,907)</u>
	<u>\$ 6,367,380</u>

Deferred financing costs of \$254,551 are included as a reduction in the mortgage liability. All costs are considered to be long-term. The amounts are being amortized over the 40-year term of the mortgage. Accumulated amortization for the year ended December 31, 2017, was \$61,644. Amortization expense of \$7,272 was included as a component of interest expense.

The Company is required to pay an annual mortgage insurance premium in advance equal to 0.45% of the average outstanding balance of the mortgage payable for the following 12 months.

NOTE 8 – Partners' Equity

The following reflects the changes in Partners' Equity during the year ended December 31, 2017:

Beginning balance at December 31, 2016	\$ 1,903,709
Income for period ended December 31, 2017	172,931
Distributions to partners	<u>(242,967)</u>
Ending balance at December 31, 2017	<u>\$ 1,833,673</u>

Under the regulatory agreement between the Company and HUD, distributions to partners from funds provided by rental operations are allowed provided that: 1) surplus cash, as defined by HUD, is available for such purposes; 2) the project is in compliance with all outstanding notices of requirements for proper maintenance; and 3) there is no default under the regulatory agreement or under the mortgage note. During 2017 surplus cash distributions of \$242,967 were made. Distributable surplus cash at December 31, 2017, was \$145,904.

NOTE 9 – Management Fees

Property Resources Group, managed the property during 2017 under a HUD approved management arrangement. The management fee arrangement is 4% of monthly tenant revenue collected. Management fees for 2017 were \$52,042.

PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009

Notes to Financial Statements
As of December 31, 2017

NOTE 10 - Concentrations

The Partnership's cash balances are insured by the Federal Deposit Insurance Corporation. At December 31, 2017, and at times during the year, these balances may have exceeded the federal insurance limits; however, the Partnership has not experienced losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2017.

Partnership's principal asset is a 117-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 11 - Subsequent Events

The Partnership has evaluated subsequent events through March 19, 2018, the date the financial statements were available to be issued, and has determined that there are none to be reported.

DRAFT

**SUPPLEMENTARY DATA
REQUIRED BY HUD**

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

1120	Cash - Operations	\$	243,417
1130	Tenant/Member Accounts Receivable (Coops)		11,004
1200	Prepaid Expenses		<u>44,374</u>
1100T	Total Current Assets		<u>298,795</u>

1191	Tenant/Patient Deposits Held in Trust		<u>27,144</u>
------	---------------------------------------	--	---------------

RESTRICTED DEPOSITS

1310	Escrow Deposits		182,198
1320	Replacement Reserve		<u>61,526</u>
1300T	Total Deposits		<u>243,724</u>

PROPERTY AND EQUIPMENT

1410	Land		876,152
1420	Buildings		8,428,649
1450	Furniture for Project/Tenant Use		120,147
1465	Office Furniture and Equipment		<u>289,687</u>
1400T	Total Fixed Assets		9,714,635
1495	Accumulated Depreciation		<u>(1,668,415)</u>
1400N	Net Fixed Assets		<u>8,046,220</u>

1000T	TOTAL ASSETS	\$	<u>8,615,883</u>
-------	--------------	----	------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

BALANCE SHEET DATA - CONTINUED
DECEMBER 31, 2017

LIABILITIES AND EQUITY

CURRENT LIABILITIES

2110	Accounts Payable - Operations	\$	25,602
2131	Accrued Interest Payable-First Mortgage		19,025
2150	Accrued Property Taxes		149,188
2170	Mortgage Payable - First Mortgage (Short Term)		140,047
2210	Prepaid Revenue		<u>39,102</u>
2122T	Total Current Liabilities		<u>372,964</u>

2191	Tenant/Patient Deposits Held In Trust (Contra)		<u>27,037</u>
------	--	--	---------------

LONG-TERM LIABILITIES

2320	Mortgage (or Bonds) Payable - First Mortgage		6,420,240
2340	Debt Issuance Costs		(192,907)
2390	Miscellaneous Long Term Liabilities		<u>154,876</u>
2300T	Total Long Term Liabilities		<u>6,382,209</u>

2000T	Total Liabilities		<u>6,782,210</u>
-------	-------------------	--	------------------

PARTNERS' EQUITY

3130	Total Equity		<u>1,833,673</u>
------	--------------	--	------------------

2033T	TOTAL LIABILITIES AND EQUITY	\$	<u>8,615,883</u>
-------	------------------------------	----	------------------

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2017

REVENUE

5120	Rent Revenue - Gross Potential	\$ 1,297,454
5100T	Total Rent Revenue	1,297,454

Vacancies

5250	Rental Concessions	15,820
5200T	Total Vacancies	15,820
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	1,281,634

Financial Revenue

5440	Revenue from Investments - Replacement Reserve	14
5490	Revenue from Investments- Miscellaneous	209
5400T	Total Financial Revenue	223

Other Revenue

5910	Laundry and Vending Revenue	1,011
5920	Tenant Charges	17,751
5990	Misc. Revenue	4,181
5900T	Total Other Revenue	22,943

5000T	TOTAL REVENUE	1,304,800
-------	---------------	-----------

EXPENSES

Administrative Expenses

6210	Advertising and Marketing	40,250
6250	Other Renting Expenses	2,955
6310	Office Salaries	23,560
6311	Office Expenses	309
6312	Office or Model Apartment Rent	8,731
6320	Management Fee	52,042
6340	Legal Expense-Project	188
6350	Audit Fees	13,420
6351	Bookkeeping Fees/Accounting Services	6,000
6390	Miscellaneous Administrative Expenses	1,593
6263T	Total Administrative Expenses	149,048

Utilities Expenses

6450	Electricity	30,629
6451	Water	926
6452	Gas	18,022
6453	Sewer	29,270
6400T	Total Utilities Expense	78,847

Operating & Maintenance Expenses

6515	Supplies	131,689
6520	Contracts	33,189
6525	Garbage and Trash Removal	7,096
6530	Security Payroll/Contract	885
6548	Snow Removal	14,121
6500T	Total Operating and Maintenance Expenses	186,980

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

PROFIT & LOSS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2017

Taxes & Insurance		
6710	Real Estate Taxes	132,159
6720	Property & Liability Insurance (Hazard)	<u>50,150</u>
6700T	Total Taxes and Insurance	<u>182,309</u>

Financial Expenses		
6820	Interest on Mortgage (or Bonds) Payable	237,735
6850	Mortgage Insurance Premium/Service Charge	29,850
6890	Miscellaneous Financial Expenses	<u>8,540</u>
6800T	Total Financial Expenses	<u>276,125</u>

Operating Results		
6000T	Total Cost of Operations before Depreciation	873,309
5060T	Profit (Loss) before Depreciation	431,491
6600	Depreciation Expense	<u>258,560</u>
5060N	Operating Profit or (Loss)	<u>172,931</u>

CHANGE IN NET ASSETS FROM OPERATIONS		
3250	Change in Total Net Assets from Operations	<u>\$ 172,931</u>

Part II		
S1000-010	Total mortgage (or bond) principal payments required during the audit year [12 monthly payments]. This applies to all direct loans and HUD-held and fully insured mortgages.	\$ 134,872
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$ 29,250

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR PERIOD ENDED DECEMBER 31, 2017

S1100-010	Beginning of Year Balance	\$ 1,903,709
3250	Net Income or Loss	172,931
S1200-420	Distributions	<u>(242,967)</u>
3130	End of Year	<u>\$ 1,833,673</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA
FOR THE PERIOD ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
S1200-010 Rental Receipts	\$ 1,295,603
S1200-020 Interest Receipts	223
S1200-030 Other Operating Receipts	<u>22,943</u>
S1200-040 Total Receipts	<u>1,318,769</u>
S1200-050 Administrative	(73,446)
S1200-070 Management Fee	(52,042)
S1200-090 Utilities	(78,847)
S1200-100 Salaries and Wages	(23,560)
S1200-110 Operating and Maintenance	(221,207)
S1200-120 Real Estate Taxes	(123,508)
S1200-140 Property Insurance	(43,955)
S1200-160 Tenant Security Deposits	1,912
S1200-180 Interest on Mortgages	(230,854)
S1200-210 Mortgage Insurance Premium (MIP)	(37,275)
S1200-220 Miscellaneous Financial	<u>(8,540)</u>
S1200-230 Total Disbursements	<u>(891,322)</u>
S1200-240 NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>427,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
S1200-245 Net Deposits to the Mortgage Escrow account	5,930
S1200-250 Net Deposits to the Reserve for Replacement account	(450)
S1200-330 Net Purchase of Fixed Assets	<u>(143,184)</u>
S1200-350 NET CASH PROVIDED BY (USED IN) INVESTING	<u>(137,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
S1200-360 Principal Payments - First Mortgage (or Bonds)	(134,872)
S1200-420 Distributions	(242,967)
S1200-450 Other Financing Activities	<u>(8,489)</u>
S1200-460 NET CASH PROVIDED BY (USED IN) FINANCING	<u>(386,328)</u>
S1200-470 NET INCREASE (DECREASE) IN CASH	(96,585)
S1200-480 Beginning of Period Cash	<u>340,002</u>
S1200T END OF PERIOD CASH	<u>\$ 243,417</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

STATEMENT OF CASH FLOWS DATA – CONTINUED
FOR THE PERIOD ENDED DECEMBER 31, 2017

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED
BY (USED IN) OPERATING ACTIVITIES

3250 Change in Total Net Assets from Operations \$ 172,931

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by
(Used in) Operating Activities

6600	Depreciation Expenses	258,560
S1200-486	Amortization of Debt Issuance Costs	7,272
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	(8,455)
S1200-520	Decrease (increase) in Prepaid Expenses	(1,230)
S1200-530	Decrease (increase) in Cash Restricted For Tenant Security Deposits	3,713
S1200-540	Increase (decrease) in Accounts Payable	(34,227)
S1200-560	Increase (decrease) in Accrued Liabilities	8,651
S1200-570	Increase (decrease) in Accrued Interest Payable	(391)
S1200-580	Increase (decrease) in Tenant Security Deposits Held in Trust	(1,801)
S1200-590	Increase (decrease) in Prepaid Revenue	<u>22,424</u>
S1200-610	NET CASH PROVIDED BY (USED IN) OPERATIONS	<u>\$ 427,447</u>

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009**

**SCHEDULE OF RESERVE FOR REPLACEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2017**

SCHEDULE OF RESERVE FOR REPLACEMENTS

1320P	Balance at Beginning of Year	\$	61,076
1320DT	Total Monthly Deposits		29,250
1320INT	Interest on Replacement Reserve Accounts		14
1320WT	Approved Withdrawals		<u>(28,814)</u>
1320	Balance at End of Year, Confirmed by Mortgagee	\$	<u>61,526</u>
1320R	Deposits Suspended or Waived Indicator		NO

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

COMPUTATION OF SURPLUS CASH
FOR THE PERIOD ENDED DECEMBER 31, 2017

Annual - December 31, 2017

S1300-010 Cash	\$ 270,561
S1300-040 Total Cash	<u>270,561</u>
Current Obligations	
S1300-050 Accrued Mortgage (or Bond) Interest Payable	25,602
S1300-075 Accounts Payable - 30 days	19,025
2210 Prepaid Revenue	39,102
2191 Tenant Security Deposits Liability	27,038
S1300-110 Other Current Obligations	<u>13,890</u>
S1300-140 Total Current Obligations	<u>124,657</u>
S1300-150 Surplus Cash (Deficiency)	<u>\$ 145,904</u>
S1300-200 Amount Available for Distribution during next fiscal period	<u>\$ 145,904</u>

Semi-Annual - June 30, 2017

S1400-020 Cash	\$ 335,133
S1400-050 Total Cash	<u>335,133</u>
Current Obligations	
S1400-060 Accrued Mortgage Interest Payable	19,222
S1400-090 Accounts Payable - 30 days	47,066
S1400-130 Prepaid Revenue	21,882
S1400-140 Tenant Security Deposits Liability	<u>29,688</u>
S1400-180 Total Current Obligations	<u>117,858</u>
S1400-190 Surplus Cash (Deficiency)	<u>\$ 217,275</u>
S1400-240 Amount Available for Distribution	<u>\$ 217,275</u>

PACIFIC RIDGE OSGOOD PLACE, LP
HUD CONTRACT NUMBER 094-11009

SCHEDULE OF FIXED ASSETS
DECEMBER 31, 2017

	Beginning Balance	Additions	Deletions	Ending Balance
1410 Land	\$ 876,152	\$ -	\$ -	\$ 876,152
1420 Buildings	8,428,649	-	-	8,428,649
1450 Furniture for Project/Tenant Use	81,518	38,629	-	120,147
1465 Office Furniture and Equipment	<u>185,132</u>	<u>104,555</u>	<u>-</u>	<u>289,687</u>
Total	9,571,451	<u>\$ -</u>	<u>\$ -</u>	9,714,635
1495 Depreciation	<u>(1,409,855)</u>	<u>\$ (258,560)</u>	<u>-</u>	<u>(1,668,415)</u>
1400N Net Book Value	<u>\$ 8,161,596</u>			<u>\$ 8,046,220</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Partners of
Pacific Ridge Osgood Place, LP

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pacific Ridge Osgood Place, LP (Project), HUD Contact No. 094-11009, which comprise the balance sheet as of December 31, 2017, and the related statements of operations, partners' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government*

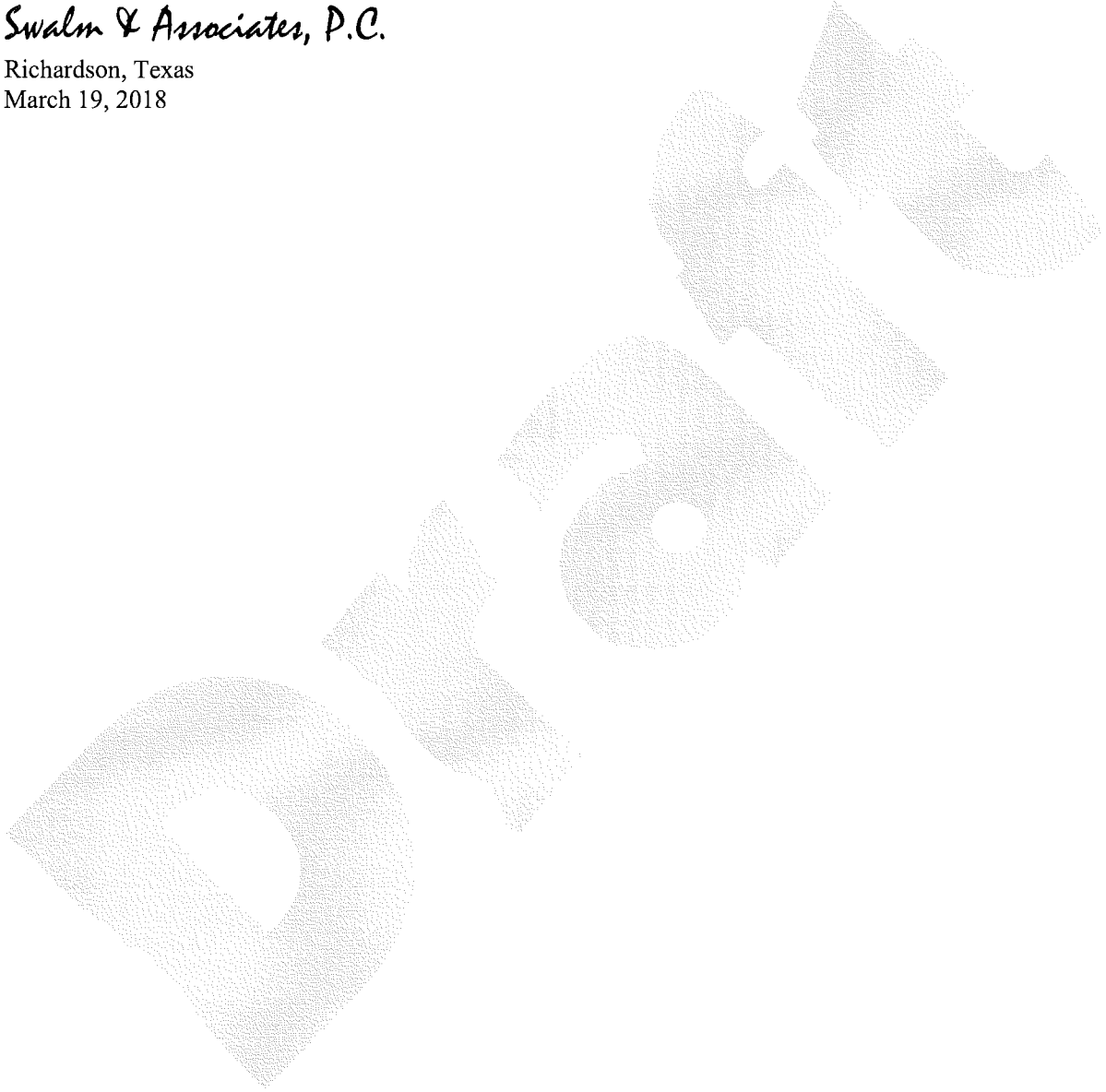
Auditing Standards.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas
March 19, 2018



SWALM & ASSOCIATES, P.C.

Certified Public Accountants, Auditors and Consultants

2435 N. Central Expressway, Ste 720
Richardson, Texas 75080

Office (972) 516-8800
Fax (972) 767-2285

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on the Major HUD-assisted Program and on Internal Control over Compliance in Accordance with the *Consolidated Audit Guide for Audits of HUD Programs*

To the Partners of
Pacific Ridge Osgood Place, LP

Report on Compliance for Major HUD Program

We have audited Pacific Ridge Osgood Place, LP, HUD Project No. 094-11009, compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have a direct and material effect on the Project's major U.S. Department of Housing and Urban Development (HUD) program for the year ended December 31, 2017. The Project's major HUD program and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
HUD Loan under Section 207/223(f) Program	Federal financial reports, fair housing and non-discrimination, mortgage status, replacement reserve, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant security deposits, management functions, unauthorized change of ownership/acquisition of liabilities and unauthorized loans from project funds.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the HUD program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pacific Ridge Osgood Place, LP's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major HUD program. However, our audit does not provide a legal determination of Pacific Ridge Osgood Place, LP's compliance.

Opinion on Major HUD Program

In our opinion, Pacific Ridge Osgood Place, LP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major HUD program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Pacific Ridge Osgood Place, LP, is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Project's internal control over compliance with the requirements that could have a direct and material effect on the major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas
March 19, 2018

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017**

No matters were reported for the year ended December 31, 2017.



**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009**

**AUDITOR'S COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
DECEMBER 31, 2017**

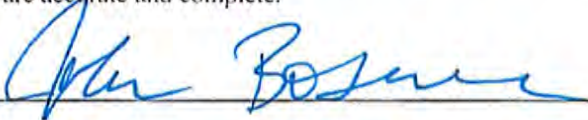
No matters were reported for the year ended December 31, 2017.

DRAFT

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT NUMBER 094-11009**

CERTIFICATE OF PARTNERS
DECEMBER 31, 2017

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Signed: 

Title: Managing Partner

Date: March 19, 2018

Telephone Number: 1-877-412-8474

**PACIFIC RIDGE OSGOOD PLACE, LP
HUD PROJECT 094-11009**

**MANAGEMENT AGENT'S CERTIFICATION
DECEMBER 31, 2017**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pacific Ridge Osgood Place, LP, HUD Contract No. 094-11009 and, to the best of our knowledge and belief, the same are accurate and complete.

Management Company: Property Resources Group

Signed: Lisa Gefroh

Title: Division Manager

Date: March 19, 2018

Tax Identification Number: 45-0459350

Property Manager: Lisa Gefroh