

From: [Board of Supervisors. \(BOS\)](#)
To: [BOS-Supervisors](#)
Cc: [BOS Legislation. \(BOS\)](#)
Subject: FW: June 2, 2020 Board of Supervisors Meeting - Item #20
Date: Monday, June 1, 2020 10:22:44 PM
Attachments: [image001.png](#)
[Ltr. to Ken Fuchs - Transfer Tax Dispute \(3.30.20\).pdf](#)

Hello Supervisors,

Please see the attached communication regarding Item No. 20, File No. 200447, on tomorrow's agenda.

File No. 200447 - Hearing to consider objections to a report of delinquent real property transfer tax under Business and Tax Regulations Code, Section 1115.1(c), for Assessor's Parcel Block No. 0269, Lot No. 004 (364 Bush Street), and directing transmission of said report to the Controller and Tax Collector for collection and deposit into the General Fund, scheduled pursuant to Motion No. M20-054 (File No. 200446) approved May 12, 2020.

Thank you,

Eileen McHugh
Executive Assistant
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: (415) 554-7703 | Fax: (415) 554-5163
eileen.e.mchugh@sfgov.org | www.sfbos.org

From: Kevin Rose <krose@reubenlaw.com>
Sent: Monday, June 1, 2020 8:34 AM
To: Calvillo, Angela (BOS) <angela.calvillo@sfgov.org>
Cc: REIBER, SCOTT (CAT) <Scott.Reiber@sfcityatty.org>
Subject: June 2, 2020 Board of Supervisors Meeting - Item #20

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Ms. Calvillo: Would you please include the attached letter with the packets available to members of the Board of Supervisors?

Thank you.

Kevin Rose

REUBEN, JUNIUS & ROSE, LLP

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REUBEN, JUNIUS & ROSE, LLP

Kevin H. Rose
krose@reubenlaw.com

March 30, 2020

Delivered Via U.S. Mail and Email to kurt.fuchs@sfgov.org

Mr. Kurt Fuchs
Office of the Assessor-Recorder
1 Dr. Carlton B. Goodlett Place, Room 190
San Francisco, CA 94102-4698

**Re: Response to Notice of Deficiency Determination and Demand for Immediate
Payment of San Francisco County Transfer Tax – 364 Bush Street
Our File No.: 10898.04**

Dear Mr. Fuchs:

My office is legal counsel to SBUS Bush Street, LLC (the “Company”), the owner of 364 Bush Street, San Francisco (the “Property”). We are in receipt of your March 4, 2020 letter regarding the payment of transfer taxes associated with the transfer of sixty percent (60%) of the membership interests in the Company. It appears the transfer tax claimed in your letter is based on the alleged reassessed value of the entire Property, without consideration of the specific transaction or the applicable laws and judicial decisions governing such transfers. The transfer tax should have been calculated using the consideration paid for the actual percentage of ownership interest in the Company. We write to object to the assessment of transfer taxes stated in your March 4, 2020 letter, and to determine if this matter can be resolved without legal proceedings.

In brief summary of the facts, on or around March 9, 2018, Royal Phoenix, LLC, purchased a 60% membership interest in the Company. The purchase price for this 60% interest was \$1,200,000, which was the result of good-faith negotiations. (Please see the enclosed purchase agreement and escrow closing statement.) The Property is the only asset held by the Company. In connection with this conveyance, my client remitted a transfer tax payment of \$9,000 to your office. Approximately two years later, the Company received your letter calculating transfer tax based on the Assessor’s proposed reassessed value of \$8,900,000. The Company also disputes this value in part because, among other reasons, the Assessor has not considered that the Property was partially vacant and the Assessor used rental rates for periods of time well after the closing date. (The Company has not received a formal notice of reassessment.)

Pursuant to San Francisco Business and Tax Regulations Code section 1102, where the consideration or value of the interest or property conveyed is at least \$1,000,000 and less than \$5,000,000, a transfer tax may be imposed at the rate of \$3.75 for each \$500 or fractional part thereof for the entire value **or consideration**, including, but not limited to, any portion of such value or consideration that is less than \$1,000,000. B&T Code 1102. When the interest conveyed results in a transfer of more than fifty percent (50%) of the ownership interest in a legal entity, the above-described transfer tax is triggered, with there

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Mr. Ken Fuchs
Office of the Assessor-Recorder
March 30, 2020
Page 2

being deemed to have “been an instrument executed whereby there was conveyed, for fair market value, all real property that experienced a change of ownership.” B&T Code 1114(b); California R&T 64, et seq.

By local ordinance, Sections 1102 and 1114 of the San Francisco Business and Taxation Code are to be interpreted consistently with those Documentary Stamp Tax Regulations adopted by the Internal Revenue Service of the United States Treasury Department as of 1967 (the “Regulations”). B&T 1114(a).¹

Under the pertinent Regulations, the documentary transfer tax must be “based upon the *net consideration where it is definite in amount*, or may be definitely determined.” Former Fed. Tax Regs. set forth at former 26 C.F.R. § 47.4361–1, subd. (b) (1968), emphasis added.; Brown v. County of Los Angeles, (1999) 72 Cal.App.4th, 665, 668. Further, it is not proper for a county to impose a transfer tax by applying its own arbitrarily determined “value” for the entire property simply because it is a greater amount than the actual consideration paid for the portion of property conveyed. Brown, supra.

In the present case, your office levied a transfer tax by applying a newly assessed “fair market value” of \$8,900,000 to the entire Property, with no consideration given to the partial conveyance of membership interests in the entity that owns the Property. This deemed value does not reflect the actual consideration paid, which is also generally presumed to be the fair market value of transferred real property. (Section 2, 18 Cal. Code of Regulations). Pursuant to the Regulations and the holding in Brown, the transfer tax should instead be calculated using the specific consideration paid for the interest conveyed.

Purchaser paid \$1,200,000 for 60% of the membership interests in the Company. Applying San Francisco Business and Taxation Code section 1102 to this conveyance, a total transfer tax of \$9,000 should have been levied, which is the amount Purchaser paid. Therefore, no further transfer tax should be due in connection with this transaction, and no penalties or interest should be assessed.

In the event your office proceeds with assessing a value of \$8,900,000 for purposes of calculating and assessing the transfer tax, please be advised that the Company objects to that assessment and reserves all rights, remedies and defenses.

Please contact me if you would like to discuss.

Very truly yours,

REUBEN, JUNIUS & ROSE, LLP



Kevin H. Rose

Enclosures

¹ Importantly, California Revenue and Taxation Code section 11911, the state transfer tax statute that provides local governments with the right to impose a local transfer tax and uses substantially similar language to that of San Francisco Business and Taxation Code section 1102, was enacted to replace and was patterned after those same Documentary Stamp Tax Regulations on conveyances.

MEMBERSHIP INTERESTS PURCHASE AGREEMENT

by and among:

ROYAL PHOENIX, LLC,
a New York limited liability company

SBUS BUSH STREET LLC,
a Delaware limited liability company

and

**THE HOLDERS OF MEMBERSHIP INTERESTS IN
SBUS BUSH STREET LLC,
AS LISTED ON THE SIGNATURE PAGES HERETO**

Dated as of March 9, 2018

MEMBERSHIP INTERESTS PURCHASE AGREEMENT

THIS MEMBERSHIP INTERESTS PURCHASE AGREEMENT (this "Agreement") is entered into as of March 9, 2018 (the "Effective Date"), by ROYAL PHOENIX, LLC, a New York limited liability company (the "Purchaser"), SBUS BUSH STREET LLC, a Delaware limited liability company (the "Company"), and the individuals whose names are set forth on Schedule 1 hereto under the heading "Members" (collectively, the "Sellers"). Certain capitalized terms used in this Agreement are defined in Exhibit A.

RECITALS

- A. The Company is the owner of the Property.
- B. The Sellers own sixty percent (60%) of the issued and outstanding Membership Interests in the Company.
- C. The Purchaser owns forty percent (40%) of the issued and outstanding Membership Interests in the Company.
- D. The Sellers are willing to sell to the Purchaser, and the Purchaser is willing to purchase from the Sellers, the Membership Interests in the Company owned by the Sellers, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

AGREEMENT

1. Sale and Purchase of Membership Interests.

1.1 Sale and Purchase. At the Closing, the Sellers shall sell, transfer and assign, and the Purchaser shall purchase from the Sellers, sixty percent (60%) of the Membership Interests in the Company, free from all Encumbrances and with the benefit of all rights of whatsoever nature attaching or accruing to the Membership Interests.

1.2 Purchase Price; Adjustment; Excess Cash.

(a) The aggregate purchase price payable by the Purchaser for the Membership Interests shall be \$1,200,000.00 (the "Purchase Price"). Schedule 1 sets forth the amount of the Purchase Price allocated and payable to each Seller (in each case, the "Seller's Applicable Purchase Price Amount").

(b) At the Closing, the Purchaser shall deposit with the Company \$210,821.12 (which represents an amount equal to \$100,000.00 plus the difference between (i) the principal amount of the Loan (\$5,000,000.00) and (ii) the pay-off amount set forth in the Pay-off Letter (\$4,889,178.88)), which shall be applied by the Company at Closing or immediately thereafter together with other cash on hand at the Company and all Company bank accounts, and accrued income and other revenues of the Company for the period of time prior to March 9, 2018 including prorated rents at the Property (for avoidance of doubt, the reserves held by the existing lender as reflected in the Pay-off Letter are included with the calculation of the Pay-off Letter, and are not to be considered as cash on hand) to pay the fees and

expenses set forth in both (i) Schedule 2 attached to this Agreement, and (ii) such other fees and expenses of the Company that have accrued on or before March 9, 2018, including, without limitation, insurance concerning the Property and the real estate taxes concerning the Property for the periods or portion of periods which accrued prior to March 9, 2018. After the payments set forth in the prior sentence are made, and after the true up process described in Section 7.2, then excess cash, if any, shall be distributed by the Company as follows, and as further described in Section 7.2(f):

- (i) First, to the Purchaser in the amount of \$41,828.74; and
- (ii) Second, to the Sellers on a pro-rata basis in accordance with their percentage interests set forth on Schedule 1 attached to this Agreement.

1.3 Closing.

(a) The consummation of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Diserio Martin O’Connor & Castiglioni LLP in New York, New York, concurrently with the execution and delivery of this Agreement.

(b) At the Closing, the Company shall cause to be delivered to the Purchaser:

(i) for any Membership Interests that are certificated, the applicable Seller shall deliver, or shall cause to be delivered, to the Purchaser the certificates representing such Membership Interests, duly endorsed in blank or accompanied by a power of attorney duly endorsed in blank, in proper form for transfer;

(ii) Assignment of Membership Interests, in the form attached hereto as Exhibit B;

(iii) Amendment to Operating Agreement, in the form attached hereto as Exhibit C;

(iv) A “Fairway” endorsement to the Company’s policy of title insurance for the Property; and

(v) a statement (in such form as may be reasonably requested by counsel to the Purchaser) conforming to the requirements of Section 1.1445-11T(d)(2) of the United States Treasury Regulations.

(c) Payment of the Purchase Price payable at the Closing pursuant to Section 1.2 shall be made by the Purchaser by wire transfer at the Closing of immediately available funds to the Sellers in an amount equal to each such Seller’s respective Seller’s Applicable Purchase Price Amount to the specified accounts of the Sellers.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company and Sellers represent and warrant to the Purchaser that the following representations and warranties are true, correct and complete as of the Closing:

2.2 Due Organization; Etc.

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and has all necessary power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; and (ii) to own and use its assets in the manner in which its assets are currently owned and used.

(b) The Company is duly qualified to do business as a foreign entity and in good standing under the laws of the State of California.

(c) A true, accurate and complete copy of the Operating Agreement has been made available to the Purchaser and except as contemplated by this Agreement there are no amendments to the Operating Agreement.

2.3 Capitalization.

(a) Schedule 1 attached to this Agreement contains a true, complete and accurate list of the outstanding Membership Interests of the Company owned by the Sellers, showing the names and percentages of the total Equity Interests of the Company owned by the Sellers.

(b) To its Knowledge, there is no: (i) outstanding subscription, option, call, warrant or right (whether or not currently exercisable) to acquire any Equity Interests of the Company; or (ii) outstanding security, instrument or obligation that is or may become convertible into or exchangeable for any Equity Interests of the Company.

2.4 Real Property. The Company is the owner of the Property, which is subject to the encumbrances set forth in the Loan Policy LX08114961 issued by Old Republic National Title Insurance Company on February 9, 2015.

2.5 Liabilities. The Company has no Liabilities, except for: (i) liabilities identified on Schedule 2 attached to this Agreement; and (ii) normal and recurring current liabilities incurred by the Company in bona fide transactions entered into in the ordinary course of business.

2.6 Authority; Binding Nature Of Agreements. The Company has the absolute and unrestricted right, power and authority to enter into and to perform its obligations under each of the Transactional Agreements to which it is or becomes a party; and the execution, delivery and performance by the Company of the Transactional Agreements to which it is or becomes a party have been duly authorized by all necessary action on the part of the Company. This Agreement and the other Transactional Agreements to which the Company is a party constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their respective terms.

2.7 Non-Contravention; Consents. Neither the execution and delivery of any of the Transactional Agreements, nor the consummation or performance of any of the Transactions, will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of any of the provisions of the certificate of formation, Operating Agreement or other charter or organizational documents of the Company; or

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement.

2.8 Loan Document. The representations and warranties of the Company contained in Sections 4.4 (Litigation), 4.5 (Agreements), 4.6 (Title), 4.7 (Bankruptcy), 4.9 (Taxes), 4.11 (Compliance), 4.12 (Contracts), 4.14 (Easements, Utilities and Public Access), 4.15 (Physical Condition), 4.16 (Leases) and 4.20 (Hazardous Condition) of the Loan Agreement are true and correct in all material respects as if made on and as of the date hereof, subject, however, to any representations and warranties as of a specific date, any qualifications set forth in the Loan Agreement, and any information provided to Purchaser by the Company and/or the Sellers and any information set forth in this Agreement.

3. REPRESENTATIONS AND WARRANTIES OF THE SELLERS.

Each Seller, severally and not jointly, represents and warrants to the Purchaser, as of the date hereof, as follows:

3.2 Power and Authority. Such Seller has full power and authority or capacity (including all corporate or other entity power and authority) to execute and deliver this Agreement and the Transaction Agreements, and to enter into and perform its, his or her obligations under this Agreement and the Transaction Agreements and to consummate the transactions contemplated herein and therein, and each of this Agreement and the Transaction Agreements has been duly executed and delivered by such Seller pursuant to all necessary authorization and is the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms.

3.3 Title. Such Seller (a) is the record and beneficial owner of the number of Membership Interests set forth opposite such Seller's name on Schedule 1 attached hereto; (b) is not a party to any voting trust, proxy or other agreement or understanding with respect to the voting of any Membership Interests, other than the Operating Agreement; (c) is not a party to any option, warrant, purchase right or other contract that could require the Seller to sell, transfer or otherwise dispose of any of its, his or her Membership Interests (other than this Agreement and the Operating Agreement); (d) has full power, right and authority, and any approval required by any Legal Requirement, to make and enter into this Agreement; and (e) has good and valid title to such Seller's Membership Interests, free and clear of all Encumbrances.

3.4 No Conflict. Neither the execution and delivery of this Agreement and the Transaction Agreements by such Seller, nor the consummation by such Seller of the Transactions contemplated herein or therein, nor compliance by such Seller with any of the provisions hereof or thereof, will conflict with any agreement to which such Seller is a party.

4. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.

The Purchaser hereby represents and warrants, to and for the benefit of the Company and the Sellers, as follows:

4.2 Authority; Binding Nature Of Agreements. The Purchaser has the absolute and unrestricted right, power and authority to enter into and perform its obligations under this Agreement. This Agreement been duly authorized and duly executed and delivered by the Purchaser. This Agreement

constitutes the legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms.

4.3 Investment Representations.

(a) The Purchaser acknowledges and understands that the Membership Interests may not be resold or redistributed without registration under the Securities Act of 1933, as amended, and applicable state securities law, unless an applicable exemption from such registration is available.

(b) The Purchaser represents and warrants that it is acquiring the Membership Interests for its own account, for investment purposes, not for the interest of any other person, firm or entity, and not with a view to or present intention of reselling or distributing all or any portion of the Membership Interests.

(c) In making the decision to purchase the Membership Interests pursuant to this Agreement, the Purchaser has relied upon independent investigations by it and its own legal and tax advisors, and the Purchaser, subject to the Sellers' representations and warranties contained in this Agreement, and such advisors have, prior to such purchase, been given access to, and the opportunity to examine, all material books and records of the Company and all material contracts and documents relating to the Company, and an opportunity to ask questions of, and to receive answers from, the Sellers and the Company and to obtain any additional information necessary to verify the accuracy of the information provided to the Purchaser. The Purchaser and the Purchaser's advisors have received complete and satisfactory answers to any such inquiries. The Purchaser and the Purchaser's advisors have been furnished with all materials relating to the business, finances, and operation of the Company including the Property and materials relating to the Membership Interests that have been requested. No statements, promises, warranties or representations have been made to the Purchaser or the Purchaser's advisors concerning the Membership Interests, the Property, the Company, its business or prospects, or other matters, by the Company, the Sellers or any other Person, except as set forth herein. The Purchaser acknowledges that it has been advised and understands that investment in the Company involves substantial risks and has taken such risks and other factors into consideration in making a determination to purchase the Membership Interests. The Purchaser acknowledges that it is a current member of the Company.

(d) The Purchaser is an "accredited investor" within the meaning of the Securities Act.

5. INDEMNIFICATION, ETC.

5.1 The representations and warranties of the Company, the Sellers and the Purchaser set forth in this Agreement shall expire on the Expiration Date, and any liability a party with respect to such representations and warranties shall thereupon cease. Except in the event of fraud or intentional misrepresentation, claims for indemnification, compensation and reimbursement brought in accordance with and subject to this Section 5 shall be the sole and exclusive remedy of any Indemnitee for Damages from and after the Closing with respect to breaches of the representations and warranties set forth in this Agreement.

5.2 Subject to the terms contained in this Section 5, the Sellers (each, an "Indemnitor" and collectively, the "Indemnitors") will, severally and not jointly, indemnify (subject to the limitations contained in Section 5.4 below) the Indemnitees from and against the entirety of any Damages incurred

by any of the Indemnitees, directly arising out of or as a direct result of any breach of any of the representations or warranties of the Company or the Sellers contained in in this Agreement.

5.3 Notwithstanding any other provision of this Agreement to the contrary (other than Section 6), the Sellers shall be given a reasonable opportunity to mitigate any Damages for which indemnity is provided by the Sellers; the Sellers shall be allowed to control any litigation against an Indemnitee with counsel of their choosing, which shall be reasonably acceptable to such Indemnitee, including any negotiations with respect to or any compromise, defense or settlement of such litigation; the Sellers shall have no liability for settlement of any such litigation that is entered into without its consent (provided that such consent shall not be unreasonably withheld, conditioned or delayed) and they shall have the right to settle any such litigation on any terms whatsoever, so long as Purchaser, the Company, and any other Indemnitee are each completely released from liability other than amounts fully paid by the Sellers; and this indemnification provision shall not apply to the extent of any Damages incurred by an Indemnitee that are due to an act or omission of the Purchaser or such Indemnitee.

5.4 Notwithstanding any other provisions of this Agreement, but except as otherwise provided in Section 5.6:

(a) no Seller shall be obligated to indemnify, defend or hold harmless any Indemnitee with respect to any Damages from any claim or claims made by an Indemnitee pursuant to this Agreement until the aggregate Damages from all such claims exceeds Ten Thousand Dollars (\$10,000.00) (the "**Threshold Amount**"), provided, however, that after such Damages exceed the Threshold Amount, the Sellers will be obligated to indemnify the Indemnitees from and against all such Damages in excess of the Threshold Amount on a proportionate basis together based on their percentage of the total Equity Interest in the Company immediately prior to the Closing;

(b) no Seller shall be obligated to indemnify, defend or hold harmless any Indemnitee with respect to Damages to the extent that the aggregate amount of such Damages exceeds such Seller's Applicable Purchase Price Amount, except for Seller's fraud or willful failure to disclose;

(c) any Damages which the Sellers are obligated to indemnify, defend or hold harmless shall be shared on a proportionate basis among all of the Sellers based on their percentage of the total Equity Interest in the Company immediately prior to the Closing; and

(d) the Sellers' foregoing indemnity obligations shall exclude (i) any loss, injury, damage, claim, lien, cost or expense, including attorneys' fees and costs, to the extent arising out of an act or omission of the Purchaser.

5.6 Notwithstanding the foregoing, the Purchaser acknowledges that it is currently a member of the Company, and, based on the information provided to Purchaser by Sellers, it is familiar with the business and operations of the Company including its ownership of the Property and it has had the opportunity to conduct due diligence and investigation with respect to the Company, and in no event shall the Sellers have any liability to the Purchaser or any Indemnitee with respect to a breach of representation, warranty or covenant under this Agreement or the other Transactional Documents to the extent that the Purchaser actually knew of such breach as of the Closing.

6. TAX MATTERS.

6.1 Responsibility for Filing Tax Returns. The Sellers shall prepare, or cause to be prepared in a timely manner, all Tax Returns of the Company that are due prior to the Effective Date, as well as all income and partnership or limited liability company Tax Returns for periods ending on or before the Effective Date, including, in each instance, the Company's "stub year" ending on the Effective Date and even if such Tax Returns are due after the Effective Date; provided, however, that any such Tax Return shall be prepared by treating items on such Tax Return in a manner consistent with the prior Tax Returns of the Company, unless otherwise required by Legal Requirements. The Sellers will not take any position on any such Tax Return that would reasonably be expected to adversely affect the Company after the Effective Date, without the consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed). The Sellers shall use best efforts to deliver to the Purchaser draft copies of each such Tax Return at least thirty (30) days prior to the date for filing such Tax Return. The Sellers shall make all changes to each such Tax Return reasonably requested by the Purchaser at least fifteen (15) days prior to the date for filing such Tax Return to the extent not inconsistent with any Legal Requirement.

6.2 Cooperation on Tax Matters. The Purchaser and the Sellers shall cooperate fully, as and to the extent reasonably requested by other parties, in connection with the filing of Tax Returns pursuant to Section 6.1 and any audit, litigation or other proceeding with respect to Tax Returns. Such cooperation shall include, in the case of the Purchaser, the retention and (upon the request of the other party and at the requesting party's expense) the provision of records and information that are reasonably relevant to any such audit, litigation or other proceeding and making persons available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Purchaser will: (A) retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Effective Date until the expiration of the statute of limitations (and, to the extent notified by any party, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority; and (B) give the other parties reasonable written notice prior to transferring, destroying or discarding any such books and records and, if any other party so requests, the Purchaser will allow the other parties, at such party's sole cost, to take possession of such books and records.

6.3 Pre-Closing Taxes. The parties acknowledge and agree that the following Taxes relating to the Company and the Property have been paid prior to the Effective Date: (i) local real estate taxes through and including December 31, 2017; (ii) statement of information for the State of California through and including September 30, 2018; (iii) franchise taxes through and including May 31, 2018; (iv) State of California limited liability company fees through and including April 14, 2018; (v) provisional tax for the State of California through and including June 14, 2018; (vi) registered agent fees for the Company through and including August 31, 2018; and (v) gross receipts taxes and local business taxes for the City and County of San Francisco through December 31, 2017. Notwithstanding anything set forth in this Agreement, the Purchaser acknowledges and agrees that it is solely responsible for all Taxes relating to the Company and the Property following the earlier of the dates set forth above and the Effective Date.

6.4 Transfer Taxes and Employment Taxes. All documentary, sales, use, stamp and other such Taxes and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with consummation of the transactions contemplated by this Agreement shall be paid by the Purchaser when due, and the Purchaser will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by Legal Requirement, the Sellers will join in the execution of any such Tax Returns and other documentation; provided that, all transfer taxes associated with the transactions contemplated by this Agreement are set forth on Schedule 2 attached to this Agreement and shall be paid by the Company.

6.5 Tax Claims. After the Closing, the Purchaser and each of the Sellers shall promptly notify each of the other parties in writing upon receipt of any written notice of any pending or threatened audit or assessment, suit, proposed adjustment, deficiency, dispute, administrative or judicial proceeding or similar claim relating to Taxes ("**Tax Claim**") for which the Sellers could be liable pursuant to this Agreement. The Purchaser will control the defense of all Tax Claims, provided that the Sellers may elect, at their own expense, to have competent and reputable counsel satisfactory to the Purchaser participate in such defense by providing written notice to the Purchaser. This Section 6.5 shall govern the parties' handling of Tax Claims in lieu of Section 5.

7. COVENANTS.

7.2 Confidentiality. Except as required by Legal Requirement, no Person will make any public announcement of the terms of this Agreement or with respect to the transactions contemplated hereby without the consent of the Purchaser and the Sellers (as applicable), such consent not to be unreasonably withheld, conditioned or delayed. In addition, the parties agree that, other than as agreed or as required to implement the transactions contemplated hereby or as a result of announcements made in accordance with the above, the parties will keep confidential the terms and conditions of this Agreement, except as otherwise required by Legal Requirement.

7.3 Sources and Uses.

(a) Schedule 2 attached to this Agreement contains a list of projected income and expenses of the Company accrued as of March 8, 2018 (the "**Sellers' Projected Company Income and Expenses**").

(b) Within thirty (30) days following the Effective Date, the Purchaser may cause to be prepared and delivered to the Sellers its good faith written calculation of the actual Company income and expenses accrued as of March 8, 2018, calculated as described in Section 1.2 of this Agreement (the "**Purchaser's Projected Company Income and Expenses**"). The Sellers will have the opportunity to review the Purchaser's Projected Company Income and Expenses for a period of thirty (30) days following the Sellers' receipt thereof (the "**Review Period**"). Together with the Purchaser's good faith written calculation of the Purchaser's Projected Company Income and Expenses, the Purchaser will provide the Sellers information in the Purchaser's possession or control that is relevant to the calculation of the Purchaser's Projected Company Income and Expenses.

(c) The Purchaser's Projected Company Income and Expenses will become final, conclusive and binding on the Sellers unless, prior to the end of the Review Period, the Sellers notify the Purchaser in writing of objections to such calculation, identifying the disputed items, the estimated amounts of the disputed items if then reasonably determinable, and the basic facts underlying such objections. If the Sellers delivers an objection notice, the Purchaser and the Sellers will try in good faith to resolve such objections within thirty (30) days following delivery of the objection notice. If the Purchaser and the Sellers resolve some or all of the objections within such thirty (30) time period, they will document their resolution in a writing signed by each of them, and such resolution will be final, conclusive and binding on the parties. If the Purchaser and the Sellers are unable to resolve all objections within such thirty (30) day time period, the Parties will promptly refer any matters still in dispute for resolution as provided in Section 7.2(d).

(d) Any unresolved dispute concerning the Purchaser's Projected Company Income and Expenses will be referred for resolution to the New York, New York office of a nationally recognized

independent public accounting firm, who will be jointly retained by the Purchaser and the Sellers. If the parties are unable to agree to an independent public accounting firm for any reason, then the Purchaser and the Sellers will each designate a nationally recognized independent accounting firm with whom neither it nor any of its affiliates has any current professional relationship and the accounting firm to resolve the dispute will be chosen by lot. The chosen accounting firm is referred to in this Agreement as the "**Accounting Firm**". The Purchaser will pay one-half and the Sellers will pay one-half of the fees and expenses of the Accounting Firm. The Accounting Firm will act as a neutral arbitrator and will exercise its discretion independently to resolve only the disputed items submitted to it within the range of the differences between the parties. The Purchaser and the Sellers will be permitted to furnish the Accounting Firm with all information believed relevant to the determinations to be made by it, and the Accounting Firm will be permitted to request information from any party. None of the parties will meet or discuss any substantive matters with the Accounting Firm without the other present or having the opportunity following at least five (5) business days' notice to be present, either in person or by telephone. All information provided to the Accounting Firm by a party must be concurrently delivered to the other party involved in the dispute. All disputes with respect to the calculation of the actual fees and expenses of the Company as of March 8, 2018 will be resolved exclusively by the Accounting Firm and its determination absent manifest error will be final and binding upon the parties.

(e) Notwithstanding the foregoing, if the Sellers in good faith dispute any accrued income or expenses of the Company as of March 8, 2018, the Sellers may, by notice to the Purchaser, retain the exclusive right to contest, compromise or settle such accrued income and expenses; provided that, any settlement shall require the prior written consent of the Purchaser (which consent will not be unreasonably withheld, delayed or conditioned).

(f) Following the completion of the process described above: (i) if there is excess cash at the Company, it shall be distributed in accordance with Section 1.2(b) of this Agreement; and (ii) if there is a shortfall of cash at the Company, then the principal amount of the Loan shall be set-off by such shortfall amount on a dollar-for-dollar basis as of the date of such determination.

8. MISCELLANEOUS PROVISIONS.

8.2 Further Assurances. Each party hereto shall execute and/or cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions, as such other party may reasonably request in writing for the purpose of carrying out or evidencing any of the Transactions, including, but not limited to, the transfer of funds of the Company into a new bank account arranged by the Company on or after the Closing.

8.3 Attorneys' Fees. If any legal action or other legal proceeding relating to any of the Transactional Agreements or the enforcement of any provision of any of the Transactional Agreements is brought against any party to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled). All costs and expenses of the Purchaser, including fees and disbursements of counsel, incurred in connection with the preparation and execution of this Agreement and the transactions contemplated by this Agreement and the Loan shall be paid by the Purchaser.

8.4 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by facsimile) to the

address or facsimile telephone number set forth beneath the name of such party on the signature page (or to such other address or facsimile telephone number as such party shall have specified in a written notice given to the other parties hereto).

8.5 Headings. The underlined headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

8.6 Counterparts and Exchanges by Facsimile Transmission. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile transmission or electronic transmission in .PDF format shall be sufficient to bind the parties to the terms and conditions of this Agreement.

8.7 Governing Law; Venue. This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of New York (without giving effect to principles of conflicts of laws). Any Proceeding relating to this Agreement or the enforcement of any provision of this Agreement may be brought or otherwise commenced only in any state or federal court located in New York, New York. Each party to this Agreement: (i) irrevocably and unconditionally consents and submits to the exclusive jurisdiction and venue of the state and federal courts located in New York, New York; (ii) agrees that each state and federal court located in the State of New York shall be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such Proceeding commenced in any state or federal court located in New York, any claim that such party is not subject personally to the jurisdiction of such court, that such Proceeding has been brought in an inconvenient forum, that the venue of such Proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

8.8 Successors And Assigns; Parties In Interest. This Agreement shall be binding upon: the Company and its successors and assigns (if any), the Purchaser and its successors and assigns (if any) and the Sellers and their respective successors and assigns (if any). This Agreement shall inure to the benefit of the Company, the Purchaser, the other Indemnitees, the Sellers and the respective successors and assigns (if any) of the foregoing. No party to this Agreement shall assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other parties to this Agreement. None of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties to this Agreement and their respective successors and assigns (if any).

8.9 Remedies Cumulative; Specific Performance. The rights and remedies of the parties hereto shall be cumulative.

8.10 Waiver; Amendments. No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy, except as specifically set forth in this Agreement; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy. No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except

in the specific instance in which it is given. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of the Purchaser, the Company and the Sellers.

8.11 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term.

8.12 Entire Agreement. The Transactional Agreements set forth the entire understanding of the parties relating to the subject matter thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter thereof.

8.13 Recitals. The recitals set forth above are hereby incorporated into this Agreement.

[Remainder of page intentionally left blank; signature pages follow.]

The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

PURCHASER

ROYAL PHOENIX, LLC

By:  _____

Name: Chang Geng Zhao

Title: Manager

Address: 123 Hazelwood Dr. Jericho
NY 11753

Facsimile: _____


The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

COMPANY

SBUS BUSH STREET LLC

By: ROYAL PHOENIX, LLC,
A New York limited liability company

Its: Sole Member

By: 
Name: Geny Gang Zhao.
Title: Manager.
Address: 123 Hazelwood Dr. Jericho
NY 11753
Facsimile: _____

The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

SELLERS

ZENO CAPITAL (USA) INC. 

By: _____

Name: Tony Vaccitopoulos

Title: President

Address: 5 Harries Road, Mowbray Johannesburg
South Africa.

Facsimile: _____

FRANK GALLO REALTY LLC

By: _____

Name: _____

Title: _____

Address: _____

Facsimile: _____

Martin Long

Address: _____

Facsimile: _____

Arie Dahan

Address: _____

Facsimile: _____

The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

SELLERS

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

Address: _____

Facsimile: _____

FRANK GALLO REALTY LLC

By: Frank Gallo

Name: FRANK GALLO

Title: AUTHORIZED SIGNATORY

Address: 17 BEECHTREE LANE

BRONXVILLE N.Y. 10708

Facsimile: F.GALLO@FRANKGALLO.COM

Martin Long

Address: _____

Facsimile: _____

Arie Dahan

Address: _____

Facsimile: _____

The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

SELLERS

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

Address: _____

Facsimile: _____

FRANK GALLO REALTY LLC


By: _____

Name:

Title:

Address: _____

Facsimile: _____



Martin Long

Address: 23 Willowmere Ave
Riverside CT 06878

Facsimile: _____

Arie Dahan

Address: _____

Facsimile: _____

The parties to this Agreement have caused this Agreement to be executed and delivered as of the Effective Date.

SELLERS

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

Address: _____

Facsimile: _____

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Address: _____

Facsimile: _____

Martin Long

Address: _____

Facsimile: _____

Arie Dahan

Address: 87 Hancock St
Somerville, MA 02114

Facsimile: _____



Max Risman

Address: 111 York Ter
Brockline MA 02446

Facsimile: _____

Richard Saunders

Address: _____

Facsimile: _____

James Dow

Address: _____

Facsimile: _____

Catherine Saunders

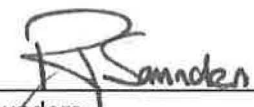
Address: _____

Facsimile: _____

Max Risman

Address: _____

Facsimile: _____



Richard Saunders

Address: 294 RIVERSIDE AVENUE

RIVERSIDE CT 06878

Facsimile: N/A

James Dow

Address: _____

Facsimile: _____

Catherine Saunders

Address: _____

Facsimile: _____

Max Risman

Address: _____

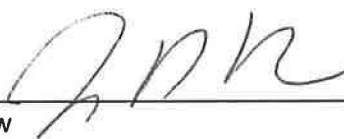
Facsimile: _____

Richard Saunders

Address: _____

Facsimile: _____

James Dow



Address: 15 Rockland Place

Old Greenwich CT 06870

Facsimile: _____

Catherine Saunders

Address: _____

Facsimile: _____

Max Risman

Address: _____

Facsimile: _____

Richard Saunders

Address: _____

Facsimile: _____

James Dow

Address: _____

Facsimile: _____



Catherine Saunders

Address: 55 W 84th St Apt 10

Facsimile: _____

EXHIBIT A
CERTAIN DEFINITIONS

For purposes of this Agreement (including this Exhibit A):

Agreement. "Agreement" shall mean the Membership Interests Purchase Agreement to which this Exhibit A is attached, as it may be amended from time to time.

Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

Damages. "Damages" shall include any actual loss, damage or Liability caused directly by an act or omission of a Person; provided that, the term "Damages" shall not include consequential, exemplary and/or punitive damages.

Encumbrance. "Encumbrance" shall mean any lien, pledge, hypothecation, charge, mortgage, security interest, UCC financing statement, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right or restriction of any nature other than restrictions imposed under federal and state securities law.

Entity. "Entity" shall mean any corporation, general partnership, limited partnership, limited liability partnership, limited liability company, joint venture or other similar entity.

Equity Interest. "Equity Interest" means any and all units, interests, membership interests or other partnership/limited liability company or ownership interests, and any commitments with respect thereto (including, without limitation any Membership Interests).

Expiration Date. "Expiration Date" shall mean the date that is six (6) months after the Effective Date.

Governmental Body. "Governmental Body" shall mean any: (a) federal, state, local, municipal, foreign or other government; or (b) governmental or quasi-governmental authority of any nature.

Indemnitees. "Indemnitees" shall mean the Purchaser and its successors and assigns.

Knowledge. An individual shall be deemed to have "Knowledge" of a particular fact or other matter if such individual is actually aware of such fact or other matter. An Entity shall be deemed to have "Knowledge" of a particular fact or other matter if any current manager of such Entity has Knowledge of such fact or other matter.

Legal Requirement. "Legal Requirement" shall mean any federal, state, local, municipal or other law, statute, rule, regulation or ruling issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any Governmental Body.

Liability. "Liability" shall mean any known debt, obligation, duty or liability.

Loan. "Loan" shall mean the loan made by Zeno Capital (USA) Inc., as lender, to the Purchaser, as borrower, on the date hereof in the original principal amount of Five Million Dollars (\$5,000,000.00) as evidenced by that certain Promissory Note, dated as of the date hereof, issued by the Purchaser to Zeno Capital (USA) Inc.

Loan Agreement. "Loan Agreement" shall mean the Loan Agreement, dated as of February 4, 2015, between the Company and PFP 2015-2, Ltd. (as successor to PFP Holding Company IV, LLC).

Membership Interest. "Membership Interest shall mean any and all membership interests in the Company, including, as to any Person: (a) such Person's rights, if any, to receive allocations and distributions from the Company, to vote any voting interest in the Company and to consent or approve any action by the Company; and (b) any other rights or interests such Person may have in the Company under the Operating Agreement or otherwise pursuant applicable Legal Requirements.

Operating Agreement. "Operating Agreement" shall mean the Limited Liability Company Agreement of SBUS BUSH STREET LLC dated as of October 1, 2014.

Pay-off Letter. "Pay-off Letter" shall mean the pay-off letter to be issued by PFP 2015-2, Ltd. as lender to the Company and mortgagee of the Property.

Person. "Person" shall mean any individual, Entity or Governmental Body.

Proceeding. "Proceeding" shall mean any action, suit, litigation, arbitration or proceeding brought, conducted or heard by or before, or otherwise involving, any Governmental Body.

Property. "Property" shall mean the real property and improvements located at the property commonly known as 364 Bush Street, San Francisco, California.

Tax. "Tax" shall mean any United States federal, state or local tax imposed, assessed or collected by or under the authority of any Governmental Body.

Tax Return. "Tax Return" shall mean any return filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the collection or payment of any Tax.

Transactional Agreements. "Transactional Agreements" shall mean this Agreement and all other agreements delivered or to be delivered in connection with the Transactions.

Transactions. "Transactions" shall mean (a) the execution and delivery of the respective Transactional Agreements, and (b) all of the transactions contemplated by the respective Transactional Agreements, which are: (i) the sale of the Membership Interests to the Purchaser in accordance with this Agreement; and (ii) the performance by the Company and the Purchaser of their respective obligations under the Transactional Agreements, and the exercise by the Company and the Purchaser of their respective rights under the Transactional Agreements.

EXHIBIT B

ASSIGNMENT OF MEMBERSHIP INTERESTS

KNOW ALL MEN BY THESE PRESENTS, that **each of the signatories to this Agreement** (individually, the "**Assignor**"), for good and valuable consideration, the receipt and sufficiency of which is acknowledged, does hereby sell, assign, transfer and convey to Royal Phoenix, LLC, a New York limited liability company (the "**Assignee**"), the percent membership interest in SBUS Bush Street LLC, a Delaware limited liability company (the "**Company**"), owned by the Assignor identified on Schedule 1 attached to this Assignment, together with all right, title, interest and benefits of any kind to which the Assignor is entitled with respect to such membership interest (the "**Membership Interest**").

This instrument shall inure to the benefit of, and be binding upon, each party and that party's respective successors and assigns. It is the intention of the parties that the laws of the State of New York shall govern the validity of this instrument, the construction of its terms and the interpretation of the rights and duties of the parties hereto.

This instrument is executed and delivered pursuant to the Membership Interest Purchase Agreement, dated as of the date hereof (the "**Agreement**"), and the assignment of the Membership Interest pursuant hereto shall be subject to the terms and conditions set forth in the Agreement.

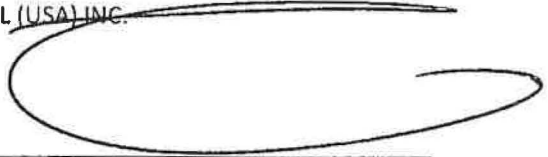
This Assignment shall be effective as of March 9, 2018.

[Remainder of page intentionally left blank; signature pages follow.]

The undersigned have caused this Assignment to be executed and delivered as of the date set forth above.

ASSIGNORS

ZENO CAPITAL (USA) INC.



By: _____
Name: Tony Vassilopoulos
Title: President

FRANK GALLO REALTY LLC

By: _____
Name:
Title:

Martin Long

Arie Dahan

The undersigned have caused this Assignment to be executed and delivered as of the date set forth above.

ASSIGNORS

ZENO CAPITAL (USA) INC.

By: _____
Name:
Title:

FRANK GALLO REALTY LLC

By: Frank Gallo
Name: FRANK GALLO
Title: Authorized Signatory

Martin Long

Arie Dahan

The undersigned have caused this Assignment to be executed and delivered as of the date set forth above.

ASSIGNORS

ZENO CAPITAL (USA) INC.

By: _____

Name:

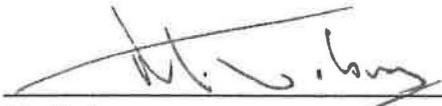
Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:



Martin Long

Arie Dahan

The undersigned have caused this Assignment to be executed and delivered as of the date set forth above.

ASSIGNORS

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

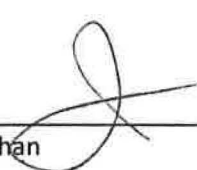
By: _____

Name:

Title:

Martin Long

Arie Dahan



Max Risman

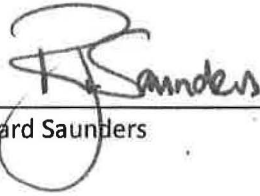
A handwritten signature in black ink, appearing to be 'Max Risman', written over a horizontal line.

Richard Saunders

James Dow

Catherine Saunders

Max Risman



A handwritten signature in black ink, appearing to read "R. Saunders". The signature is written in a cursive style with a large, stylized initial "R".

Richard Saunders

James Dow

Catherine Saunders

Max Risman

Richard Saunders



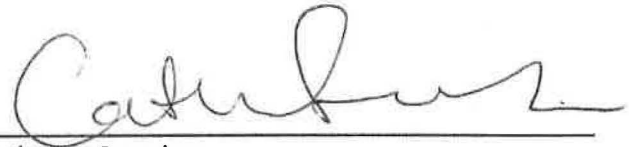
James Dow

Catherine Saunders

Max Risman

Richard Saunders

James Dow

A handwritten signature in cursive script, appearing to read "Catherine", written in black ink on a white background.

Catherine Saunders

SCHEDULE 1

ASSIGNORS

Assignor Names	Percentage Interest In the Company being assigned
Zeno Capital (USA) Inc.	40.00%
Frank Gallo Realty LLC	7.79%
Martin Long	3.90%
Arie Dahan	2.60%
Max Rlsman	2.60%
Richard Saunders	1.56%
James Dow	0.78%
Catherine Saunders	0.78%
TOTAL:	60.0%

EXHIBIT C
AMENDMENT TO LLC AGREEMENT
First Amendment to Limited Liability Company Agreement
of SBUS Bush Street LLC

This First Amendment to Limited Liability Company Agreement of SBUS Bush Street LLC, a Delaware limited liability company is entered into between the members listed on the signature page of this Agreement, as of March 9, 2018, with reference to the following facts:

RECITALS

A. The members of the Company listed on the signature page to this Amendment entered into that certain Limited Liability Company Agreement of SBUS Bush Street LLC, a Delaware limited liability company (the "Company") on October 1, 2014 (the "Agreement").

B. The following members of the Company have entered into a Membership Interests Purchase Agreement dated March 9, 2018 with regard to their assignment of their membership interests in the Company to Royal Phoenix, LLC, a New York limited liability company ("Royal Phoenix"): Zeno Capital (USA) Inc., Frank Gallo Realty LLC, Martin Long, Arie Dahan, Max Risman, Richard Saunders, James Dow.

Now, therefore, for valuable consideration, the members of the Company hereby amend the Agreement as follows:

AGREEMENT

1. Transfer of Interests. The parties to this Amendment confirm and agree that as of the date of this Amendment, the only member of the Company is Royal Phoenix.
2. No Further Rights. Except for Royal Phoenix, the other parties to this Amendment have any rights, title or interest in or to the Company and/or in or to any profits or proceeds of the Company.
3. General Provisions. This Amendment has been drafted by a mutual effort of the parties, and shall therefore be interpreted without regard to which party is the "drafting party." The parties waive any rights that are inconsistent with the foregoing sentence. This Amendment may be signed by facsimile or pdf signatures.

This Amendment has been signed by the parties and is effective as of the date set forth above.

[Signatures on attached pages]

ROYAL PHOENIX, LLC

By: 

Name: *Gonggang Zhao*

Title: *Manager*

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Martin Long

Arie Dahan

Max Risman

Richard Saunders

James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name: Tony Vassilopoulos

Title: President

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Martin Long

Arie Dahan

Max Risman

Richard Saunders

James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: Frank Gallo

Name: FRANK GALLO

Title: AUTHORIZED SIGNATORY

Martin Long

Arie Dahan

Max Risman

Richard Saunders

James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:



Martin Long

Arie Dahan

Max Risman

Richard Saunders

James Dow¹

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Martin Long

Arie Dahan

Max Risman

Richard Saunders

James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____


Name:

Title:

Martin Long

Arle Dahan

Max Risman



Richard Saunders

James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Martin Long

Arie Dahan

Max Risman

Richard Saunders



James Dow

Catherine Saunders

ROYAL PHOENIX, LLC

By: _____

Name:

Title:

ZENO CAPITAL (USA) INC.

By: _____

Name:

Title:

FRANK GALLO REALTY LLC

By: _____

Name:

Title:

Martin Long

Arle Dahan

Max Risman

Richard Saunders

James Dow



Catherine Saunders

SCHEDULE 1

MEMBERS

Member Names	Percentage of the Company's Total Equity Interests	Seller's Applicable Purchase Price Amount
Zeno Capital (USA) Inc.	40.00%	\$800,000.00
Frank Gallo Realty LLC	7.79%	\$155,880.00
Martin Long	3.90%	\$77,920.00
Arie Dahan	2.60%	\$51,960.00
Max Risman	2.60%	\$51,960.00
Richard Saunders	1.56%	\$31,160.00
James Dow	0.78%	\$15,560.00
Catherine Saunders	0.78%	\$15,560.00
TOTAL:	60.0%	\$1,200,000.00

BORROWER'S STATEMENT

Date: March 9, 2018

GFNo: TX15002847A

Loan From: ZENO CAPITAL (USA), INC.

To: SBUS Bush Street LLC, a Delaware limited liability company

Property: 364-374 Bush Street, San Francisco, CA, 94104
364-374 Bush Street
San Francisco, CA 94104

Credits/Funds Received

Loan Amount from ZENO CAPITAL (USA), INC.....	\$5,000,000.00
Member Injection from SBUS BUSH STREET LLC.....	\$95,658.64
Member Injection from SBUS BUSH STREET LLC.....	\$1,300,000.00
Total.....	\$6,395,658.64

Less: Charges/Disbursements

Payoff Existing Loan to Cohen Financial.....	\$4,889,178.88
Principal Balance	\$5,675,000.00
Regular Interest to 3/9/2018	\$32,166.22
Exit Fee	\$56,750.00
Appraisal Fee	\$5,000.00
Less T&I and Rate Cap	(\$374,843.18)
Less Taxes & Insurance	(\$70,230.14)
Less Capex	(\$264,803.14)
Less Debt Service	(\$23,010.79)
Less brokerage comm	(\$144,834.16)
Less rollover	(\$2,015.93)
Loan Policy 5MM Liability to Old Republic National Title Insurance Company.....	\$7,448.00
ALTA 15.2 Non Imputation End to prior Owner Policy to Old Republic National Title Insurance Company.....	\$575.00
Escrow Fee to Old Republic National Title Insurance Company.....	\$500.00
Recording Service Fee/E-File to Old Republic National Title Insurance Company.....	\$25.00
Recording Fees to Old Republic National Title Insurance Company.....	\$500.00
San Francisco County Assessor Recorder SB2 Filing Tax to Old Republic National Title Insurance Company.....	\$225.00
Fed ex/Delivery Fees to Old Republic National Title Insurance Company.....	\$25.00
Professional Services Fees to Diserio Martin O'Connor & Castiglioni LLP.....	\$25,000.00
Membership Interest Purchase from Royal Phoenix, LLC and SBUS Bush Street LLC to Zeno Capital (USA) Inc.....	\$800,000.00
Membership Interest Purchase to SBM Members to St Brides Managers LLC.....	\$400,000.00
Transfer Tax to Royal Phoenix LLC.....	\$9,000.00
Payment to SBM MEembers / St brides Managers LLC to St Brides Managers Account - First Republic Bank.....	\$77,500.00
Sams Tenant Deposit to Royal Phoenix LLC.....	\$72,942.00
GAF Legal Fees sale - final installment Gibney Anthony & Flaherty to Gibney Anthony & Flaherty.....	\$7,500.00
RWW Tax Filing Year 2017 to SBUS Bush Street LLC.....	\$5,000.00

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Renovation Vendors Billed to St. Onge & Associates.....	\$1,860.00
Renovation Vendors Billed to Brereton Architects.....	\$13,161.00
Renovation Vendors Billed to Craig Heidig.....	\$2,489.00
Construction - 2nd floor work to SBUS Bush Street LLC.....	\$40,487.62
Construction - ACM Abatement to SBUS Bush Street LLC.....	\$11,851.47
C&W Commission to Royal Phoenix LLC.....	\$22,865.47
Delaware Payment to Royal Phoenix LLC.....	\$300.00
Operating Expense to Lincoln Property Co.....	\$6,250.00
Operating Expense to Recology.....	\$253.53
Operating Expense to Glenn Parr.....	\$300.00
Operating Expense to Clean Arama Maintenance Service.....	\$270.00
Operating Expense to St. Brides Managers.....	\$81.27
Operating Expense to OP Ex Water Jan & Feb.....	\$70.40
Total Charges/Disbursements.....	\$6,395,658.64
Net Amount Due to Borrower.....	<u>\$0.00</u>

and cannot guarantee the accuracy thereof. The lender involved may be furnished a copy of this statement.

The undersigned hereby authorizes Old Republic National Title Insurance Company to make expenditure and disbursements as shown above and approves same for payment. The undersigned also acknowledges receipt of Loan Funds, if applicable, in the amount shown above and a receipt of a copy of this Statement

Old Republic National Title Insurance Company

By


Mindy Coover

SBUS BUSH STREET LLC,
a Delaware limited liability company

By: ROYAL PHOENIX, LLC
a New York limited liability company

Its: Sole Member

By: 

Name: Ganggang Zhao

Title: manager

ON BEHALF OF LENDER:
ZENO CAPITAL (USA), INC.

By


Name: Charles J. Spiess

Title: Authorized Signatory

ON BEHALF OF SELLERS OF SBUS BUSH STREET LLC

By


Name: Charles J. Spiess

Title: Authorized Signatory

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Company

Compliments of Old Republic National Title Insurance

***Note: Interest on existing liens is figured to the date indicated. If not paid by then, additional interest will have to be collected and your statement will be adjusted to have sufficient funds to secure release from the lienholder.**