Valuation Consulting Assignment

Menlo Gateway Project (Office/Retail Portion)
U.S. Highway 101 and Marsh Road
Menlo Park, San Mateo County, CA 94025

Prepared on: March 24, 2010

Analysis Date:
Land Valuation: January 1, 2010
Proposed Project: January 1, 2014
Market Feasibility: January 1, 2010

Prepared For:
City of Menlo Park
701 Laurel Street
Menlo Park, CA 94025

Prepared By:
Cushman & Wakefield Western, Inc.
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Global Real Estate Solutions℠

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March 24, 2010

Glen Rojas
City Manager
CITY OF MENLO PARK
701 Laurel Street
Menlo Park, CA 94025

William L. McClure
City Attorney
CITY OF MENLO PARK
1100 Alma Street, Suite 210
Menlo Park, CA 94025

Re: **Menlo Gateway Project (Office/Retail Portion)**
U.S. Highway 101 and Marsh Road
Menlo Park, CA

Dear Messrs. Rojas and McClure:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our valuation consulting assignment of the above referenced property. This report has been prepared in accordance with our interpretation of the Uniform Standards of Professional Practice (USPAP). The scope of the assignment is as follows:

- Subject property inspection to the extent necessary to adequately identify the real estate
- Research relevant market data, in terms of quantity, quality, and geographic comparability, to the extent necessary to produce credible valuation consulting results
- Review of architectural renderings
- Review relevant studies prepared by other consultants
- Interview the developer
- Review and analyze developer's development cost estimates and pro-forma
- Interview Menlo Park Planning Personnel assigned to the Menlo Gateway Project

- Develop a market value estimate of the fee simple interest, as of January 1, 2010, for the subject land based on current zoning assuming a maximum Floor Area Ratio (FAR) of 45%
- Develop a market value estimate of the fee simple interest, as of January 1, 2010, for the subject land based on the proposed FAR of 137.5%Determine the general overall feasibility of the office/retail component of the project by utilizing the discounted cash-flow (DCF) methodology. (Important to note: Feasibility is not just about optimal financial outcomes. Intangible community and institutional values may be just as important)

The subject property of this valuation consulting assignment is situated at the northeast quadrant of the U.S. Highway 101 and Marsh Road interchange. The subject site comprises of seven legal parcels of land totaling 11.59 acres or 504,860 square feet. The breakdown of each parcel from the topographical surveys is as follows:

Site Address	APN	Site Area (Ac)	Site Area (SF)
101 Constitution Drive	55-234-240	1.47	64,033
115 Constitution Drive	55-234-250	1.60	69,696
125-135 Constitution Drive	55-234-260	3.40	148,104
155 Constitution Drive	55-234-270	2.39	104,108
Total Constitution Drive		**8.86**	**385,942**
100 Independence Drive	55-235-040	0.57	24,829
110 Independence Drive	55-235-050	1.10	47,916
120 Independence Drive	55-235-080	1.06	46,174
Total Independence Drive		**2.73**	**118,919**
Total Both Sites		**11.59**	**504,860**

The parcels will be improved with two, office/retail buildings and one, office building collectively containing 694,670 square feet. Additionally, there will be three, five-story, parking garages. The following is breakdown of the buildings.

Building	Size (SF)	Height	Est. Year Completed
Constitution Drive - *Office/ Retail Bldg. A*	247,335	8-Stories	2014
Constitution Drive - *Office Bldg. B*	247,335	8-Stories	2015
Independence Drive - *Office/ Retail Bldg. A*	200,000	8-Stories	2013
Total	**694,670**		

This valuation consulting assignment includes our assumptions, analysis, and findings based on our market analysis and the information provided to us.

Respectfully submitted,
CUSHMAN & WAKEFIELD WESTERN, INC.

Robby D. Perrino, MAI, CRE, CCIM
Executive Managing Director

George Geranios
Director


N
101
84
Hoover St
Rolison Rd
Marsh Rd
Constitution Dr
Chrysler Dr
Bayfront
Scott Dr
Bohannon Dr
Bayshore Fwy
Commonwealth Dr
Page St
Campbell Ave
Chilco S
© 2010 Google
1675 ft
Hedge Rd
Imagery Date: Jun 30, 2007
lat 37.485268°
lon -122.176496°
Eye alt 5795 ft

N

0' 40' 80' 160'
SCALE: 1" = 80'-0"

MENLO GATEWAY™ BOHANNON DEVELOPMENT COMPANY

100-190 INDEPENDENCE DRIVE AND 101-155 CONSTITUTION DRIVE, MENLO PARK, CA

Project Number: 9566.01

AREA PLAN

09/27/2007 05/15/2009
12/21/2007 07/07/2009
04/02/2009

G2

COMMUNITY DESIGN ARCHITECTURE
REGION • CITY • NEIGHBORHOOD • BUILDING

DAHLIN GROUP
ARCHITECTURE PLANNING

DES
ARCHITECTS ENGINEERS

MARKET OBSERVATIONS

GREATER SILICON VALLEY OFFICE MARKET ANALYSIS

INTRODUCTION

CURRENT TRENDS

In 2008, and markedly through 2009, the region's office market has responded to the local, national, and global economic recessions and rising unemployment with increased vacancy rates, descending effective rental rates, and ongoing negative absorption.

Listed below are highlights in the Greater Silicon Valley office market through fourth quarter 2009:

- In the Greater Silicon Valley, year-end 2009 absorption stood at negative 2.2 million square feet, a 10.percent decline from the year-end 2008 absorption of negative 2.0 million square feet. There was a reversal of this trend in the fourth quarter as the overall net absorption was positive 358,000 square feet. As one economist noted, "less bad is the new good", an indicator that economic recovery may be slowly underway.
- In the Greater Silicon Valley, the overall vacancy rate declined slightly in fourth quarter to 19.9 percent from 20.3 percent in the prior quarter, and from 16.1 percent a year ago. The overall vacancy rates at 22.2 percent in Silicon Valley and 17.0 percent in the Peninsula market both increased from 17.2 percent and 14.8 percent in fourth quarter 2008. The weakened tenant demand coinciding with ramped up construction has impacted vacancy rates.
- In fourth quarter 2009, overall average asking rents in Greater Silicon Valley decreased 16.9 percent to $2.51 per square foot per month (fully-serviced) since fourth quarter 2008, and decreased 4.9 percent over the prior quarter. Silicon Valley asking rents decreased from $2.54 per square foot per month in third quarter to $2.36 in fourth quarter, while the San Francisco Peninsula saw a decrease over the quarter from $2.80 to $2.76 per square foot per month.
- In fourth quarter 2009, about 1.0 million square feet were under construction in the region, all within the Silicon Valley submarkets of San Jose, Sunnyvale and Santa Clara. By year-end 2009, nearly 1.8 million square feet of office space were completed, primarily in the Sunnyvale, San Jose and Downtown San Jose, South San Francisco and Cupertino submarkets.
- Reported asking rents continue to rise as the older vacant office space is being marketed at negotiable rental rates. Therefore, the higher asking rents for newer office space are moving averages upward.

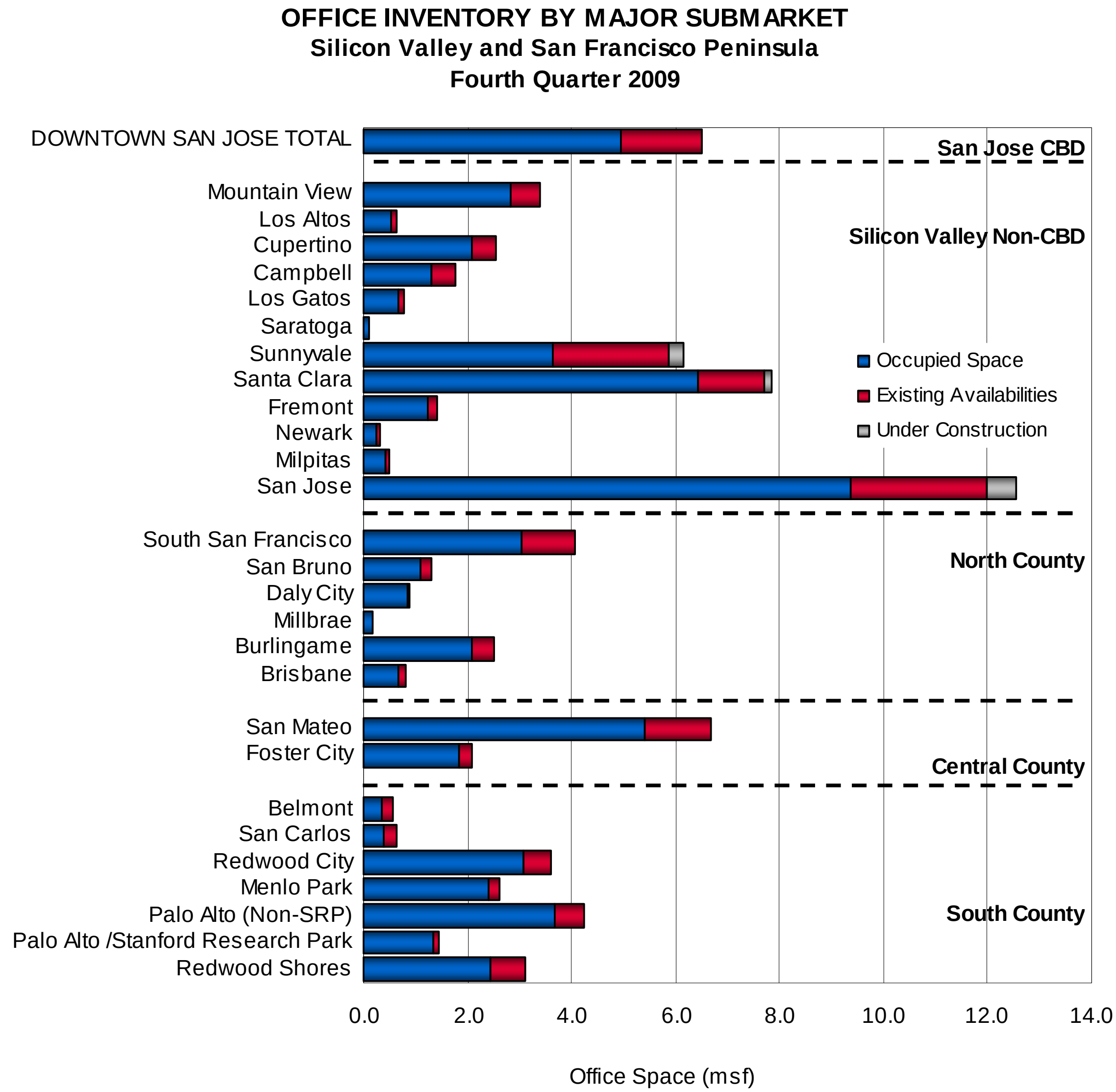
MARKET CHARACTERISTICS

The Greater Silicon Valley office market, totaling nearly 78.3 million square feet of office space, encompasses both the Silicon Valley and San Francisco Peninsula markets. The majority of the office space, 43.5 million square feet (55 percent), is located in the Silicon Valley office market, with the remaining 34.8 million square feet (45 percent) located in the San Francisco Peninsula office market.

Further details follow:

- The Silicon Valley office market is comprised of 13 submarkets, located predominantly in Santa Clara County, and also includes the Newark and Fremont submarkets in southern Alameda County. The Silicon Valley market consists of:
- Downtown San Jose CBD (6.5 million square feet);
- Non-CBD portion of the city of San Jose (12.0 million square feet);
- City of Santa Clara (7.7 million square feet); and,
- Ten other cities within Santa Clara and southern Alameda counties (17.0 million square feet).
- The San Francisco Peninsula office market is divided into three sub-regions:
- North County (9.7 million square feet);
- Central County (8.8 million square feet); and,
- South County (16.2 million square feet).
- These sub-regions are further divided into 15 submarkets and consist of cities located primarily in San Mateo County, as well as Palo Alto and Palo Alto/Stanford Research Park, which are located in northern Santa Clara County.

A breakdown of office inventory by major submarkets in the Greater Silicon Valley Office Market categorized by occupied space, under construction space, and existing availabilities is shown in the following graph:



Source: Cushman & Wakefield Research

A map of the Greater Silicon Valley (Silicon Valley-San Francisco Peninsula) office submarkets follows:

SILICON VALLEY AND SAN FRANCISCO PENINSULA
OFFICE SUBMARKET MAP

Source: Microsoft Virtual Earth

OFFICE SUBMARKETS	
SILICON VALLEY	**SAN FRANCISCO PENINSULA**
1. Mountain View	1. North County
2. Los Altos	2. Central County
3. Sunnyvale	3. South County
4. Santa Clara	
5. Cupertino	
6. Los Gatos	
7. Saratoga	
8. Campbell	
9. San Jose	
10. Fremont	
11. Newark	
12. Milpitas	

SUPPLY ANALYSIS

VACANCY

Although the second quarter 2009 office vacancy rate in Greater Silicon Valley rose to its highest since 2004, the overall vacancy rate decreased slightly in the second half of 2009 from 20.3 percent in third quarter to 19.9 percent in third quarter. Vacancy has increased 23.6 percent from 16.1 percent a year ago.

The following points concern fourth quarter 2009 vacancy within the Greater Silicon Valley office market:

- In fourth quarter 2009, Silicon Valley's overall vacancy decreased to 22.2 from 23.1 percent over the prior quarter, while the Peninsula's overall vacancy slightly increased to 17.0 percent from 16.9 percent.
- Within the major markets of Silicon Valley, the highest vacancy rate as of fourth quarter 2009 was 38.1 percent in the Sunnyvale submarket, up significantly from 34.7 percent at fourth quarter 2008, and 25.2 percent in the Campbell submarket, up from 21.6 percent over the prior year. As noted above, a majority of newly completed space, almost 2.0 million square feet, was added to the Sunnyvale submarket in 2008 and 2009.
- The North County's 19.0 percent vacancy rate represents the highest overall vacancy in the Peninsula regional market, where the South San Francisco submarket recorded 25.3 percent vacancy. However, this represents a decrease over the year ago vacancy of 29.1 percent, and from 25.9 percent over the prior quarter.
- Among the submarkets with inventory greater than one million square feet, Fremont was the tightest in Silicon Valley, with a 14.0 percent overall vacancy rate; a decrease over the prior quarter's 14.7 percent vacancy.
- Palo Alto/Stanford Research Park's vacancy rate stood at 7.1 percent, followed by Menlo Park at 8.7 percent, and Foster City at 12.1 percent. These submarkets had the lowest overall vacancy rates among the Peninsula's submarkets.
- The table below summarizes the current statistics of the Silicon Valley-San Francisco Peninsula office market by submarket:

Office Market Statistics by Submarket Silicon Valley & San Francisco Peninsula Fourth Quarter 2009								
Market/Submarket	Inventory	Overall Vacancy	Direct Vacancy	YTD Const. Compl.	YTD Overall Abs.	Under Const.	Overall Wtd Avg Asking Rent	Direct Wtd Avg Class A Rent
DOWNTOWN SAN JOSE TOTAL	**6,491,711**	**23.6%**	**21.9%**	**300,000**	**-268,712**	**0**	**$3.20**	**$3.20**
SILICON VALLEY NON-CBD								
Mountain View	3,408,059	16.5%	7.8%	0	-59,213	0	$3.27	$3.27
Los Altos	620,785	11.8%	10.9%	0	-20,395	0	$0.00	$0.00
Cupertino	2,545,610	17.7%	12.8%	102,540	-130,794	0	$2.79	$2.79
Campbell	1,753,792	25.2%	23.7%	0	-76,822	0	$2.42	$2.42
Los Gatos	782,964	12.5%	12.5%	0	-12,508	0	$2.92	$2.92
Saratoga	103,912	5.3%	5.3%	0	7,973	0	$0.00	$0.00
Sunnyvale	5,866,450	38.1%	33.6%	650,400	168,438	291,145	$3.01	$3.01
Santa Clara	7,696,147	16.5%	10.0%	0	-587,183	153,450	$2.89	$2.89
Fremont	1,423,529	14.0%	13.9%	0	-21,817	0	$2.47	$2.47
Newark	307,555	16.4%	15.3%	0	14,506	0	$1.80	$1.80
Milpitas	510,993	19.8%	15.6%	0	-33,511	0	$1.83	$1.83
San Jose	11,982,458	21.8%	20.9%	492,600	-274,078	563,000	$2.29	$2.29
SILICON VALLEY NON-CBD TOTAL	**37,002,254**	**21.9%**	**18.2%**	**1,245,540**	**-1,025,404**	**1,007,595**	**$2.36**	**$2.69**
SILICON VALLEY TOTAL	**43,493,965**	**22.2%**	**18.8%**	**1,545,540**	**-1,294,116**	**1,007,595**	**$2.36**	**$2.75**
NORTH COUNTY								
South San Francisco	4,048,651	25.3%	16.1%	108,000	38,652	0	$3.34	$3.35
San Bruno	1,323,458	16.6%	11.6%	0	-50,502	0	$2.10	$2.36
Daly City	887,297	6.2%	6.2%	0	-15,146	0	$2.05	$3.06
Millbrae	180,068	0.6%	0.6%	0	-1,155	0	$1.95	N/A
Burlingame	2,493,747	16.6%	15.7%	0	-87,330	0	$2.02	$2.29
Brisbane	798,934	16.7%	15.7%	0	23,923	0	$2.60	$2.87
NORTH COUNTY TOTAL	**9,732,155**	**19.0%**	**14.2%**	**108,000**	**-91,558**	**0**	**$2.70**	**$2.83**
CENTRAL COUNTY								
San Mateo	6,694,809	19.3%	16.7%	0	-229,842	0	$2.33	$2.42
Foster City	2,096,283	12.1%	7.4%	0	-111,117	0	$2.49	$2.90
CENTRAL COUNTY TOTAL	**8,791,092**	**17.6%**	**14.5%**	**0**	**-340,959**	**0**	**$2.35**	**$2.51**
SOUTH COUNTY								
Belmont	573,054	40.2%	40.2%	0	-43,743	0	$2.12	$2.12
San Carlos	636,540	36.9%	30.0%	0	-65,864	0	$2.56	$2.63
Redwood City	3,599,278	14.1%	10.7%	0	-130,447	0	$2.55	$2.98
Menlo Park	2,627,947	8.7%	4.9%	94,000	-41,361	0	$6.31	$6.39
Palo Alto (Non-SRP)	4,235,702	13.4%	6.5%	48,545	3,904	0	$3.88	$4.57
Palo Alto /Stanford Research Park	1,464,876	7.1%	2.0%	0	-40,265	0	$3.92	$5.29
Redwood Shores	3,099,035	20.7%	18.7%	0	-178,341	0	$2.51	$2.61
SOUTH COUNTY TOTAL	**16,236,432**	**15.5%**	**11.2%**	**142,545**	**-496,117**	**0**	**$3.11**	**$3.12**
SAN FRANCISCO PENINSULA TOTAL	**34,759,679**	**17.0%**	**12.9%**	**250,545**	**-928,634**	**0**	**$2.76**	**$2.88**
GREATER SILICON VALLEY TOTAL	**78,253,644**	**19.9%**	**16.2%**	**1,796,085**	**-2,222,750**	**1,007,595**	**$2.51**	**$2.80**

Source: Cushman & Wakefield Research

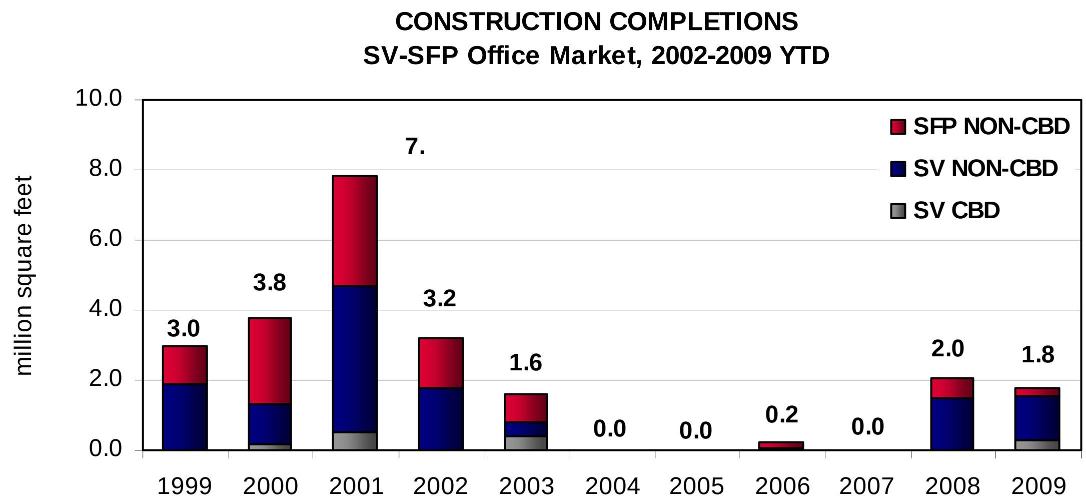
CONSTRUCTION

Given the dramatic growth in inventory that resulted from the previous high-tech boom, new office space completions in the Greater Silicon Valley have been minimal since 2003. According to Cushman & Wakefield's fourth quarter 2008 Marketbeat, "Much of the current construction started in late-2007 and was built on the assumption that some of the region's largest employers were in the market for large blocks of space. Most of these companies, however, are out of the market or have given back space themselves." Projects that broke ground in 2007 delivered nearly 1.8 million square feet in 2009, mainly in the San Jose, Sunnyvale and downtown San Jose submarkets. The economic recession and tightening credit for commercial markets have reduced available funding for projects and have impacted the existing pipeline for more construction. The decline in new speculative construction will help balance supply and demand as the economy rebounds.

Further 2009 construction highlights follow:

- In the first half of 2009, nearly 1.6 million square feet were delivered in the Greater Silicon Valley. This new inventory, heavily concentrated in Silicon Valley and dominated by The Moffett Towers, is a speculative 1.8 million square foot campus that Jay Paul has built to shell construction in the Sunnyvale submarket. The campus consists of seven, architecturally distinctive, eight-story office towers and a 40,000-square foot fitness center. The project is one of the first new “green” class A projects to be delivered to the market, which indicates builders have shifted their focus to green building as it has become more important to tenants seeking the benefits of cheaper operating costs to offset rising rental rates in the valley. Buildings A, B and C were completed between the first and third quarters of 2008, bringing more than 913,000 square feet to the market. Buildings D through G, totaling about 872,000 square feet, were completed in the first quarter of 2009. At the end of 2009, no leases in the entire development had been signed.
- In addition to Moffett Towers, America Center I, consisting of 427,600 square feet in two, six-story office buildings in north San Jose, was completed to “shell” construction in June 2009. No leases have been signed in this development. River Park Towers II (300,000 square feet) in the San Jose CBD was also completed to “shell” construction in June 2009. It also remains vacant. Currently under construction in the San Jose (Non-CBD) submarket is Brocade’s 563,000 square foot build-to-suit office building. This is the former “Palm Site” which was being marketed as the proposed spec buildings project known as “@First”. Brocade subsequently purchased the site for construction and occupancy and plans to occupy the buildings in second quarter of 2010.
- Along the Peninsula, about 126,000 square feet of new office space was completed in second quarter in South County’s Menlo Park and Palo Alto submarkets. According to Cushman and Wakefield Research, there is currently no new speculative construction projects scheduled to break ground in 2009, which should help prevent additional significant increases in vacancy during the remainder of the year.
- In response to current market conditions, developers have chosen to put a hold on projects that already broke ground, including the 153,450 square foot development at Campus at Lawson Lane in Santa Clara and 45,554 square feet at the Offices in Downtown Sunnyvale. Although the projects were under construction, the developers put them on hold indefinitely until market conditions improve.
- In South San Francisco, Myers Development broke ground in April 2007 on the $300 million Centennial Towers, with 325,400 square feet of class A office space delivered in December 2008. At year-end 2008, the developer halted construction of the 21-story North Tower building of the Centennial Towers because of the financial crisis. The developer reported that the South Tower has yet to secure tenants. The project includes 2,000 parking stalls, 25,000 square feet of retail space, a 100-child daycare center, and a 200-seat performing arts center.

- The following graph summarizes construction completions in the Silicon Valley-San Francisco Peninsula office market from 1999 through fourth quarter 2009:



Source: Cushman & Wakefield Research

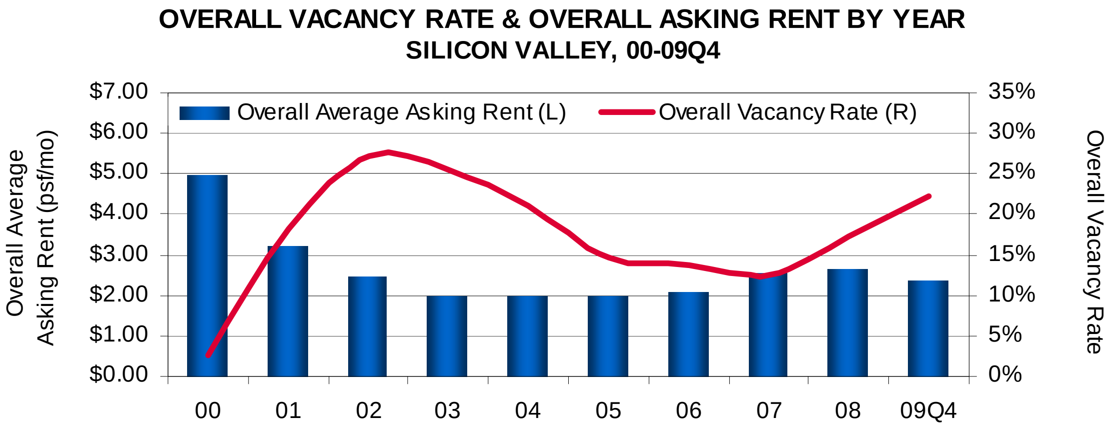
Overall Average Asking Rents

Overall average asking rents in the Greater Silicon Valley fell to $2.51 per square foot per month (fully-serviced) in fourth quarter 2009, a 4.9 percent decrease over third quarter asking rents. It should be noted that all rental rates shown are fully-serviced.

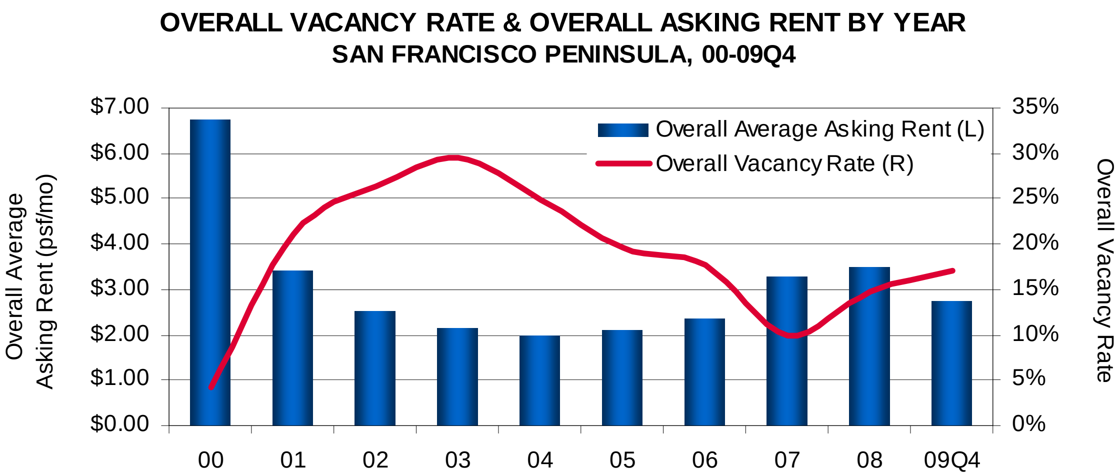
The following points summarize overall asking rents for fourth quarter 2009 in the Greater Silicon Valley office market:

- In fourth quarter 2009, the Silicon Valley market's average asking rent decreased to $2.36 per square foot per month, from $2.54 per square foot per month over the prior quarter, and the Peninsula market's overall average asking rent posted a decrease from $2.80 to $2.76 per square foot per month over the quarter. Over the same period in 2008, rents decreased 11.6 percent from $2.67 per square foot per month in Silicon Valley, and decreased 21.4 percent from $3.51 per square foot per month in the Peninsula.
- In fourth quarter, asking rents ranged from $1.77 to $6.31 per square foot per month over all markets. The lowest rents are found in southern Alameda County with the highest rents found in the South County area, particularly Menlo Park's Sand Hill Road area and Palo Alto.
- The largest decline in asking rents in fourth quarter occurred in Silicon Valley's Cupertino submarket, and the Peninsula's Menlo Park submarket. Rents fell in Cupertino 15.5 percent from $3.16 per square foot per month in third quarter to $2.67 per square foot per month in fourth quarter. In Menlo Park rents fell 8.5 percent from $6.90 to $6.31 per square foot per month during the same period. The largest fourth quarter increase in asking rents occurred in the Silicon Valley's Non-CBD Saratoga submarket. Rents rose 8.8 percent from $2.62 to $2.85 per square foot per month.

The graphs below highlight the relationship between the overall vacancy rate and overall average asking rents for the Silicon Valley and San Francisco Peninsula office markets. In fourth quarter, the overall rent declined in Silicon Valley and the Peninsula.



Souce: Cushman & Wakefield Research



Source: Cushman & Wakefield Research

DEMAND ANALYSIS

LEASING ACTIVITY

In 2008, leasing slowed considerably due to the economic slowdown and weakened tenant demand. Although leasing activity picked up in third quarter 2009 with 1.3 million square feet leased and in fourth quarter with 1.8 million square feet leased, the overall year-end leasing activity in 2009 was down over 2008.

Greater Silicon Valley office leasing activity through fourth quarter 2009 is summarized in the following points:

- Leasing activity in 2009 totaled approximately 5.3 million square feet within the Silicon Valley and Peninsula office markets, 8.3 percent less than the same period a year ago.
- In 2009, a majority of the leases have been transacted for Class A space, suggesting an ongoing flight to quality among tenants.

The most significant leases signed during fourth quarter in the Greater Silicon Valley office market are presented below:

Office Market Largest Lease Transactions
Silicon Valley and San Francisco Peninsula
2009Q4

Building Address	Submarket	Tenant	Size (sf)
4300 North First Street	San Jose	Harmonic	188,000
1040 Enterprise Way	Sunnyvale	Rambus	125,000
One Franklin Parkway Bldg. 910	San Mateo	DemandTech, Inc.	82,000
1380 Bordeaux Drive	Sunnyvale	Cortina	62,000
1001 East Hillsdale Boulevard	Foster City	Adchemy	44,000
5000 Shoreline Court	South San Francisco	Actelion Pharmaceuticals	28,000

Source: Cushman & Wakefield Research

Historical Net Absorption

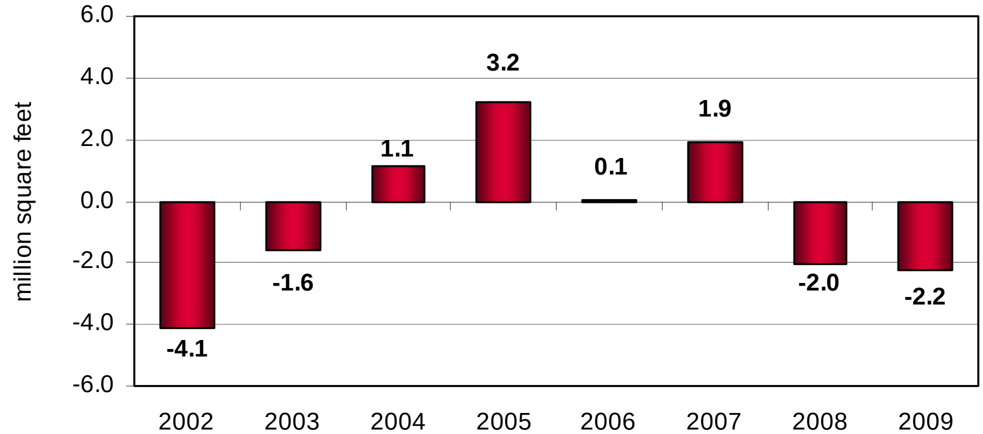
By year-end 2008, absorption registered negative 2.0 million square feet. In 2009, negative absorption increased, returning 2.2 million square feet to the market by year-end, due to new construction completions, a slowdown in leasing, and firms reducing their payrolls. Silicon Valley and the Peninsula returned approximately 1.3 million and 0.9 million square feet each, to the market. During the same period in 2008, absorption, though negative, was less in Silicon Valley with 0.9 million square feet returned, however, more space (1.1 million square feet) was returned in the Peninsula.

Details concerning overall net absorption through year-end 2009 in the Greater Silicon Valley office market are summarized below:

- In the Peninsula market, three submarkets, South San Francisco, Brisbane and Palo Alto (Non-SRP), reported absorption gains of 38,652, 23,923 and 3,904 square feet.
- In Silicon Valley, the Sunnyvale, Newark and Saratoga submarkets posted absorption gains with 168,438, 14,506, and 7,973 square feet.
- In Silicon Valley, the Santa Clara, San Jose, and Downtown San Jose submarkets recorded the greatest negative absorption with 587,183, 274,078, and 268,712 square feet returned to the market.
- In the Peninsula, Central County's San Mateo and South County's Redwood Shores submarkets posted the most negative absorption with 229,842 and 178,341 square feet.

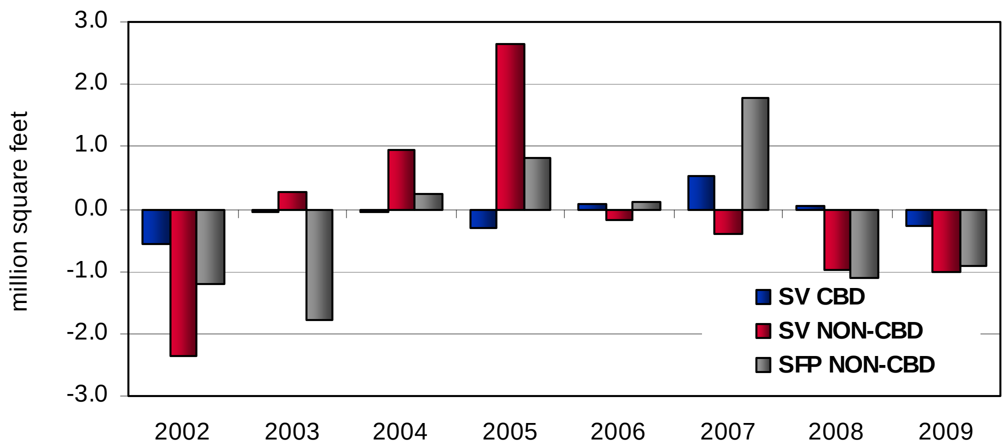
The following charts depict historical net absorption trends in the Silicon Valley-San Francisco Peninsula office market, and also by the CBD and non-CBD submarkets since 2002. As noted, the Silicon Valley market returned the greatest amount of space to the market by year-end 2009.

OVERALL NET ABSORPTION
SV-SFP Office Market, 2002-2009 YTD



Source: Cushman & Wakefield Research

OVERALL NET ABSORPTION
BY CBD & NON-CBD
SV-SFP Office Market, 2002-2009 YTD



Source: Cushman & Wakefield Research

DEMAND DRIVERS

Silicon Valley is considered the hub of the high-tech industry in the United States, and continues to be one of the top research and development centers in the world. Being the most innovative and inventive cities in America, the region has received more patents than any other technology region in the United States. The area is considered an attractive location for corporate headquarters, as well as startup companies. Silicon Valley is home to 17 of the 2009 *Fortune 500* corporations. Although the high-tech sector has shown considerable resiliency through the economic slowdown, the industry has weakened. In the second half of 2008 to present, the tech sector has taken hits as firms have downsized their workforce. Even though companies are doing what is necessary to weather the economic storm, the following attributes continue to make the region a desirable location for the business community and workforce:

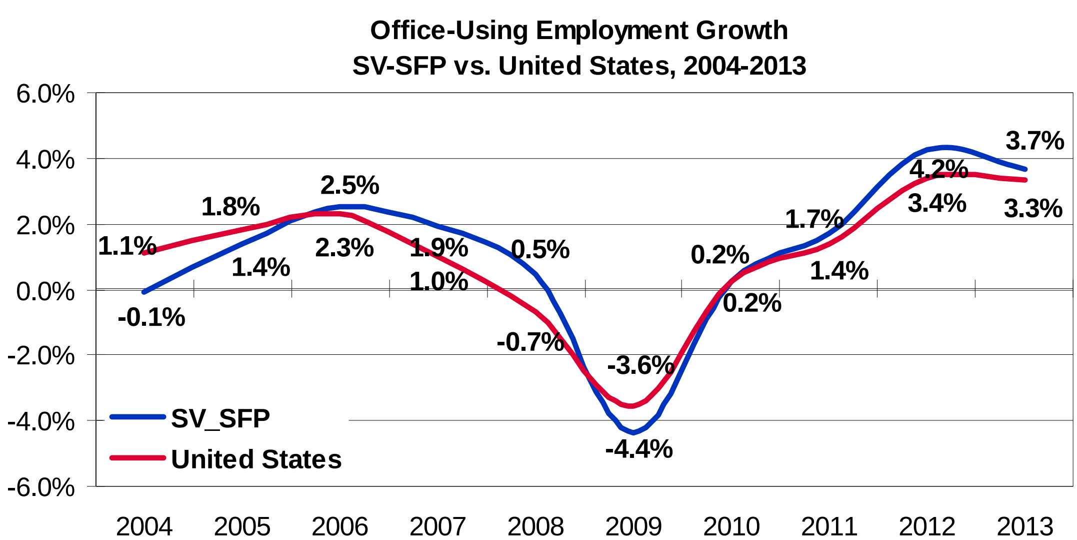
- A highly skilled, well-educated workforce of engineers and scientists from major universities in the area
- Silicon Valley's venture capital investments are the largest in the nation
- Technology breakthroughs in life sciences and clean industries continue to create a new avenue of growth for the region
- Silicon Valley enjoys strong cultural and economic ties to some of the prominent economies in the world, including China, India, Taiwan and Europe.

OFFICE-USING EMPLOYMENT

Office-using employment in the Greater Silicon Valley market is most highly concentrated east of Interstate 280, along US-101, and west of Interstate 880.

Further details follow:

- Between 1999 and 2008, office-using employment growth in the Greater Silicon Valley was negative, with an average decrease of 0.6 percent per year, compared to the 1.1 percent average growth rate on the national level.
- However, between 2009 and 2013, Greater Silicon Valley is projected to slightly exceed the U.S. in terms of office-using employment growth, with 0.9 percent growth per year versus 0.8 percent growth for the U.S.
- The graph below depicts the annual growth rates in office-using employment from the most recent economic stabilization in 2004, through 2013:



Source: Data Courtesy of Moody's Economy.com

DEMAND ANALYSIS

Demand for office space within the market is tied to changes in office-using employment over the next several years. Using office-using employment forecasts and assumptions on space per employee and each submarket's share of demand, a reasonable estimate of office space demand can be compiled.

Based upon an analysis of historical employment and office space data, the following assumptions are applied in the demand forecast:

- Office-using employment growth is related to increases in non-manufacturing employment. Since nominal office demand is generated by the manufacturing sector, manufacturing jobs are excluded from the analysis.
- Using employment figures supplied by Moody's Economy.com, Silicon Valley office-using employment, including both private and public office space, comprises roughly 63.0 percent of total non-manufacturing employment. Office-using employment in this demand analysis includes financial services, information technology, professional and business services, education and health services, government, and other services.
- The office space per employee allocated by companies ranges widely, based upon the type of industry and the dynamics (particularly cost) prevailing within the local market. Office ratios quoted by firms and industries range from 75 to well over 300 square feet per person. For this analysis, an average space-per-employee ratio of 200 square feet is deemed reasonable.
- The demand capture ratios for the major markets are based upon actual historical space demand within each market as a percent of total demand in the overall Greater Silicon Valley market.

The demand analysis results are presented in the table that follows. Highlights of the analysis include:

- Office-using employment increases are expected to translate into a projected average annual demand of almost 1.2 million square feet of space per year. This is in line with the Greater Silicon Valley office market absorption over the past fours years where an average of about 1.1 million square feet were absorbed each year through 2008. However, due to strained market conditions, absorption turned negative in 2008 and 2009.
- Though not included in the analysis, there are 1.0 million square feet of space currently under construction in the Greater Silicon Valley office market. The impact of its delivery, if included in the demand analysis, would slightly increase the oversupply to 3.94 years.

The following table outlines the demand analysis for the Greater Silicon Valley office market:

Office Market Demand Analysis SV-SFP 09Q4	
Item	**Total**
Office Space Demand	
Total Non-Manufacturing Employment - (5-yr Avg)	1,009,581
Total Office Using Employment (*) - (5-yr Avg)	636,743
Office Using Employment as a Percentage	63.0%
Occupied Office Inventory, (sq. ft.)	62,711,538
Estimated Office Space per Employee Ratio (sq. ft.)	200
Forecasted Increase in Non-Manufacturing Employment (2009-13)	46,810
Office-Using Employment as a Percentage	63.0%
Forecasted Increase in Office-Using Employment, (2009-13)	29,490
Forecasted Office Space Demand Through 2013 (sq. ft.)	5,898,092
Average Annual Office Space Demand (sq. ft.)	1,179,618
Supply Stabilization Estimate	
Total Inventory - Fourth Quarter 2009	78,253,644
Stabilized Vacancy Rate	14.0%
Stabilized Vacancy (sq. ft.)	10,955,510
Current Overall Vacancy Rate	19.9%
Current Overall Vacancy (sq. ft.)	15,542,106
Oversupply / (Undersupply) of Space	4,586,596
Average Annual Demand	1,179,618
Year 1 - 2009	-5,061,915
Year 2 - 2010	-908,613
Year 3 - 2011	2,461,213
Year 4 - 2012	4,926,377
Year 5 - 2013	4,481,031
Years of Oversupply(**)	3.89

(*) Office Using Industries Includes: Information, Financial, Professional & Business Services Education & Health, and Government

(**) Excludes Anticipated Construction Completions

Source: Data Courtesy of Moody's Economy.com, Cushman & Wakefield Research

Within many markets, a vacancy rate of 10.0 percent is often considered a "stabilized" level, though support for such a figure is typically anecdotal. This vacancy level is also below the 14.0 percent historical structural vacancy rate we calculated based on the actual experience within this market over the past 12 years. Applying a 10.0 stabilized vacancy rate results in an oversupply of 6.5 years.

CONCLUSION

In 2009, Silicon Valley suffered more pain from the deepening U.S. recession, as companies downsized and reduced workforce, helping to push unemployment to historic highs. The declining local employment, uncertainty about the economic future, and very little access to mortgage credit for borrowers interested in buying or refinancing buildings or land, continued to put significant strain on the region's office market.

Further considerations follow:

- Although development activity in the region has fallen significantly over the past year and will continue to do so, there remains 1.0 million square feet under construction. This new inventory, along with slower leasing activity, and downsizing of companies has created an imbalance of supply and demand of space, pushing vacancy rates higher. However, according to December 2009, Moody's | Economy.com report on the region, "While the oversupply of office buildings will dampen interest in new construction in the near term, San Jose will avoid the large-scale loss of office-using employment that it experienced at the end of the tech boom of the 1990's. The most recent peak-to-trough loss of office-using employment is forecast to total 5.0 percent—a fifth of the loss registered during the prior recession."
- It's a favorable time to be a tenant, evidenced by greater leasing activity in fourth quarter 2009, as well as positive absorption for the quarter (a first for 2009). Office rental rates have declined, and are expected to continue downward going into 2010. Tenants in the market seeking new space are negotiating for lower rents and shorter lease terms, and tenants who have time remaining on their leases are going to landlords seeking early lease renewal negotiations to lower their rates. The downturn in the economy has also prompted landlords to offer free rent as incentives to lease space in their buildings.
- According to the California Employment Development Department, Silicon Valley saw its unemployment rate hit 11.5 percent in December 2009, down from 11.9 percent the prior month, and well-above the 7.8 percent in December 2008. Between December 2008 and December 2009, employment fell by 36,200 jobs or 4.0 percent. Hiring is not expected to result in significant job gains in the near term. Job loss will continue to be a drag on the economy, impacting office demand in 2010.

Investment Considerations

The Financial Crisis

The credit crunch that began to unfold in the U.S. in mid-2007 evolved into a global financial crisis by October 2008, soon after the Lehman Brothers bankruptcy. Many market observers equate this crisis as the greatest challenge to the world's economic health since the Great Depression. Its effects have radically reshaped the financial sector, and its consequences continue to impact nearly every other industry. Although many financial experts believe that the worst may be behind us, economic conditions remain fragile. Concerns about a "double dip" loom large in early 2010, while job creation becomes the next big obstacle to tackle.

From the start, government efforts to combat the crisis were not only robust but unprecedented. The Emergency Economic Stabilization Act of October 2008 (EESA) allowed Treasury to facilitate the $700.0 billion Troubled Asset Relief Program (TARP) also known as "the bailout". In February of 2009, the American Recovery and Reinvestment Act of 2009 (AARA) was enacted by Congress and signed into law. Better known as the "stimulus bill", the $787.0 billion package included federal tax cuts and extended unemployment benefits, in addition to increasing domestic spending on education, health care, and infrastructure. So far, about a third of the "stimulus" money has been spent. Time will tell if a second "stimulus" is needed, as many leading economists argue that such a step is necessary. For the time being, however, it appears that government policies have successfully reinvigorated the financial markets.

The fallout from the crisis was significant, widespread, and permanently altered the financial landscape. Institutions such as Lehman Brothers, which had been around for well over a century, were acquired, filed for Chapter 11 bankruptcy protection, or placed into federal conservatorship. Money from TARP flooded these companies with the much needed cash to stay afloat, pulling them, and the economy at large, from the brink of collapse. To date, a few major institutions such as Bank of America, JPMorgan Chase, and Goldman Sachs have repaid their TARP loans; however, most of this has been done with capital raised from the issuance of equity securities and debt, not necessarily guaranteed by the federal government.

Economic Impact

The U.S. officially entered this recession in December 2007, although the National Bureau of Economic Research (NBER) didn't declare it until a year later. At the moment, no official end has been announced, but the economy grew by 2.2 percent in the third quarter of 2009, and preliminary estimates expect the fourth quarter GDP figure to come in at around 3.0 percent. The 2010 average GDP is expected to be around the same. Should consumer spending and other indicators continue along their current paths, the NBER will announce second quarter 2009 as the end of the recession. At eighteen months, this will be the longest post-war recession for the U.S.

Listed below are some notable economic trends:

- There will be job growth in 2010, but it is not expected to curb the unemployment rate. As of January 2010, the national unemployment rate dipped slightly to 9.7 percent; however, the White House reported that the 2010 unemployment rate will average about 10.0 percent. Despite this, job growth is still expected to climb at a rate of 95,000 per month.
- January 2010's same-store retail sales beat expectations, bolstering talk of a budding rebound for the nation's malls and discounters. Thomson Reuters, reported that January 2010 same-store retail sales increased by 3.3 percent, significantly higher than the 5.7 percent decline last January. Furthermore, this is the fifth consecutive month, indicating that a trend is emerging.

- Home prices continued their downward spiral and fell by 11.9 percent in 2009. Still, the National Association of Realtors found the latest quarter-over-quarter drop (2.9 percent) encouraging as it was the smallest price decline in nearly two years. Also notable, was the increase in the number of homes sold. Between October and December 2009, more than 6 million homes changed hands, a 27.2 percent increase from the same time period in 2008.

COMMERCIAL REAL ESTATE MARKET IMPACT

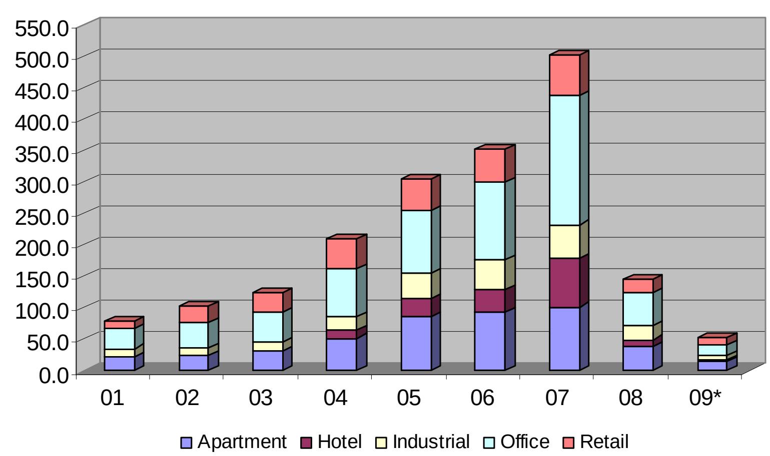
Commercial real estate is expected to be the next big phase in the credit crisis, and the slump could rival or even exceed the one experienced in the early 1990s. An analysis of FDIC data shows that the write-off and delinquency rate for commercial real estate loans at all banks increased precipitously. The third quarter 2009 figure stands at 8.7 percent, nearly double the rate of 4.7 percent a year prior. Experts warn that this rate may reach as high as 12.1 percent over the next two years due to billions of dollars of pro forma loans that never stabilized in tandem with the resetting of partial interest only loans.

Reduced credit availability and sellers' refusals to lower pricing, despite investor concerns over market turmoil, translated into significantly reduced transaction volume. According to Real Capital Analytics, the dollar volume of commercial real estate sales increased about 310.0 percent between 2003 and 2007, but decreased by 72.0 percent in 2008. For 2009, total sales volume is down 63.5 percent from 2008, and by about 90.0 percent from the height of the market in 2007.

When looking at data on a quarter-by-quarter basis, however, it becomes evident that total sales volume began to pick up some steam in 2009, particularly towards the end of the year. In fact, between the first and last quarters of 2009, total sales volume increased by 74.4 percent, with more than half of that sales volume transpiring during fourth quarter. Compared to fourth quarter 2008, sales volume was down 9.9 percent; however, this is a significant improvement over the 83.5 percent drop between fourth quarter 2007 and fourth quarter 2008. This information implies that the seller/buyer disconnect is closing and that some life may be restored to the investment market in 2010. Still, mounting foreclosures will be a thorn in recovery's side and will temper any significant growth that occurs.

The following graph displays national transaction activity by property type between 2001 and 2009:

National Transaction Activity by Property Type



Source: Real Capital Analytics, Inc.
Notes: * year-end 2009, Hotel data not avail. until 2004, Numbers reflect billions

While it is difficult to get an accurate reading on the investment market because of the scarcity of transactions, this much is certain: prices are down, cap rates are up, and real estate capital and risk have been fundamentally re-priced for the foreseeable future. What impact this will have on long-term allocation to the sector remains to be seen, but certain trends and considerations are apparent, including:

- Current market turmoil is generating continued reassessment of market and property-level risk by market participants. In valuation terms, this risk re-pricing is reflected in our estimates of rent and expense growth, capitalization rates, internal rates of return, and other assumptions underlying cash flow forecasts.
- We are also considering the impact of the cost of capital. Mortgage-equity models reflect an increase in overall capitalization rates if interest rates rise or there is an increase in the proportion of equity to debt. The current market has been witnessing both events.
- Over the past few years, real estate benefited from a lack of attractive alternatives for equity investors with an abundance of capital. With highly-leveraged buyers removed from the market, we may see that re-sale risk has increased in the short term as a result of this “de-levering.”
- To facilitate a transaction in the market, assumable or seller financing is desirable to generate investor interest. With financing from banks and traditional sources unavailable and/or at terms disagreeable to purchasers, alternatives are required for negotiations to gain traction, even for deals considered to be “typically” leveraged by historical standards.
- Purchasers must now provide higher equity contributions and lenders are adhering to more conventional underwriting standards. This de-levering mitigates risk and will benefit credit and real estate markets over the long term.

The actions listed above have been or are expected to be implemented by investors to offset the risks associated with the uncertainties in the credit markets. These actions are reflected in our rate selections along with property specific considerations.

CONCLUSION

As market observers who simulate behavior rather than affect it, we await market evidence as to the long term impact of the credit crisis. Risk is considered in the context of our anticipation of rental growth and most vividly in our cap and discount rate selections. Current investor behavior reflects a higher cost of capital, concern about the economy, a reduced pool of investors, and more conservative rent growth and cash flow modeling assumptions. We recognize also that the new market purchasers will have a greater equity interest and lenders will be working with more conventional lending margins, debt and equity coverage ratios.

INVESTOR SURVEY TRENDS

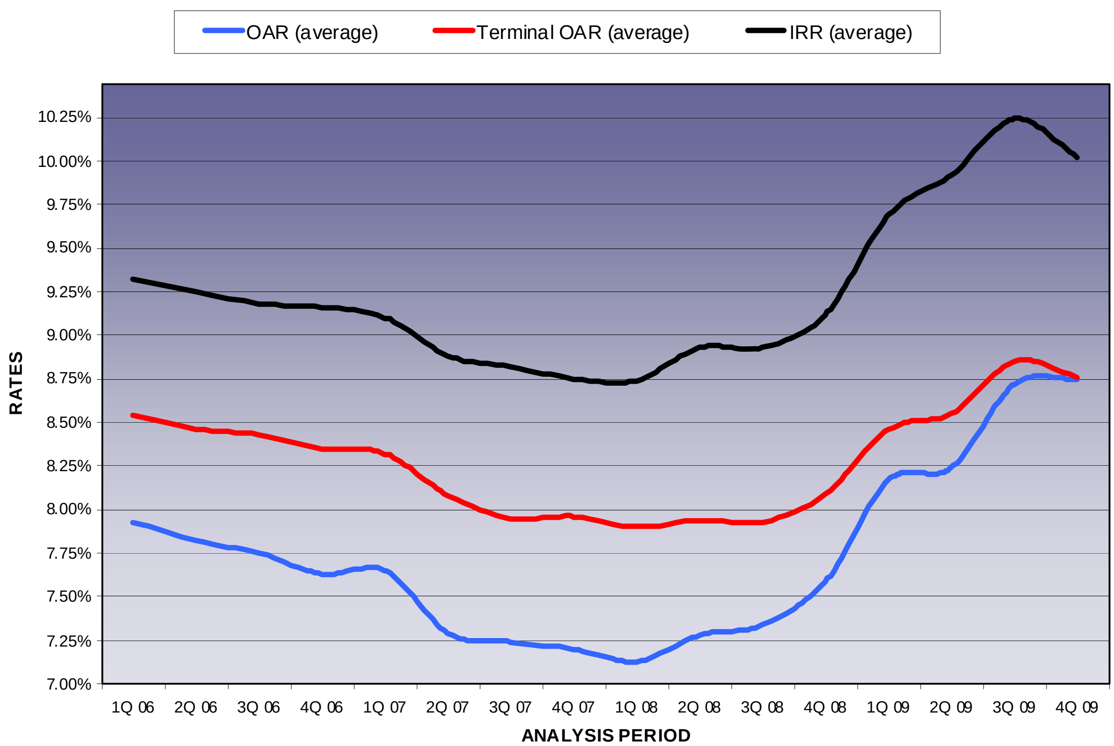
Historic trends in real estate investment help us understand the current and future direction of the market. Investors' return requirements are a benchmark by which real estate assets are bought and sold. The following graph shows the historic trends for the subject's asset class spanning a period of four years as reported in the Korpacz Real Estate Investor Survey published by PricewaterhouseCoopers.

INVESTOR SURVEY HISTORICAL RESULTS

Survey:	**KORPACZ**	**End Quarter:**
Property Type:	**NATIONAL SUBURBAN OFFICE**	**4Q 09**

Quarter	1Q 06	2Q 06	3Q 06	4Q 06	1Q 07	2Q 07	3Q 07	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	2Q 09	3Q 09	4Q 09
OAR (average)	7.93%	7.82%	7.75%	7.63%	7.65%	7.29%	7.24%	7.20%	7.13%	7.28%	7.34%	7.59%	8.17%	8.24%	8.72%	8.75%
Terminal OAR (average)	8.54%	8.46%	8.43%	8.35%	8.32%	8.08%	7.95%	7.96%	7.90%	7.94%	7.93%	8.09%	8.46%	8.55%	8.85%	8.76%
IRR (average)	9.32%	9.25%	9.18%	9.16%	9.10%	8.88%	8.82%	8.75%	8.74%	8.93%	8.93%	9.12%	9.69%	9.92%	10.24%	10.02%

INVESTOR SURVEY HISTORICAL RESULTS



Source: Korpacz Real Estate Investor Survey

As the chart illustrates, the return requirements cited by investors are climbing to more conservative levels than experienced in recent quarters. The financial crisis has made investors more cautious and risk-averse.

CAPITALIZATION RATE ANALYSIS

On the following pages we discuss the process of how we determine an appropriate overall capitalization rate to apply to the subject's forecast net income.

CAPITALIZATION RATE FROM INVESTOR SURVEYS

We have considered data extracted from the Korpacz Real Estate Investor Survey for competitive properties. The most recent information from this survey is listed below:

CAPITALIZATION RATES			
Survey	**Date**	**Range**	**Average**
Korpacz	Fourth Quarter 2009	6.75% - 12.00%	8.75%

Korpacz - Refers to National Suburban Office market regardless of class or occupancy

Building Sales - Silicon Valley and San Francisco Peninsula

No	Property Location / Address	Building Type	Year Built or Renovated	Seller	Buyer	Close Date	Total Sale Price	Sale Price per SF	Total SF	Capilization Rate	NOI / SF	Occupancy at Sale
1	3373-3375 Hillview Avenue Palo Alto, CA	Class A Office/Lab	2005	Hillview Avenue Realty LLC (IDT Corp.)	BGR Associates (Wareham Development)	7/09	$62,730,000	$522.75	120,000	7.16%	$37.41	100.0%
2	18880 Homestead Road Cupertino, CA	Office/R&D	2008	iStar Financial	Menlo Equities	10/08	$37,800,000	$368.46	102,588	6.86%	$25.29	100.0%
3	Ygnacio Center 2001 & 2003 North Main Street 1990 North California Walnut Creek, CA	Class A Office/Streetfront retail	2003	Pembroke Real Estate (Fidelity)	Legacy Partners	3/08	$175,000,000	$350.00	500,000	5.77%	$20.20	89.0%
4	900 & 910 East Hamilton Avenue Campbell, CA	Class A Office	1989	Ohio State Teachers Retirement System	Legacy Partners	1/08	$131,100,000	$374.73	349,849	5.72%	$21.45	82.0%
5	Parkside Towers 1001 & 1051 East Hillsdale Foster City, CA	Class A Office	2001	Parkside Associates NF LP	Parkside Towers LP	12/07	$179,750,000	$450.03	399,422	5.49%	$24.72	99.0%
6	601 California Avenue Palo Alto, CA	Class A Office	1998	601 California Avenue JV, LLC	SRI Eight 601 California LLC (Shorenst	12/07	$85,000,000	$761.29	111,653	5.69%	$43.32	100.0%
7	1184, 1194, & 1220 North Mathilda Sunnyvale, CA	Class A Office	2000	GE Asset Management	Tishman Speyer	7/07	$226,200,000	$532.45	424,825	7.45%	$39.65	100.0%
8	McCandless Towers 3845-3965 Freedom Circle Santa Clara, CA	Class A Office	1986	McCandless Towers Phase I and Birk S.	Tishman Speyer Properties	6/07	$212,500,000	$508.52	417,876	5.26%	$26.74	96.0%
9	650 Page Mill Road Palo Alto, CA	Class A Office	1994	Hewlett-Packard	Hines	5/07	$98,000,000	$532.08	184,182	6.28%	$33.40	100.0%
10	Pacific Shores Center 1400 & 1500 Seaport Boulevard Redwood City, CA	Class A Office	2001	US/D2 Holdings(Starwood Capital Group)	Shorenstein Development	4/07	$245,000,000	$547.18	447,747	7.01%	$38.36	100.0%
11	Park Place @ Bay Meadows 1010-1060, 100 & 1200 Park Place San Mateo, CA	Class A Office	2002	Bay Meadows Park Place Investors, LLC	JP Morgan	3/07	$152,000,000	$650.00	233,846	5.20%	$33.80	99.0%
12	701 Gateway Boulevard South San Francisco, CA	Class A Office	1998	CF Gateway LLC	Broadway 701 Gateway Fee LLC	3/07	$66,000,000	$387.39	170,369	5.70%	$22.08	96.0%

Sources: C&W Valuation Advisory Services, C&W Market Research, CoStar

CAPITALIZATION RATE CONCLUSION

We have considered all aspects of the subject property that would influence the overall rate. Based on investor surveys and comparable building sales, our analysis suggests that a going-in capitalization rate of 8.5 percent represents reasonable investor criteria under current market conditions.

FINANCIAL ANALYSIS

DISCOUNTED CASH FLOW METHOD ANALYSIS

In the Discounted Cash Flow Method (DCF), we employed ARGUS software to model the income characteristics of the property and to make a variety of cash flow assumptions. We attempted to reflect the most likely investment assumptions of typical buyers and sellers in this market segment.

GENERAL CASH FLOW ASSUMPTIONS

The start date of the DCF analysis is January 1, 2014. We have performed this analysis on a fiscal year basis. The analysis incorporates a forecast period of 12 years, and a holding period of 11 years.

The following table outlines the assumptions used in the DCF analysis.

DISCOUNTED CASH FLOW MODELING ASSUMPTIONS			
VALUATION SCENARIO:	**Market Value of the Proposed Project AS Of January 1, 2014**		
GENERAL CASH FLOW ASSUMPTIONS		**GROWTH RATES**	
Cash Flow Software:	**ARGUS**	Market Rent:	5%,5%,5%,5%,5%, 3% thereafter
Cash Flow Start Date:	1/1/2014	Consumer Price Index (CPI):	3.00%
Calendar or Fiscal Analysis:	Fiscal	Expenses:	3.00%
Investment Holding Period:	11 Years	Tenant Improvements:	3.00%
Analysis Projection Period:	12 Years	Real Estate Taxes:	2.00%
VACANCY & COLLECTION LOSS		**RATES OF RETURN**	
Global Vacancy:	5.00%	Internal Rate of Return: (Cash Flow)	9.50%
Global Collection Loss:	2.00%	Internal Rate of Return: (Reversion)	9.50%
Total Vacancy & Collection Loss:	7.00%	Terminal Capitalization Rate:	9.00%
		Reversionary Sales Cost:	2.00%
Credit Tenant Overide Rate (Vacancy):	0.00%	Implied Going-In Capitalization Rate	8.50%
Credit Tenant Overide Rate (Collection Loss):	0.00%		
		VALUATION	
		Market Value of the Proposed Project AS Of January 1, 2014	**$341,247,513**
		Rounded to nearest $50,000	**$341,250,000**
		Value $/SF	$491.24

Compiled by Cushman & Wakefield Western, Inc.

The following information was extracted from the Korpacz Investor Survey and was used to help determine our growth rate assumptions.

OTHER INVESTOR SURVEY INFORMATION					
Survey	**Data**	**Range**			**Average**
Korpacz Fourth Quarter 2009	Rent Change Rate	-20.00%	-	3.00%	-2.35%
	Expense Change Rate	1.00%	-	4.00%	2.77%

Korpacz - Refers to National Suburban Office market regardless of class or occupancy

SPACE SUMMARY & OCCUPANCY STATUS

The proposed office-retail development contains 694,670 square feet of space.

SPACE SUMMARY & OCCUPANCY STATUS							
	SPACE SUMMARY				**TENANT COUNT**		
Tenant Category	**Occ. SF**	**Vct. SF**	**Total SF**	**Occupancy**	**Occupied**	**Vacant**	**Total**
Office	-	684,250	684,250	0.0%	0	11	11
Retail	-	10,420	10,420	0.0%	0	2	2
Total	-	694,670	694,670	0.0%	0	13	13

Compiled by Cushman & Wakefield Western, Inc.

ABSORPTION OF VACANT SPACE

The proposed office-retail buildings comprise 694,670 square feet. We have assumed a multi-tenant scenario with 13 tenant spaces. The following chart summarizes our absorption forecast for this property.

ABSORPTION SCHEDULE

Tenant Name	Suite/Location	NRA	Date	Tenant Category	Market Rent (1)	Annual
Independence A Retail	1	3,000	Jan-14	Retail	$48.00	$144,000
Independence A 1	1-4	97,000	Jan-14	Office	$66.00	$6,402,000
Independence A 5	5-6	50,000	Jul-14	Office	$66.00	$3,300,000
Independence A 7	7-8	50,000	Dec-14	Office	$66.00	$3,300,000
Constitution A Retail	1	7,420	Jan-15	Retail	$48.00	$356,160
Constitution A 1	1-2	54,414	Jan-15	Office	$66.00	$3,591,324
Constitution A 3	3-4	61,834	May-15	Office	$66.00	$4,081,044
Constitution A 5	5-6	61,834	Aug-15	Office	$66.00	$4,081,044
Constitution A 7	7-8	61,834	Dec-15	Office	$66.00	$4,081,044
Constitution B 1	1-2	61,834	Feb-16	Office	$66.00	$4,081,044
Constitution B 3	3-4	61,834	May-16	Office	$66.00	$4,081,044
Constitution B 5	5-6	61,834	Aug-16	Office	$66.00	$4,081,044
Constitution B 7	7-8	61,832	Dec-16	Office	$66.00	$4,080,912
Total		**694,670**			**$65.73**	**$45,660,660**

(1) Reflects current market rent, which will grow at our forecasted growth rate discussed herein.

ABSORPTION STATISTICS

Value Date	Jan-14
Absorption Commencement	Jan-14
Absorption Completion	Dec-16
Total Absorption Period (Months)	35
Absorption Per Month (SF)	19,840

Compiled by Cushman & Wakefield Western, Inc.

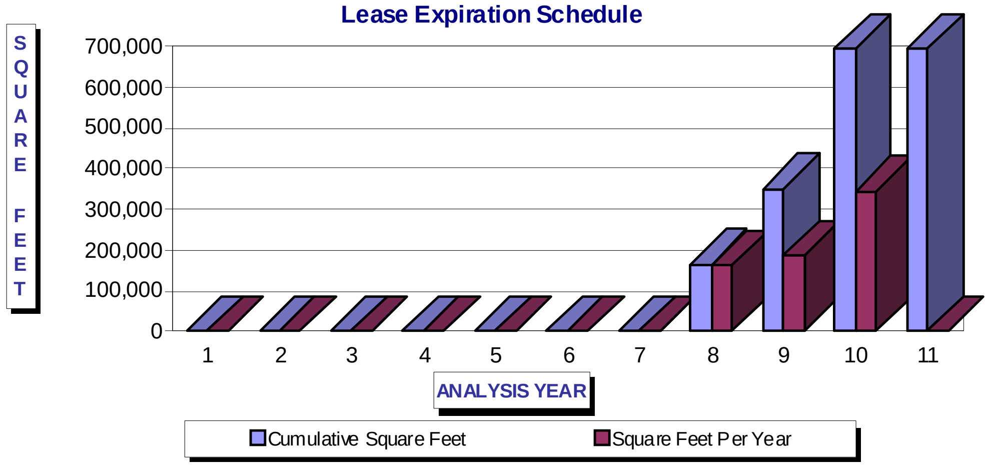
We have forecast an absorption period of 35 months to lease this space. The market rent noted in the chart reflects a market rent estimate upon completion of the buildings.

LEASE EXPIRATIONS (ALL TERMS)

The lease expiration schedule is an important investment consideration. As leases rollover, the landlord will be required to negotiate a renewal lease with the existing tenant, or to secure a new tenant for the space. Below is the projected lease expiration schedule for this property incorporating all projected lease expirations forecast during the analysis period, which begins in 2014.

LEASE EXPIRATION SCHEDULE

Year	Square Feet Expiring	Percent of Property	Cumulative Sq Ft	Cumulative Percent
1	0	0.00%	0	0.00%
2	0	0.00%	0	0.00%
3	0	0.00%	0	0.00%
4	0	0.00%	0	0.00%
5	0	0.00%	0	0.00%
6	0	0.00%	0	0.00%
7	3,000	0.43%	3,000	0.43%
8	161,834	23.30%	164,834	23.73%
9	185,502	26.70%	350,336	50.43%
10	344,334	49.57%	694,670	100.00%
11	0	0.00%	694,670	100.00%



Compiled by Cushman & Wakefield Western, Inc.

The following table provides a synopsis of the lease expiration anticipated at this property during the analysis period.

LEASE EXPIRATION ANALYSIS		
Total NRA of Subject Property (SF)	694,670	100.00%
Year of Peak Expiration	10	
SF Expiring in Peak Year	344,334	49.57%
Five Year Cumulative Expirations (SF)	0	0.00%
Ten Year Cumulative Expirations (SF)	694,670	100.00%

Compiled by Cushman & Wakefield Western, Inc.

LEASING ASSUMPTIONS

The following chart summarizes the leasing assumptions that were used in preparing our DCF analysis.

LEASING ASSUMPTIONS		
TENANT CATEGORY	Office	Retail
WEIGHTED ITEMS		
Renewal Probability	70.00%	70.00%
Market Rent	$66.00	$48.00
Months Vacant	9.00	9.00
Tenant Improvements		
New Leases	$20.00	$10.00
Renewal Leases	$10.00	$5.00
First Generation (shell)	$50.00	$40.00
Leasing Commissions (1)		
New Leases	6.00%	6.00%
Renewal Leases	3.00%	3.00%
Free Rent		
New Leases	0	0
Renewal Leases	0	0
NON-WEIGHTED ITEMS		
Lease Term (years)	7	7
Lease Type (reimbursements)	Full Service	Triple Net
Contract Rent Increase Projection	3% per annum	3% per annum

Compiled by Cushman & Wakefield Western, Inc.

(1) Leasing Commissions are detailed below

LEASING COMMISSIONS

We have modeled leasing commissions in accordance with local market standards. The standard leasing commission for new leases is 6.0 percent of the scheduled rental income. On new leases, the leasing broker is entitled to a full commission. On renewing leases, the leasing broker is entitled to one half of the full commission.

FINANCIAL ASSUMPTIONS

The financial assumptions used in the DCF process are discussed in the following commentary.

TERMINAL CAPITALIZATION RATE SELECTION

A terminal capitalization rate was used to develop an opinion of the market value of the property at the end of the assumed investment holding period. The rate is applied to the net operating income following year 11 before making deductions for leasing commissions, tenant improvement allowances and reserves for replacement. We have developed an opinion of an appropriate terminal capitalization rate based on rates in current investor surveys.

TERMINAL CAPITALIZATION RATES (OAR_{out})			
Survey	**Date**	**Range**	**Average**
Korpacz	Fourth Quarter 2009	7.00% - 11.50%	8.76%

Korpacz - Refers to National Suburban Office market regardless of class or occupancy

Investors will typically use a slightly more conservative overall rate when exiting an investment versus the rate that would be used going into the investment. This accounts both for the aging associated with the improvements over the course of the holding period, and for any unforeseen risks that might arise over that time period.

As a result, we have applied a terminal rate of 9.00 percent in our analysis. This rate is 50 basis points above the overall rate going into the investment reflecting uncertainty and risk, which is considered reasonable.

REVERSIONARY SALES COSTS

We have estimated the cost of sale at the time of reversion to be 2.00 percent, which is in keeping with local market practice.

DISCOUNT RATE SELECTION

We have developed an opinion of future cash flows, including property value at reversion, and discounted that income stream at an internal rate of return (IRR) currently required by investors for similar-quality real property. The IRR (also known as yield) is the single rate that discounts all future equity benefits (cash flows and equity reversion) to an opinion of net present value.

The Korpacz Investor survey indicates the following internal rates of return for competitive properties:

DISCOUNT RATES (IRR)			
Survey	Date	Range	Average
Korpacz	Fourth Quarter 2009	7.25% - 14.00%	10.02%

Korpacz - Refers to National Suburban Office market regardless of class or occupancy

The above table summarizes the investment parameters of some of the most prominent investors currently acquiring similar investment properties in the United States. We realize that this type of survey reflects target rather than transactional rates. Transactional rates are usually difficult to obtain in the verification process and are actually only target rates of the buyer at the time of sale. The property's performance will ultimately determine the actual yield at the time of sale after a specific holding period.

We previously discussed all factors that would influence our selection of a discount rate for the subject property. Given all of these factors, we have discounted our cash flow and reversionary value projections at an internal rate of return of 9.50 percent.

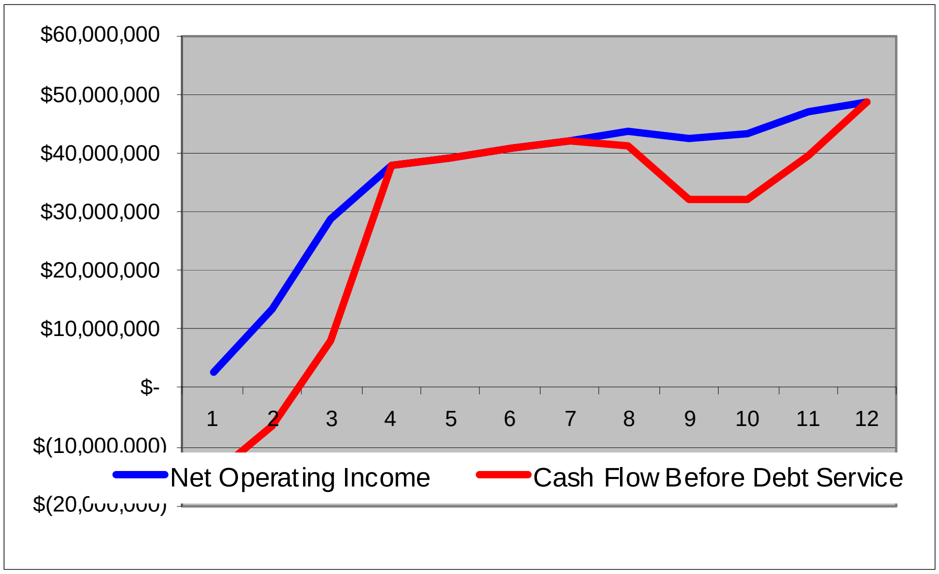
The ARGUS cash flow is presented on the following page. The cash flow commencement date is January 1, 2014.

DISCOUNTED CASH FLOW METHOD CONCLUSION

Our cash flow projection and valuation matrix are presented on the following pages.

ANNUAL CASH FLOW REPORT Menlo Gateway Project - Office & Retail Space Analysis													Annual Growth
	1	2	3	4	5	6	7	8	9	10	11	12	Year 1 -
For the Years Beginning	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	
For the Years Ending	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Year 11
Base Rental Revenue	$ 8,471,000	$ 22,544,267	$ 40,450,242	$ 50,287,370	$ 51,795,992	$ 53,349,872	$ 54,950,368	$ 56,855,709	$ 60,128,866	$ 63,396,835	$ 66,797,026	$ 68,699,706	22.94%
Absorption & Turnover Vacancy	0	0	0	0	0	0	0	(1,538,152)	(5,463,426)	(5,862,265)	(3,374,362)		
Scheduled Base Rental Revenue	$ 8,471,000	$ 22,544,267	$ 40,450,242	$ 50,287,370	$ 51,795,992	$ 53,349,872	$ 54,950,368	$ 55,317,557	$ 54,665,440	$ 57,534,570	$ 63,422,664	$ 68,699,706	22.30%
Operating Expenses	23,229	922,502	3,165,579	5,147,754	5,557,660	5,979,863	6,414,734	6,167,923	3,742,338	2,381,321	1,089,423	2,178,696	46.93%
Total Reimbursement Revenue	$ 23,229	$ 922,502	$ 3,165,579	$ 5,147,754	$ 5,557,660	$ 5,979,863	$ 6,414,734	$ 6,167,923	$ 3,742,338	$ 2,381,321	$ 1,089,423	$ 2,178,696	46.93%
TOTAL GROSS REVENUE	$ 8,494,229	$ 23,466,769	$ 43,615,821	$ 55,435,124	$ 57,353,652	$ 59,329,735	$ 61,365,102	$ 61,485,480	$ 58,407,778	$ 59,915,891	$ 64,512,087	$ 70,878,402	22.48%
General Vacancy	(424,711)	(1,173,338)	(2,180,791)	(2,771,756)	(2,867,683)	(2,966,487)	(3,068,255)	(1,613,030)	0	0	(19,960)	(3,543,920)	-26.34%
Collection Loss	(169,885)	(469,335)	(872,316)	(1,108,702)	(1,147,073)	(1,186,595)	(1,227,302)	(1,229,710)	(1,168,156)	(1,198,318)	(1,290,242)	(1,417,568)	22.48%
EFFECTIVE GROSS REVENUE	$ 7,899,633	$ 21,824,096	$ 40,562,714	$ 51,554,666	$ 53,338,896	$ 55,176,653	$ 57,069,545	$ 58,642,740	$ 57,239,622	$ 58,717,573	$ 63,201,885	$ 65,916,914	23.12%
Operating Expenses	5,378,718	8,198,065	11,681,349	13,663,524	14,073,430	14,495,633	14,930,502	15,108,521	14,884,299	15,298,405	16,219,274	17,308,543	11.67%
TOTAL OPERATING EXPENSES	$ 5,378,718	$ 8,198,065	$ 11,681,349	$ 13,663,524	$ 14,073,430	$ 14,495,633	$ 14,930,502	$ 15,108,521	$ 14,884,299	$ 15,298,405	$ 16,219,274	$ 17,308,543	11.67%
NET OPERATING INCOME	$ 2,520,915	$ 13,626,031	$ 28,881,365	$ 37,891,142	$ 39,265,466	$ 40,681,020	$ 42,139,043	$ 43,534,219	$ 42,355,323	$ 43,419,168	$ 46,982,611	$ 48,608,371	33.98%
Tenant Improvements	9,970,000	12,292,600	12,366,700	0	0	0	0	823,401	3,817,153	4,195,324	2,774,940		-12.01%
Leasing Commissions	7,504,045	7,815,778	8,274,198	0	0	0	0	1,393,532	6,422,169	7,007,444	4,634,976		-4.70%
TOTAL LEASING & CAPITAL COSTS	$ 17,474,045	$ 20,108,378	$ 20,640,898	$ -	$ -	$ -	$ -	$ 2,216,933	$ 10,239,322	$ 11,202,768	$ 7,409,916		-8.22%
CASH FLOW BEFORE DEBT SERVICE	$ (14,953,130)	$ (6,482,347)	$ 8,240,467	$ 37,891,142	$ 39,265,466	$ 40,681,020	$ 42,139,043	$ 41,317,286	$ 32,116,001	$ 32,216,400	$ 39,572,695	$ 48,608,371	--
Implied Overall Rate	0.74%	3.99%	8.46%	11.10%	11.51%	11.92%	12.35%	12.76%	12.41%	12.72%	13.77%		
Cash on Cash Return	-4.38%	-1.90%	2.41%	11.10%	11.51%	11.92%	12.35%	12.11%	9.41%	9.44%	11.60%		

The following graph depicts the forecasted change in both net income and net cash flow over the analysis period.



The results of the DCF analysis are presented below:

PRICING MATRIX - Market Value of the Proposed Project AS Of January 1, 2014										
Terminal Cap Rates	Discount Rate (IRR) for Cash Flow 9.00%		9.25%		9.50%		9.75%		10.00%	
8.50%	$	368,510,367	$	360,516,795	$	352,720,868	$	345,117,112	$	337,700,222
8.75%	$	362,305,125	$	354,465,974	$	346,820,285	$	339,362,708	$	332,088,054
9.00%	$	356,444,619	$	348,751,311	$	341,247,513	$	333,927,993	$	326,787,674
9.25%	$	350,900,897	$	343,345,548	$	335,975,972	$	328,787,047	$	321,773,800
9.50%	$	345,648,950	$	338,224,298	$	330,981,881	$	323,916,676	$	317,023,815
IRR Reversion	**9.00%**		**9.25%**		**9.50%**		**9.75%**		**10.00%**	
Cost of Sale at Reversion:					2.00%					
Percent Residual:					57.16%					
Rounded to nearest $50,000					**$341,250,000**		**$491**			

Based on the rates selected, Going-In Capitalization Rate of 8.5%, Terminal Capitalization Rate of 9.0%, and a Discount Rate (IRR) of 9.5%, the value as of January 1, 2014 via the DCF analysis is estimated at $341,250,000, rounded, or $491.24 per square foot of gross building area of the office and retail components. The reversion value in year 11 contributes 57.16 percent to our value estimate.

Breakdown of Value		
Value from Cash-Flow	$146,202,979	42.84%
Value from Reversion Sale in 2024 (yr. 11)	$195,047,021	57.16%
Total Value	$341,250,000	100%

LAND RESIDUAL ANALYSIS

LAND RESIDUAL ANALYSIS - *Current Zoning Assuming Maximum Allowable FAR of 45%*			
		Best Case	**Worst Case**
Average Annual Rent per SF NNN		$21.00	$15.00
Potential Annual Rental Income		$21.00	$15.00
Less: Vacancy and Collection Loss at	10%	(2.10)	(1.50)
Effective Gross Income (EGI)		$18.90	$13.50
Less: Expenses (Triple Net)	3.0% of EGI	(0.57)	(0.41)
Net Operating Income		$18.33	$13.10
Overall Capitalization Rate		9.0%	9.0%
Estimated Property Value/SF		**$203.70**	**$145.50**
Estimated Construction Costs[1]		($73.97)	($73.97)
Entrepreneurial Incentive	15.0%	($11.10)	($11.10)
Total: Estimated Construction Costs & Profit		**($85.06)**	**($85.06)**
Estimated Land Value per Buildable Foot		**$118.64**	**$60.44**
Maximum Coverage Ratio		45%	45%
Total Gross Land Area (acres) [2]		15.94	15.94
Total Potential Net Rentable Area (square feet)		312,456	312,456
Estimated Land Value		$37,068,708	$18,883,776
Less: Cost of Sales	1.0%	($370,687)	($188,838)
Estimated Land Value		$36,698,021	$18,694,938
Final Estimated Land Value, Rounded		**$36,700,000**	**$18,700,000**
Estimated Land Value per Gross SF		**$52.86**	*Avg.* $ 39.89 **$26.93**

(1) Construction costs are taken from Marshall & Swift and developers in the marketplace.
(2) APNs: 55-234-240, 250, 260, 270 and 55-235-040, 050, 080, 100, & 110

LAND RESIDUAL ANALYSIS - *As Proposed (Office and Retail Portion)*

			Best Case		Worst Case
Average Annual Rent per SF (Office and Retail Components)			$65.73		$60.00
Potential Annual Rental Income (Office and Retail Components)			$65.73		$60.00
Less: Vacancy and Collection Loss at	7.0%		(4.60)		(4.20)
Effective Gross Income (EGI)			$61.13		$55.80
Less: Expenses (Full-Service)	$18.00	Per Square Foot	(18.00)		(18.00)
Net Operating Income (Office and Retail Components)			$43.13		$37.80
Overall Capitalization Rate (Office and Retail Components)			8.5%		8.5%
Estimated Property Value/SF (Office and Retail Components)			**$507.40**		**$444.71**
Estimated Construction Costs (1)			($357.46)		($357.46)
Entrepreneurial Incentive	15.0%		($53.62)		($53.62)
50% of Pre-paid $8 million Entitlement costs			($5.76)		($5.76)
Total: Estimated Construction Costs, Profit, & 50% of Pre-paid Entitlement Costs			($416.83)		($416.83)
Estimated Land Value per Buildable Foot			**$90.56**		**$27.87**
Maximum Coverage Ratio			137.5%		137.5%
Total Gross Land Area (acres) to Office-Retail Portion (2)			11.59		11.59
Total Net Rentable Area of New Office-Retail Development (square feet)			694,183		694,183
Estimated Land Value			$62,868,280		$19,347,927
Less: Cost of Sales	1.0%		($628,683)		($193,479)
Estimated Land Value			$62,239,597		$19,154,448
Less: Discount Factor at 5.0% Discount Rate for 48-Month Holding Period			0.822702		0.822702
Estimated Land Value			$51,204,641		$15,758,403
Final Estimated Land Value, Rounded			**$51,200,000**		**$15,800,000**
Estimated Land Value per Gross SF			**$101.41**	*Avg.* *$ 66.36*	**$31.30**

(1) Construction costs are taken from the developer's proforma and includes 50% of Garage C
(2) APNs: 55-234-240, 250, 260, 270 and 55-235-040, 050, & 080

CONSTRUCTION PRO-FORMA

Menlo Gateway - As Proposed Construction Pro-Forma for Office and Hotel

Hotel Clubsport Reversion

Net Operating Income	$	15,406,000
Terminal Capitalization Rate		8.50%
Indicated Reversion Value	**$**	**181,247,059**
Less: Sales Costs @ 3.0%	**$**	**(5,437,412)**
Net Sales Proceeds	**$**	**175,809,647**

Office/Retail Component Reversion

Net Operating Income-Reversion	$	48,608,371
Terminal Capitalization Rate		9.00%
Indicated Rerversion Value	**$**	**540,093,011**
Less: Sales Costs @ 2.0%	**$**	**(10,801,860)**
Net Sales Proceeds	**$**	**529,291,151**

	Total	1 12/2010	2 12/2011	3 12/2012	4 12/2013	5 12/2014	6 12/2015	7 12/2016
Hotel Clubsport Component	$111,094,000	$0	$0	$0	$0	$6,153,000	$9,069,000	$10,378,000
Office-Retail Component	$381,296,303	$0	$0	$0	$0	$2,520,915	$13,626,031	$28,881,365
Total Net Income	$492,390,303	$0	$0	$0	$0	$8,673,915	$22,695,031	$39,259,365
Hotel Clubsport Reversion	$175,809,647	$0	$0	$0	$0	$0	$0	$0
Office-Retail Reversion	$529,291,151	$0	$0	$0	$0	$0	$0	$0
Total Reversionary Value	$705,100,798	$0	$0	$0	$0	$0	$0	$0
Site Costs Constitution Dr. @ $39.89/sf (est. Land Value)	$15,395,226	$15,395,226	$0	$0	$0	$0	$0	$0
Site Costs Independence Dr. @ $39.89/sf (est. Land Value)	$12,302,275	$12,302,275	$0	$0	$0	$0	$0	$0
Infrastructure - Constitution Drive	$5,174,019	$0	$0	$0	$5,174,019	$0	$0	$0
Infrastructure - Independence Drive	$5,884,055	$0	$5,884,055	$0	$0	$0	$0	$0
Vertical Costs - Constitution Drive	$128,421,799	$0	$0	$0	$0	$64,210,900	$64,210,899	$0
Vertical Costs - Independence Drive	$191,248,223	$0	$0	$20,874,460	$170,373,763	$0	$0	$0
Project Management	$14,698,053	$0	$205,942	$730,606	$6,144,172	$3,721,831	$3,895,502	$0
Future Tenant Improvements on Renewals	$11,610,818	$0	$0	$0	$0	$0	$0	$0
Leasing Commissions	$43,052,142	$0	$0	$0	$0	$7,504,045	$7,815,778	$8,274,198
Cost Contingency	$20,997,218	$0	$294,203	$1,043,723	$8,777,389	$5,316,901	$5,565,002	$0
Entitlements	$8,000,000	$8,000,000	$0	$0	$0			
Less: Remaining Development Costs:	$456,783,828	$35,697,501	$6,384,200	$22,648,789	$190,469,343	$80,753,677	$81,487,181	$8,274,198
Net Cash Flows:		($35,697,501)	($6,384,200)	($22,648,789)	($190,469,343)	($72,079,762)	($58,792,150)	$30,985,167
Net Cummulative Cash Flows:		($35,697,501)	($42,081,701)	($64,730,490)	($255,199,833)	($327,279,595)	($386,071,745)	($355,086,578)
Projected IRR	12.68%							
Projected NPV at 15.0%	($35,585,154)							

	8 12/2017	9 12/2018	10 12/2019	11 12/2020	12 12/2021	13 12/2022	14 12/2023	15 12/2024
Hotel Clubsport Component	$11,009,000	$11,483,000	$11,841,000	$12,209,000	$12,589,000	$12,980,000	$13,383,000	$0
Office-Retail Component	$37,891,142	$39,265,466	$40,681,020	$42,139,043	$43,534,219	$42,355,323	$43,419,168	$46,982,611
Total Net Income	$48,900,142	$50,748,466	$52,522,020	$54,348,043	$56,123,219	$55,335,323	$56,802,168	$46,982,611
Hotel Clubsport Reversion	$0	$0	$0	$0	$0	$0	$ 175,809,647	$0
Office-Retail Reversion	$0	$0	$0	$0	$0	$0	$0	$529,291,151
Total Reversionary Value	$0	$0	$0	$0	$0	$0	$232,611,815	$576,273,762
Site Costs Constitution Dr. @ $39.89/sf (est. Land Value)	$0	$0	$0	$0	$0	$0	$0	$0
Site Costs Independence Dr. @ $39.89/sf (est. Land Value)	$0	$0	$0	$0	$0	$0	$0	$0
Infrastructure - Constitution Drive	$0	$0	$0	$0	$0	$0	$0	$0
Infrastructure - Independence Drive	$0	$0	$0	$0	$0	$0	$0	$0
Vertical Costs - Constitution Drive	$0	$0	$0	$0	$0	$0	$0	$0
Vertical Costs - Independence Drive	$0	$0	$0	$0	$0	$0	$0	$0
Project Management	$0	$0	$0	$0	$0	$0	$0	$0
Future Tenant Improvements on Renewals	$0	$0	$0	$0	$823,401	$3,817,153	$4,195,324	$2,774,940
Leasing Commissions	$0	$0	$0	$0	$1,393,532	$6,422,169	$7,007,444	$4,634,976
Cost Contingency	$0	$0	$0	$0	$0	$0	$0	$0
Entitlements								
Less: Remaining Development Costs:	$0	$0	$0	$0	$2,216,933	$10,239,322	$11,202,768	$7,409,916
Net Cash Flows:	$48,900,142	$50,748,466	$52,522,020	$54,348,043	$53,906,286	$45,096,001	$221,409,047	$568,863,846
Net Cummulative Cash Flows:	($306,186,436)	($255,437,970)	($202,915,950)	($148,567,907)	($94,661,621)	($49,565,620)	$171,843,427	$740,707,273

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the valuation consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Report.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We 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.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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 report.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Robby D. Perrino, MAI, CRE, CCIM did make a personal inspection of the property that is the subject of this report. George Geranios did not make a personal inspection of the property that is the subject of this report.
- Robby D. Perrino, MAI, CRE, CCIM and George Geranios have not provided services regarding the subject property within the prior three years.
- No one provided significant real property valuation assistance to the persons signing this report.
- As of the date of this report, Robby D. Perrino, MAI, CRE, CCIM has completed the continuing education program of the Appraisal Institute.

Robby D. Perrino, MAI, CRE, CCIM
Executive Managing Director
CA Certified General Appraiser
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ADDENDA

Comparable Land Sales
Comparable Leases
Market Trend Charts
Engagement Letter
Qualifications of Professionals

Comparable Land Sales														
No	Property Location / Address	Seller	Buyer	Close Date	Size (Acres)	Size (SF)	Total Sale Price	Sale Price per Land SF	Estimated FAR	Propsed GBA (SF)	Sale Price per FAR	Zoning	Improvements at Sale	Intended Use
1	Kato Business Park, East side of Kato Road between Warren and Fremont, Fremont, CA	LDF1, LLC (McMorgan & Company)	Solyndra	7/08	30.01	1,307,236	$32,700,000	$25.01	45.9%	600,000	$54.50	IR	Raw land	Solar panel manufacturing
2	Oyster Point Business Park, 375-389 Oyster Point Boulevard, South San Francisco, CA	Shelton International Holdings	Oyster Point LLC (Shorenstein)	7/08	34.30	1,494,108	$84,000,000	$56.22	73.6%	1,100,000	$76.36	PD	Industrial & 246-berth marina	Office/lab
3	Southwest corner of State Highway 237 and North First Street, San Jose, CA	Hunter Properties	Brocade Communications Systems Inc.	5/08	12.61	549,379	$50,900,000	$92.65	102.3%	562,000	$90.57	IP	Raw land	Owner-user campus
4	West side of Creekside Way , south of Hamilton Avenue, Campbell, CA	Prometheus Development	South Bay Development Company	5/08	4.71	205,385	$11,758,000	$57.25	82.8%	170,000	$69.16	PD	Partially improved as parking lot	Office and parking structure
5	Osgood Road at Prune Avenue, Fremont, CA	MBDS Company LLC	ER Development, Inc.	3/08	3.27	142,441	$4,500,000	$31.59	115.8%	165,000	$27.27	GI	Raw land	Self-Storage facility
6	399 West Java Drive, Sunnyvale, CA	Java of Bordeaux LLC	TMG Partners/Principal Real Estate Inv	2/08	6.87	299,214	$22,700,000	$75.87	70.3%	210,395	$107.89	M3	Raw land	Office
7	Stevens Creek at Tantau, Cupertino, CA	Hewlett Packard	Sand Hill Properties	1/08	17.41	758,162	$53,500,000	$70.57	60.0%	454,897	$117.61	PD	Raw land	Mixed office/retail
8	384 Santa Trinita Avenue, Sunnyvale, CA	CA-384 Santa Trinita (Blackstone)	TMG-Santa Trinita (The Martin Group)	1/08	4.56	198,634	$9,830,000	$49.49	50.0%	99,317	$98.98	MS	Raw land	Office

Sources: C&W Valuation Advisory Services, C&W Market Research, CoStar

Lease Transactions - Class A Office - Silicon Valley including San Mateo Peninsula													
No	Property Location / Address	Building Type	Tenant	Date	Size (SF)	Direct / Sublease	Term (Yrs.)	Monthly Rent PSF/NNN (Year 1)	Annual Rent PSF/NNN (Year 1)	Annual Rent PSF/NNN (effective)	Lease Type	Free Rent (Months)	TI's / SF
1	Moffett Towers - C 1040 Enterpirse Way Sunnyvale, CA	Class A Office	Rambus	Dec-09	125,000	Direct	10	$2.45	$29.40	$32.04	NNN	6	Turn-Key
2	Bordeaux Center 1380 Bordeaux Drive Sunnyvale, CA	Class A Office	Cortina	Dec-09	61,921	Direct	7	$1.40	$16.80	$18.96	NNN	0	$55.00
3	Sunnyvale Office Park 1184-1194 North Mathilda Avenue Sunnyvale, CA	Class A Office	Juniper Networks	Nov-09	266,750	Direct/ Renewal	8	$2.69	$32.28	$35.88	NNN	0	$0.00
4	10201 North DeAnza Cupertino, CA	Class A Office	Apple	Aug-09	104,990	Direct	10	$2.12	$25.44	Not Disclosed	NNN	0	$0.00
5	1001 Page Mill Road Palo Alto, CA	Class A Office	CitiGroup	Jan-09	28,617	Direct/ Renewal	7	$6.38	$76.56	$83.76	NNN	0	$0.00
6	DeAnza Plaza 10101 North DeAnza Cupertino, CA	Class B Office	Trend Micro	Oct-09	52,643	Direct/ Renewal	7	$2.32	$27.84	$25.68	NNN	12	$14.52
7	Thoits Brothers Building 285 Hamilton Avenue Palo Alto, CA	Class B Office	Ning, Inc.	Aug-09	19,562	Sublease	2	$3.00	$36.00	$39.00	NNN	0	$0.00
8	Lucent 3180 Porter Drive Palo Alto, CA	Class B Office	Jazz Pharmaceuticals	Aug-09	43,848	Direct/ Renewal	3	$2.00	$24.00	$24.72	NNN	0	$0.00
9	Cupertino Landing 10795 North DeAnza Cupertino, CA	Class A Office	Apple	Jul-08	60,938	Direct	10	$3.10	$37.20	$43.44	NNN	0	$25.00
10	Cupertino Crossing 10900 North Tantau Avenue Cupertino, CA	Class A Office	Pansonic	Feb-10	52,540	Direct	7	$2.15	$25.80	$25.68	NNN	30k sf: 7 12k sf: 8 8k sf: 12	$55.00 TIA + $22.00 core
Sources: C&W Valuation Advisory Services, C&W Market Research													

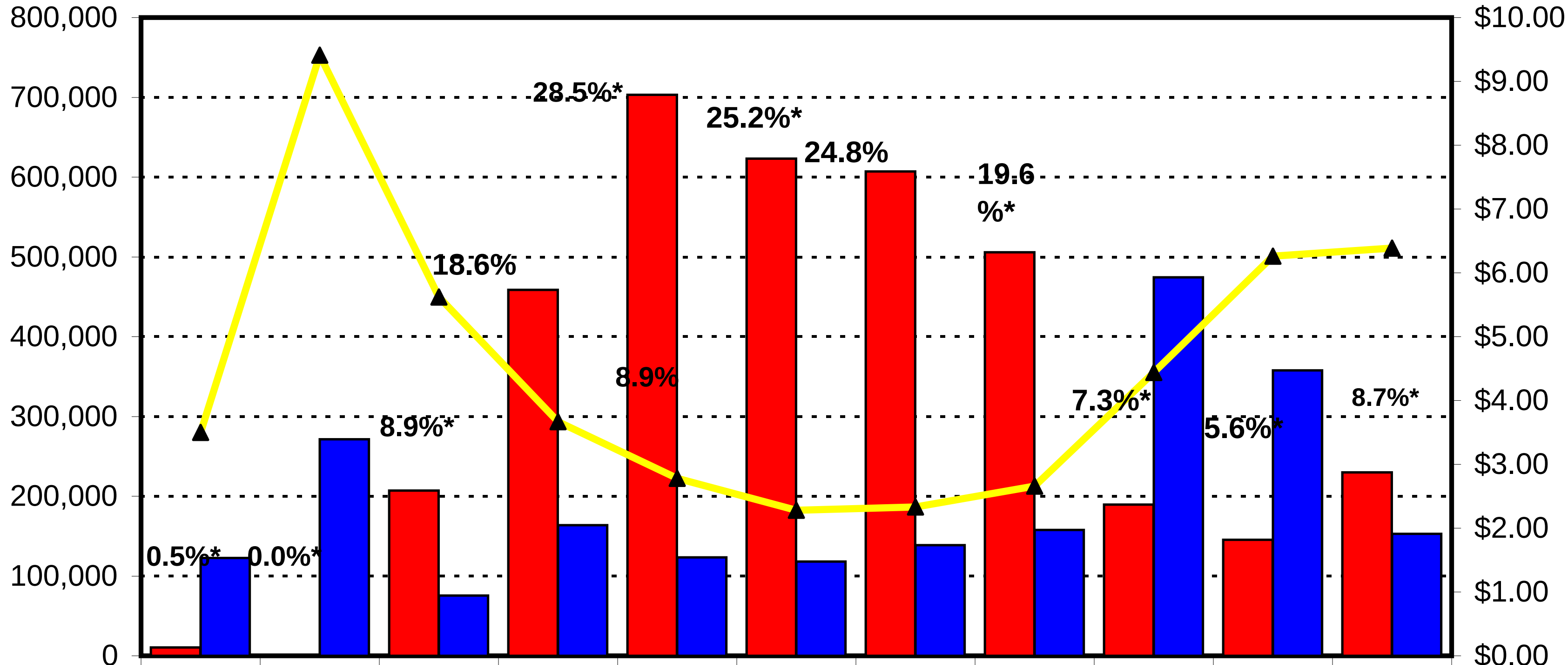
Lease Transactions - Office/R&D - Silicon Valley and San Francisco Peninsula													
No	Property Location / Address	Building Type	Tenant	Date	Size	Direct / Sublease	Term (Yrs.)	Monthly Rent PSF/NNN (Year 1)	Annual Rent PSF/NNN (Year 1)	Annual Rent PSF/NNN (effective)	Lease Type	Free Rent (Months)	TI's / SF
1	Willow Park 1050-1090 Hamilton Court Menlo Park, CA	Office/R&D	3-V Biosciences, Inc.	Nov-09	20,686	Direct	5	$1.95	$23.40	$21.00	NNN	Yes	Turn-key
2	777 California Avenue Palo Alto, CA	Office/R&D	Wilson, Sonsini, Goodrich, Rosati	Aug-09	22,443	Renewal	5	$2.50	$30.00	$31.92	NNN	0	$0.00
3	Triton Technology Park 1159 Triton Drive Foster City, CA	Office/R&D	REC Technologies USA, Inc.	Jul-09	20,186	Direct	5	$1.30	$15.60	$16.56	NNN	3	$10.00
4	Mid-Point Technology Park 500 Broadway Redwood City, CA	Office/R&D	Ampex	Mar-09	49,500	Renewal	4	$1.25	$15.00	$15.00	NNN	0	$0.00
5	Menlo Business Park 1605 Admas Drive Menlo Park, CA	Office/R&D	Acclarent, Inc.	Jan-09	22,012	Direct	2	$1.80	$21.60	$22.20	NNN	0	$0.00
6	625-645 Clyde Avenue Mountain View, CA	Office/R&D	Access Closure, Inc.	Dec-09	60,318	Renewal	5	$2.27	$27.24	$29.28	NNN	0	$0.00
7	Results Way Corporate Park Six Results Way, Building 5 Cupertino, CA	Office/R&D	ArcSight, Inc.	Dec-09	36,783	Direct	7	$2.06	$24.72	$30.00	NNN	0	$0.00
8	Mountain View Research Park 350 North Bernardo Avenue Mountain View, CA	Office/R&D	Edison Pharmaceuticals, Inc.	Nov-09	15,690	Direct	4.75	$1.25	$15.00	$18.96	NNN	0	$15.00
9	Mountain View Research Park 345-385 Ravendale Avenue Mountain View, CA	Office/R&D	Cast iron Systems, Inc.	Jul-09	18,328	Direct	3.25	$1.50	$18.00	$18.00	NNN	3	$15.00
10	San Carlos Commerce Center 1531-1539 Industrial Road San Carlos, CA	Office/R&D	Artemis Medical	Jun-09	16,800	Direct	2.5	$1.16	$13.92	$13.80	NNN	0	Turn-key
11	Mid-Point Technology Park 555, 575 & 595 Broadway Redwood City, CA	Office/R&D	Silver Springs Networks, Inc.	Apr-09	88,387	Direct	3	$0.75	$9.00	$9.00	NNN	0	$5.00

Sources: C&W Valuation Advisory Services, C&W Market Research

Menlo Park

Office Market Trends - All Classes

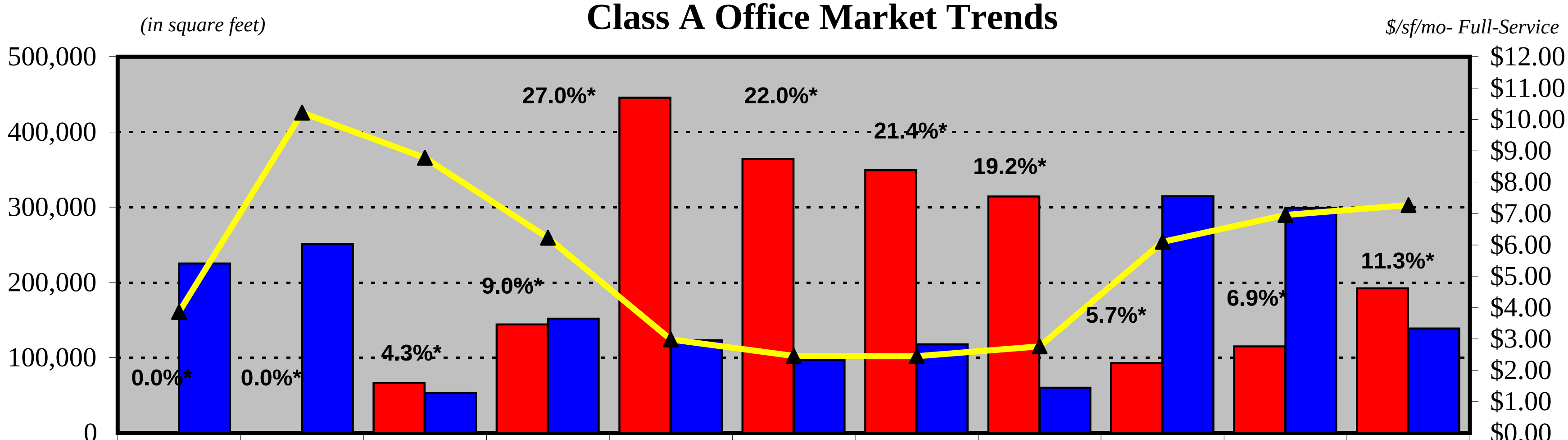
(in square feet) *$/sf/m-Full -Service*



	Year-end 1999	Year-end 2000	Year-end 2001	Year-end 2002	Year-end 2003	Year-end 2004	Year-end 2005	Year-end 2006	Year-end 2007	Year-end 2008	Year-end 2009
Overall Avails	10,600	-	207,059	458,551	703,019	623,070	606,993	505,970	189,717	145,604	229,834
Leasing Activity	122,562	271,280	75,681	163,749	123,260	118,184	138,522	157,810	474,350	357,867	152,944
Overall Rent	$3.50	$9.41	$5.62	$3.67	$2.78	$2.28	$2.33	$2.66	$4.44	$6.26	$6.39

*Vacancy Rate is the overall vacancy rate for both direct and sublease space available within 6 months.
Overall Rent is the full service weighted average asking rental rate for both direct and sublease space.
Overall Avails are the total amount of available square feet for both direct and sublease space.
Effective January 2000, Palo Alto was removed from Silicon Valley market. Source: Cushman & Wakefield Research Services

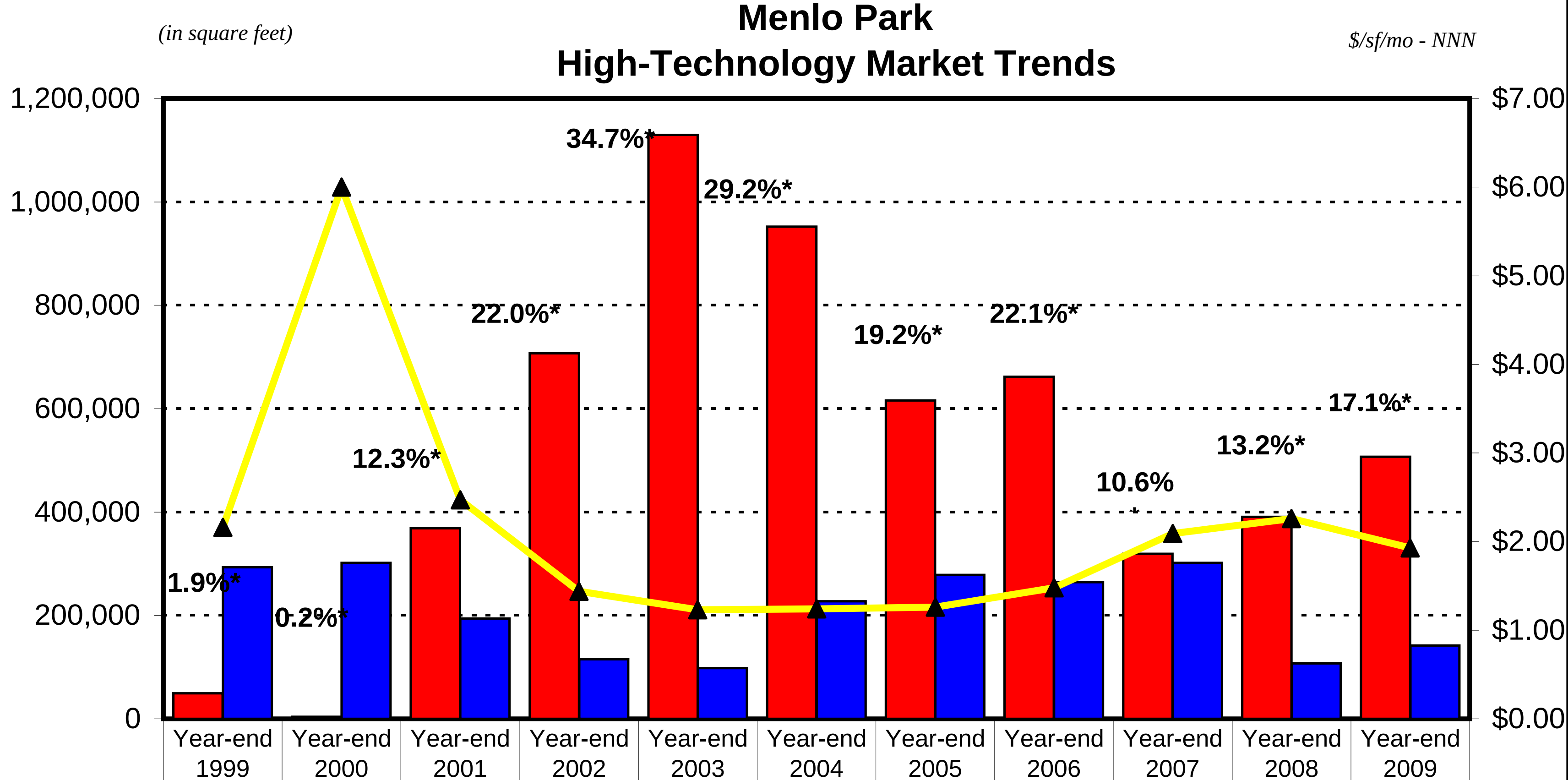
Menlo Park
Class A Office Market Trends



	Year-end 1999	Year-end 2000	Year-end 2001	Year-end 2002	Year-end 2003	Year-end 2004	Year-end 2005	Year-end 2006	Year-end 2007	Year-end 2008	Year-end 2009
Overall Avails	0	0	66,876	144,404	445,686	364,229	349,244	314,240	92,686	115,308	192,263
Leasing Activity	225,435	251,416	53,308	152,110	123,260	97,087	117,685	60,366	314,547	299,445	138,833
Overall Rent	$3.86	$10.21	$8.78	$6.23	$2.98	$2.46	$2.45	$2.76	$6.10	$6.95	$7.27

*Vacancy Rate is the overall vacancy rate for both direct and sublease space available within 6 months.
Overall Rent is the full-service weighted average asking rental rate for both direct and sublease space.
Overall Avails are the total amount of available square feet for both direct and sublease space.
Effective January 2000, Palo Alto was removed from Silicon Valley market. Source: Cushman & Wakefield Research Services

Menlo Park
High-Technology Market Trends



	Year-end 1999	Year-end 2000	Year-end 2001	Year-end 2002	Year-end 2003	Year-end 2004	Year-end 2005	Year-end 2006	Year-end 2007	Year-end 2008	Year-end 2009
Overall Avails	49,400	4,250	368,621	707,404	1,129,530	952,150	615,619	661,574	319,256	390,628	506,739
Leasing Activity	292,921	301,420	194,071	115,289	98,042	227,588	278,489	264,553	301,469	107,325	141,889
Overall Rent	$2.16	$6.00	$2.47	$1.44	$1.23	$1.24	$1.26	$1.48	$2.09	$2.26	$1.93

***Vacancy Rate is the overall vacancy rate for both direct and sublease space available within 6 months.**
Overall Rent is the triple-net weighted average asking rental rate for both direct and sublease space.
Overall Avails are the total amount of available square feet for both direct and sublease space.
Effective January 2000, Palo Alto was removed from Silicon Valley market.
Source: Cushman & Wakefield Research Services

Paloalto.xls

Robby D. Perrino, MAI, CCIM
Senior Managing Director

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rob.perrino@cushwake.com

November 25, 2009

Glen Rojas
City Manager
CITY OF MENLO PARK
701 Laurel Street
Menlo Park, CA 94025

William L. McClure
City Attorney
CITY OF MENLO PARK
1100 Alma Street, Suite 210
Menlo Park, CA 94025

Re: **Menlo Gateway Project- Office Space Analysis**
U.S. Highway 101 and Marsh Road
Menlo Park, CA

Dear Messers. Rojas and McClure:

Thank you for requesting our proposal for Valuation Consulting Services. This proposal letter will become, upon your acceptance, our letter of engagement to provide the services outlined herein.

Background

Menlo Gateway, is a proposed redevelopment project by the Bohannon Development Company. Development will take place on 15.9 acres of land situated proximate to the U.S. Highway 101 and Marsh Road interchange. The developer is proposing amendments to the General Plan and Zoning Ordinance and Map to construct the following:

- Three, office buildings totaling approx. 695,000 square feet
- Marriott Hotel (230 rooms, approx. 172,000 square feet)
- Renaissance ClubSport (approx. 69,000 square feet)
- Café/Restaurant (approx. 4,300 square feet)
- Neighborhood retail (approx. 10,500 square feet)
- Three parking structures

The City of Menlo Park is in the process of reviewing the project and preparing a development agreement. The Cushman & Wakefield consulting team proposes to research and analyze the office space component of the project.

TERMS OF ENGAGEMENT

I. PROBLEM IDENTIFICATION

The Parties To This Agreement:	The undersigned Cushman & Wakefield affiliated company and CITY OF MENLO PARK (herein at times referred to as "Client")
Intended Users:	The valuation consulting engagement will be prepared for City of Menlo Park and is intended only for the use specified below.
Intended Use:	Present findings and recommendations regarding the "as is" and "as rezoned" market value of the subject land and the overall general relative feasibility of the office component of the project.
Type of Opinion:	Valuation consulting will entail market research and financial modeling to determine land value and test the feasibility of office component of the project. Valuation analyses contribute to this consulting engagement and certain value conclusions are necessary and appropriate in the context of this assignment. Our work product should be treated as advisory to assist the Client in their decision-making process.
Date Of Analysis:	To be determined based upon scope of work.
Subject of the Assignment and Relevant Characteristics:	The property to be evaluated is the office component of the Menlo Gateway Project.
Assignment Conditions:	The assignment may incorporate certain extraordinary assumptions or hypothetical conditions, which will be discussed in our report.

II. ANTICIPATED SCOPE OF WORK

USPAP Compliance: The undersigned Cushman & Wakefield affiliated company and/or its designated affiliate or subsidiary (herein at times "C&W") will develop a valuation consulting report in accordance with USPAP and the Code of Ethics and Certification Standards of the Appraisal Institute.

Scope of Work: <u>Phase I</u>

- Subject property inspection to the extent necessary to adequately identify the real estate
- Research relevant market data, in terms of quantity, quality, and geographic comparability, to the extent necessary to produce credible valuation consulting results
- Review site and buildings plans
- Review relevant studies prepared by other consultants f

- Interview the developer
- Review and analyze developer's development cost estimates
- Interview Menlo Park Planning Director assigned to the Menlo Gateway project
- Develop a market value estimate for the subject land based on current FAR of 45%
- Develop a market value estimate for the subject land based on proposed FAR of 137.5%
- Determine the general overall feasibility of the office component of the project (Important to note: Feasibility is not just about optimal financial outcomes. Intangible community and institutional values may be just as important)

Phase II

In addition to Phase I, to be determined if necessary

III. REPORTING AND DISCLOSURE

Scope of Work Disclosure: The actual Scope of Work will be described within the report.

Deliverable:

Phase I

A draft summarizing our findings will be conveyed for review electronically with supporting data, tabulations and financial models.

Once reviewed by the Client, our findings with supporting discussion will be finalized in a report.

Phase II

In addition to Phase I, any subsequent analyses, including response to client or public input will be accounted as part of Phase II services and separately billed.

Fee:

Phase I

Phase II

	fees. Acknowledgement of this obligation is made by the countersignature to this agreement by an authorized representative.
Additional Expenses:	Fee quoted is inclusive of expenses related to the preparation of the report.
Retainer:	A retainer is not required for this assignment in order to commence work.
Report Copies:	A draft report will be delivered in electronic format. Hard copies will be provided upon request.
Start Date:	The valuation consulting process will initiate upon receipt of signed agreement and the receipt of the property specific data noted later on in this proposal.
Acceptance Date:	This proposal is subject to withdrawal if the engagement letter is not executed by the Client within five (5) business days.
Report Delivery	Ten (10) business days from the date of engagement for our general preliminary findings Delivery date of the report will be mutually determined after general preliminary findings are reviewed by the Client
Changes to Agreement:	The identity of the Client, intended users, or intended use; the date of analysis; or interest evaluated; or property evaluated cannot be changed without a new agreement.
Conflicts of Interest:	C&W adheres to a strict internal conflict of interest policy. If we discover in the preparation of our valuation consulting report a conflict with this assignment we reserve the right to withdraw from the assignment without penalty.
Further Conditions of Engagement:	The Conditions of Engagement attached hereto are incorporated herein and are part of this letter of engagement.

Thank you for calling on us to render these services and we look forward to working with you.

Sincerely,
CUSHMAN & WAKEFIELD OF CALIFORNIA , INC.

Robby D. Perrino, MAI, CCIM
Senior Managing Director

AGREED:
CLIENT: CITY OF MENLO PARK

By: Glen Rojas Date: 12/15/09

Title: City Manager

E-mail Address/Phone & Fax Nos.: grojas@menlopark.org
650.330.6610/650.328.7935

By: William L. McClure Date: 12/16/09

Title: City Attorney

E-mail Address/Phone & Fax Nos.: wlm@lsmf.com
650.324.9300/650.324.0227

Information Needed to Complete the Assignment

We understand that you will provide the following information for our review, if available.

- Site and buildings plans
- Relevant studies prepared by other consultants
- Access to the developer for an interview
- Developer's development cost estimates
- Access to the Menlo Park Planning Director assigned to the Menlo Gateway project for an interview

CONDITIONS OF ENGAGEMENT

1) The Client and any Intended Users identified herein should consider the valuation consulting report as only one factor together with its independent investment considerations and underwriting criteria in its overall investment decision. The valuation consulting report cannot be used by any party or for any purpose other than as specified in this engagement letter.

2) Federal banking regulations require banks and savings and loan associations to employ appraisers where a FIRREA compliant valuation consulting report must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions, including mortgage bankers/brokers. Because of that requirement, this valuation consulting report, if ordered independent of a financial institution or agent, may not be accepted by a federally regulated financial institution. This valuation consulting report will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Standards of Professional Practice and the Code of Ethics of the Appraisal Institute.

3) The valuation consulting report will be subject to our standard Assumptions and Limiting Conditions, which will be incorporated into the valuation consulting report. All users of the valuation consulting report are specifically cautioned to understand any Extraordinary Assumptions and Hypothetical Conditions which may be employed by the appraiser and incorporated into the valuation consulting report.

4) The valuation consulting report or our name may not be used in any offering memoranda or other investment material without the prior written consent of C&W, which may be given at the sole discretion of C&W. Any such consent, if given, shall be conditioned upon our receipt of an indemnification agreement from a party satisfactory to us and in a form satisfactory to us. Furthermore, Client agrees to pay the fees of C&W's legal counsel for the review of the material which is the subject of the requested consent. If the valuation consulting report is referred to or included in any offering material or prospectus, the valuation consulting report shall be deemed referred to or included for informational purposes only and C&W, its employees and the appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party which retained C&W to prepare the valuation consulting report.

5) In the event the Client provides a copy of this valuation consulting report to, or permits reliance thereon by, any person or entity not an identified Intended User at the time of the assignment and authorized by C&W in writing to use or rely thereon, Client hereby agrees to indemnify and hold C&W, its affiliates and the respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorney's fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the valuation consulting report by any such unauthorized person or entity.

6) The balance of the fee for the valuation consulting report will be due upon delivery of a valuation consulting report. Payment of the fee is not contingent on the appraised value, outcome of the consultation report, a loan closing, or any other prearranged condition. Additional fees will be charged on an hourly basis for any work, which exceeds the scope of this proposal, including performing additional valuation scenarios, additional research and conference calls or meetings with any party, which exceed the time allotted by C&W for an assignment of this nature. If we are requested to stop working on this assignment, for any reason, prior to our completion of the valuation consulting report, C&W will be entitled to bill the Client for the time expended to date at C&W's hourly rates for the personnel involved.

7) If C&W or any of its affiliates or any of their respective employees receives a subpoena or other judicial command to produce documents or to provide testimony involving this assignment in connection with a lawsuit or proceeding, C&W will use reasonable efforts to notify the Client of our receipt of same. However, if C&W or any of its affiliates are not a party to these proceedings, Client agrees to compensate C&W or its affiliate for the professional time and reimburse C&W or its affiliate for the actual expense that it incurs in responding to any such subpoena or judicial command, including attorneys' fees, if any, as they are incurred. C&W or its affiliate will be compensated at the then prevailing hourly rates of the personnel responding to the subpoena or command for testimony.

8) By signing this agreement Client expressly agrees that its sole and exclusive remedy for any and all losses or damages relating to this agreement or the valuation consulting report shall be limited to the amount of the valuation consulting report fee paid by the Client. In the event that the Client, or any other party entitled to do so, makes a claim against C&W or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the valuation consulting report, the maximum damages recoverable from C&W or any of its affiliates or their respective officers or employees shall be the amount of the monies actually collected by C&W or any of its affiliates for this assignment and under no circumstances shall any claim for consequential damages be made.

9) It is acknowledged that any opinions and conclusions expressed by the professionals of C&W or its affiliates during this assignment are representations made as employees and not as individuals. C&W's or its affiliate's responsibility is limited to the Client, and use of our product by third parties shall be solely at the risk of the Client and/or third parties.

10) The fees and expenses shall be due C&W as agreed in this letter. If it becomes necessary to place collection of the fees and expenses due C&W in the hands of a collection agent and/or an attorney (whether or not a legal action is filed) Client agrees to pay all fees and expenses including attorney's fees incurred by C&W in connection with the collection or attempted collection thereof.

PROFESSIONAL QUALIFICATIONS

Robby D. Perrino, MAI, CRE, CCIM

Executive Managing Director, Valuation & Advisory Services
DRE LIC. #01034857
Cushman & Wakefield Western, Inc.

Robby D. Perrino serves as an Executive Managing Director of Cushman & Wakefield's Valuation & Advisory Services. In this capacity, Mr. Perrino is responsible for the everyday operation of the Northern California and Pacific Northwest offices. He also serves as a consultant/fiduciary advisor providing strategic advice to corporations, institutional clients, and developers/investors.

Cushman & Wakefield Valuation & Advisory Services comprises over 400 professionals worldwide who provide strategic advice and execution of sophisticated transactions, with particular emphasis on Finance, Strategy, and Valuation.

Experience

Prior to becoming an Executive Managing Director, Mr. Perrino was the Senior Managing Director of the Northern California offices (San Francisco, San Jose and Sacramento). Before being promoted into management, he was an Associate Director of Valuation & Advisory Services for Cushman & Wakefield, Inc in San Jose, CA. He performed appraisal and consulting services throughout Northern California on all types of income producing properties including industrial facilities, corporate headquarter campuses, office complexes, retail centers, automobile dealerships, apartments, vacant land, and residential subdivisions. The intended uses of these assignments were for mergers & acquisitions, mortgage lending, corporate advisory, disposition, acquisition, assessment districts, tax appeal purposes, litigation, and lease arbitration.

Education

Mr. Perrino received his Bachelor of Arts Degree in Economics from the University of Southern California in 1989.

Appraisal Education

Mr. Perrino has successfully completed all courses and experience requirements to qualify for the MAI designation. Also, he has completed the requirements of the continuing education program of the Appraisal Institute.

Memberships, Licenses and Professional Affiliations

Member Appraisal Institute (MAI No. 11406)
The Counselors of Real Estate (CRE ID: 12895)
Member Commercial Investment Real Estate Institute (CCIM No. 8219)
Certified General Real Estate Appraiser, State of California (No. AG002595)
Broker License, State of California (No. 01034857)

Special Awards

Mr. Perrino was the recipient of the Francis Corcoran Award as the Outstanding Cushman & Wakefield Valuation & Advisory Services Manager of the Year for 2000 due to his leadership and successful initiatives.

During his tenure as an Associate Director, Mr. Perrino was recognized as one of Cushman & Wakefield's Valuation & Advisory Services Top Producers, qualifying for Cushman & Wakefield's Achievement Conference in 1998 and 1999. Additionally, he was the recipient of the Cushman & Wakefield Northern California Service Excellence Award in 1998 and 1999.

PROFESSIONAL QUALIFICATIONS

George J. Geranios

Director, Valuation & Advisory Services

George J. Geranios is a Director of Valuation & Advisory Services of Cushman & Wakefield's San Jose office. Mr. Geranios is a member of Cushman & Wakefield's Retail Industry specialty practice and also specializes in the valuation of automobile dealerships.

Cushman & Wakefield's Valuation & Advisory Services staffs approximately 400 professionals in the U.S. with additional offices around the globe providing services for a wide variety of users including financial institutions, law firms, corporations, pension funds, pension fund advisors, developers, investors and government agencies to cite a few.

Experience

Mr. Geranios was made a Director in 2006. Prior to becoming an Associate Director in 2003, Mr. Geranios was the Director of Marketing for Colliers Investment Services Group-Silicon Valley, where he was responsible for financial analysis, preparation of marketing proposals and offering memoranda for institutional properties valued in excess of $10 million.

Throughout his appraisal career, he has performed appraisal and consulting services throughout Northern California on all types of income producing properties including industrial facilities, corporate headquarter campuses, office complexes, retail centers, automobile dealerships, apartments, vacant land, and residential subdivisions. The intended uses of these assignments were for mortgage lending, corporate advisory, off-balance sheet financing, disposition, acquisition, assessment districts, tax appeal purposes, litigation support, and rent arbitration.

During the 1980's, Mr. Geranios was a commercial broker for Cushman & Wakefield in Silicon Valley specializing in the leasing of office/research and development buildings. Prior to that time, he was an Innkeeper of a Holiday Inn franchisee in the Northeast.

Education

Mr. Geranios received his Bachelor of Arts Degree in Behavioral and Social Sciences from Hellenic College.

Appraisal Education

Mr. Geranios is in the process of completing his final requirement for the Appraisal Institute's commercial designation - the demonstration appraisal report.

Memberships, Licenses and Professional Affiliations

General Associate Member of the Appraisal Institute
Certified General Real Estate Appraiser, State of California (No. AG011942)

Special Awards

In 2004, Mr. Geranios was a co-recipient of the 2004 Achievement Award for the Top New Assignment - Northern California. This consulting assignment was for the development of the Master Real Estate Plan for the County of Santa Clara, California.

Mr. Geranios was the recipient of the Cushman & Wakefield Northern California Service Excellence Award in 1997.

Litigation

Mr. Geranios has qualified as an expert in the following courts:
Federal Bankruptcy Court-Oakland