



Valbridge
PROPERTY ADVISORS

Appraisal Report

NWC of Tully Road and Capitol Expressway
San Jose, Santa Clara County, California 95122

Report Date: March 15, 2018



FOR:

Mr. Eric Peterson
Airport Business Manager
Roads and Airport Department
County of Santa Clara
2500 Cunningham Avenue
San Jose, CA 95148

Valbridge Property Advisors

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Mr. Eric Peterson
Airport Business Manager
Roads and Airport Department
County of Santa Clara
2500 Cunningham Avenue
San Jose, CA 95148

RE: Appraisal Report- Land Valuation and Fair Market Rent Estimate
Vacant Land
NWC of Tully Road and Capitol Expressway
San Jose, Santa Clara County, California 95122

Dear Mr. Peterson:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located at the northwest corner of Tully Road and Capitol Expressway, San Jose, Santa Clara County, California 95122. The subject site is further identified as Assessor's Parcel Number (APN) 491-05-020 and APN 491-05-001 (portion of), along with public right-of-ways. More specifically, the subject's site area includes Swift Lane and a vacant island parcel located just north of the main site, at the southwest corner of Swift Lane and Capitol Expressway. The client has not provided a site survey of the subject site and its area has been estimated at 8.6 acres or 374,616 square feet via Google Earth. It appears that a portion of the site is located within the Capitol Expressway right-of-way and may not be developable. Furthermore, a portion of the site is located within the Reid Hillview Turning Safety Zone and has restrictions on development as well. The net developable area of the subject is currently unknown but is expected to be less than 8.6 acres. The subject represents vacant land and has the potential for commercial development in the future.

The purpose of this appraisal is to develop an opinion of the market value and fair market rent of the property. We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

Eric Peterson is our client in this assignment and he, along with the County of Santa Clara Roads & Airports Department, is the sole intended user of the appraisal and report and no others. The intended use is for preparation of a long-term business plan for Reid-Hillview Airport and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- We were not provided with a site survey and have relied on our own measurements from Google Earth for the subject site. If at a later time the site size is shown to be different, the report and market rent conclusion may need to be revisited.

Hypothetical Conditions:

- It is a hypothetical condition of this appraisal that the subject site has been carved out from the larger airport property and is considered its own separate legal parcel, separate from the Reid-Hillview Airport, and capable of transferring on its own.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions

Component	As Is	As Is
Value Type	Market Value	Fair Market Rent
Property Rights Appraised	Fee Simple	N/A
Effective Date of Value	January 22, 2018	January 22, 2018
Value Conclusion	\$14,980,000	\$1,198,400 per year
	\$40 psf	\$99,867 per month

Respectfully submitted,
Valbridge Property Advisors



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Senior Appraiser
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Director
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Summary of Salient Facts

Property Identification

Property Address	Northwest Corner of Tully Road and Capitol Expressway San Jose, Santa Clara County, California 95122
Latitude & Longitude	37.331441, -121.814745
Tax Parcel Numbers	491-05-020, a portion of 491-05-001 and Swift Lane, a right-of-way
Property Owners	Santa Clara County

Site

Zoning	Commercial General (CG)
FEMA Flood Map No.	06085C0254H
Flood Zone	D
Primary Land Area	8.600 acres

Valuation Opinions

Highest & Best Use - As Vacant	Commercial development
Reasonable Exposure Time	9 to 12 months
Reasonable Marketing Time	9 to 12 months

Value Conclusions

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Value Type	Market Value	Fair Market Rent
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	\$40 psf	\$99,867 per month

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- We were not provided with a site survey and have relied on our own measurements from Google Earth for the subject site. If at a later time the site size is shown to be different, the report and market rent conclusion may need to be revisited.

Hypothetical Conditions:

- It is a hypothetical condition of this appraisal that the subject site has been carved out from the larger airport property and is considered its own separate legal parcel, separate from the Reid-Hillview Airport, and capable of transferring on its own.

Aerial and Front Views

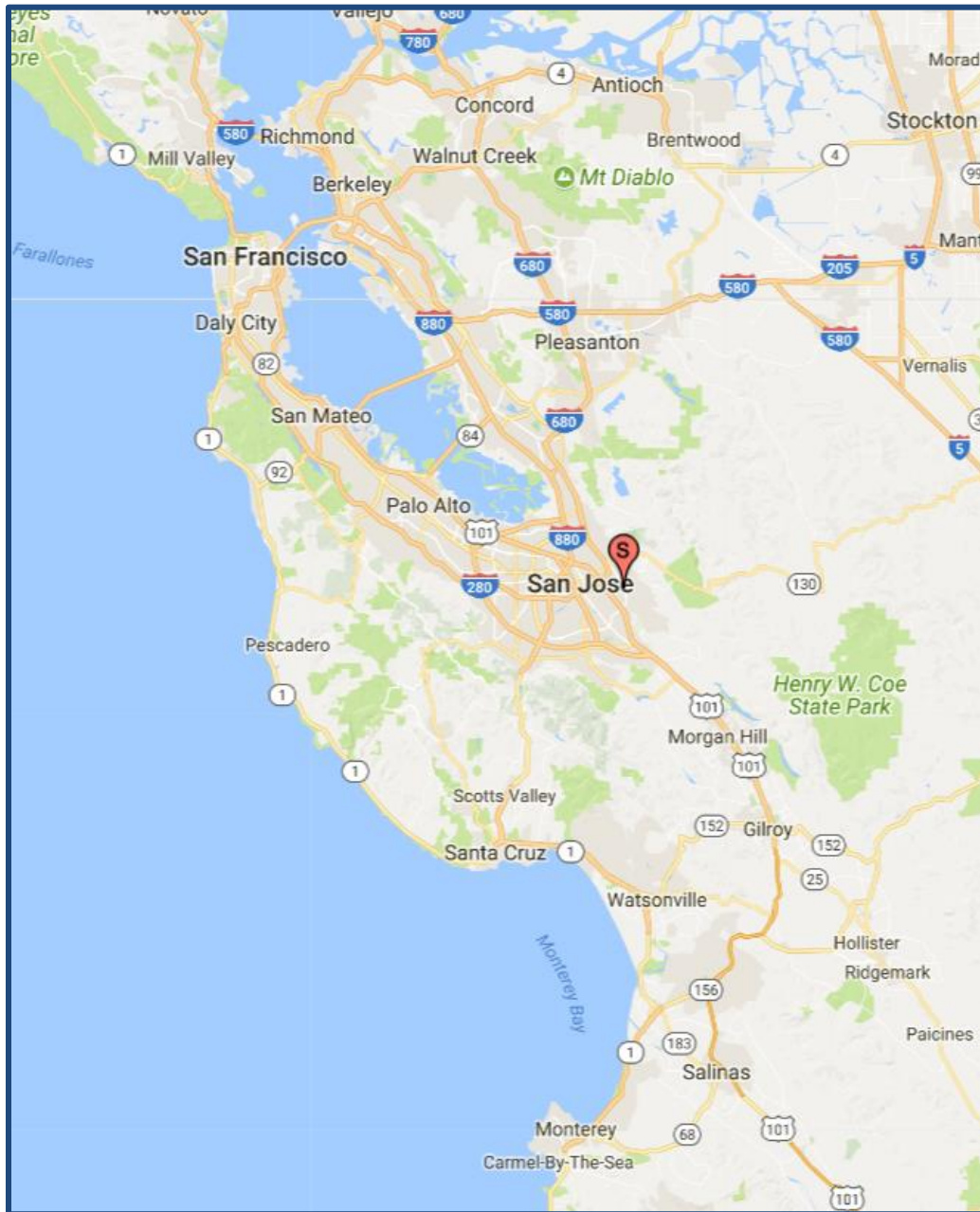
AERIAL VIEW



FRONT VIEW



Location Map



Introduction

Client and Intended Users of the Appraisal

Eric Peterson is our client in this assignment and he, along with the County of Santa Clara Roads & Airports Department, is the sole intended user of the appraisal and report and no others.

Intended Use of the Appraisal

The intended use of this report is for preparation of a long-term business plan for the airport and no other use.

Real Estate Identification

The subject property is located at the NWC of Tully Road and Capitol Expressway, San Jose, Santa Clara County, California 95122. The subject property is further identified as Assessor's Parcel Number (APN) 491-05-020 and a portion of APN 491-05-001, along with public right-of-ways. More specifically, the subject includes Swift Lane and a vacant land island located just north of the main site, at the southwest corner of Swift Lane and Capitol Expressway.

Legal Description

A legal description for APN 491-05-020 was provided in a Preliminary Title Report for the subject by First American Title Company, dated April 20, 2015. We were not provided with a legal description of the remaining subject property. A recent survey was not available. The site size and description are based upon information provided by the client and our own site measurements via Google Earth (See Extraordinary Assumption).

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a portion of the Reid-Hillview Airport and was vacant commercial land.

Use of Real Estate as Reflected in this Appraisal

The use that is reflected in the valuation is vacant commercial land.

Ownership of the Property

According to public records, title to the subject property is vested in Santa Clara County, Roads and Airports Department.

History of the Property

Ownership of the subject property has not changed within the past three years. We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. We are unaware of any offers to purchase the subject property.

Type and Definition of Value

The purpose of this appraisal is to develop an opinion of the market value of the subject land as well as estimate the fair market rent for the subject property. "Market Value," as used in this appraisal, is defined as "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."¹ Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*

"Fair market rent," as used in this appraisal, is defined as "The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). ." ²

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Subject Land	January 22, 2018
As Is Fair Market Rent of the Subject Land	January 22, 2018

¹ *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 141

² *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 140

We completed an appraisal inspection of the subject property on January 22, 2018.

Date of Report

The date of this report is March 15, 2018 which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- Preliminary Title Report and Site Survey

Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- We were not provided with a site survey and have relied upon our own measurements from Google Earth for the subject site. If at a later time the site size is shown to be different, the report and market rent conclusion may need to be revisited.

Hypothetical Conditions:

- It is a hypothetical condition of this appraisal that the subject site has been carved out from the larger airport property and is considered its own separate legal parcel, separate from the Reid-Hillview Airport, and capable of transferring on its own.

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via an aerial map provided by the client.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, discussion with active market participants, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via a physical property inspection by Maria Aji, PhD.

Extent to Which the Property Was Inspected

We inspected the subject on January 22, 2018.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and lease transactions. We also interviewed people familiar with the subject market/property type.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then estimated the fair market value of the property via the Sales Comparison Approach. We have estimated ground rent based on the fee simple land value under the Highest and Best Use and an appropriate rate of return. This is a very common method to estimate ground rent. These approaches are the most relevant in estimating fair market value and market rent for vacant land.

Appraisal Conformity and Report Type

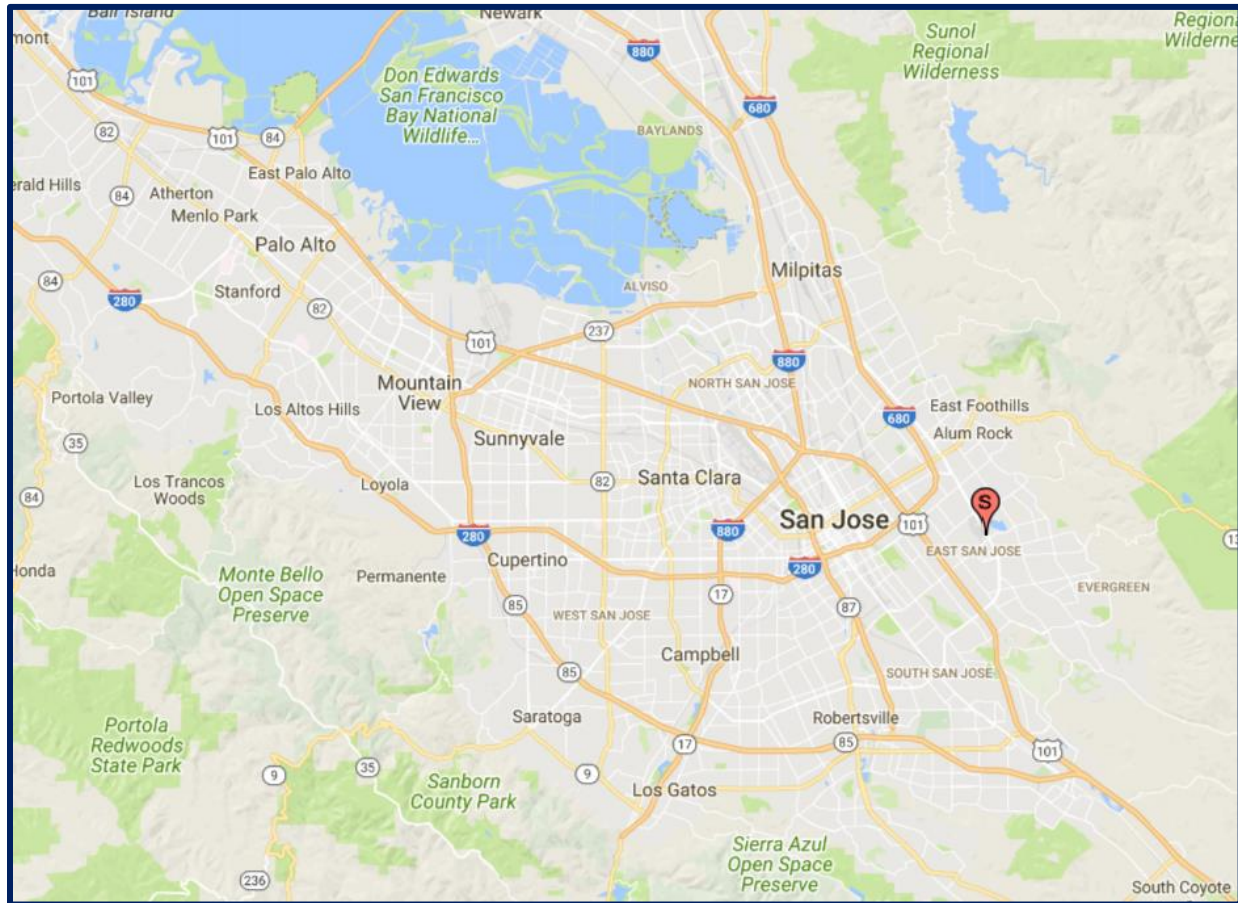
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.71 million as of January 1, 2017. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,938,180 residents as of January 1, 2017 according to the State of California Department of Finance. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase 1.2% between 2017 and 2022, while San Jose will increase approximately 1.2% over the same period.

Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2017	Projected 2022	Annual % Change 2017 - 22
United States of America	281,421,906	308,745,538	1.0%	327,514,334	341,323,594	0.8%
California	33,871,648	37,253,956	1.0%	39,611,295	41,298,900	0.9%
Santa Clara County	1,682,585	1,781,642	0.6%	1,958,087	2,075,690	1.2%
San Jose	911,461	952,705	0.5%	1,042,940	1,103,315	1.2%

Source: Site-to-Do-Business (STDB Online)

Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated almost 12.5 million passengers in 2017. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. Although air travel is down over the past two years, in 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes a number of expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-

Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.

Employment by Industry - Santa Clara County

Industry	2017 Estimate	Percent of Employment
Agriculture/Mining	6,643	0.70%
Construction	51,243	5.40%
Manufacturing	167,015	17.60%
Wholesale trade	19,928	2.10%
Retail trade	85,406	9.00%
Transportation/Utilities	27,520	2.90%
Information	34,162	3.60%
Finance/Insurance/Real Estate Services	44,601	4.70%
Services	491,556	51.80%
Public Administration	20,877	2.20%
Total	948,950	100.0%

Source: Site-to-Do-Business (STDB Online)

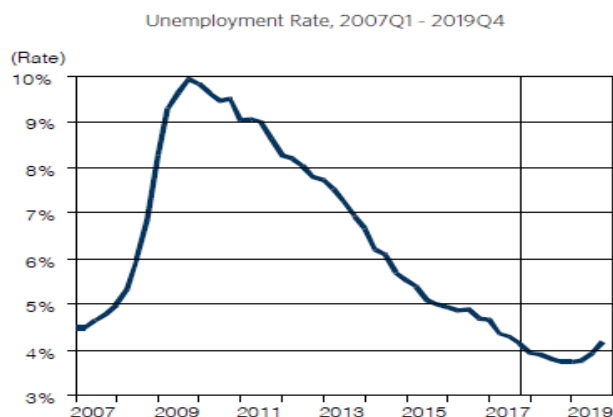
Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.6% as of December 2017. The State of California was at 4.2% while the nation was at 4.1% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

Unemployment Rates

Area	YE 2010	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017
United States of America	9.3%	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%
California	11.0%	9.6%	8.0%	6.6%	5.6%	5.1%	4.2%	4.2%
Santa Clara County	8.4%	7.0%	5.5%	4.3%	3.7%	3.3%	2.6%	2.6%
San Jose	9.4%	7.8%	6.1%	4.8%	4.1%	3.7%	2.9%	2.9%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted



Sources: U.S. Bureau of Labor Statistics and UCLA Anderson Forecast

The information below was obtained from the "UCLA Anderson Forecast for the Nation: December 2017 Report," presented by the UCLA Anderson School of Management.

The forecast for 2018 is sunny, while 2019 will be cloudy according to the Anderson School of Management. The national GDP is growing at a strong rate and is expected to continue to do so into through the second quarter of 2018, but then as the unemployment rate drops below 4% and employment growth slows due

to a shortage of labor, growth will drop back to the 2% growth rate seen previously. By the end of 2019, the cloudy prediction is for a growth rate of 1.5% or possibly lower.

Monetary Policy in the Post-Yellen Era

The Janet Yellen era is coming to an end with Jerome Powell's appointment; however, his views on monetary policy are very similar to hers on monetary policy and not many changes are expected on that front. That said, on regulatory policy, Powell is anticipated to be more open than Yellen when it comes to reconsidering the 2009-2012 financial crisis regulations. Therefore, it is anticipated that the gradual interest rate normalization policy that has been underway for a year will continue well into 2019 with a 25 basis point increase from the current 1.375% rate in December and three more increases in 2018. By the end of 2019, the federal funds rate will likely approximate 3%.

Powell's Fed will also continue the policy of gradually shrinking the Fed's balance sheet, which began in October – quantitative easing that expanded the balance sheet from \$800 billion to over four trillion dollars over several years, now with a target of tightening back to \$2.5-\$3.0 trillion.

Inflation

It appears that the second quarter slowdown in inflation was transitory and inflation will continue in excess of 2% at a steady pace for the foreseeable future. The primary source for the rising inflation rate will be a significant rebound in wage growth, which after creeping along around 2%, is forecast to accelerate to approximately 4% by late 2018 on a year-over-year basis.

Real consumption spending is maintaining its strength experienced in 2016 by increasing 2.7% and 2.8% in 2017 and 2018, respectively. However, as auto sales slow in 2019 consumption growth will slip back to 2.2%. However, it is forecast by the Anderson report that as long as stock and house prices remain elevated, the consumer, or at least the high-end consumer, will remain in good shape. In the case of the lower end consumer they are encouraged by Walmart reporting a strong 2.7% increase in year-over-year same store sales in their latest quarter.

Global Economy

In response to a recovering global economy, real exports are recovering from the near zero growth of 2015 and 2016. Real exports are estimated to increase by 3.2% this year and 4.5% and 4.1% in 2018 and 2019, respectively.

The real risk to our export forecast and for that matter the entire forecast is political. In less than a year, President Trump has dismantled the Trans Pacific Partnership (TPP) trade treaty and the global climate accord. The North American Free Trade Treaty (NAFTA) could be next. Leaving NAFTA is not so simple because it would undo countless supply chains among the three countries (U.S., Canada and Mexico) involved, and the gross trade volumes among the three NAFTA partners amounts to over one trillion dollars per year. Especially hard hit would be the U.S. automobile industry where parts cross borders several times in the manufacturing of a single automobile. In the view of the Anderson Report, should the U.S. leave NAFTA, the growth outlook would deteriorate and the chance of a recession in late 2018 or 2019 would significantly increase.

The California Forecast

In the September 2017 quarterly UCLA Anderson forecast essay UCLA Anderson Forecast Director and Senior Economist Jerry Nickelsburg states that the forecast for California's unemployment is for continued growth, but that is likely due to the federal administration's difficulty getting legislation

through Congress and a result of more job seekers brought into the market, rather than more jobs being available. The tightening of immigration rules is expected to have a significant effect in California; however, protections already in place will lessen the effect. California is expected to grow at a rate slightly faster than the US as a whole, and be at a 4.5% unemployment rate by the end of 2019.

Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares favorably to the state and the country.

Median Household Income

Area	Estimated 2017	Projected 2022	Annual % Change 2017 - 22
United States of America	\$56,124	\$62,316	2.2%
California	\$65,223	\$74,370	2.8%
Santa Clara County	\$99,069	\$108,576	1.9%
San Jose	\$88,028	\$100,012	2.7%
<i>Source: Site-to-Do-Business (STDB Online)</i>			

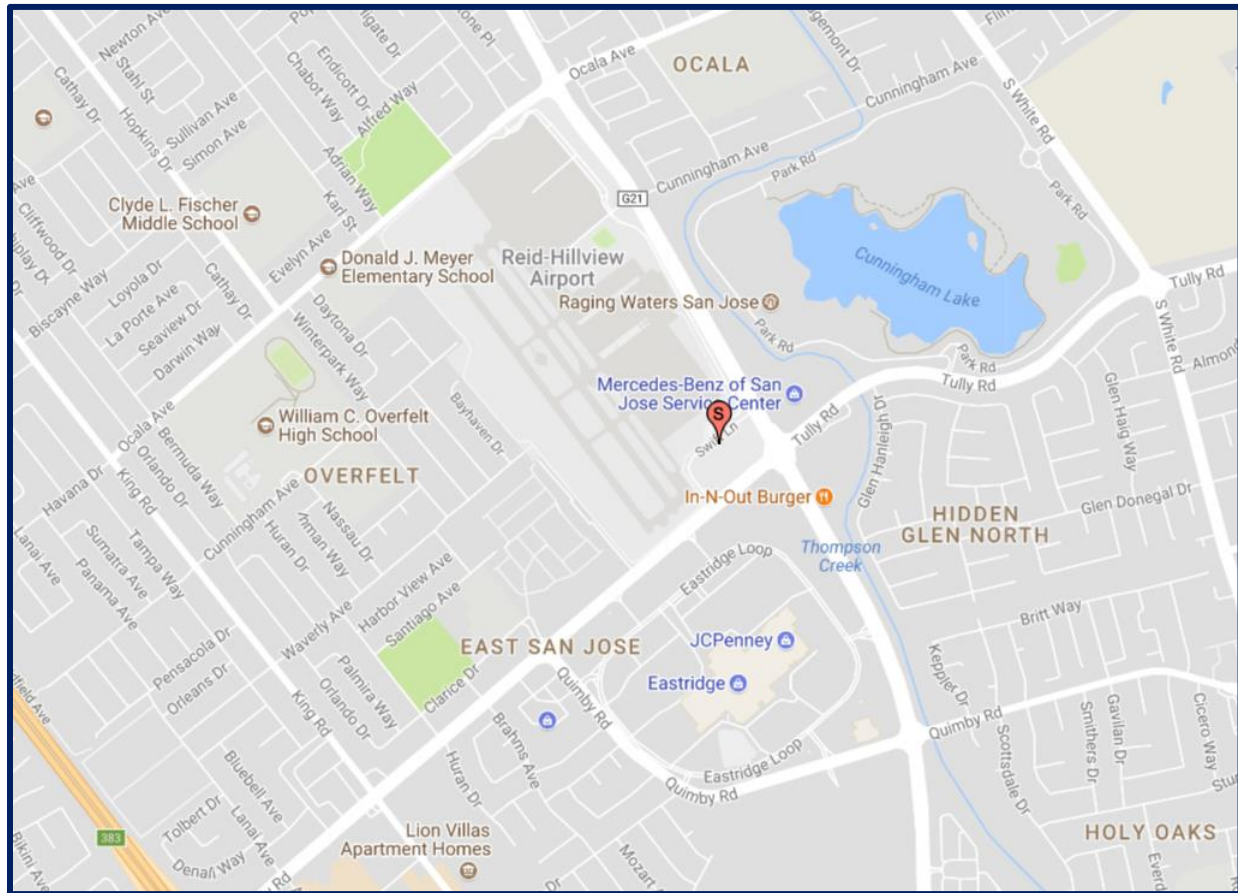
Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

The election of Donald Trump signaled a change in economic policy. In the short run that will likely bring with it more real growth and inflation along with higher interest rates. However, because the economy is operating at or close to full employment, the growth spurt is expected to be short-lived. There is uncertainty in the long-term economic forecast. Nevertheless, in the short term, 2018 is expected to be another prosperous year as we continue to say goodbye to the effects of the financial crisis.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



The subject is located in the City of San Jose. San Jose is the largest city in the county and is the County Seat. Historically, San Jose was a support city for the surrounding agricultural industry, acting as a cannery and distribution center. More recently, San Jose served as a bedroom community for Sunnyvale and Santa Clara (the original "Silicon Valley"), providing affordable housing for workers. Today, San Jose has come into its own right as an industrial and commercial center.

San Jose is located in the heart of "Silicon Valley," in the central portion of Santa Clara County. San Jose is bordered by the City of Santa Clara and the San Francisco Bay to the north, the City of Morgan Hill to the south, and the cities of Saratoga and Cupertino to the west.

San Jose is the largest city in Santa Clara County, both in terms of population and area. The Urban Service Area is approximately 87,000 acres, of which 20% is vacant or unused. About 40% of this vacant land is designated for residential development. These residential land reserves will enable San Jose to accommodate demands for new housing created by future economic development.

Newer industrial development in San Jose consists of administrative offices, research and development, and light manufacturing uses, replacing many of the heavier manufacturing uses that

historically characterized the central city industrial areas. In fact, some of the older, heavy-industrial development is being rehabilitated and converted to new, high-technology uses. Most of San Jose's industrial development has a low-profile, landscaped industrial park character.

San Jose has excellent access to local transportation and is served by many regional transportation networks. Interstate 280 runs within the central region of the city in an east-west direction and provides access to the San Mateo peninsula and San Francisco to the northwest. Interstate 280 eventually turns into Interstate 680, where it crosses east of Highway 101. At this point it veers northeast toward the East Bay and Tri-Valley areas of Alameda County. Interstate 880 originates in the East Bay and slashes through San Jose where it changes into Highway 17 and continues onward toward the Pacific Ocean and Santa Cruz.

The Bayshore Freeway, Highway 101, traverses the city in a generally north-south direction and also links to the peninsula and San Francisco with San Jose. The Stevens Creek Freeway, Highway 85, runs along the western boundary of the city and links the two major east-west routes. Highway 85 was recently extended from Interstate 280 south to the southern portions of San Jose, Los Gatos, and Saratoga. This extension has dramatically improved access to these desirable residential areas with the northern employment centers in Mountain View. Similarly, Highway 237 runs in an east-west direction through the northern portion of San Jose connecting Mountain View to the west with the City of Milpitas to the east.

The San Jose downtown core has undergone major renovation and revitalization over the last 15 years. Improvements to the freeway system, as well as construction of the new light rail system, have significantly improved access to the downtown core from other areas of the city and county. Other major downtown public projects include the Children's Discovery Museum, the new San Jose Convention Center, as well as the San Jose Arena, home of the San Jose Sharks of the National Hockey League and also the San Jose Barracuda of the American Hockey League, who began play in San Jose with their 2015-16 season.

Today, San Jose's revitalized Downtown Core has evolved into financial, office, cultural and entertainment centers. Outside the Downtown Core Area, commercial development exists in the form of neighborhood and community commercial centers, strip commercial developments along arterial streets, and regional shopping centers.

Reid Hillview Airport

The Reid Hillview Airport is one of the most significant land uses in the immediate area. The airport consists of approximately 179 acres and another 19 acres are controlled through easements. It is located about five miles east of San Jose International Airport in an urban area surrounded by residential and commercial uses. The airport has two parallel runways measuring approximately 3,100 feet in length and two parallel taxiways. These runway lengths will only support small aircraft; they do not support corporate jets. Given the surrounding uses, it is unlikely that the runways will be extended to support larger aircraft.

The airport also includes an air traffic control tower and a terminal building, facilities for fixed base operator (FBO) tenants and hangars and tie-down spaces, rented to aircraft owners. The airport does not have a restaurant operator, or other food-service provider. This is uncommon as most other

general aviation airports have some sort of food provider on-site. The lack of a food provider negatively affects the appeal of the airport for transient traffic, as many recreational pilots fly to airports for a meal.

The proximity of the residential uses and the Eastridge Mall to this airport has been of public concern for many years. This resulted in a somewhat tumultuous time over the past three decades. During this time, the County considered closing the airport several times. Several studies were conducted to explore the possibility. The legal options relating to a potential sale or lease of the airport, however, would be extremely complex and lengthy. Likely for this reason, there is no current or anticipated motivation to pursue this course of action.

Reid Hillview Airport is currently home to several hundred aircraft, multiple Fixed Based Operators (FBOs), and a flight school. In addition, there are other general aviation tenants at the airport that lease land directly from the airport. There are no private corporate leaseholders of land at the airport, as the airport does not serve this market segment.

Operations at the airport have increased over the past five years, but still remain lower than the levels experienced 10 years ago. The recent increase is likely due, at least in part, to the overall growth in the economy. Additionally, Reid Hillview may be taking overflow from nearby San Jose International for smaller aircrafts.

Neighborhood Location and Boundaries

The subject neighborhood is located in the southeast section of San Jose. The area is urban in nature. The neighborhood is bounded by Highway 680 and Alum Rock Avenue to the north, Highway 101 to the east, and the city limits of San Jose to the south and west.

Immediate Environs

The subject's immediate environs include a mix of uses, including public, residential, retail and entertainment uses. The Reid-Hillview Airport is a dominant use in the immediate area. The airport is located immediately to the north and west of the subject. At the corner of Capitol Expressway and Tully Road, are various retail uses including Eastridge Mall, a Mercedes Benz dealership, and a neighborhood shopping center with Safeway and food establishments. In the wider area, there are single family neighborhoods to northeast, southeast, and southwest of the subject neighborhood. Also to the northeast is Cunningham Park.

Access to the area is good. Highways 680 and 101 are located about two miles from the subject via both Capitol Expressway and Tully Road. Capitol Expressway has four lanes of traffic in each direction, plus turn lanes at the intersection with Tully Road and Cunningham Avenue. Both intersections are fully signalized. Average daily traffic on Capitol, in the subject's area, is about 78,000 vehicles on Capitol Expressway. This is an especially high level of traffic providing visibility to the subject site. Overall, the subject has good visibility and is easily accessible to both public and private transportation.

The area around the subject has experienced growth over the past two decades, especially at the Capitol and Tully intersection. The Mercedes dealership and a neighborhood shopping center were built, on the northeast and southeast corners of the intersection, respectively, in the early 2000s. This

dealership is reported to be the most successful new Mercedes dealership launch in Mercedes Benz history. This may be partly attributed to the high traffic in the area. It is also likely attributable to high-income residential developments and population growth in the Silver Creek area, a few miles to the south. The shopping center, tenanted with mostly national, credit tenants, had no vacancies at the time of inspection. This is indicative of the overall area, which appears to have a low vacancy rate of less than 5%. At the southwest corner of the intersection is an infinity auto dealership which was constructed in 2008.

A super-regional shopping center, Eastridge Shopping Center, is located near the southwest corner of Capitol and Tully. Eastridge has been experiencing a steady decline in profitability in recent years, a trend that increased with the recent renovations and expansions of other regional malls in the San Jose Metropolitan Area. The owners of Eastridge Mall have plans to invest \$90 million into updating the property, including demolishing 307,000 square feet of existing space and then building the same amount of space, but including an 80,000-square-foot movie cinema, and an outdoor promenade section which would feature rows of shops in a village style, similar to Santa Clara's new Santana Row shopping center. The mall has been undergoing renovations throughout 2017 and the present time.

Tully Road is the predominant retail corridor in the area. There are no other retail uses traveling north on Capitol Expressway until Story Road, about one mile north of the subject.

In summary, the subject is located in an area with a variety of uses. The airport and nearby commercial uses are most dominant. Most retail uses are located to the south along Tully Road. The subject has good visibility and access from Capitol Expressway and Tully Road, major arterials in the area. Thus, it is considered a desirable location for future commercial use.

Demographics

The following table depicts the area demographics in San Jose within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
Population Summary			
2000 Population	31,068	256,962	483,826
2010 Population	29,616	254,965	505,217
2017 Population	31,294	273,577	548,529
2022 Population Estimate	32,503	287,202	578,715
Annual % Change (2017 - 2022)	0.8%	1.0%	1.1%
Housing Unit Summary			
2000 Housing Units	5,969	60,073	130,885
% Owner Occupied	75.9%	63.6%	59.8%
% Renter Occupied	23.6%	35.3%	38.4%
2010 Housing Units	6,128	64,747	148,768
% Owner Occupied	67.0%	56.5%	53.9%
% Renter Occupied	30.4%	40.0%	41.7%
2017 Housing Units	6,327	68,029	158,519
% Owner Occupied	65.8%	55.3%	52.7%
% Renter Occupied	32.3%	41.9%	43.9%
2022 Housing Units	6,571	71,441	167,611
% Owner Occupied	65.6%	54.9%	52.2%
% Renter Occupied	32.3%	42.0%	44.0%
Annual % Change (2017 - 2022)	0.8%	1.0%	1.1%
Income Summary			
2017 Median Household Income	\$68,548	\$68,752	\$76,451
2022 Median Household Income Estimate	\$77,145	\$77,983	\$85,505
Annual % Change	2.4%	2.6%	2.3%
2017 Per Capita Income	\$17,510	\$22,844	\$29,269
2022 Per Capita Income Estimate	\$19,754	\$25,857	\$33,363
Annual % Change	2.4%	2.5%	2.7%

Source: Site-to-Do-Business (STDB Online)

Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Tully Road and Capitol Expressway are the major travel and commuter routes within the area of the subject, with average daily traffic counts of 30,000 and 78,000 vehicles, respectively. This provides excellent exposure to the subject site. Capitol Expressway carries four lanes of traffic in each direction while Tully Road carries three. Major transportation in the larger area includes Highway 101, Highway 680, and Alum Rock Avenue about two miles from the subject. Access to the area is considered good.

Neighborhood Land Use

The subject neighborhood is located in an area with primarily commercial land uses along primary arterials such as Capitol Expressway and Tully Road and residential uses along secondary roadways. An approximate breakdown of the development in the area is as follows:

LAND USES

Use	Percent
Developed	95%
Built up:	95%
Residential:	70%
Retail:	15%
Public/ Quasi-Public:	10%
Industrial:	0%
Vacant:	5%

Conclusions

The subject enjoys good visibility and access from its location at the intersection of Tully Road and Capitol Expressway, two major neighborhood commuter routes. The surrounding area consists of a mix of commercial and residential buildings with primarily single-family residences on interior streets. The location is desirable due to its prominent exposure and proximity to commercial amenities as well as major transportation arterials. Overall, the subject neighborhood is in a stable stage of its life cycle.

Site Description

The subject site is located at the northwest corner of Tully Road and Capitol Expressway, San Jose, Santa Clara County, California 95122. The subject consists of Assessor's Parcel Number (APN) 491-05-020, and a portion of a larger parcel, APN 491-05-001, along with public right-of-ways. More specifically, the subject includes Swift Lane and a vacant island parcel located just north of the main site, at the southwest corner of Swift Lane and Capitol Expressway, portion of APN 491-05-001.

Swift Lane is an access road the runs around the northwest side of APN 491-05-020. The road intersects both Capitol Expressway and Tully Road, which also provides access to Swift Avenue, another access road running parallel to Capitol Expressway.

The characteristics of the site are summarized as follows:

Site Characteristics

Location:	Northwest corner of Tully Road and Capitol Expressway, San Jose, Santa Clara County, California 95122	
Gross Land Area:	8.6 Acres or 374,616 SF	
Usable Land Area:	8.6 Acres or 374,616 SF	
Usable Land %:	100.0%	
Shape:	Irregular	
Average Depth:	260 feet	
Topography:	Level	
Drainage:	Assumed adequate	
Grade:	At street grade	
Utilities:	All public utilities are available to the site.	
Off-Site Improvements:	Both Tully Road and Capitol Expressway are fully improved roadways with sidewalks, curbs, gutters, streetlights, and landscaping. Capitol Expressway carries four lanes of traffic in each direction, north and south. Tully Road carries three lanes of traffic in each direction, east and west.	
Interior or Corner:	Corner	
Signalized Intersection:	Yes: Traffic signal nearby that enhances access to the site	

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Capitol Expressway	Tully Road
Street Type:	Commercial	Commercial
Frontage (Linear Ft.):	411	612
Number of Curb Cuts:	0	0
Traffic Count (Cars/Day):	78,000	30,000

Flood Zone Data

Flood Map Panel/Number: 06085C0254H
Flood Map Date: 05-18-2009
Flood Zone: D

Zone D designation is used for areas where there are possible but undetermined flood hazards. In areas designated as Zone D, no analysis of flood hazards has been conducted. Mandatory flood insurance purchase requirements do not apply, but coverage is available. The flood insurance rates for properties in Zone D are commensurate with the uncertainty of the flood risk.

Other Site Conditions

Soil Type: We have not been provided a geotechnical report for the subject property. Based on our physical inspection, soil conditions appear stable.

Environmental Issues: We make no representations as to the presence of toxins and hazardous materials on the subject site. We are appraising the site as if clean. If this is of concern to any reader of this report, it is our recommendation that an environmental report be obtained from the appropriate professionals qualified to issue such opinions.

Easements/Encroachments: According to the Preliminary Report by the First American Title Company dated April 20, 2015, the subject property includes an easement for a single line of towers for the transmission of electrical energy and incidental purposes, an easement for a single line of towers for the transmission of electrical energy and telegraph wires and incidental purposes, and an easement for cross arms and wires and incidental purposes in favor of the Pacific Gas and Electric Company. Furthermore, the public has a right in and to the portion of the subject land lying within Swift Lane, Tully Road, and Capitol Expressway.

The impact of these easements to the value of the property is expected to be minimal.

Earthquake Zone: The property is not located in an Alquist-Priolo Special Studies Zone for earthquake hazard. Earthquake hazard is typical for the overall area.

Adjacent Land Uses

North:	Public/ Quasi-Public (Reid-Hillview Airport)
South:	Commercial (Eastridge Shopping Mall)
East:	Commercial (Mercedes-Benz dealership)
West:	Public/Quasi-Public (Reid-Hillview Airport)

Site Ratings

Access:	Excellent
Visibility:	Excellent

Zoning Designation

Zoning Jurisdiction:	City of San Jose
Zoning Classification:	CG, Commercial General
General Plan Designation:	Neighborhood/Community Commercial
Permitted Uses:	A variety of commercial uses

Zoning Comments

The subject property is under the jurisdiction of the City of San Jose and is zoned Commercial General. The General Plan land use designation is Neighborhood/Community Commercial.

The Commercial General zoning district is intended to serve the needs of the general population. This district allows for a full range of retail and commercial uses with a local or regional market. Development is expected to be auto-accommodating and includes larger commercial centers as well as regional malls.

Allowed uses include retail sales, child day care centers, medical offices, veterinary clinics, hotels or motels, laundromat, personal services, general business offices, financial institutions, and other conforming uses.

The minimum lot area is one acre. The minimum front setback is 15 feet and side setback at a corner is 12.5 feet. The maximum building height is 65 feet.

The Neighborhood/ Community Commercial land use designation supports a very broad range of commercial activity, including commercial uses that serve the communities in neighboring areas, such as neighborhood serving retail and services and commercial/professional office development. Neighborhood/ Community Commercial uses typically have a strong connection to and provide services and amenities for the nearby community and should be designed to promote that connection with an appropriate urban form that supports walking, transit use and public interaction. General office uses, hospitals and private community gathering facilities are also allowed in this designation. The maximum FAR is 3.5 (1 to 5 stories).

The subject is also governed by the Airport Land Use Plan (ALUP) specific to Reid Hillview. This plan indicates that a portion of the subject, at the southwestern portion of the site, is in the Turning Safety Zone. The Turning Safety Zone (TSZ) allows a non-residential maximum of 100 people per acre

which includes open area and parking area for the building occupants. A minimum of 20% of the gross site area of the TSZ must be devoted to open space. Prohibited uses in this area include regional shopping centers, theaters, meeting halls, stadiums, buildings with more than three above ground habitable floors, schools, day care centers, hospitals, nursing homes or similar activities. Low density residential uses are permitted though it is not a likely use given the subject's commercial location. No hazardous material facilities (gasoline stations, etc.) are permitted either.

We estimate that the Turning Safety Zone (TSZ) impacts roughly 20-25% of the site. At an average 22% impact, it impacts roughly 82,500 square feet of the site. Of this amount, 20%, or 16,480 square feet would need to be devoted to open space. This represents about 4.5% of the entire site area.

The TSZ on the subject is located on the westerly side of the subject. Given that a retail use is the most likely use for the subject (as discussed in the next Highest and Best Use section), the normal building coverage ratio for a one-story development is 25%. This leaves about 75% of the site available for parking and landscaping/open space. It is likely that most of the 16,480 square feet of open space necessary within the TSZ zone could be accommodated as part of the normal parking and landscaping requirement for a retail development. We would expect that any buildings would be located on the eastern side of the property. Thus, the TSZ has a negligible impact, on the development potential or utility of the site.

Analysis/Comments on Site

The subject consists of an 8.6-gross acre corner site at a high-trafficked intersection. Based on our site visit, it is likely that a portion of the Capitol Expressway street frontage is part of that roadway and would not be included in the net developable land area. Furthermore, a portion of the site is located within the Turning Safety Zone of the adjacent Reid Hillview Airport. Development within this area is impacted due to its proximity to the airport's runways. The site is level and has a rectangular shape and corner lot configuration. There are 760 feet of frontage along Tully Road and 490 feet of frontage along Capitol Expressway.

The subject site is mostly level. The parcel is at grade with the street frontages. Curbs and gutters are present on all sides of the parcel. Sidewalks are only in place along the Tully Road frontage. Utilities are located overhead along Capitol Expressway. Overall, the physical characteristics of the site would make it suitable for a variety of developments.

Site access is currently provided via two curb cuts on Swift Lane, a feeder road that connects with Swift Avenue, Tully Road, and Capitol Expressway. However, Swift Lane is part of the subject property in this appraisal assignment and we expect that Swift Lane will continue to provide access to the subject property in the future. Additional access is provided via Capitol Expressway.

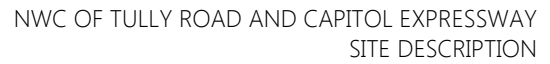
Swift Avenue runs parallel to Capitol Expressway and is separated from that roadway by a 10-foot landscape strip that has not been maintained and is now mostly either vacant dirt or overgrown with weeds.

We assume the site is environmentally clean and that the soils could support development. The zoning is Commercial General and the General Plan land use designation is Neighborhood/

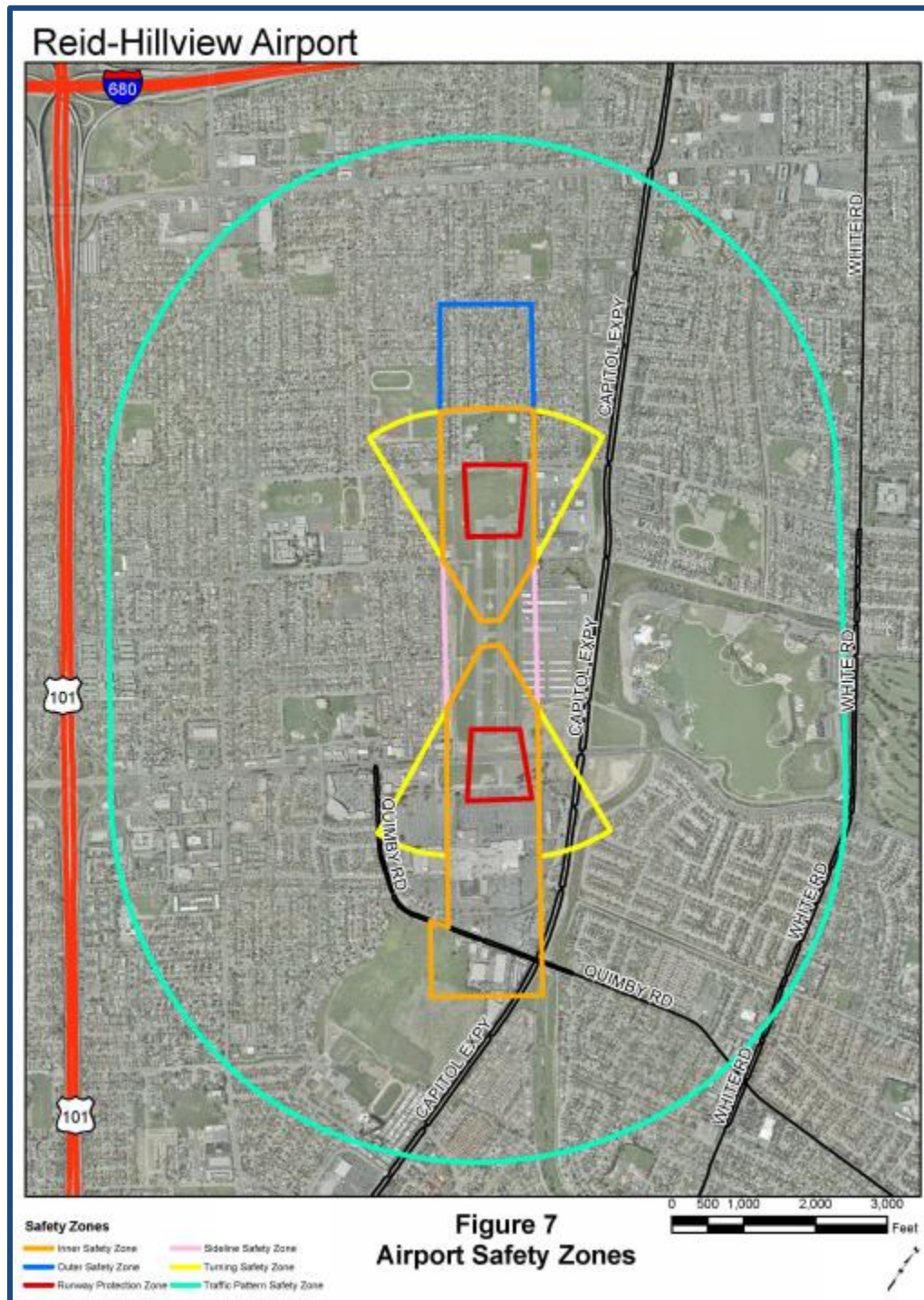
Community Commercial, which support a wide variety of permitted commercial uses. Overall, the site is well suited for a variety of developments.

At the time of inspection, the western portion of the site was sectioned off and fenced. It appears that this area is being used as a storage yard; several cars were also parked in this area. It is our understanding that occasional occupancy exists on short-term lease agreements. For purposes of this report we assume that the subject site is cleared and leveled and free of long-term leases.

We note that a portion of the site is located within the Turning Safety Zone of the adjacent, Reid Hillview Airport. Airport vicinity height limitations are required to protect the public safety, health, and welfare by ensuring that aircraft can safely fly in the airspace around an airport. This protects both those in the aircraft and those on the ground who could be injured in the event of an accident. This zone has some restrictions on development, although the restrictions are not intense. Overall, the subject zoning would permit a variety of commercial developments.

[illegible]

REID-HILLVIEW AIRPORT SAFETY ZONES



Subject Photos



View of subject land from Tully Road



View of Swift Lane



View of the subject from Swift Lane facing east



Closer view of the subject land

Assessment and Tax Data

Assessment Methodology

The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Santa Clara County.

Assessed Values and Property Taxes

The subject is owned by the County of Santa Clara and is not currently taxed. If the property were leased by a private party, the property would be re-assessed at full market value and the possessory interest would be taxed at rates similar to other properties in the area.

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject area is 1.293160%.

Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Clara County Tax Collector's Office, the direct assessments for the subject area are as follows: Evergreen Elementary assessment, Santa Clara Valley Water District flood and safe clean water assessments, San Jose sewer sanitation and storm assessment, San Jose library assessment, Santa Clara County mosquito-vector control assessments, San Francisco Bay Restoration Authority assessment, and Santa Clara Valley Open Space Authority assessments.

Current and Future Taxes

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2 percent per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

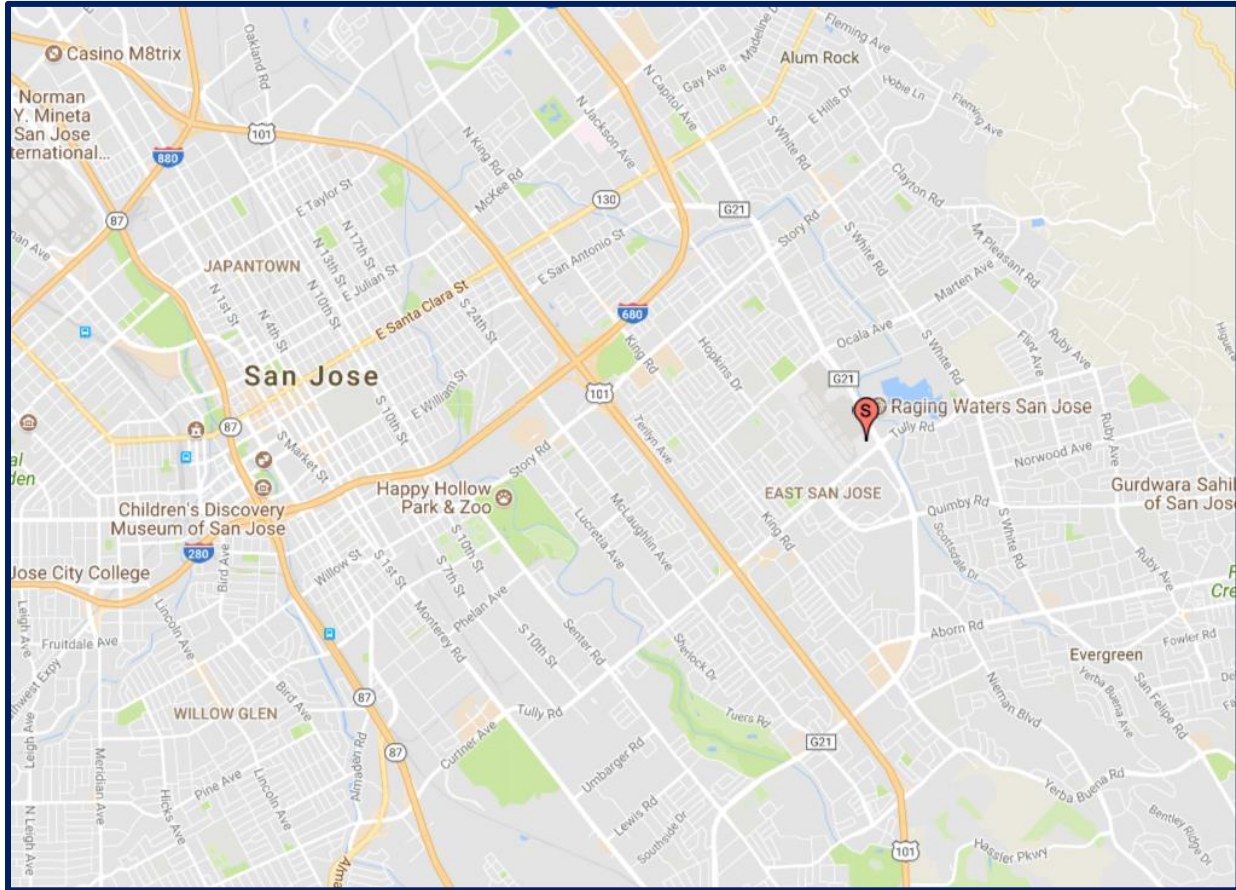
Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

Conclusions

The subject property is not currently taxed because it is under government ownership. If the property is leased to a private party, it will be re-assessed at full market value and the possessory interest would be taxed at rates similar to other properties in the area.

Market Analysis

MARKET AREA MAP



In this appraisal, the subject property represents vacant commercial land. A discussion of the Santa Clara County Retail market as well as of the commercial land market is warranted.

Santa Clara County Retail Market

Santa Clara County is one of the strongest job markets in the United States. The unemployment rate as of the end of the fourth quarter 2017 stood at a mere 2.6%, with an all-time high of one million employed. The County has added nearly 208,000 new jobs across many sectors since bottoming out in mid-2009. Putting this in perspective, Santa Clara County has created more new jobs since 2010 than the combined population of the cities of Sunnyvale and Cupertino.

According to Costar statistics, the retail market experienced positive net absorption of 433,597 square feet in the fourth quarter of 2017. The South Bay/ San Jose metro retail vacancy rate decreased slightly in the fourth quarter of 2017 to 4.2%. At the end of the fourth quarter 2017, there was a total of 3,347,267 square feet of vacant retail space in the South Bay/ San Jose metro.

Average quoted asking rental rates in the South Bay/ San Jose metro are down over previous quarter levels, and up from their levels four quarters ago. Quoted rents ended the fourth quarter of 2017 at

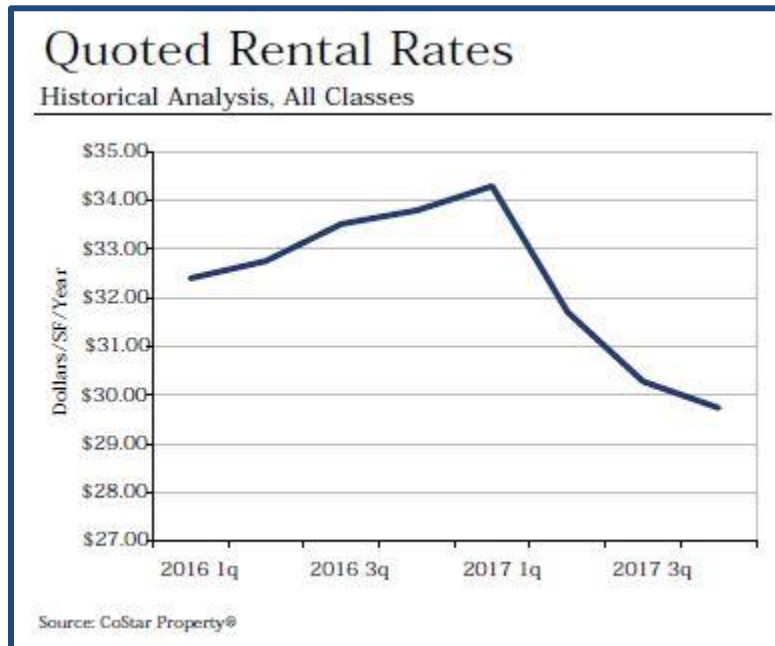
\$2.68 per square foot per month, NNN, \$0.01 below the \$2.69 per square foot reported in the third quarter of 2017. We anticipate that deal activity will continue to rise and rental rates will continue to grow for quality space.

South San Jose Submarket

We next turn our attention to the subject's submarket area and competition. Demand for retail space in the subject's market area is considered good. The South San Jose submarket had a total inventory of 27,727,053 square feet at the end of the fourth quarter 2017, with a total of 271,619 square feet under construction. Vacancy in the South San Jose submarket is low, which we estimate to be less than 5%.

The average asking rate for retail space in the submarket for the quarter was \$2.48 per square foot per month, NNN, a decrease of 14% over the previous year. This compares to the Silicon Valley average of \$2.68 per square foot, NNN, which saw a 5.39% increase during this period. The submarket is performing below the overall Silicon Valley market in which it competes. Still, there is good retail activity in the subject's immediate area, especially along the areas main thoroughfares including Tully Road.

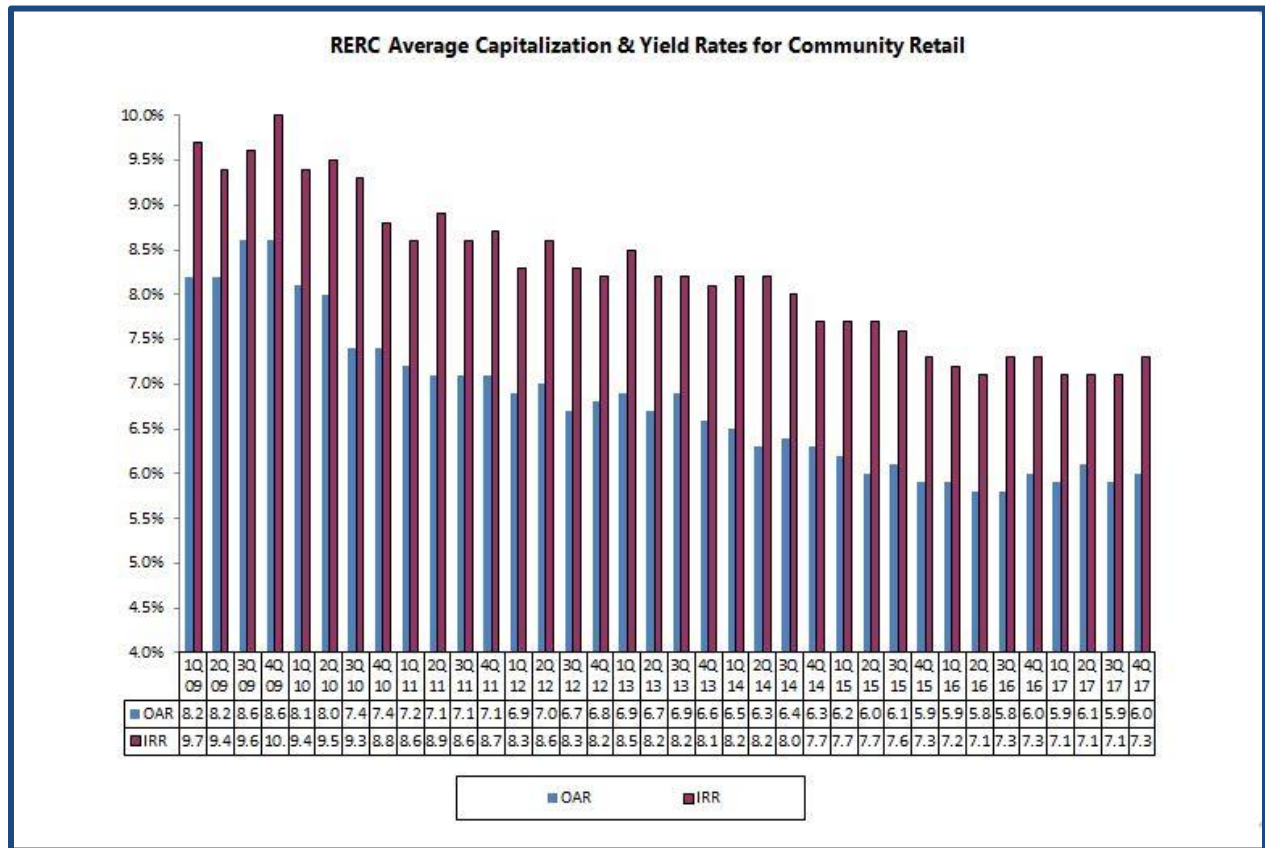
The chart below shows the decline in quoted rental rates in the South San Jose submarket since the first quarter of 2017. As can be seen, the asking rental rate had been slowly increasing between the first quarter 2016 to the first quarter 2017. From the first quarter 2017 to fourth quarter 2017 a decreasing trend in rental rates is shown.



Based on our analysis, retail buildings in the subject's market area sell for \$300 to \$600+ per square foot, depending on income, size, location, quality, and other factors. Capitalization rates for these types of investments range from 4.5% to 6%. South San Jose generally under performs more desirable Silicon Valley locations such as Cupertino and Sunnyvale, and demand for space in South San Jose is considered average in comparison to the overall South Bay metro given the city's good access to regional transportation and central location.

Capitalization & Yield Rate Trends

We have also considered the historical average capitalization and yield rates for retail strip centers over the past several years, as reported by the RERC. The historical rates are illustrated in the table below.



Rates were low in 2007, consistent with the peak of the commercial real estate market. At that time, the average cap rate was as low as 6.5%. Rates gradually increased in 2008 and 2009 and ultimately peaked in the Fourth Quarter of 2009 with an average cap rate of 8.6%. Throughout 2010, 2011, 2012 and 2013, rates have decreased and fluctuated between 6.6% and 8.1%. The average capitalization rate for fourth quarter of 2017 was 6.0%. The table below shows the national range for the overall community retail cap rate in the third quarter 2017.

RERC Published Rates for Community Retail - 4th Quarter 2017

	Current		Year Ago	
	Range	Average	Range	Average
Discount Rate (IRR)	6.5% - 8.0%	7.3%	5.5% - 9.5%	7.3%
Overall Cap Rate (OAR)	5.5% - 7.0%	6.0%	5.0% - 7.3%	6.0%
Terminal Cap Rate	6.0% - 7.5%	6.5%	5.5% - 8.0%	6.6%
Rental Growth	2.0% - 3.0%	2.8%	2.0% - 6.0%	2.8%
Expense Growth	2.0% - 3.0%	2.6%	2.0% - 3.0%	2.8%

Commercial Land Overview

The commercial land market in the subject area is characterized by good demand and an undersupply of available properties for development. Most sites that sell are typically previously developed sites with functionally obsolete improvements. For many development sites, the improvements have either run out of economic life and/or represent a low FAR. Buyers in the marketplace consist of owner-users looking for sites to accommodate their business, as well as developers looking to build speculative projects.

Land values have increased over the past several years, as demand has increased for new space, and as rental rates have climbed upwards. This mirrors improvements in the overall economy. Values for sites like the subject reflect a wide range of value, depending in large part on the development costs and challenges to be faced by the developer. The feasibility of a project is evaluated based on the total development costs. Overall, the cost to develop a site significantly impacts the land value.

Based on our research of land values in the subject's area, we estimate that land values have increased about 30% since 2013. This is consistent with the increase in rental rates during this time. Commercial land values typically range from \$35-\$200+ per square foot of land area, depending on location, FAR, construction costs and land use entitlements, among other factors. Value is also frequently quoted on a price per square foot of allowable building area or FAR foot.

At the high end of this range is commercial land in prime location and high traffic areas, as well as for sites where high FARs are likely. The subject is expected to compete at the low end of the range.

Conclusion

The retail market is currently strong in Santa Clara County. Investor and owner-user demand for commercial space in the Bay Area is considered good. Likely, we will continue to see positive trends for the Santa Clara County commercial market. Rents and occupancy will likely remain strong and grow, however, at a slower rate than in the past few years, while sale volume remains high and cap rates remain low.

Santa Clara County finds itself among the strongest markets in the United States given that employment in the region has increased substantially since the beginning of the current cycle. Thus, office properties will remain a preferred investment over other property types given the location and proximity to Silicon Valley.

We believe the outlook for commercial property, especially well located product has historically been and is still, positive. Overall, the subject is a large commercial site with good visibility through a highly trafficked arterial. The site is suited for destination retail or service commercial / semi-industrial use. Given the paucity of other similar sites that are available we opine that the subject would be well received if placed on the market for sale at market value.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned CG, Commercial General which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood.

The adjacent airport use has the greatest impact on the potential uses for the subject. Given its gateway location to the airport, we consider a commercial use as the most probable legally permissible use. Allowed uses include retail sales, child day care centers, medical offices, veterinary clinics, hotels or motels, laundromats, personal services, general business offices, financial institutions, and other conforming uses.

The location of the subject property is appropriate for the uses allowed by the proposed zoning and General Plan, and a change in zoning is likely to be approved. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered.

The subject has good exposure from Capitol Expressway. Exposure is highly desirable for a variety of retail users. The size and configuration of the site could accommodate a variety of uses. The size of the subject is ideal for big box retail development or auto-dealership use. In all, the site could accommodate a variety of supporting uses on a single site, or could be subdivided into smaller sites.

Financially Feasible

The probable use of the site for commercial development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is an undersupply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant, is for commercial development.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for commercial development.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is an owner-user or developer. The most likely lessee is an local business operator or a developer.

Appraisal Methodology

The client has requested an estimate of the market value of the subject property, as is, as well as an estimate of fair market rent. Ground rent is often estimated as a percentage of the underlying fee simple land value. So, as a method of estimating ground rent for the subject site, we must first value the fee interest in the land. A rate of return is then selected and applied to arrive at an annualized ground rent indication for the subject land.

Fee simple land value is estimated by comparing the subject property with similar unimproved parcels of land, which were available for similar types of development at the time of sale as the subject, mostly low intensity commercial development. This type of development represents the subject's highest and best use as discussed earlier.

To estimate the fair market rent of the subject land, we have focused on the approach discussed above. We have also cross-checked our conclusion of market rent through recent leases of commercial sites, sites that had similar development potential and use, as well as similar physical and functional features as the subject property.

Land Valuation

Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot of land area.

Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

Comparable Sales Data

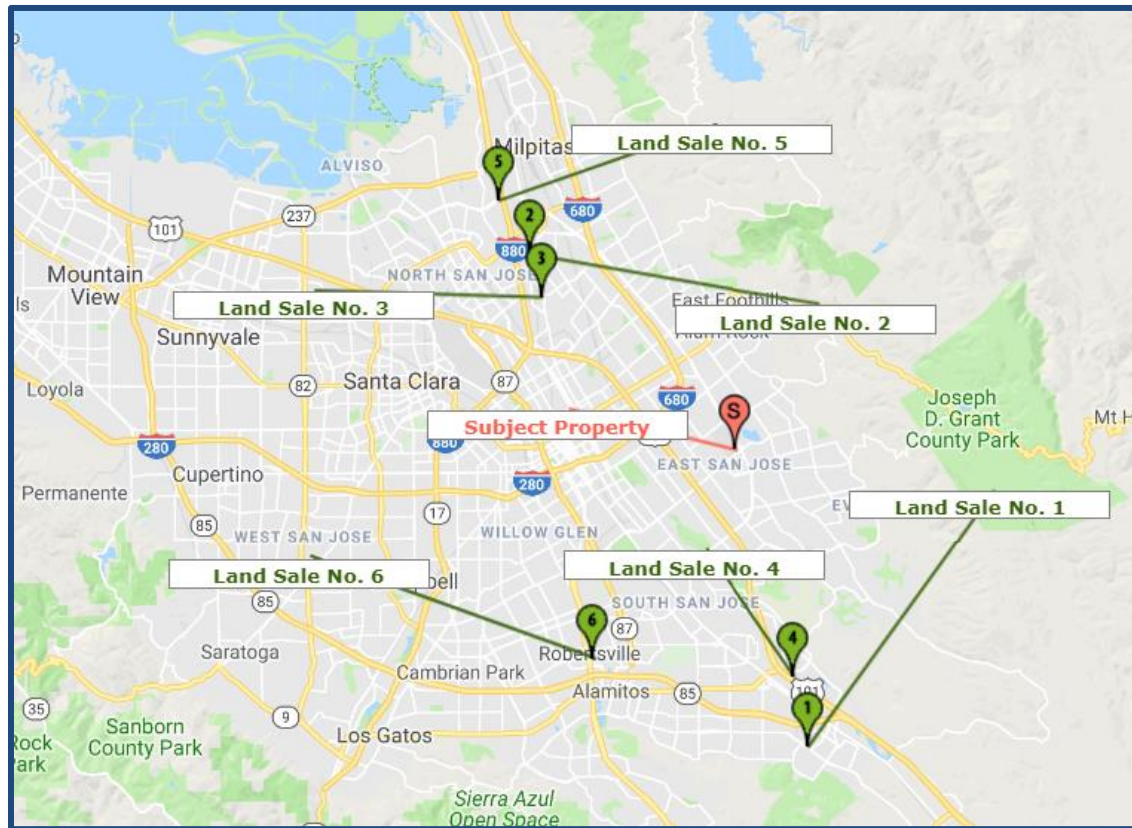
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included seven sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. While these comparables were selected from the broader market area, they were similar in use, development potential and physical characteristics. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

Land Sales Summary

Comp. No.	Date of Sale	Gross Acres	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	February-16	16.980	Santa Teresa Blvd, between San Ignacio Ave and Great Oaks	San Jose, California	IP	Hospital and Medical Office	\$23,443,636	\$31.70
2	February-17	4.760	2059-2063 Oakland Road	San Jose, California	IP	Unknown	\$5,287,500	\$25.50
3	November-14	13.903	1040 East Brokaw Road and 1633 Oakland Road	San Jose, California	A(PD)	Retail	\$23,000,000	\$37.98
4	December-15	5.860	5855 Silver Creek Valley Place	San Jose, California	A(PD)	Development of a VA Clinic	\$11,896,000	\$46.60
5	October-16	3.340	Northwest corner of Alder Drive and Barber Lane	Milpitas, California	MP/RE	Hotel	\$7,000,000	\$48.11
6	September-15	3.553	4606 Almaden Expressway	San Jose, California	CN	Future Development	\$7,500,000	\$48.46

COMPARABLE SALES MAP



COMPARABLE SALE 1



Property Identification

Property/Sale ID	116691/428064
Property Type	Industrial
Property Name	El Camino Hospital - South Bay Development Site
Address	Santa Teresa Boulevard, between San Ignacio Avenue and Great Oaks Boulevard
City, State Zip	San Jose, California 95119
County	Santa Clara
Latitude/Longitude	37.231934/-121.784649
Tax ID	706-02-055 and -056

Transaction Data

Sale Date	February 2016	Grantee	El Camino Hospital
Sale Status	Recorded	Recording Number	23214820
Grantor	SV1, LLC	Sale Price	\$23,443,636

Property Description

Gross Acres	16.98	Zoning Jurisdiction	Center; Industrial Park
Gross SF	739,649	Zoning Code	IP
Corner/Interior	Double Corner	Zoning Description	Industrial Park
Shape	Irregular		
Use Designation	Transit Employment		

Indicators

\$/Gross SF	\$31.70
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Remarks

This property consists of a 16.98-acre or 739,649-square-foot parcel of land situated in South San Jose, in the Edenvale West submarket, along Santa Teresa Boulevard, in between San Ignacio Avenue and Great Oaks Boulevard. The site, consisting of two legal parcels, is further bound by Highway 85 to the north, Bernal Road to the east, and Cottle Road to the west. The surrounding area is a mix of single-family residential and commercial-industrial uses. Kaiser Permanente San Jose Medical Center is situated approximately one-mile to the west, and the Cottle Light Rail Station is a quarter-mile to the west.

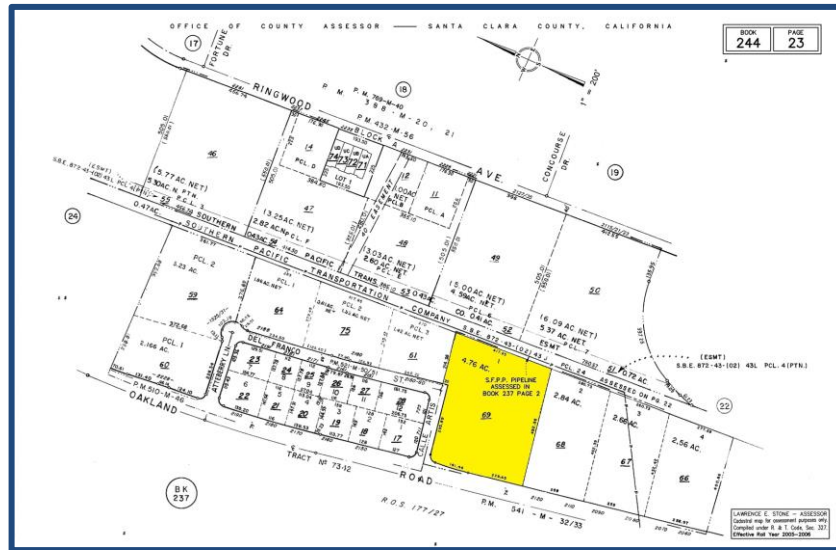
The undeveloped site is generally level and has frontages along Santa Teresa Boulevard, Great Oaks Boulevard and San Ignacio Avenue. Site improvements consist of sidewalks along the Santa Teresa Boulevard frontage, and curb, gutters, and storm drain inlets along all three street frontages. Electricity, gas, water, and telephone services are available. The zoning is Industrial Park and the General Plan land use designation is Transit Employment Center (APN -056) and Industrial Park (APN -055).

The site, along with a 16.85-acre portion fronting Via Del Oro totaling 33.83 acres, was previously purchased by Equinix in March 2015. Equinix plans to develop a data center on the 16.85-acre portion retained.

The site was purchased by El Camino Hospital, a Mountain View and Los Gatos-based, non-profit health care provider. Plans are to develop a hospital onsite and to expand its health care services to areas outside of its current service area that comprises Mountain View, Sunnyvale, Los Altos, Los Altos Hills, as well as Los Gatos. Plans are to develop a hospital and medical office buildings onsite.

The site was purchased for \$23,443,636, or \$31.70 per square foot of land area. The terms of the sale were all-cash to the seller.

COMPARABLE SALE 2



Property Identification

Property/Sale ID	127558/434054
Property Type	Industrial
Address	2059-2063 Oakland Road
City, State Zip	San Jose, California 95131
County	Santa Clara
Latitude/Longitude	37.396355/-121.901148
Tax ID	244-23-069

Transaction Data

Sale Date	February 2017	Grantee	CP Logistics Oakland, LLC
Sale Status	Recorded	Recording Number	0023577495
Grantor	Pestana 1986 Family Trust	Sale Price	\$5,287,500

Property Description

Gross Acres	4.76	Use Designation	Industrial Park
Gross SF	207,346	Zoning Jurisdiction	City of San Jose
Corner/Interior	Corner	Zoning Code	IP
Shape	Generally Rectangular	Zoning Description	Industrial Park

Indicators

\$/Gross SF	\$25.50
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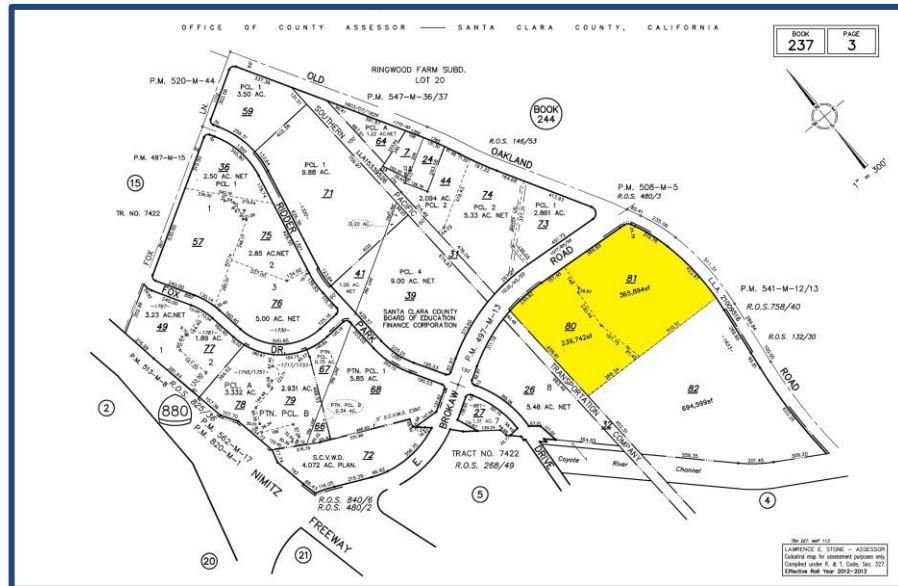
Remarks

This property consists of a single parcel of vacant industrial land located along the east side of Oakland Road in San Jose. The site has a generally rectangular shape and a corner lot configuration at the signalized intersection of Oakland Road and Calle Artis. The site has approximately 390 feet of frontage along Oakland Road and an average depth of 355 feet. The property abuts railroad tracks to the east.

The underlying site contains 4.76 acres or 207,346 square feet of gross land area and approximately 4.44 acres or 193,550 square feet of usable land area. The site is raw unimproved land with all utilities available. The property zoning and General Plan land use designation is Industrial Park.

CP Logistics Oakland, LLC purchased this property in February 2017 from Pestana 1986 Family Trust. The sale price was \$5,287,500 or \$25.50 per square foot of building area. The buyer is an investor and intends to hold the property for future development. The property sold without approvals or entitlements.

COMPARABLE SALE 3



Property Identification

Property/Sale ID	116694/428065
Property Type	Retail
Property Name	Brokaw Plaza
Address	1040 East Brokaw Road and 1633 Oakland Road
City, State Zip	San Jose, California 95131
County	Santa Clara
Latitude/Longitude	37.382037/-121.896748
Tax ID	237-03-080 and 237-03-081

Transaction Data

Sale Date	November 2014	Grantee	Brokaw Ventures II, LLC
Sale Status	Recorded	Recording Number	22768803
Grantor	Markovits & Fox, Inc.	Sale Price	\$23,000,000

Property Description

Gross Acres	13.90	Zoning Jurisdiction	(MUC)
Gross SF	605,636	Zoning Code	A(PD)
Corner/Interior	Corner	Zoning Description	Planned Development
Shape	Rectangular		
Use Designation	Mixed Use Commercial		

Indicators

\$/Gross SF	\$37.98
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Remarks

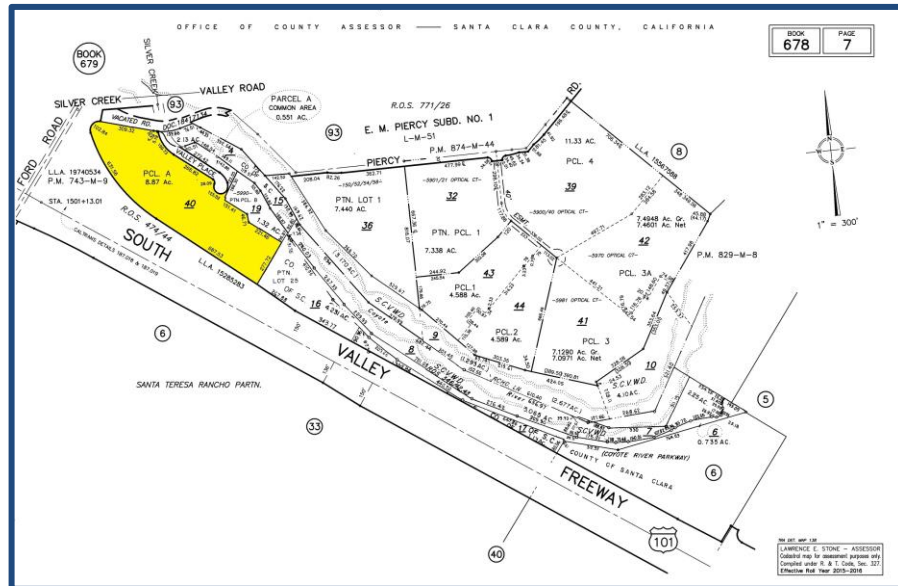
This property consists of two contiguous parcels improved with two older two-story R&D buildings located along the south side of East Brokaw Road in San Jose. The site has a rectangular shape and a corner lot configuration at the signalized intersection of East Brokaw Road and Oakland Road. The site has approximately 850 feet of frontage along East Brokaw Road (with two curb cuts) and 650 feet of frontage along Oakland Road (with one curb cut). The property abuts railroad tracks to the west.

The underlying site contains 605,636 gross square feet or 13.9 gross acres. The improvements contain approximately 130,000 square feet and were constructed circa 1998. The property is zoned Planned Development and the General Plan land use designation is Mixed Use Commercial (MUC). The Planned Development Zoning District allows for the development of up to 650 multi-family residential units and up to 150,000 square feet of commercial uses or up to 300,000 square feet of office/R&D uses on a 27.4 gross acre site. The sale property is a portion of the 27.4 acres. The larger development also included approximately 150,000 square feet of retail development, for which this property was sold.

Brokaw Ventures II, LLC purchased this property in November 2014 from Markovits & Fox, Inc. The sale price was \$23,000,000 or \$1,654,261 per acre or \$37.98 per square foot of land. The buyer plans to develop a shopping center onsite with 145,000 square feet of retail space. Subsequent to the purchase, a portion of the center was leased to Ross Stores and Sprouts Market. Additional retail space is available for lease. The buyer obtained a \$19,550,000 loan from Pacific Coast Capital Partners.

The existing buildings onsite were vacant at the time of sale. The property was previously ground leased, with the lessee constructing the buildings. However, the landlord bought out the leasehold interest so that the property could be sold for redevelopment. This property was part of a larger mixed-use development plan that included residential uses on other adjacent sites.

COMPARABLE SALE 4



Property Identification

Property/Sale ID	113994/428410
Property Type	Commercial
Address	5855 Silver Creek Valley Place
City, State Zip	San Jose, California 95138
County	Santa Clara
Latitude/Longitude	37.255486/-121.791097
Tax ID	678-07-040 (Portion)

Transaction Data

Sale Date	December 2015	Grantee	San Jose VA, LLC
Sale Status	Recorded	Recording Number	23175789
Grantor	San Gabriel Interests, LP	Sale Price	\$11,896,000

Property Description

Gross Acres	5.86	Zoning Jurisdiction	Commercial
Gross SF	255,262	Zoning Code	City of San Jose A(PD)
Corner/Interior	Interior	Zoning Description	Planned Development
Shape	Irregular		
Use Designation	CIC, Combined Industrial		

Indicators

\$/Gross SF	\$46.60
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Remarks

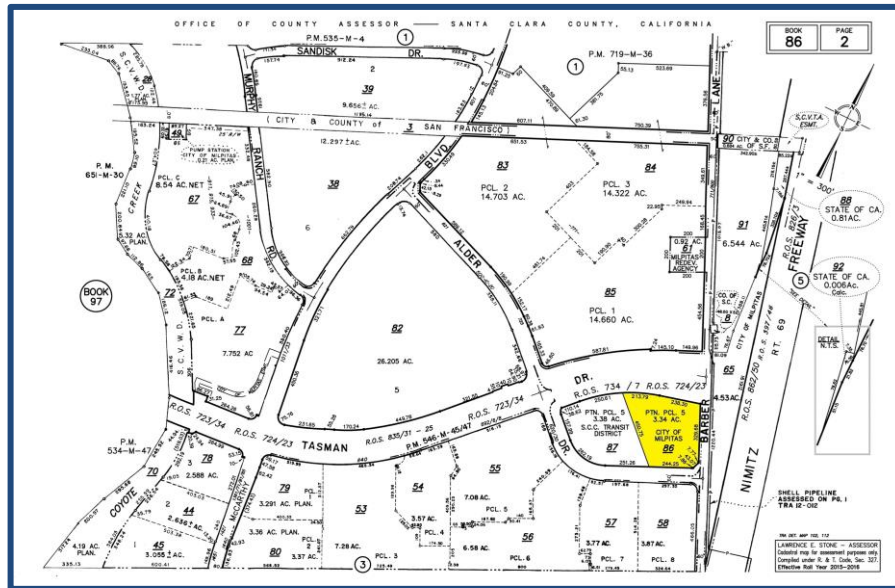
This property consists of a single parcel of vacant commercial land located on the east side of Highway 101 along the Silver Creek Valley Road freeway off-ramp in San Jose. The site has an irregular shape and a cul-de-sac lot configuration with appropriately 270 feet of frontage along Silver Creek Valley Place and 650 feet of frontage along the Highway off-ramp. The site has good visibility from and access to Highway 101. The property is mostly level and rough graded. All utilities are available at the street. The property is adjacent to the Coyote Creek Trail to the east.

The underlying site contains 255,262 gross square feet or 5.86 gross acres. The property is zoned Planned Development and the General Plan land use designation is Combined Industrial Commercial.

San Jose VA, LLC went into contract to purchase this property in December 2013 from San Gabriel Interests, LP. The property sold above the asking price of \$10,210,480 or \$40 per square foot of land. The sale price was \$11,896,000 or \$46.60 per square foot of land.

The property sold in December 2015 and was fully entitled for a 92,000 square foot VA clinic. The property was on the market approximately 90 days before going into contract. The property closed two years after going into contract because the buyer was obtaining entitlements. There were no development issues, no contamination, and nothing unusual about the property or the transaction.

COMPARABLE SALE 5



Property Identification

Property/Sale ID	112741/430708
Property Type	Mixed Use Land
Address	Northwest corner of Alder Drive and Barber Lane
City, State Zip	Milpitas, California 95035
County	Santa Clara
Latitude/Longitude	37.414222/-121.914280
Tax ID	086-02-086

Transaction Data

Sale Date	October 2016	Recording Number	Hospitality Group
Sale Status	Recorded	Sale Price	23466618
Grantor	Milpitas City Hall		\$7,000,000
Grantee	Lodging Dynamics		

Property Description

Gross Acres	3.34	Zoning Jurisdiction	City of Milpitas
Gross SF	145,490	Zoning Code	MP with RE Overlay
Corner/Interior	Corner	Zoning Description	Industrial with a Recreation and Entertainment Overlay District
Shape	Irregular		
Use Designation	Industrial Park		

Indicators

\$/Gross SF	\$48.11
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Remarks

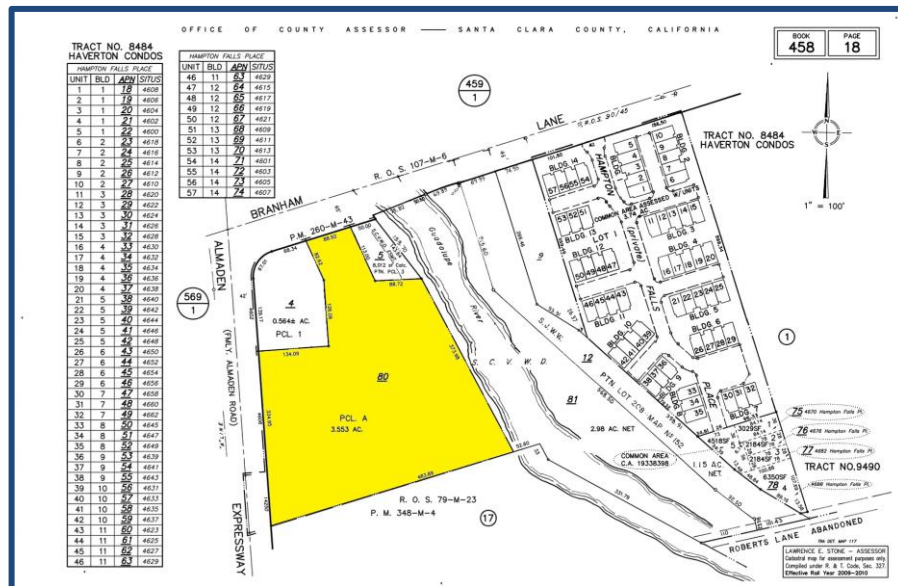
This property consists of a single parcel located in a primarily industrial and R&D area of Milpitas. The site is situated adjacent to Tasman Drive, and although it does not have access from Tasman Drive it does have very good visibility. In addition, the property is visible from Highway 880. While an industrial and R&D use is in conformity with the area, the visibility would also be considered by a potential buyer.

Due to the location near businesses as well as Levis Stadium, and the visibility, the development of a hotel in this neighborhood and location appears to be a use other than industrial/ R&D and is supported by the neighborhood. A portion of the site located at the Tasman Drive frontage is not level. This area cannot be built upon; however, it is a small area and would be used for landscaping. Otherwise, the site is level, has a corner lot configuration and is essentially fully developable.

The underlying site contains 145,490 gross square feet or 3.34 gross acres. The property is zoned Industrial with a Recreation and Entertainment Overlay and the General Plan land use designation is Industrial Park.

Lodging Dynamics Hospitality Group purchased this property in October 2016 from Milpitas City Hall. The recorded sales price was \$7,000,000 or \$48.11 per square foot of land. The buyer is a hospitality group that manages hotels around the country. The buyer intends to develop a hotel onsite. Currently there are pending plans for a 5-story, 195-unit All-Suites Hotel. The price of a hotel key is approximately \$46,667.

COMPARABLE SALE 6



Property Identification

Property/Sale ID	78403/428136
Property Type	Commercial
Property Name	Summer Winds Nursery
Address	4606 Almaden Expressway
City, State Zip	San Jose, California 95118
County	Santa Clara
Latitude/Longitude	37.261566/-121.874894
Tax ID	458-18-080

Transaction Data

Sale Date	September 2015	Grantee	Rubicon Point Partners LLC
Sale Status	Recorded	Recording Number	23093781
Grantor	Uccelli George Jr (TE) and Elisa Varni Noona (TE)	Sale Price	\$7,500,000

Property Description

Gross Acres	3.55	Zoning Jurisdiction	Commercial
Gross SF	154,769	Zoning Code	San Jose
Corner/Interior	Through Lot	Zoning Description	CN
Shape	Irregular		Commercial Neighborhood
Use Designation	Neighborhood/Community		

Indicators

\$/Gross SF	\$48.46
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Remarks

This property consists of a single parcel improved with a metal nursery building located on the eastern side of Almaden Expressway just south of the intersection with Branham Lane in San Jose. The site has a through-lot configuration with approximately 335 feet of frontage along Almaden Expressway and 85 feet of frontage along Branham Lane. The Guadalupe River abuts the eastern side of the parcel.

The underlying site contains 154,769 gross square feet or 3.55 gross acres. As a result of the riparian setbacks from the Guadalupe River, the estimated net developable area is 124,849 square feet or 2.87 acres. The improvements contain 5,050 square feet and were constructed circa 2012. The property is zoned Commercial Neighborhood, which allows redevelopment with retail, offices, or hotels. The General Plan land use designation is Neighborhood Community Commercial.

Subsequent to this sale, the buyer entitled the property for residential development. More specifically the entitlements were for a 150,000 square foot, 200 unit assisted living facility. The buyer in this transaction sold the property as entitled to the Alliance Residential company for \$12,750,000 or \$90 per gross square foot. Approvals were received through a Conditional Use Permit.

Rubicon Point Partners LLC purchased this property in September 2015 from Uccelli George Jr (TE) and Elisa Varni Noona (TE). The sale price was \$7,500,000 or \$48.46 per gross square feet of site area. The buyer is an investor who will hold the property for future redevelopment of the site.

Summer Winds Garden Center was leasing and occupying the property at the time of sale with 6-months remaining on the lease-term and a 10 year option coming up for renewal. The new lease includes a mutual option to terminate the lease two years after the lease commencement date. The starting rental rate is reported at \$30,000 or \$0.19 per square foot NNN flat for three years. After that a 3% annual increase is reported.

Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. With one exception, the appraised value and sale comparables all reflect the fee simple interest with no adjustments required. The leased fee interest was transferred for Comparable 7 and an adjustment was made later, under interim income.

Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the comparable sales involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value. The sale comparables do not indicate any condition of sale adjustments were warranted for atypical conditions or for-sale listings.

Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to demolish and remove any portion of the improvements, (2) costs to petition for a zoning change, and/or (3) costs to remediate environmental contamination.

The relevant figure is not the actual cost incurred, but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison.

The parties to these transactions did not anticipate expenditures were required immediately after purchase; therefore, no adjustments were warranted.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for vacant land have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 3% per year.

Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors.

The subject site is located in southeast San Jose and has very good access and visibility. We have closely examined the location of the comparables sales and that of the subject. While some areas are areas where property values are generally higher, the subject's exposure as well as the specific location of the comparable within those areas did not justify an adjustment. Thus, no adjustments were made.

Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject areas. Typically, a larger parcel commands a lower price per unit than a smaller parcel. This is due to economies of scale.

The subject site consists of 8.6 acres, and is considered overall similar to Comparables 2, 3 and 4. Comparable 1 is a larger site, and an upward adjustment for size is warranted, while downward adjustment was made to Comparables 5 and 6 for their smaller size.

Shape/ Depth/ Site Utility

The subject site consists of an almost rectangular tract considered similar enough to the land sales to not warrant any adjustment for this category. However, as discussed, the subject has somewhat impacted utility due to the location within the inner safety zone of the airport and also due to the

fact that portion of the subject is located within the Capitol Expressway right-of-way and may not be developable.

Comparable 6 has impacted site utility due to riparian creek setbacks and required no adjustment in this category. The rest of the comparables were slightly downward adjusted in this category for their superior site utility.

Topography

The subject has a generally level topography. This is similar to each of the comparables analyzed in this report.

Frontage/ Visibility

The subject has excellent frontage and visibility from Capitol Expressway. Comparable one is located at the end of a cul-de-sac and had limited frontage and visibility. An upward adjustment was made. Comparable 3 also had an inferior frontage and an upward adjustment was warranted. No other adjustments were made to the rest of the comparables.

Zoning/ Development Potential

The highest and best use of sale comparables should be very similar to that of the subject property. When comparables with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning, but a highest and best use similar to that of the subject may be used as comparables. These comparables may require an adjustment for differences in utility if the market supports such adjustment.

The subject site has Commercial zoning. While Comparables 1 and 2 had industrial zoning, their development potential was overall similar to the subject's. Nonetheless, a small adjustment is warranted for the subject's superior zoning.

Entitlements

Comparable 4 sold with entitlements in place and a downward adjustment is warranted. No other adjustments were made.

Interim Income

A small downward adjustment was made to comparable Sale 6 on account of interim income from a property lease. No other adjustments were warranted.

Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

LAND SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Sale ID		428064	434054	428065	428410	430708	428136
Date of Value & Sale	January-18	February-16	February-17	November-14	December-15	October-16	September-15
Unadjusted Sales Price		\$23,443,636	\$5,287,500	\$23,000,000	\$11,896,000	\$7,000,000	\$7,500,000
Gross Acres	8.600	16.980	4.760	13.903	5.860	3.340	3.553
Gross Square Feet	374,616	739,649	207,346	605,636	255,262	145,490	154,769
Unadjusted Sales Price per Gross Sq. Ft.		\$31.70	\$25.50	\$37.98	\$46.60	\$48.11	\$48.46
Transactional Adjustments							
Property Rights Conveyed	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Leased Fee</i>
Adjustment		-	-	-	-	-	-
Adjusted Sales Price		\$31.70	\$25.50	\$37.98	\$46.60	\$48.11	\$48.46
Financing Terms	<i>Cash to Seller</i>	<i>Cash</i>	<i>Cash</i>	<i>Conventional</i>	<i>Unknown</i>	<i>Typical</i>	<i>Conventional</i>
Adjustment		-	-	-	-	-	-
Adjusted Sales Price		\$31.70	\$25.50	\$37.98	\$46.60	\$48.11	\$48.46
Conditions of Sale	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>None</i>
Adjustment		-	-	-	-	-	-
Adjusted Sales Price		\$31.70	\$25.50	\$37.98	\$46.60	\$48.11	\$48.46
Expenditures after Sale							
Adjustment		-	-	-	-	-	-
Adjusted Sales Price		\$31.70	\$25.50	\$37.98	\$46.60	\$48.11	\$48.46
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>1.96 years</i>	<i>0.96 years</i>	<i>3.21 years</i>	<i>2.10 years</i>	<i>1.30 years</i>	<i>2.32 years</i>
Market Trend Through	January-18	5.7%	2.7%	9.5%	6.1%	3.7%	6.8%
Analyzed Sales Price		\$33.51	\$26.19	\$41.57	\$49.46	\$49.90	\$51.74
Physical Adjustments							
Location	<i>Northwest Corner of Tully Road and Capitol Expressway San Jose, California</i>	<i>Santa Teresa/ San Ignacio San Jose, California</i>	<i>2059-2063 Oakland Road San Jose, California</i>	<i>1040 East Brokaw Road and 1633 Oakland Road San Jose, California</i>	<i>5855 Silver Creek Valley Place San Jose, California</i>	<i>Northwest corner of Alder Drive and Barber Lane Milpitas, California</i>	<i>4606 Almaden Expressway San Jose, California</i>
Adjustment		-	-	-	-	-	-
Size	<i>8.6</i>	<i>16.980 acres</i>	<i>4.760 acres</i>	<i>13.903 acres</i>	<i>5.860 acres</i>	<i>3.340 acres</i>	<i>3.553 acres</i>
Adjustment		10.0%	-	-	-	-10.0%	-10.0%
Shape/Depth	<i>Nearly rectangular</i>	<i>Irregular</i>	<i>Generally Rectangular</i>	<i>Rectangular</i>	<i>Irregular</i>	<i>Irregular</i>	<i>Irregular</i>
Adjustment		-	-	-	-	-	-
Site Utility	<i>Average</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>	<i>Good</i>	<i>Average</i>
Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-
Frontage	<i>Excellent</i>	<i>Very good</i>	<i>Average</i>	<i>Excellent</i>	<i>Excellent</i>	<i>Excellent</i>	<i>Very good</i>
Adjustment		-	10.0%	-	-	-	-
Topography	<i>Level</i>	<i>Generally level</i>	<i>Generally level</i>	<i>Level</i>	<i>Level de with fronting streets</i>	<i>Level de with fronting streets</i>	
Adjustment		-	-	-	-	-	-
Zoning	<i>CG</i>	<i>IP</i>	<i>IP</i>	<i>A(PD)</i>	<i>A(PD)</i>	<i>MP/RE</i>	<i>CN</i>
Adjustment		10.0%	10.0%	-	-	-	-
Entitlements			<i>No</i>		<i>Yes</i>		
Adjustment		-	-	-	-20.0%	-	-
Other							<i>Interim Income</i>
Adjustment		-	-	-	-	-	-10.0%
Net Physical Adjustment		15.0%	15.0%	-5.0%	-25.0%	-15.0%	-20.0%
Adjusted Sales Price per Gross Square Foot		\$38.54	\$30.12	\$39.49	\$37.10	\$42.42	\$41.39

Conclusion

From the market data available, we used eight land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

Land Sale Statistics

Metric	Unadjusted	Adjusted
Minimum Sales Price per Gross Square Foot	\$25.50	\$30.12
Maximum Sales Price per Gross Square Foot	\$48.46	\$42.42
Median Sales Price per Gross Square Foot	\$42.29	\$39.01
Mean Sales Price per Gross Square Foot	\$39.72	\$38.17

The comparables form an adjusted range of \$30 to \$42 per square foot of land area with an average of \$38 and a median of \$39 per square foot. They bracket the subject in terms of development potential and physical characteristics. Comparable 3 is the most comparable property, based on the small number of adjustments made.

The subject is an 8.6 acre site, with a good commercial location along a highly trafficked thoroughfare. However, portion of the subject is not developable due to its location within the Capitol Expressway right of way, while a small portion is located within the turning safety zone of the airport.

Based on the adjusted prices and the most comparable sales, a unit value for the subject property near the best comparables for the subject and near the average and median of the comparables was considered appropriate, at \$40 per square foot of land area.

At the concluded value of \$40 per square foot, the estimated market value of the subject land is estimated at \$14,980,000 (rounded), summarized as follows:

Land Value Indication

Reasonable Adjusted Comparable Range

8.600 acres	x	\$38.00 psf	=	\$14,235,408
8.600 acres	x	\$42.00 psf	=	\$15,733,872

Market Value Opinion

8.600 acres	x	\$40.00 psf	=	\$14,980,000
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Multiplied by ROR : 8%

Estimated Annual Fair Market Rent

\$1,198,400

Estimate of Market Ground Rent

As discussed, most ground leases are structured and expressed as a percentage return of the land value. In the previous section, the value of the land is estimated at \$14,980,000 (rounded). The next step, therefore, is to estimate an appropriate rate of return to the land.

Rates of return in ground leases do not significantly change over time. Changes over time are reflected in the base land value. The land value also accounts for a variety of other factors related to the land. The primary factor that can impact the rate of return is the terms of the ground lease. Most ground leases include fixed percentage or CPI adjustments every 5 or 10 years. Some ground leases include revaluation clauses that resets the ground rent every 20 or 25 years based on the property's land value at that time. If the terms of the ground lease are more favorable to the tenant, the rate of return is typically near the high end of the range initially since the tenant could pay more in the form of higher rent for the favorable ground lease terms all else being equal (i.e. closer to 10%). If the terms are more favorable to the landlord, the rate of return is typically near the low-end of the range. Since revaluation clauses are not desirable from a tenant's standpoint, such clauses would put downward pressure on the rate of return. The lack of a revaluation clause would put upward pressure on the rate of return. Also, if the ground lease does not subordinate to mortgage financing, the required rate of return can decrease from 0.5 to 1.0 percentage points, since leasehold financing becomes more difficult.

Historically, ground rates of return have ranged in the 7.0%-10.0% range. Recently, the range has trended downward, with some rates extending down to 6.0%. Typically the upper range is selected for smaller sites in prime locations, or sites that are suited for fast-food restaurants. Larger sites or sites with weaker demand would warrant a rate of return at the lower end of the range. More information on the appropriate rate of return for the subject is provided in the section that follows.

Analysis of Rate of Return Comparables

In selecting a rate of return, we researched the local market for recent ground leases of land. There are only a limited number of ground leases so we expanded our search to include the entire San Francisco Bay Area. We also went back a few years. Based on our research, several rate of return comparables were found, which have been included in the table on the following page. They range between 6.5% and 8.6%.

Comparable 1, with the lowest rate of return, relates to a 33-year ground lease extension from Menlo Park. The remaining lease term had diminished to 22 years when the tenant approached the land owner (City of Menlo Park) to extend the lease term to 33 years, so that they could continue to use the real estate as collateral in financing negotiations. Based on lease terms, and use, we would expect a higher rate of return for the subject.

GROUND LEASE RATES OF RETURN

No.	Location	(SF) Acres	Lease Date	Annual Rent	Lease Term	Ground Rent/SF	Rate of Return	Tenant/Comments
1	1000 El Camino Real Menlo Park	65,545 1.50	Nov-15	\$699,500	33 yrs	\$0.89	6.5%	Office building; 33-yr extension. CPI increase every two years. every two years.
2	Hope, Villa and Evelyn Ave Mountain View	71,195 1.63	May-17	\$800,000	55 yrs	\$0.94	8.6%	City-owned land proposed for high-density mixed-use development. Annual CPI adjustment.
3	Charleston and N Shoreline Mountain View	412,863 9.48	Apr-11	\$693,610	53 yrs	\$0.14	7.0%	Google: 3% annual increase; four 10-yr options.
4	15400 Los Gatos Blvd Los Gatos	88,427 2.03	Nov-11	N/A	N/A	N/A	8.0%	Palo Alto Medical Foundation building
5	4110 N 1st Street/ Holger Way San Jose	57,543 1.32	Jan-11		25 yrs	\$0.28	8.3%	CVS Pharmacy: 10% increase in yr 16.

Comparable 2 with the highest rate of return, is a site from the downtown Mountain View submarket, targeted for very high density development. The higher rate reflects the very active interest in Mountain View real estate development at present. It also reflects the comparable's more central commercial district location. All of these are deemed superior traits. A lower rate would be justified for the subject based on its tertiary location.

Similarly, Comparables 4 and 5 had superior commercial locations that warrant a higher rate of return.

Comparable 3 is a 2011, long-term ground lease from Moffett Boulevard in Mountain View. The parcel is a 9.48-acre site owned by the City of Mountain View. The site is encumbered with a variety of easements and is also known to be contaminated. The ground rent will commence when entitlements are received, for a proposed office building. The lease is for 53 years with a 3% annual increase.

Considering the subject's size and good commercial location, a rate towards the middle of the range is indicated. In conclusion, a rate of return of 8% is considered reasonable for the subject.

Market Rent Estimate

At the concluded 8% rate of return, the market ground rent for the subject is estimated at \$1,198,400 per year, as shown below. This represents a monthly rent of \$99,833 or \$0.27 per square foot of land area.

Land Value Indication				
Reasonable Adjusted Comparable Range				
8.600 acres	x	\$39.00 psf	=	\$14,610,024
8.600 acres	x	\$42.00 psf	=	\$15,733,872
Market Value Opinion				
8.600 acres	x	\$40.00 psf	=	\$14,980,000
Multiplied by ROR :				8%
Estimated Annual Fair Market Rent				\$1,198,400

Cross-Check

In the following section, we have included several rent comparables that were used to derive an appropriate Fair Market Rent for the subject property. The table on the following page summarizes each of the rent comparables.

Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Property Name	Location		Leased Acres	Rental Rate / SF	Lease Structure
1	Pending	Lease	Ground Lease	Almaden Expressway (Confidential)	San Jose, California	13.5	\$0.34	NNN
2	May-16	Lease	Ground Lease	715 Capitol Expressway Auto Mall	San Jose, California	1.02	\$0.34	NNN
3	April-16	Lease	Summer Winds Nursery	4606 Almaden Expressway	San Jose, California	3.6	\$0.19	NNN
4	July-15	Lease	Car Wash Ground Lease	375 South Spruce Avenue	South San Francisco, California	0.4	\$0.21	NNN
5	May-15	Lease	McCarthy Ranch Ground Lease	41 Ranch Drive	Milpitas, California	0.6	\$0.30	NNN
6	December-15	Lease	Woodhams Center	4525-4545 Stevens Creek Boulevard	Santa Clara, California	1.99	\$0.64	Gross

The rent comparables selected from the available market data present an unadjusted range of \$0.19 to \$0.64 per square foot of land area. Converting the gross leases to their NNN equivalent, the range is \$0.19 to \$0.58 per square foot, NNN.

Considering the subject location, access, size, and use, we have concluded that the fair market rent of \$0.27 per square foot, estimated earlier is supported by the comparable leases.

Conclusion of Fair Market Rent

This is an initial rate, with “triple net” expense terms and a long lease term of at least 40 years. We would also expect rent increases during the term, such as annual CPI increases, or cumulative CPI increases every 5 or 10 years. We would also expect a revaluation of the rent every 10 or 20 years.

Reconciliation

Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

Value Conclusions		
Component	As Is	As Is
Value Type	Market Value	Fair Market Rent
Property Rights Appraised	Fee Simple	N/A
Effective Date of Value	January 22, 2018	January 22, 2018
Value Conclusion	\$14,980,000	\$1,198,400 per year
	\$40 psf	\$99,867 per month

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of nine to 12 months, respectively, are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Hulberg and Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Hulberg and Associates is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Hulberg and Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Hulberg and Associates.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures 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. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Hulberg and Associates both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Hulberg and Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Hulberg and Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Hulberg and Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Hulberg and Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Hulberg and Associates. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Hulberg and Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Hulberg and Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Hulberg and Associates in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Hulberg and Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Maria Aji, PhD

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Maria Aji, PhD has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. 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 and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Maria Aji, PhD
Senior Appraiser
California Certified License #AG027130

Certification – Yvonne J. Broszus, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. 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 and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Yvonne J. Broszus, MAI
Director
California Certified License #AG019587

Addenda

Preliminary Title Report

Glossary

Qualifications

- Maria Aji, PhD – Senior Appraiser
- Yvonne J. Broszus, MAI - Director

Information on Valbridge Property Advisors

Office Locations

Preliminary Title Report

APN: 491-05-020

Order Number: NCS-727675-5C

Page Number: 1

NWC CAPITOL/TULLY



First American Title Company
National Commercial Services
1737 North First Street, Suite 500
San Jose, CA 95112

Glenn Frizzell
County of Santa Clara
101 Skyport Drive
San Jose, CA 95112
Phone: (408)573-2409

Escrow Officer:	Carol M. Herrera
Phone:	(408)451-7829
Email:	cmherrera@firstam.com
Title Officer:	Mike D. Hickey
Phone:	(408)451-7905

Buyer:	County of Santa Clara
Property:	Vacant Land, San Jose, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLIA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

First American Title Insurance Company

Order Number: MCS-727676-92

Page Number: 2

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

First American Title Insurance Company

Order Number: NCS-727676-SC
Page Number: 3

Dated as of April 20, 2015 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

County of Santa Clara of the State of California

The estate or interest in the land hereinafter described or referred to covered by this Report is:

Fee Simple

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2015-2016, a lien not yet due or payable.
2. General and special taxes and assessments for the fiscal year 2014-2015 are exempt. If the exempt status is terminated an additional tax may be levied. A.P. No.: 491-05-020.
3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
4. Rights of the public in and to that portion of the land lying within Swift Avenue.
5. An easement for a single line of towers for the transmission of electrical energy and incidental purposes, recorded November 14, 1927 in Book 358, Page 317 of Official Records.
In Favor of: Pacific Gas and Electric Company
Affects: As described therein

The terms and provisions contained in the document entitled "Consent to Common Use Agreement" recorded June 24, 1966 in Book 7422, Page 489 of Official Records. By and between Pacific Gas and Electric Company and the County of Santa Clara.

A quitclaim to the County of Santa Clara recorded August 08, 1969 in Book 8632, Page 708 of Official Records.

First American Title Insurance Company

Order Number: NCS-777676-SC

Page Number: 4

6. An easement for a single line of towers for the transmission of electrical energy and telegraph wires and incidental purposes, recorded January 11, 1928 in Book 368, Page 439 of Official Records.

In Favor of: Pacific Gas and Electric Company
Affects: As described therein

The terms and provisions contained in the document entitled "Consent to Common Use Agreement" recorded June 24, 1966 in Book 7422, Page 489 of Official Records. By and between Pacific Gas and Electric Company and the County of Santa Clara.

A quitclaim to the County of Santa Clara recorded August 08, 1969 in Book 8632, Page 708 of Official Records.

7. An easement for cross arms and wires and incidental purposes, recorded October 23, 1946 in Book 1384, Page 272 of Official Records.

In Favor of: Pacific Telephone and Telegraph Company
Affects: As described therein

8. The effect of a map purporting to show the land and other property, filed May 23, 2006 in Book 801, Pages 1 through 37 of Record of Surveys.

9. Rights of parties in possession.

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Order Number: NCS 727676-SC
Page Number: 5**INFORMATIONAL NOTES**

1. The property covered by this report is vacant land.
2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None
3. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.
4. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:
 - A. WITH RESPECT TO A CORPORATION:
 1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
 2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
 3. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
 1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendments;
 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
 1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
 2. A full copy of the partnership agreement and any amendment;
 3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
 4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
 - D. WITH RESPECT TO A GENERAL PARTNERSHIP:
 1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-1), executed by at least two partners, and a certified copy

First American Title Insurance Company

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- of any amendments to such statement (form GP-7), to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
 3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.
- E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:
1. A copy of its operating agreement and any amendments thereto;
 2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
 3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
 4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
 - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
 - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
 5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.
- F. WITH RESPECT TO A TRUST:
1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
 2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
 3. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.
- G. WITH RESPECT TO INDIVIDUALS:
1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

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LEGAL DESCRIPTION

Real property in the City of San Jose, County of Santa Clara, State of California, described as follows:

PARCELS D, E AND G, AS SHOWN ON THAT RECORD OF SURVEY FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA ON JULY 23, 1971, IN BOOK 286 OF MAPS, PAGE 50 AND AS AMENDED FILED ON AUGUST 01, 1972, IN BOOK 305 OF MAPS, PAGE 36.

APN: 491-05-020

First American Title Insurance Company

Order Number: NCS-727676-SC
Page Number: 8**NOTICE I**

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

NOTICE II

As of January 1, 1991, if the transaction which is the subject of this report will be a sale, you as a party to the transaction, may have certain tax reporting and withholding obligations pursuant to the state law referred to below:

In accordance with Sections 18662 and 18668 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to three and one third percent of the sales price in the case of the disposition of California real property interest by either:

1. A seller who is an individual with a last known street address outside of California or when the disbursement instructions authorize the proceeds be sent to a financial intermediary of the seller, OR
2. A corporate seller which has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars (\$500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars (\$100,000), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, that the California real property being conveyed is the seller's principal residence (as defined in Section 1034 of the Internal Revenue Code).

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case by case basis.

The parties to this transaction should seek an attorney's, accountant's, or other tax specialist's opinion concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer.

The Seller May Request a Waiver by Contacting:
Franchise Tax Board
Withhold at Source Unit
P.O. Box 651
Sacramento, CA 95812-0651
(916) 845-4930

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Privacy Policy

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our website at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

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CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - (a) building;
 - (b) zoning;
 - (c) land use;
 - (d) improvements on the Land;
 - (e) land division; and
 - (f) environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - (a) that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - (b) that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - (c) that result in no loss to You; or
 - (d) that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - (a) to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - (b) In streets, alleys, or waterways that touch the Land.
 This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows: For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$10,000.00
Covered Risk 18: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 19: 1% of Policy Amount or \$5,000.00 (whichever is less)	\$25,000.00
Covered Risk 21: 1% of Policy Amount or \$2,500.00 (whichever is less)	\$5,000.00

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - (a) and use
 - (b) improvements on the land
 - (c) and division
 - (d) environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - (a) a notice of exercising the right appears in the public records on the Policy Date

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- (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
- (a) that are created, allowed, or agreed to by you
 - (b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - (c) that result in no loss to you
 - (d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
- (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
 - (b) in streets, alleys, or waterways that touch your land
- This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - i. the occupancy, use, or enjoyment of the Land;
 - ii. the character, dimensions, or location of any improvement erected on the Land;
 - iii. the subdivision of land; or
 - iv. environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - a. created, suffered, assumed, or agreed to by the Insured Claimant;
 - b. not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - c. resulting in no loss or damage to the Insured Claimant;
 - d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - a. a fraudulent conveyance or fraudulent transfer, or
 - b. a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

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1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - i. the occupancy, use, or enjoyment of the Land;
 - ii. the character, dimensions, or location of any improvement erected on the Land;
 - iii. the subdivision of land; or
 - iv. environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - a. created, suffered, assumed, or agreed to by the Insured Claimant;
 - b. not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - c. resulting in no loss or damage to the Insured Claimant;
 - d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - a. a fraudulent conveyance or fraudulent transfer, or
 - b. a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

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1. (a) taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. a. Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - i. the occupancy, use, or enjoyment of the Land;
 - ii. the character, dimensions, or location of any improvement erected on the Land;
 - iii. the subdivision of land; or
 - iv. environmental protection;
 or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- b. Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - a. created, suffered, assumed, or agreed to by the Insured Claimant;
 - b. not known to the Company, not recorded in the Public Records at Date of Policy, but known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - c. resulting in no loss or damage to the Insured Claimant;
 - d. attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - e. resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth in lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - a. a fraudulent conveyance or fraudulent transfer, or
 - b. a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.

First American Title Insurance Company

VESTING DEED

2527271

Recorded at request of: 6238 6219 6238 6219

When recorded mail to:

Recorded at the request of
City Title Insurance Co.
NOV 27 1963 10:57 AM
PAUL J. TERRY, Recorder
Santa Clara County, Official Building

County Council
10 West Bohn Street
San Jose, California
Attention: R. S. Harrison

GRANT DEED
(CORPORATION)

CITY TITLE INSURANCE COMPANY
a corporation organized under the laws of the State of California

do hereby GRANT to

COUNTY OF SANTA CLARA OF THE STATE OF CALIFORNIA

all that real property situated in the City of San Jose

County of Santa Clara State of California, described as follows:

ALL OF LOTS 48 and 49, and portion of Lots 66 and 67, as shown upon that certain Map entitled, "MAP OF THE SUBDIVISION OF THE FILLMORE TRACT", which Map was filed for record in the office of the Recorder of the County of Santa Clara, State of California, on February 14, 1958 in Book "C" of Maps, page 37, and more particularly described as follows:

BEGINNING at a point in the center line of Swift Lane at the Easternmost corner of that certain parcel of land described in the Deed from Clem Mercier, et ux, to Arthur L. Wickersham, et ux, dated January 13, 1949 and recorded January 21, 1949 in Book 1735 of Official Records, page 285, Santa Clara County Records; running thence N. 50° E. along the said center line of Swift Lane, 695.65 feet to the Easternmost corner of Lot 69, as said Lot is shown upon the Map above referred to; running thence N. 28° 44' E. along the Northwestern line of said Lot 69 for a distance of 286.34 feet to the Northernmost corner thereof; running thence S. 49° 51' E. along the Northwestern line of Lots 69, 66, 67 and 68 of said subdivision, 1262.15 feet to the Northernmost corner of that certain 5.00 acre tract of land described in the Deed from Cecil Reilg, et ux, to Reid's Millvies Airport, Inc., a corporation, dated January 27, 1942 and recorded February 10, 1942 in Book 1084 of Official Records, page 135, Santa Clara County Records; thence running S. 40° 05' E. along the Northwestern line of the said 5.00 acre tract, 1178.55 feet to the Westernmost corner of that certain parcel of land described in the Deed from Clem Mercier, et ux, to William E. Carroll, et ux, dated August 20, 1947 and recorded August 25, 1947 in Book 1500 of Official Records, page 565, Santa Clara County Records; running thence N. 93° E. along the Northwestern line of the land so described in the Deed to said Carroll, et ux, 74.37 feet to the Northernmost corner thereof; running thence S. 40° 05' E. along the Northwestern line of the land so described in the Deed to said Carroll, et ux, 37.16 feet to the intersection thereof with the prolongation Southeasterly of the Northwestern line of the land so described in the Deed to said Wickersham, et ux; running thence N. 25° E. along said prolongation line and along the Northwestern line of the land so described in the Deed to said Wickersham, et ux, 527.62 feet to the Northernmost corner thereof; running thence S. 40° 05' E. along the Northwestern line of the land so described in the Deed to said Wickersham, et ux, 217.52 feet to the point of beginning.

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Subject to: Covenants, conditions, restrictions, easements, rights-of-way and reservations, now of record,
WITHOUT WARRANTY, EXPRESS OR IMPLIED.

IN WITNESS WHEREOF, said corporation has caused its corporate name and seal to be affixed hereto and this instrument to be executed by its duly authorized officers.

Dated: November 26, 1963 CITY TITLE INSURANCE COMPANY

By: [Signature]
By: [Signature]
Assistant Secretary

STATE OF CALIFORNIA
County of Santa Clara
On November 26, 1963 Before me, the undersigned, a Notary Public in and for said County and State, personally appeared
T. C. Martin
known to me to be the Vice President and A. C. Carey
known to me to be the Assistant Secretary of the corporation who caused the copies hereof, and terms to me by the persons who executed the within instrument to be read and acknowledged to me the said corporation executed the same.

(SEAL)
My commission expires: 9-13-65

M. CRACOLICE
NOTARY PUBLIC
Santa Clara County, Calif.

CITY TITLE INSURANCE COMPANY
Code Area 40-381 Bill No. 489-15-012 & 489-15-013

CT Application No. 379377

Reid Hillview Airport
Home Mutual Savings & Loan Assoc.
(Guardian Capitol Co. Inc.)
Parcel #3511-15-12-13
Escrow # 240593

0288 221

CERTIFICATE OF ACCEPTANCE
(Government Code Section 27281)

This is to certify that the interest in real property conveyed by the within and foregoing deed or grant to the COUNTY OF SANTA CLARA, State of California, is hereby accepted by the undersigned officer on behalf of the Board of Supervisors of the County of Santa Clara pursuant to authority conferred by resolution of the Board of Supervisors of the County of Santa Clara adopted on January 2, 1962, and the grantee consents to recordation thereof by its duly authorized officer.

IN WITNESS WHEREOF, I have hereunto set my hand
this 20 day of November, 1962

By: [Signature]
Director/Assistant Director of
Public Works of the County of
Santa Clara

JRK:mcb
Revision of 1/4/62



EXCEPTIONS

Set his hand and seal the day and year first above written.

Frank E. Baffesio (NALL)

H. Y. Greenfield

situated in signature by mark of Frank Jarrante

R. T. Szwed

Leona Carroll

R. V. Brownell a Notary Public is and for the

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office in the said County of Santa Clara, the day and year in this certificate first above written.

(OFFICIAL SEAL) H. V. Eyassani Veterinary Public Health and for the County

of Sealb Clap, State of California

FILED IN: P-24618

Filed for record at the request of Grantus May 14 1947 at 45 min
per 1 a'clock P. M.

PHY S. FLAKENTY MCCORDEN

Cpl G. Kelly, Royal Canadian Mounted Police

Compared to $\frac{1}{2} \times 3 = 1.5$ and $\frac{1}{2} \times 4 = 2$

HARRY JONES ET AL. TO PACIFIC GAS & ELECTRIC CO.

SAS XUE

STANDARD GRANT OF RIGHT OF WAY

original

FOR ELECTRIC TRANSMISSION LINE

THIS AGREEMENT made by and between Mary Jones and Elfrida Q. Jones, hereinafter called the "grantor" and Pacific Gas and Electric Company, a corporation duly organized and existing under and by virtue of the laws of the State of California, hereinafter called the "grantee"

EXEMPTIONS that the grantor, for a valuable consideration paid by said grantee, the receipt whereof by the grantor is hereby acknowledged, does hereby grant unto said grantee, the successors and assigns, the right to erect, construct, reconstruct, replace, repair, maintain and use, for the transmission and distribution of electricity a single line of towers, and supported poles and supported by such towers, all wires which this grantor may from time to time deem it to be lawfully required for these purposes, and telegraph and telegraph wires for the private use of the grantor, and all necessary and proper poles, wires, braces, attachments, fittings, and other appliances and fixtures for use in connection with said towers and wires, and also a right of way along the same, extending across the following described lands of the grantor which are situate in the County of Santa Clara, State

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of California, to wit:

Lot 49 as shown upon that certain map entitled, "Map of the Sub-division of the Tiburon Tract," recorded in the office of the County Recorder of Santa Clara County, State of California, in Book "C" of Maps, at page 57.

The aforesaid tracts to be conveyed hereunder shall be located on said premises along that certain line which crosses said premises and is described as follows, to wit:

beginning at a point in the northeasterly boundary line of said lot 49 (marked by a fence now upon the ground) from which a 2" x 3" stake marking the intersection of the northeasterly boundary line of said lot 49 with the easterly boundary line of said lot 49 is shown upon said map, thence north 47 degrees 47 minutes east 88.0 feet distant and running thence north 37 degrees 30 minutes east 333.0 feet; thence north 35 degrees 24 minutes east, 439.0 feet, more or less, to a point in the northeasterly boundary line of said lot 49.

Said grantor for the consideration aforesaid, does further grant unto said grantees, its successors and assigns, the right, easement or servitude of having said right of way for any and all purposes connected with the erection, construction, reconstruction, replacement, repair, and maintenance, and use, for the purposes aforesaid, of such towers, wires and appurtenant structures; and also the right of ingress to and egress from said right of way by a practicable route or routes across the aforesaid lands of said grantor.

The grantee hereby agrees that all transmission wires to be suspended on said towers of the grantee shall be maintained at least thirty (30) feet, and all telephone and telegraph wires at least twenty five (25) feet, above the average natural surface of the ground at the lowest part of each respective span.

In exercising the right of ingress and egress hereby granted, the grantee shall, whenever practicable, use existing roads, highways, and shall repair any damage which may be caused by its use thereof.

The grantee will indemnify the grantor and their successors in estate against any and all loss and damage which may be caused by its exercise of said right of ingress and egress, or by any wrongful or negligent act or omission of the grantee or of its agents or employees in the course of their employment.

The grantee, in the exercise and enjoyment of the rights hereby granted, shall avoid unreasonable interference with such use by the grantor and their successors in estate of the aforesaid right of way for mining and agricultural purposes as is not inconsistent with the grantor's full enjoyment of the rights hereby granted; provided, however, that the grantor and their successors in estate shall not erect or construct, or permit to be erected or constructed, any building or other structure, or drill or operate any water, or oil well, within twenty (20) feet of the above described line.

The grantee shall have the right to erect, maintain and use gates in all fences which now cross or shall hereafter cross said right of way, and to trim, and/or to cut and clear away, any trees and brush wherever, in its judgment, the same shall be necessary, for the convenient and safe exercise of the rights hereby granted; provided, however, that all trees which the grantor is hereby authorized to cut or remove, if suitable for other timber or wood, shall continue

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is to the property of the grantor, but all logs, logs, brush and refuse wood and limbs shall be burned or removed by the grantor.

IN WITNESS WHEREOF, the grantor has executed these presents this third day of November 1927

Mary Jones
Clifford G. Jones

Signed in the presence of Earl B. Brown witness
Correct as to inscription Feb. 10/28/27

STATE OF CALIFORNIA
COUNTY OF SAN FRANCISCO

On this 21st day of November A. D. 1927, I, the undersigned, notary public and twenty seven before me, Katherine Hollister, residing therein, fully qualified and sworn, personally appeared Earl B. Brown known to me to be the same person whose name is subscribed in the within instrument, as a witness therein, who, being by me duly sworn, deposed and said, that he resides in the City and County of San Francisco, State of California, that he was present and saw Mary Jones and Clifford G. Jones, personally known to him to be the persons described in and who executed the said instrument, as a parties thereto; signs, and executes the same; and that the said Mary Jones and the said Clifford G. Jones duly acknowledged in the presence of said affiant that they executed the same, and that he, the said affiant, thereupon, and at their request, subscribed his name as a witness thereto.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, at my office in the City and County of San Francisco, State of California, the day and year in this certificate first above written.

[NOTARIAL SEAL]

Katherine Hollister Notary Public in and for the City and County of San Francisco, State of California
My commission expires January 20, 1930

FILED NO P-64119

Filed for record at the request of American Railway Express Co.
Nov 26 1927 at 34 min past 1 o'clock P. M.

RAY E. TIMBERLY RECORDER
Paul A. Cox Deputy Recorder

Compared by

RECORDED IN THE OFFICE OF THE RECORDER OF DEEDS IN THE COUNTY OF SAN FRANCISCO, CALIFORNIA

J. F. CARROLL JR. BY

TO

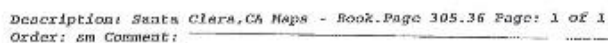
MARGARET B. STEVENS BY AL

EXON ALL SET BY THESE RECEIPTS: that the Chattel Mortgage dated the 24th day of June A. D. 1929 and executed by J. F. Carroll and Marie F. Carroll, his wife, mortgagee, to Margaret B. McNeight, and Frances B. Schellenberger, mortgagees, and recorded in the office of the Deputy Recorder of the County of Santa Clara, State of California, in Book 47 of Chattel Mortgages, at page 260 on the 17th day of September 1929 together with the debt thereby secured, is fully paid, satisfied and discharged.

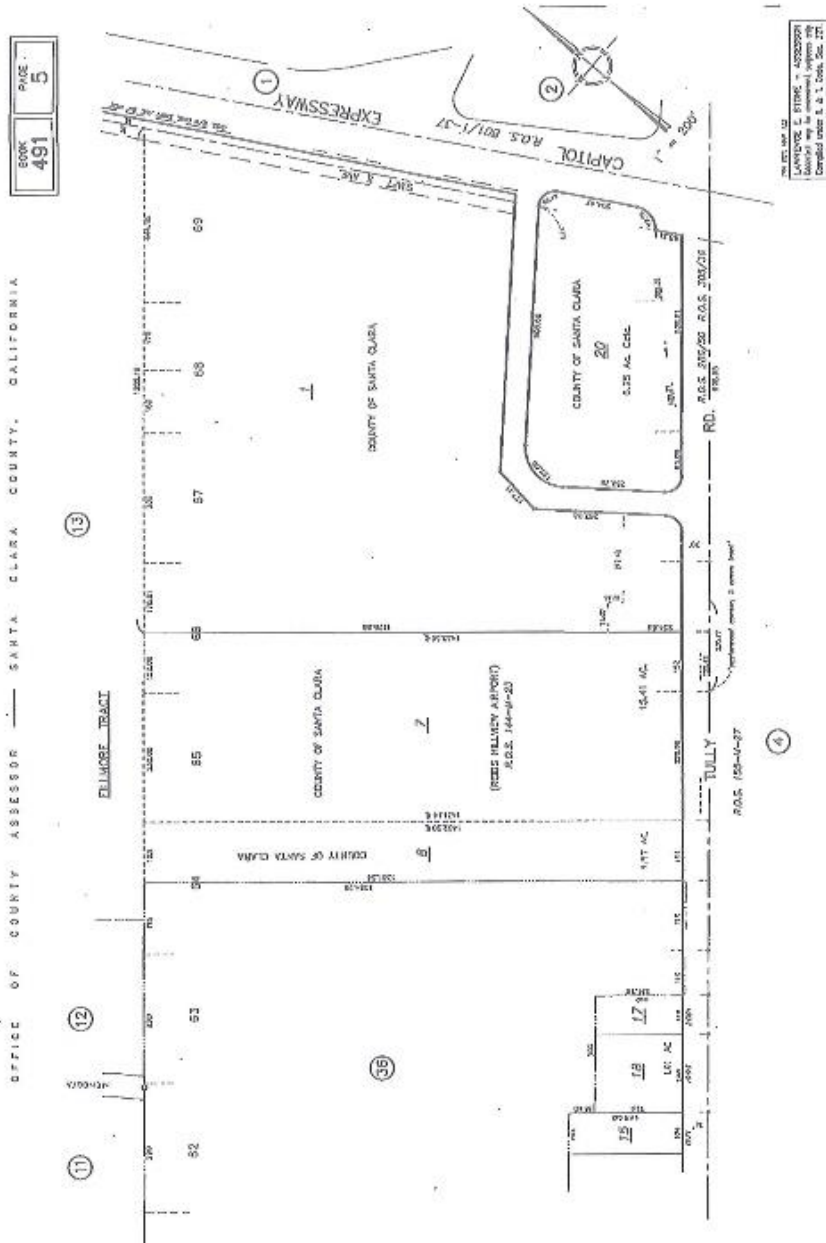
IN WITNESS WHEREOF, we have hereunto set our hands and seals the 1st day



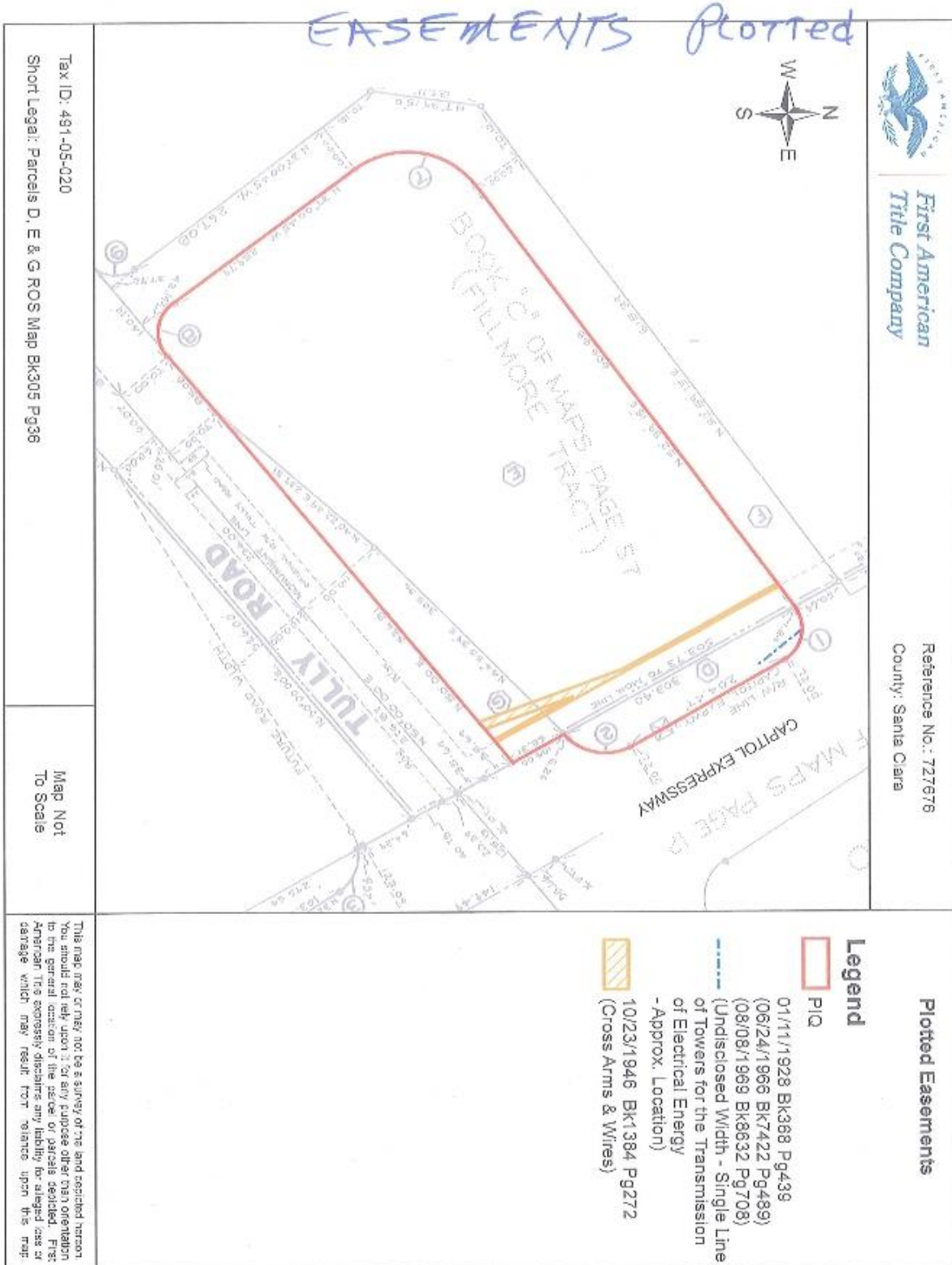
LEGAL DESCRIPTION



MAP



Description: Santa Clara, CA Assessor Map 491.5 Page: 1 of 1
Order: SA Comment:



Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger DCR typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory)

Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications

Qualifications of Maria Aji, PhD Senior Appraiser

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State Certifications

Certified General
State of California

Education

Ph.D.
Urban and Regional Planning
University of Southern California,
Los Angeles, CA,

Master of Community Planning
University of Cincinnati

Diploma in Economics
National University of Greece
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Appraiser

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Hulberg & Associates, Inc. (2001-2013)
(joined to create Valbridge in 2013)
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Associate Appraiser

The Property Sciences Group, Inc. (1998-2001)
San Jose, CA

Researcher

Nanyang Technological University, Business School
(1994-1995)
Singapore

Market Research Director

Grubb & Ellis Company (1993-1994)
San Jose, CA

Economic/Planning Consultant

Gruen Gruen & Associates (1992-1993)
San Francisco, CA

Research Associate

Practical Research for Planning, Inc., Pasadena, CA
(1991-1992)
Pasadena, CA

Appraisal/valuation and consulting assignments include: professional/ medical offices, shopping centers, mixed-use projects, gas stations, oil-changing facilities, vacant land, single family homes, apartments, condominiums, vacant land, light industrial, manufacturing, and research and development buildings, condominiums, warehouses, industrial parks, mini-storage facilities, vacant land, and special purpose properties.

Qualifications of Yvonne J. Broszus, MAI Director

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Membership/Affiliations

Member: Appraisal Institute MAI Designation
Chairman: AI Fall Conference Committee (2006)
AI Spring Litigation Conference (2017)

Committee Member: AI Spring Litigation Conference (2014-current)
AI Silicon Valley Subchapter (2006-07)
AI Fall Conference (2004, 2005)

Award: AI Claudia B. Carleton Leadership Award

Appraisal Institute & Related Courses

Continuing education courses taken through the Appraisal Institute and other real estate organizations.

Experience

Director

Valbridge Property Advisors | Northern California (2013-Present)

Vice President

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(joined to create Valbridge in 2013)

Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant and agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, condominiums, subdivisions, mobile home parks, auto dealerships, service stations, worship facilities, truck stops, food processing and cold storage facilities, fixed base operators at airports, and other special purpose properties.

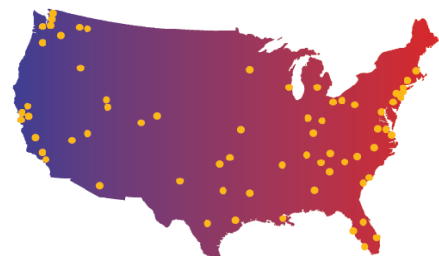
Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases involving real estate. These matters have included condemnation issues, contract disputes, bankruptcy/creditors matters, and environmental lawsuits, among other issues. She also specializes in property tax appeals, having helped clients recover millions of dollars in property tax refunds.

Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, major arbitrations, and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.



Company Information on Valbridge Property Advisors

- Valbridge is the largest national commercial real estate valuation and advisory services firm in North America:
 - Total number of MAIs (200 on staff)
 - Total number of office locations (68 across the U.S.)
 - Total number of staff (675 strong)
- Valbridge covers the U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.





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