AN APPRAISAL OF

A Multi-Tenant Office Building and Excess Residential Land
941 – 949 Moraga Road
Lafayette, California 94549

PREPARED FOR:

Mr. David Schnayer
People Choice Brokers
P.O. Box 6561
Moraga, California 94570

File Number D109612

PREPARED BY:

Lisa G. Wright
AG011381

Dennis L. Smith, MAI
AG002792
Review & Concur

SMITH & ASSOCIATES

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April 26, 2010

Mr. David Schnayer
Peoples Choice Brokers
P.O. Box 6561
Moraga, California 94570

RE: Appraisal of one Multi-Tenant Office Building and 3 additional parcels of excess land
941 – 949 Moraga Road, Lafayette, California 94549

Dear Mr. Schnayer:

At your request, we have appraised the above referenced property. This is a Summary Appraisal Report, submitted in a Narrative format. The purpose of the appraisal is to provide an opinion as to the "As Is" Market Value for the subject properties. The property rights appraised are those of the Leased Fee Interest, subject to the existing leases for 949 Moraga Road and the Fee Simple Estate for the three parcels associated with 941, 943 and 945 Moraga Road. The use of the report is to aid in considering a potential sale/purchase of the property. The user of the report is the David Schnayer and assigns.

The property being appraised consists of one multi-tenant single-story medical office building containing 3,566 square feet situated on one parcel and three additional multi-family/office zoned parcels. The additional parcels have improvements on them, which are both considered as carrier value only and have not been valued in this report due to not representing the Highest & Best Use of the parcels. The 3,566 square foot medical office building is located on one parcel containing 0.17 acre or 7,405 square feet of land, according to the Contra Costa County Assessor's records. The remaining three excess land parcels contain a combined 0.574 acre or 25,003 square feet of land, according to the Assessor's records. The office building contains 2 medical suites that are 100% occupied.

The entire property is currently offered for sale at a price of $3,500,000. The City of Lafayette is in negotiations to purchase the property to redevelop for their City parking. The ultimate purchase price will be influenced by the appraised value contained in this report.

Based on our investigation and analysis, as described in the attached report, it is our opinion that the "As Is" Market Value for the Leased Fee Interest in the subject property associated with APN 243-210-016-8, subject to the attached Contingent and Limiting Conditions, as of April 1, 2010 was:

ONE MILLION ONE HUNDRED THIRTY FIVE THOUSAND DOLLARS
($1,135,000)

The Exposure and Marketing Time is Estimated at 6-12 Months

Based on our investigation and analysis, as described in the attached report, it is our opinion that the "As Is" Market Value for the Fee Simple Estate in the subject property associated with APN 243-210-013-5, 014-3 and 015, subject to the attached Contingent and Limiting Conditions, as of April 1, 2010 was:

ONE MILLION THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
($1,375,000)

The Exposure and Marketing Time is Estimated at 6-12 Months

The combined value of the medical office building and three excess land parcels equals **$2,510,000** ($1,135,000 + $1,375,000). The total combined value assumes the sale to a single buyer. The current asking price of $3,500,000 is determined to be above market.

The attached report contains the factual data and reasoning upon which the value estimate has been predicated. This report has been written in accordance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP), and the Appraisal Institute and the client's appraisal requirements. The analysis and conclusions are subject to this report's Contingencies and Limiting Conditions. The appraisers are not responsible for unauthorized use of this report.

Respectfully submitted,

SMITH & ASSOCIATES, INC.
Respectfully submitted,

Lisa G. Wright
Certified General Real Estate Appraiser
State of California #AG011381
Exp. 1/1/2011

Dennis L. Smith, MAI
Certified General Real Estate Appraiser
State of California #AG002792
Exp. 2/1/2012
Review & Concur

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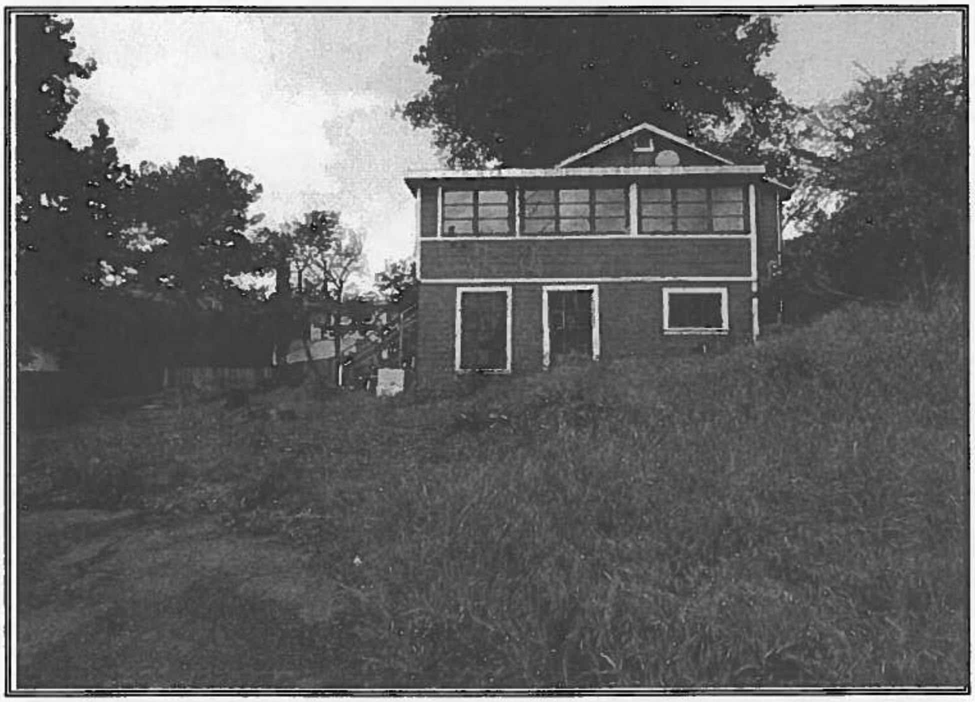
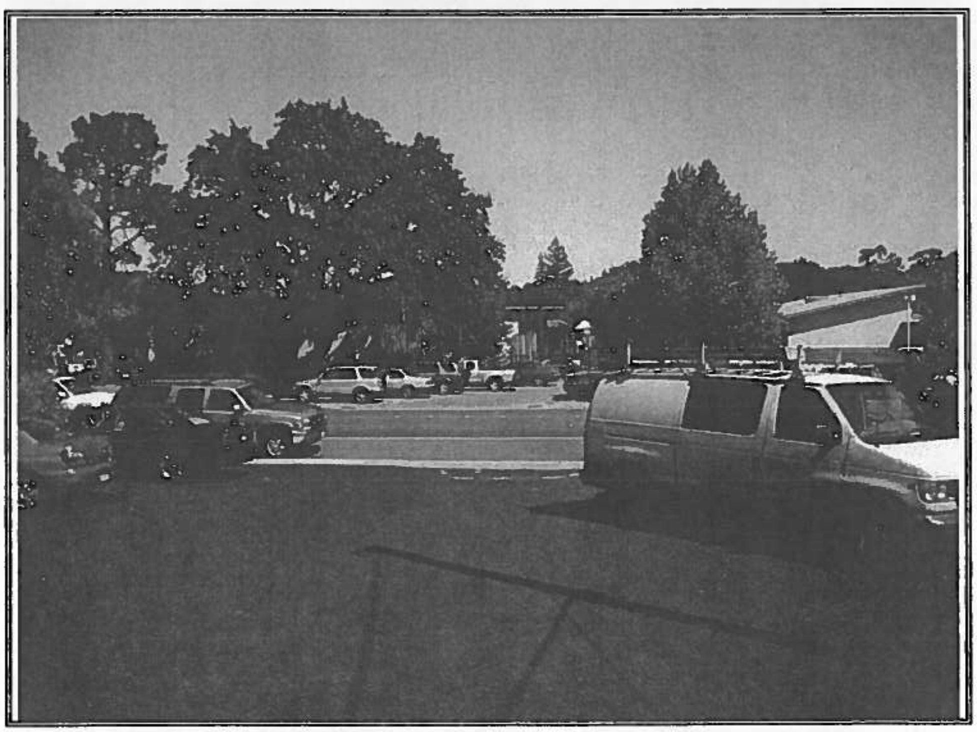
View of Front of Subject – 949 Moraga Road

View of Front of Subject – 941 Moraga Road

SUBJECT PHOTOGRAPHS



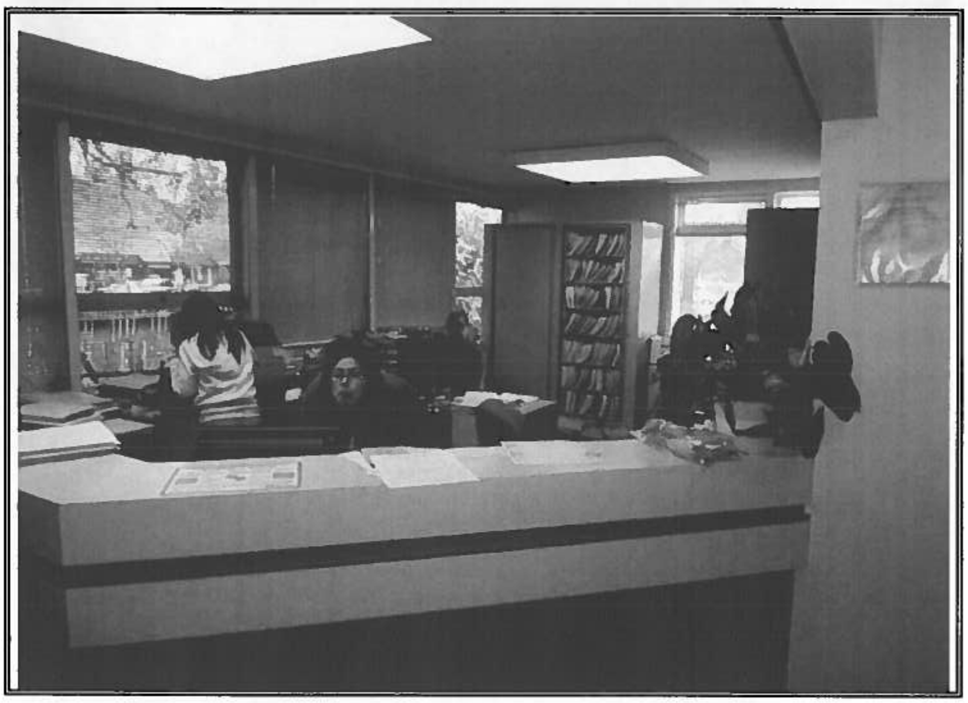
View of Front of Subject – 943 Moraga Road



View Looking East

SUBJECT PHOTOGRAPHS

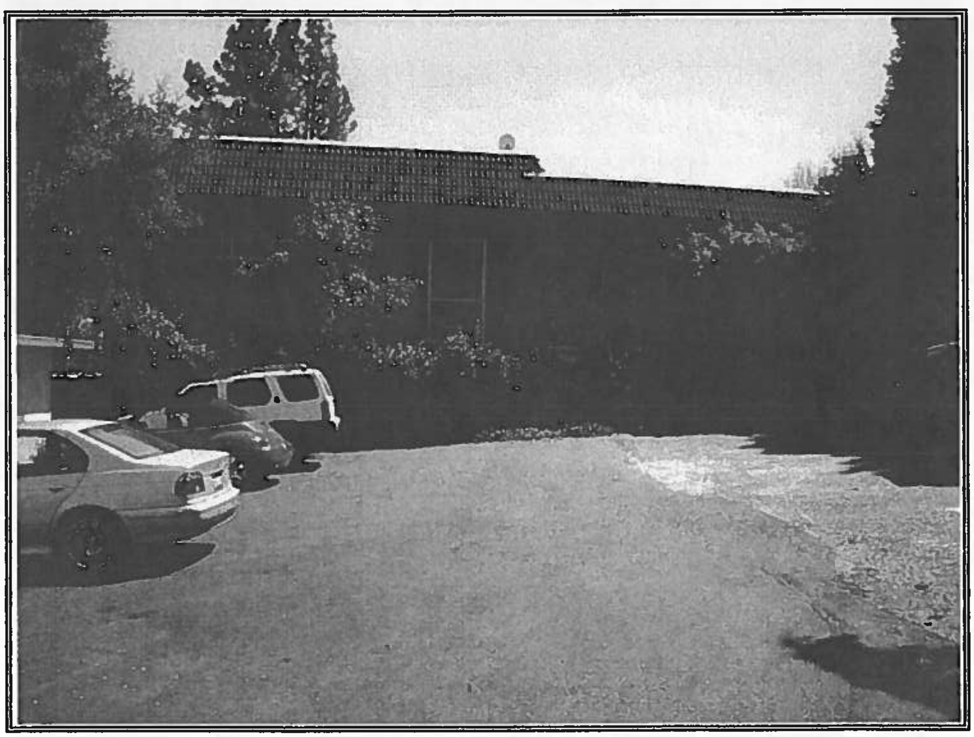
View of Interior of Subject – 949 Moraga Road



View of Interior of Subject – 949 Moraga Road

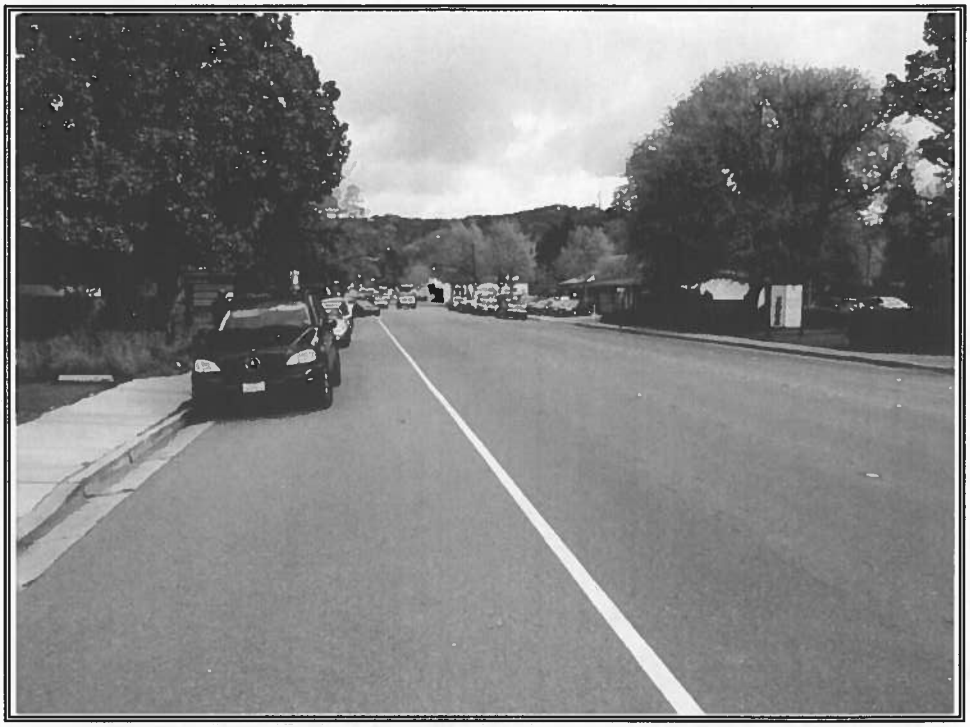
SUBJECT PHOTOGRAPHS

View of Rear Yard

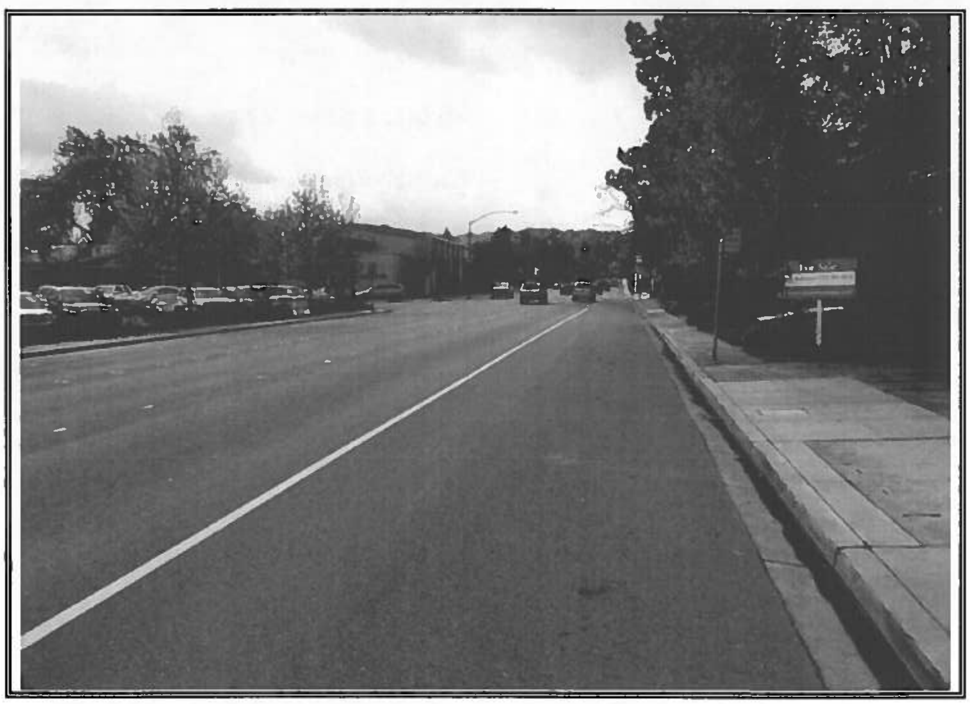


View Looking South from Parking Lot

SUBJECT PHOTOGRAPHS



View Looking North on Moraga Road



View Looking South on Moraga Road

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Client:	Peoples Choice Brokers
Property Location:	941 – 949 Moraga Road Lafayette, California 94549
Property Type:	Office and Multi-Family Land Sites
Assessor's Parcel Numbers:	243-210-013-5, 014-3, 015 & 016-8
Thomas Brothers Map Number:	611 – F6
Zoning:	MRO – Multi-Family & Pro Office District
General Plan:	Mixed Use
Flood Hazard Zone:	X, Areas outside 500-year flood plain
Alquist Priolo Special Study Zone:	No
Present Use:	Office & Underdeveloped Land
Highest and Best Use:	Office & Multi-Family Residential
949 Moraga Rd Land Area:	7,405 square feet
949 Moraga Rd Building Area:	3,566 square feet
941-945 Moraga Rd Land Area:	25,003 square feet
941-945 Moraga Rd Building Area:	Carrier Value only
Year Built/Effective Age/REL:	1947/20 years/30 years (949 Moraga Road)
Interest Appraised:	Leased Fee Interest for 949 Moraga Road
Interest Appraised:	Fee Simple Estate 941-943-945 Moraga Road
Purpose of the Appraisal:	Estimate Market Value
Value Premise:	"As Is"
Effective Date of Value:	April 1, 2010

SUMMARY OF SALIENT FACTS AND CONCLUSIONS (cont'd)

Market Value – 949 Moraga Road:

Income Approach:	$1,035,000
Sales Comparison Approach:	$1,085,000
Cost Approach:	Not Applicable
Rent Gain Calculation:	$100,000
Concluded Market Value "As Is" Leased Fee:	**$1,135,000**

Income Summary 949 Moraga Road:

Estimated Gross Annual Income	**$92,003**
Less Vacancy	**($ 4,600)**
Effective Gross Income	**$87,403**
Less Expenses	**($22,300)**
Net Operating Income	**$65,103**
Cap Rate:	**6.0%**
Exposure Time and Marketing Time:	**6-12 months and 6-12 months**

Market Value – 941 - 945 Moraga Road:

Income Approach:	N/A
Sales Comparison Approach:	$1,375,000
Cost Approach:	Not Applicable
Concluded Market Value "As Is" Fee Simple:	**$1,375,000**
Exposure Time and Marketing Time:	**6-12 months and 6-12 months**
Combined Value of Properties:	**$2,510,000**

Appraisers:

Lisa G. Wright
Certified General Real Estate Appraiser
State of California #AG011381, exp. 1/1/2011

Dennis L. Smith, MAI
Certified General Real Estate Appraiser
State of California #AG002792,exp.2/1/2012
Review and Concur

CERTIFICATION

We 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*

8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

9. Lisa G. Wright has made a personal inspection of the property that is the subject of this report. Dennis L. Smith, MAI has reviewed the report and concurs with its analyses, opinions and conclusions.

10. No one provided significant real property appraisal assistance to the person signing this certification.

11. As of the date of this report, Dennis L. Smith, MAI has completed the requirements under the continuing education program of the Appraisal Institute.

12. Smith and Associates has appraised this property within the last three years.

Lisa G. Wright
Certified General Real Estate Appraiser
#AG0011381, Exp. 1/1/11

Dennis L. Smith, MAI
Certified General Real Estate Appraiser
Review and Concur
#AG002792, Exp. 2/1/12

GENERAL ASSUMPTIONS

This appraisal has been made with the following General Assumptions. An Assumption is defined as: "that which is taken to be true".

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

GENERAL ASSUMPTIONS - CONTINUED

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

This appraisal has been made with the following General Limiting Conditions. A Limiting Condition is defined as: "a condition that limits the Use of an Appraisal".

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.

3. Possession of this report, or a copy thereof, does not carry with it the right of publication.

4. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

5. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.

6. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected) shall be used for any purposes by anyone but the client specified in the report without the previous written consent of the Appraiser; nor shall it be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser. Any other party who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

EXTRAORDINARY ASSUMPTIONS

This appraisal has been made with the following Extraordinary Assumptions. An Extraordinary Assumption is defined as: "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinion or conclusion". The use of the Extraordinary Assumptions might have affected the assignment results.

1. The appraisal assumes the parcels and improvements are free of any hazardous or toxic conditions.

2. The improvements associated with the 360 square foot office building at 941 Moraga Road and the old residence at 943 Moraga Road in the appraisers' opinion are determined to represent carrier value improvements only due to not representing the highest and best use of the property.

3. The values reported assume a sale to a single buyer.

4. No legal description or survey was furnished, so the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for the property to be reappraised.

5. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

6. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance surveyor analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

HYPOTHETICAL CONDITIONS

This appraisal has been made with the following Hypothetical Conditions. A Hypothetical Condition is defined as: "that which is contrary to what exists but is supposed for the purpose of analysis". The use of the Hypothetical Conditions might have affected the assignment results.

None

IDENTIFICATION OF THE PROPERTY

The property consists of 1 single-story medical office building located at 949 Moraga Road, and 3 excess land parcels located at 941, 943 and 945 Moraga Road, Lafayette, Contra Costa County, California. The single-story medical office contains 3,566 square feet and is placed on APN 243-210-016-8. The adjacent parcel, APN 243-210-015 is used for parking. There is an old residence placed on APN 243-210-014-3 and a 360 square foot office building placed on APN 243-210-013-5, both of which are determined to have carrier value only.

The parcels are placed across the street from the Lafayette Elementary School and adjacent to apartments and a church on the north, south and west sides of the property. We were not provided with a title policy.

PURPOSE, PROPERTY RIGHTS, USE AND USER OF THE APPRAISAL

The purpose of the appraisal is to provide an opinion of the "As Is" Market Value of the property. The property rights appraised are those of the Leased Fee Interest for 949 Moraga Road (medical building) and those of the Fee Simple Estate for the 3 parcels associated with 941-943-945 Moraga Road (vacant land and carrier buildings).

The intended user of the report is the David Schnayer and assigns and the intended use is to aid in considering a potential sale/purchase of the property. It is not to be used by any other entity for any purpose without the written consent of the appraisers. The appraisers are not responsible for unauthorized distribution and/or use of this report.

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the appraisal is April 1, 2010, the date the property was inspected.

OSTENSIBLE OWNERSHIP AND PROPERTY HISTORY

According to information obtained from the Assessor's Records, current ownership of the four properties is vested in:

949 Moraga, LLC

Specific information on the original purchase of the properties by the current owners was not available for review. The Contra Costa County Assessor reported that the property associated with 949 Moraga Road (APN 243-210-016-8) and 945 Moraga Road (APN 243-210-015) was purchased prior to May of 1985 by Michael and Grace Park. On May 5, 1985, the property was sold to a partnership named 919 Moraga LLC at an undisclosed purchase price. This partnership includes Michael and Grace Park (seller) according to Dr. Park. Since the purchase, the owner has remodeled the office for medical use with new average interior improvements. Currently, it is occupied by Alta Bates Medical) and by the East Bay Eye Physicians.

The Contra Costa County Assessor reported that the property associated with 941 Moraga Road (APN 243-210-013-5) was purchased on July 29, 1975 by Michael and Grace Park, and has changed ownership to 919 Moraga LLC since the original purchase. No sale information was available. The property has a small office building that represents a carrier.

The property associated with 943 Moraga Road (APN 243-210-014-3) was formerly a two-story single-family residence that is now in poor condition and considered to be a carrier. The parcel was purchased on July 29, 1975 from June Feiler by Michael and Grace Park for an undisclosed sum.

SCOPE OF THE APPRAISAL

Per the client's request, we have performed an Appraisal and prepared a Summary Appraisal Report. The methodology section of this report outlines the valuation procedures followed.

The specific steps in the valuation process include the following.

- Review of all documentation provided by the client.
- A physical inspection of the subject property, site and improvements as well as the surrounding neighborhood.
- Research of neighborhood, city and county factors which might impact the subject property and its value, appeal and marketability.
- Determine the Highest and Best Use of the Property.
- Identification of the applicable approaches to value to develop credible results, in this case considered to be the Sales Comparison Approach and the Income Capitalization Approach.
- Selection, review and inspection of all potential sale and rent comparables.
- Interviews with investors, brokers, buyers and sellers familiar with market activity in the surrounding area.
- Analysis of the rent and sales comparables in order to arrive at an estimated market sales price and rental unit of comparison.
- Complete the Sales Comparison Approach and Income Capitalization Approach and correlate to an estimated value that leads to credible results.
- Review report for content and compliance with USPAP, FIRREA, the Appraisal Institute and client requirements.
- Prepare a summary appraisal report with summarized information presented to the client that is adequate to allow for an understanding of the appraisal process and the opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

COMPETENCY RULE

The appraisers possess both the knowledge and required ability to appraise the subject property. Lafayette is within the Smith & Associates' defined service area, and Smith & Associates has the adequate resources to complete the assignment. Over the years, the appraisers affiliated with this firm have appraised numerous properties in the area.

HAZARDOUS MATERIAL STATEMENT

In this appraisal assignment, unless otherwise stated, the appraiser did not observe the existence of potentially hazardous material on the subject site, such as the presence of toxic waste, which may or may not be present on the property. Nor does the appraiser have any knowledge of the existence of such materials in or on the property. The appraiser is not qualified to detect such substances. The presence of potentially hazardous material may have an effect on the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for engineering or scientific knowledge required to discover such materials.

ADA COMPLIANCE

The subject property is appraised without a specific compliance survey conducted to determine if the property is in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers, which are structural in nature, and which would restrict access by disabled individuals may adversely affect the property's utility, marketability, or value.

DEFINITIONS

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.[1]

Leased Fee Interest - The ownership interest held by a lessor, which includes the right to contract rent specified in the lease plus the reversionary right when the lease expires.[2]

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.[3]

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

a. Buyer and seller are typically motivated;
b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
c. A reasonable time is allowed for exposure in the open market;
d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
e. 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.[4]

Value As-is - The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.[5]

Cash Equivalence - A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.[6]

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[1] *The Appraisal of Real Estate*, Thirteenth Edition, 2008, The Appraisal Institute, Page 114.
[2] *The Appraisal of Real Estate*, Thirteenth Edition, 2008, The Appraisal Institute, Page 114.
[3] *The Appraisal of Real Estate*, Thirteenth Edition, 2008, The Appraisal Institute, Page 114.
[4] *Office of the Controller of the Currency*, 12 CFR 34.45.
[5] *The Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, The Appraisal Institute, Page 306.
[6] *The Dictionary of Real Estate Appraisal*, Fourth Edition, 2002, The Appraisal Institute, Page 43.

COUNTY, CITY AND NEIGHBORHOOD DESCRIPTION

The City of Lafayette is located approximately 25 miles northeast of San Francisco, in central Contra Costa County. Contra Costa County is the third most populated county within the nine-county Bay Area region, covering approximately 733 square miles over the northern half of the East Bay. It is generally subdivided by two mountain ranges between the western coastline cities along the bay, the central corridor and eastern portion which remains sparsely developed. The county has 18 cities, the largest being Richmond, Concord, and Walnut Creek, and substantially populated unincorporated areas.

The three cities of Lafayette, Moraga and Orinda are frequently referred to in combination as the Lamorida Corridor. All are residential suburban communities that straddle the State Route 24 freeway, just east of the east bay hills. Generally speaking, their populations are demographically well educated and affluent. Each city has a centrally located neighborhood retail district with residential subdivisions extending out over the surrounding rolling hillsides. Most of the single-family homes were developed between the 1950's and 1970's on lots averaging ½ acre in size or larger. The relatively low density levels, combined with convenient access to central employment centers throughout the Bay Area, elevates the residential appeal of these communities,

The City of Lafayette was initially settled in the mid-1800's, but was not incorporated until 1968. Currently, it covers an area of 12.9 square miles. Commercial development is concentrated along Mt. Diablo Boulevard. The city's government offices and the larger retail centers are situated mostly within the half-mile stretch along Mt. Diablo Boulevard, between Happy Valley Road and 2nd Street.

In summary, Lafayette has traditionally been a highly desirable community in which to live. It offers a semi-rural setting for the residential areas situated in the foothills, which border the city to the north and south. The business district is centrally located in the middle and lies along Mt. Diablo Boulevard just south of Highway 24.

Neighborhood

The subject property is situated on the west line of Moraga Road, and between Brook Street and Moraga Boulevard. Moraga Road is the main north-south thoroughfare in Lafayette. The subject is three blocks south of Mt. Diablo Boulevard within the core of the downtown commercial district of Lafayette. This core district is contained for the most part along Mt. Diablo Boulevard, between Happy Valley Road and Second Street, although commercial uses continue eastward along Mt. Diablo Boulevard as far as the Pleasant Hill interchange, one mile to the east. The Lafayette BART station is situated ¾ mile from the subject site, behind the Lafayette Town Center, north of Mt. Diablo Boulevard and east of Happy Valley Road. The central access point to the State Route 24 freeway is from 1st Street, one block north of Mt. Diablo Boulevard. Two other freeway interchanges are situated on the west and east end of town.

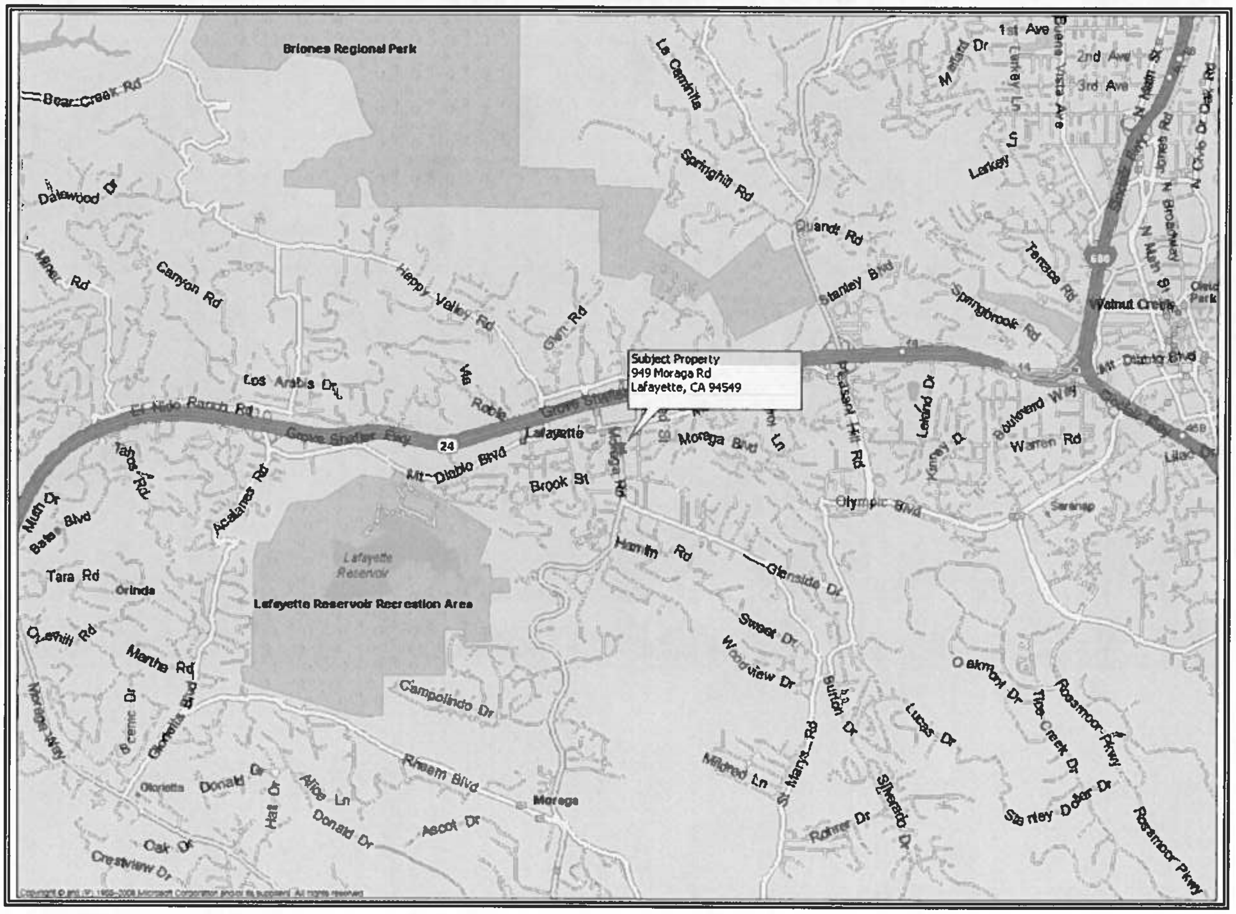
Moraga Road is a four lane, two-way major neighborhood thoroughfare. It starts just north of the subject at Mt. Diablo Boulevard and runs south towards Saint Mary's College and the city of Moraga. Moraga Boulevard is a two-lane, two-way, minor feeder street that extends to a single-family home neighborhood to the east. Access to the subject is via one driveway on the west line of the site between the buildings on 941 and 949 Moraga Road.

The property to the north of the subject is improved with the Lafayette United Methodist Church.

To the east is the parking lot for the Lafayette Elementary School. To the west and south are several apartment buildings.

In summary, the general and immediate location of the subject is rated good with no adverse influences noted.

AREA MAP



AERIAL VIEW


Flippers'
Patio
949 Moraga Rd, Lafayette, CA 94549
© 2008 Tele Atlas
Jun 2007
Google

MARKET OVERVIEW

The subject property is located on Moraga Road in Lafayette in a secondary commercial and residential district off of Mt. Diablo Boulevard. This area is accessible via Mount Diablo Boulevard and surrounding feeder streets providing access to and from the area freeway. The immediate area in which the subject property is situated is fully built up with minimal commercial and a majority of residential uses, including single family homes and multi-family complexes. Several brokerage houses survey local markets and submit research on a quarterly basis. Upon observation, there is minimal number of vacancies noted in the immediate area. Lafayette has remained a popular location for commercial users serving the local community. While the subject complex is located within a mixed-use MRO district, the subject unit is comprised of both office build-out and carrier value residential construction. Therefore, the office market will be the focus of the following market overview.

In order to grasp a better understanding of the office market in the East Bay, the Fourth Quarter Colliers International, North 680 Area Office Report was reviewed. The subject property would lie within the Lamorinda submarket, as addressed in the following report references.

Quoted from Colliers International North 680 Area Fourth Quarter 2009 Office Report

North I-680 Corridor Office Report

Though the economy may have technically emerged from a recession, conditions remain murky for the near future. In few industries does this ring truer than commercial real estate, specifically office properties. As tenants have reduced staff, given back space, and shuttered entirely; office properties have been deluged with large vacancies not generating rental income. However, as the pace of unemployment has ebbed, the office market may stand to benefit. The fourth quarter experienced some small signs of stability, after a year of dramatically altered market conditions.

Compared to the previous few quarters, the fourth quarter was a calm period for the office market. The North I-680 Corridor had 357,946 square feet of negative net absorption for all of 2009. However, the entire North I-680 Office Market only had 46,739 square feet of negative net absorption in the fourth quarter, and the vacancy rate only rose one tenth of a percent to 19.0% Average asking rents continued to decline, down $0.06 per square foot from the previous quarter to $2.12 per square foot. Rents declined by sixteen percent since their recent high water mark in the second quarter of 2008.

Class A office properties were the winners of the fourth quarter with positive net absorption and declining vacancy. Vacancy for class A buildings declined from 22.1% in the fourth quarter to 20.5% in the fourth quarter. Average asking rents fell $0.05, falling to $2.39 per square foot in the fourth quarter. However, the class A office market had 92,744 square feet of positive net absorption. This is the first quarter of positive net absorption for class A office since the first quarter of 2007.

Class B and C properties did not experience the same improving conditions. Most notably, class B properties saw a surge in vacancy in the fourth quarter, rising 2.5% from the previous quarter, to close at 19.0%. Class B properties also had 161,005 square feet of negative net absorption in the fourth quarter, most of that total coming from certain large blocks of space coming available. Average asking rents for class B office space declined from $2.03 to $1.89 per square foot. Class C vacancy was down one tenth of a percent to 13.9%. Average asking rents declined significantly, falling by $0.19 to $1.52 per square foot.

Office market conditions were markedly improved in Downtown Walnut Creek, where average asking rents remained unchanged from the previous quarter at $2.56 per square foot. The Downtown submarket had 27,948 square feet of positive net absorption in the fourth quarter, though the submarket did have 165,548 square feet of negative net absorption year to date. Vacancy fell by six tenths of a percent to 15.5%. Much like the rest of the North I-680 Corridor, Downtown Walnut Creek saw improving market conditions for class A office properties. Vacancy fell from 19.6% in the third quarter to 18.0% in the fourth quarter. Class A properties saw 45,057 square feet of positive net absorption and average asking rents were only down by two cents, falling to $2.77 per square foot in the fourth quarter.

Pleasant Hill BART had its second consecutive quarter of improving market conditions. Vacancy fell from 29.2% in the third quarter to 27.1% in the fourth quarter. Average asking rents remained unchanged from the prior quarter at $2.67 per square foot. Pleasant Hill BART had 31,274 square feet of positive net absorption for the fourth quarter and 40,937 square feet of positive net absorption for all of 2009.

Office market conditions in Concord improved slightly from the previous quarter. Vacancy also fell slightly, from 19.5% in the third quarter to 19.3% in the fourth quarter. The entire submarket had 11,006 square feet of positive net absorption in the fourth quarter and 59,514 square feet of negative net absorption for all of 2009. Average asking rents continued to fall in the fourth quarter from $1.92 to $1.89 per square foot.

Market conditions were mixed in the City of Pleasant Hill. Average asking rents were up slightly to $2.20 per square foot in the fourth quarter, from $2.16 in the third quarter. Pleasant Hill had 17,357 square feet of negative net absorption in the fourth quarter and 28,985 of negative net absorption year to date. Vacancy had a noticeable uptick, climbing more than two percent to 10.7%. Pleasant Hill continued to have the lowest vacancy in the North I-680 Corridor.

The Shadelands submarket was hammered in the fourth quarter by large blocks of sublease space flooding an already saturated market. Shadelands has been affected more than any other submarket by large corporate consolidations and closures; most notably the elimination of Long's/CVS back corporate offices and the consolidation of Bank of the West and Systron Donner. Vacancy in the submarket surged to 24.2% in the fourth quarter, up almost six percent from the previous quarter. The sublease vacancy for the submarket was 8.3%, more than double the sublease vacancy

OFFICE MARKET STATISTICS FOURTH QUARTER 2009															
EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY				NET ABSORPTION SF		U/C & PROPOSED SF		AVG RENTS
Class	Bldg	Total Inventory Sq Ft	Sq Ft	Rate	Sq Ft	Rate	Sq Ft	4Q - 09	Vacancy Rate Previous Q	Current Occupied Sq Ft	Current Period	YTD	[illegible]	[illegible]	Rate
SUB MARKETS															
WALNUT CREEK DT															
A	21	2,760,236	444,972	16.1%	50,904	1.8%	495,876	18.0%	19.6%	2,264,360	45,057	(59,635)	-	-	$2.77
B	43	1,264,405	164,623	13.0%	5,850	0.5%	170,473	13.5%	12.4%	1,093,962	(13,480)	(78,556)	-	-	$2.16
C	23	574,195	41,794	7.3%	4,129	0.7%	45,923	8.0%	7.4%	528,272	(3,626)	(27,357)	-	-	$1.94
TOTAL	87	4,598,866	651,389	14.2%	60,883	1.3%	712,272	15.5%	16.1%	3,886,594	27,948	(165,548)	-	-	$2.56
WALNUT CREEK PH BART															
A	9	1,370,079	322,698	23.6%	57,681	4.2%	380,379	27.8%	30.0%	989,700	31,274	37,952	-		$2.70
B	3	107,034	19,813	18.5%	-	-	19,813	18.5%	18.5%	87,221	-	2,985	-		$2.11
TOTAL	12	1,477,113	342,511	23.2%	57,681	3.9%	400,192	27.1%	29.2%	1,076,921	31,274	40,937	-	-	$2.67
CONCORD															
A	13	2,858,808	520,585	18.2%	57,205	2.0%	577,790	20.2%	21.3%	2,281,018	31,790	(36,120)	-		$2.05
B	27	843,005	154,559	18.3%	4,482	0.5%	159,041	18.9%	14.6%	683,964	(35,895)	(54,588)	-		$1.77
C	34	907,839	143,726	15.8%	6,826	0.8%	150,552	16.6%	18.2%	757,287	15,111	31,194	-		$1.42
TOTAL	74	4,609,652	818,870	17.8%	68,513	1.5%	887,383	19.3%	19.5%	3,722,269	11,006	(59,514)	-	-	$1.89
PLEASANT HILL															
A	1	128,131	3,592	2.8%	-	-	3,592	2.8%	2.8%	124,539	-	-	-		$2.55
B	12	576,035	77,320	13.4%	1,289	0.2%	78,609	13.6%	10.5%	497,426	(17,387)	(29,385)	-		$2.24
C	9	163,119	10,232	6.3%	-	-	10,232	6.3%	6.5%	152,887	30	400	-		$1.80
TOTAL	22	867,285	91,144	10.5%	1,289	0.1%	92,433	10.7%	8.6%	774,852	(17,357)	(28,985)	-	-	$2.20
SHADELANDS															
A	2	174,807	42,386	24.2%	-	-	42,386	24.2%	19.5%	132,421	(8,377)	(7,276)	-		$-
B	28	1,097,335	205,480	18.7%	139,579	12.7%	345,059	31.4%	23.6%	752,276	(86,969)	(149,631)	-		$1.71
C	15	402,758	18,427	4.6%	-	-	18,427	4.6%	4.6%	384,331	995	98,251	-		$1.73
TOTAL	45	1,674,900	266,293	15.9%	139,579	8.3%	405,872	24.2%	18.4%	1,269,028	(94,351)	(58,656)	-	-	$1.44
MARTINEZ															
B	7	243,326	73,665	30.3%	-	0.0%	73,665	30.3%	43.7%	169,661	3,332	(30,566)	-		$1.33
C	7	195,912	81,212	41.5%	-	-	81,212	41.5%	34.8%	114,700	-	(11,680)	-		$1.21
TOTAL	14	439,238	154,877	35.3%	-	0.0%	154,877	35.3%	39.7%	284,361	3,332	(42,246)	-	-	$1.27
LAMORINDA															
A	6	248,205	34,588	13.9%	4,612	1.9%	39,200	15.8%	13.0%	209,005	(7,000)	(31,716)	-		$2.84
B	24	632,960	58,717	9.3%	2,370	0.4%	61,087	9.7%	8.6%	571,873	(10,600)	293	-		$1.77
C	4	75,910	11,026	14.5%	-	-	11,026	14.5%	-	64,884	(141)	(11,026)	-		$2.25
TOTAL	34	957,075	104,331	10.9%	6,982	0.7%	111,313	11.6%	10.3%	845,762	(17,744)	(42,449)	-	-	$2.18
ALAMO/DANVILLE															
A	3	126,821	32,759	25.8%	-	-	32,759	25.8%	25.8%	94,062	-	17,486	-		$2.15
B	27	542,793	98,714	18.2%	1,393	0.3%	100,107	18.4%	16.8%	442,686	-	(17,305)	-		$2.17
C	6	112,590	25,715	22.8%	-	-	25,715	22.8%	22.8%	86,875	-	(10,819)	-		$1.99
TOTAL	36	782,204	157,188	20.1%	1,393	0.2%	158,581	20.3%	19.1%	623,623	-	(10,638)	-	-	$2.14
MARKET TOTAL															
A	55	7,667,087	1,401,580	18.3%	170,402	2.2%	1,571,982	20.5%	22.1%	6,095,105	92,744	(79,309)	-	-	$2.39
B	171	5,306,923	852,891	16.1%	154,963	2.9%	1,007,854	19.0%	16.4%	4,299,069	(161,005)	(356,753)	-	-	$1.89
C	98	2,432,323	332,132	13.7%	10,955	0.5%	343,087	14.1%	14.0%	2,089,236	12,369	68,963	-	-	$1.52
TOTAL	324	15,406,333	2,586,603	16.8%	336,320	2.2%	2,922,923	19.0%	18.9%	12,483,410	(55,892)	(367,099)	-	-	$2.12

The results show that the office rates have dropped approximately 8.6% since the 4th Quarter of 2008. Current market conditions would indicate a continued softening of the market and likely further reductions in lease rates in the Interstate 680 corridor office market. The Lamorinda market has showed a slight increase in vacancy in the last quarter from 10.3% up to 11.6%. The subject however is a medical use and according to brokers in the area, there is less medical space and it is in higher demand.

In summary, the Lamorinda area is a desirable residential and business community. This is a small area with superior access to Oakland and San Francisco. Its location is considered one of the best areas in Contra Costa County and the overall San Francisco Bay Area, particularly in regards to proximity to employment and schools. Given these facts, the viability and stability of the area are expected to continue into the future.

Note: Since the land is multi-family zoned, we should also mention that Lafayette enjoys a very low vacancy rate for apartment properties based on conversations with local brokers and our observations. The City has close proximity to San Francisco and Oakland using BART and the easily accessed freeway system. It appears that the market would likely absorb most new products offered, if located in a reasonable location with market based rents based on current economic conditions. However new development at this time would be deferred until the general real estate market improves.

SITE DESCRIPTION

Size and Shape

The subject's site associated with APN 243-210-016-8 (949 Moraga Rd) contains 0.17 acre or about 7,405 square feet. The parcel is rectangular in shape and fully useable. The subject's sites associated with APN 243-210-013-5, 014-3 and 015 (941-943-945 Moraga Rd) contain a combined 0.574 acre or about 25,003 square feet. The combined parcels are also irregular in shape, but appear to be fully useable for development.

Topography and Drainage

The topography appears to be generally level and at street grade for APN 210-243-013-5, 015 and 016-8. The topography for APN 243-210-014-3 is sloping. Drainage appears adequate for all parcels.

Soil

A soils report was not provided for review in connection with this appraisal assignment. The soils are generally suitable for most types of construction and no adverse conditions are apparent.

Streets/Visibility

The street frontage is fully improved with asphalt paving, concrete curbs and gutters, sidewalks and overhead streetlights. Moraga Road is a four lane, two way thoroughfare providing access to downtown Lafayette and Moraga.

Access

During peak travel times, access from both the north and south bound lanes is difficult/limited.

Utilities

All typical public utilities are available to the site including sewer, water, storm drainage, gas, electricity and telephone.

Adjacent Land Uses

The subject is located on Moraga Road. South of the subject is an apartment complex. To the east is an older elementary school. There are multi-family residential buildings to the north and west.

Nuisances and Hazards

No environmental site assessments were provided. This appraisal assumes there are no nuisances or hazards affecting the sites that would have an adverse affect on the value.

Easements and Encroachments

No title policy was provided for our review. No known easements, encroachments, or restrictions that would adversely affect the sites use are apparent.

Hazards: Flood Control and Alquist/Priolo Zone

According to Flood Insurance Rate Map Community-Panel Number 065037 0005 C, dated December 20, 2002, the subject property is in a flood zone X. This is an area of minimal flood risk outside the 500-year flood plain, and while flood insurance is available, it is not mandatory.

According to State of California Special Studies Zones Revised Official Map for the Walnut Creek Quadrangle, Effective July 1, 1974, the subject property does not have an earthquake fault on it, nor is it fully or partially in an earthquake fault set back.

The appraiser was not provided a geotechnical report or an environmental assessment. While the appraiser is not qualified to render a professional judgment on soil condition or environmental contaminants, no obvious evidence of such problems was noted on site.

Wetlands

Discussions with city planners indicated that the property is not located within a wetlands area, nor identified as an agricultural preserve.

Zoning

The subject is in a MRO – Multiple Family Residential and Professional Office District. The purpose of the MRO District is to allow a mixture of various office, multi-family residential buildings, land uses, and open spaces that are compatible with area and in proximity to public transportation and freeway access. A MRO District shall comply with the regulations and provision of the General Plan and any applicable specific plan and shall provide adequate standards to promote the public, health, safety and general welfare without unduly inhibiting the advantages of modern building techniques and planning for residential or commercial purposes. This is a broad zoning classification that allows for a variety of office and residential uses, including the existing office uses. Typically in a MRO, the developer works with the planning department to agree on suitable improvements for a specific property. Specific requirements can vary on a building by building basis.

Comments/Conclusion

The subject property consists of one parcel containing a total area of 7,405 square feet or 0.17-acre and three parcels containing a total area of 25,003 square feet or 0.574-acre. Overall, the subject sites are all considered functional, and capable of supporting a variety of office or multi-family residential oriented uses. The site is a moderate size for office or multi-family use and can accommodate a variety of building styles and sizes that meet Lafayette's guidelines. If vacant and available, the site would have good appeal to multi-family or office developers.

TAXES AND ASSESSMENTS

Current tax information for the 2009-2010 tax year are as follows.

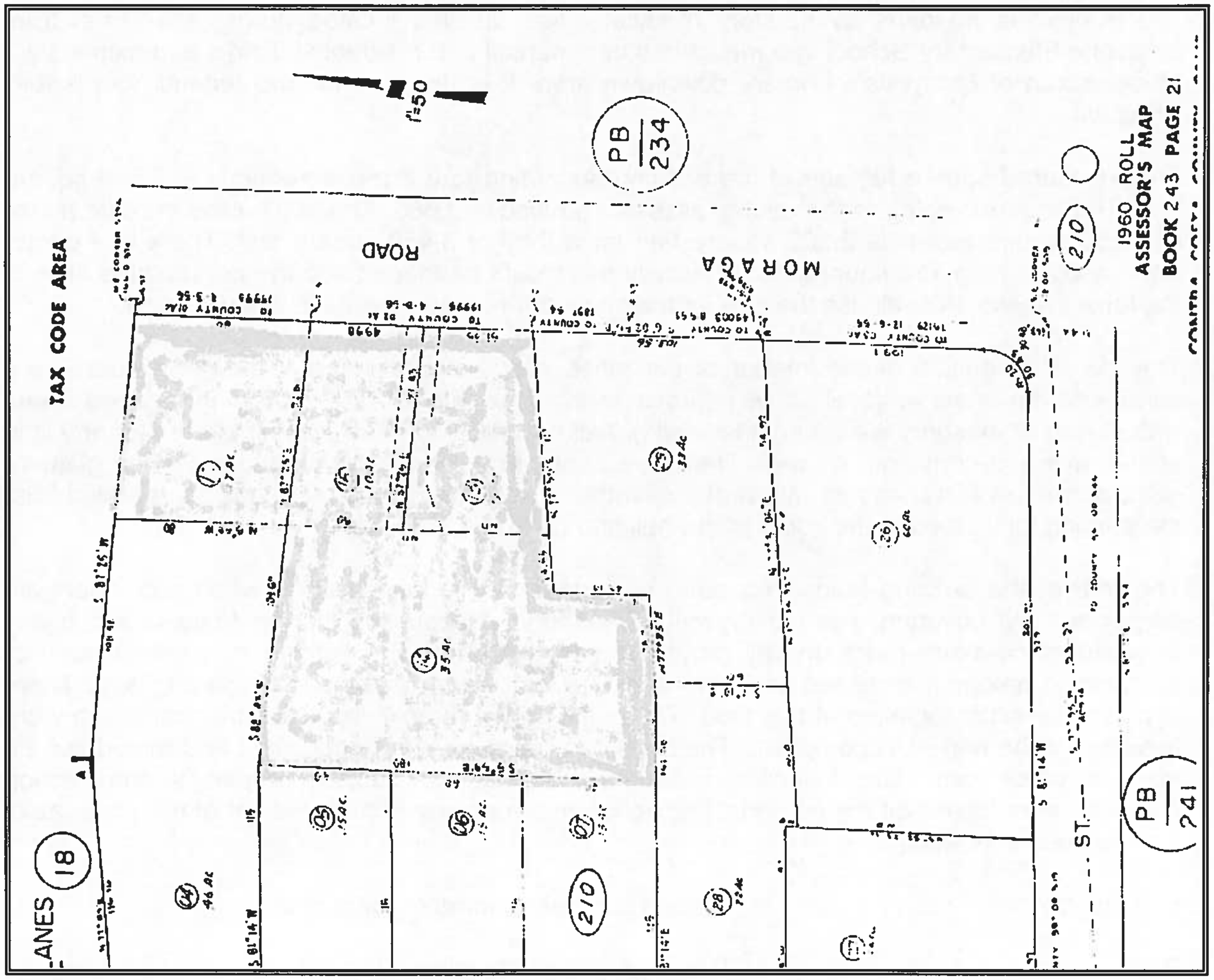
2009-2010 TAX YEAR						
Assessor's Parcel Number:		243-210-013	243-210-014	243-210-015	243-210-016	TOTAL
Assessed Values:						
	Land	$166,406	$485,374	$143,263	$235,746	$1,030,789
	Improvements	$106	$0	$0	$1,599,940	$1,600,046
	Total	$166,512	$485,374	$143,263	$1,835,686	$2,630,835
Tax Rate/$100 of Assessed Value: 1.1045 per $100 of assessed value						
Real Estate Taxes:		$1,839.12	$5,360.95	$1,582.33	$20,275.15	$29,057.55
Special Assessments:		$1,033.62	$963.88	$693.82	$1,147.74	$3,839.06
Total Taxes:		**$2,872.74**	**$6,324.83**	**$2,276.15**	**$21,422.89**	**$32,896.61**

According to the Contra Costa County Assessor's office, the taxes for the subject are current. There are no outstanding bond balances associated with the subject.

Projected Taxes

Since the passage of Proposition 13, in June of 1978, upon the transfer of a property, projected real estate taxes are based on 1% of full cash value plus any amount necessary to satisfy general obligation bonds or other indebtedness approved by voters prior to July 1, 1978. Proposition 13 also maintains a maximum 2% annual increase in assessed value. Properties are reassessed to market value at transfer or can be increased upon construction of new improvements. This is a factor that a prudent buyer recognizes and considers when estimating what the future expenses would be in purchasing a property. Market value taxes are used in the analysis of the subject.

ASSESSOR'S PARCEL MAP



IMPROVEMENT DESCRIPTION- 949 Moraga Road only

The subject is an older single-story medical office building located across the street from Lafayette Elementary School in a mixed-use commercial and residential district approximately 3 blocks south of Lafayette's primary downtown area. It is demised for two tenants and is fully occupied.

The measured square footage of the building according to our measurements is 3,566 square feet. The size according to the county assessor's office is 3,686. The two leases indicate a size of 1,250 square feet plus 2,200 square feet for a total of 3,450 square feet. There is a center hallway containing 116 square feet. Typically this would be loaded into the net rentable area of the tenant suites. We will use the size indicated by our measurements in this valuation.

The "As Is" condition of the interior of the office space is considered average in quality and condition with basic medical office improvements. The exterior of the building is wood frame with stucco or masonry walls and a tar and gravel covered roof. The exterior of the property is in overall average condition, as well. There are brick steps leading to the wood framed glass-n-glaze storefront entry, and an "all-weather synthetic wood" handicap ramp has been added from the parking lot located to the south of the building up to the front door.

The rear of the building leads to a patio or courtyard. The office has a wood sub- floor with carpet or vinyl covering, painted drywall or suspended acoustical ceiling frames, and highly demised office-exam room drywall partitioning at this time. The lighting is a combination of customized halogen, recessed and non-recessed fluorescent and incandescent lighting. There is no fire sprinkler installed at this time. The building has three 2-fixture restrooms, which were assumed to be non-ADA compliant. The building is currently 100% occupied and remodeled for medical office use. The following is a summary of the subject property's construction characteristics based on my personal inspection and a review of a limited set of the plans as of our previous appraisal.

Foundation:	Raised concrete perimeter foundation.
Roof:	Wood joists and sheeting with a tar and gravel covering.
Interior Construction:	The tenant suites are improved with taped, painted and textured covered drywall. There is dropped acoustical tile or painted drywall ceilings with both specialized, non-recessed and recessed fluorescent lighting. The floors are carpeted with commercial grade carpet over pad or vinyl. The lobby is improved with ceramic tile flooring with sheetrock ceilings and incandescent lighting. There are two restrooms situated in the center of Dr. Gary's suite and one restroom in the other suite.
Doors:	The main entrance doors are wood frame glass doors. The interior doors appear to be solid core wood.
Restrooms:	The restrooms are equipped with an unenclosed toilet stall and one sink. The facilities have tile floors and painted sheetrock walls and ceilings.

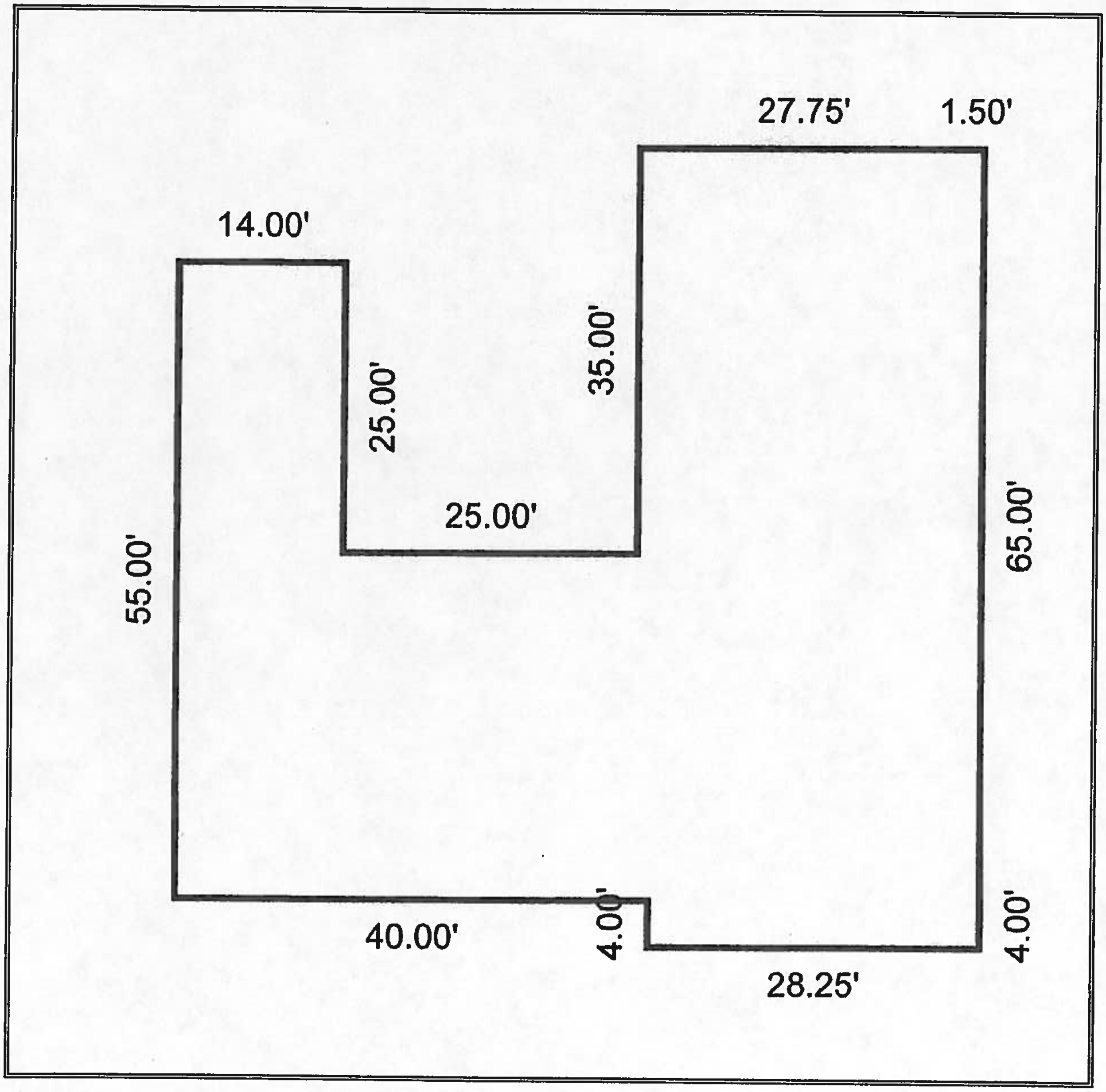
Partitions:	Partitions and demising walls are of wood frame with sheetrock.
HVAC:	Central forced air heating and cooling is provided throughout the building.
Windows:	Dual glazed single pane windows in aluminum frames.
Fire Protection:	There are no fire sprinklers but the building is equipped with smoke detectors throughout.
Yard Improvements:	There are no sidewalks around the building and a central walkway to the main entrance. There is access to the court yard using several doors placed on the interior walls of the building. The driveway and parking area are asphalt paved in fair condition.
Landscaping:	The subject landscaping is typical for average quality suburban office buildings. There are trees, shrubs and ground cover. They are in fair condition. Sprinklers are located through the landscaped areas; however, the rear yard area appears to need added attention.
Year Constructed:	1947

Parking: The parking for the medical office building is largely located on the adjacent parcel. There are only 6 parking spaces on the same parcel as the building. This adjacent parcel is used largely as a driveway back to the remainder of the property. However, were the building to sell separately the parking provided by this parcel would be required to continue the existing medical office use. While this parcel is not striped, given the size, it could easily provide parking at 5 spaces per 1,000 which is typically required for medical use. It is therefore an assumption of this appraisal that the four parcels sell to one buyer.

The improvements are in overall average condition in comparison with buildings of similar age. The improvements were built in 1947 and have an actual age of approximately 61 years. The building reflects average maintenance. Based on the property condition and maintenance, we would estimate the remaining economic life at 20 years and the effective age at 30 years. Overall utility is rated average to good with average to good appeal to a number of potential tenants. As vacant and available, the salability and rent ability are considered good due to the Lafayette location.

Note: The small 360 square foot office building at 941 Moraga Road has been vacant for over a year. There reportedly are several potential tenants but the landlord has deferred leasing subject to a potential sale. While in average condition, it is still considered to be a carrier to the highest and best use of the site. The wood frame residential structure at 943 Moraga Road has also been given carrier value only; and therefore; will not be valued. This structure appears to be approximately 1,800 square feet with significant areas of deferred maintenance. In its present condition, it does not appear habitable.

BUILDING FLOOR PLAN - 949 Moraga Road



HIGHEST AND BEST USE

"Highest and best use may be defined as:

> ***The reasonably probable and legal use of vacant land or an improved property, that is physically possible, appropriately supported, and financially feasible, and that results in the highest value".[7]***

Criteria in highest and best use analysis

Market value of any property could vary greatly with different conclusions of highest and best use. The following factors have been considered in analyzing the subject property's highest and best use:

a. the subject's physical characteristics;
b. the subject's location;
c. the subject's current zoning;
d. neighborhood and area trends;
e. supply and demand; and
f. motivation of the probable purchaser.

Highest and best use of land as though vacant

Highest and best use of land or a site as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing the improvements. With this assumption, uses that create value can be identified, and the appraiser can begin to select comparable properties and estimate land value. Land as though vacant is a fundamental concept of valuation theory and is the basis for the cost approach. Because many appraisals include an allocation of value between the land and the buildings associated with it, a highest and best use analysis of the land as though vacant is frequently performed.

The most constrictive use of the subject as a vacant site is the zoning. The subject has a MRO–Multi-Family Residential and Professional Office District zoning designation. The purpose of the MRO District is to allow various office buildings and multi-family residential structures within close proximity to freeways and public transportation. A MRO District shall comply with the regulations and provision of the General Plan and any applicable specific redevelopment plan and shall provide adequate standards to promote the public, health, safety and general welfare without unduly inhibiting the advantages of modern building techniques and planning for residential or commercial purposes.

This is a zoning classification that allows for a variety of commercial uses, including medical office uses. Typically in a MRO zone, the developer works with the planning department to agree on suitable improvements for a specific property. Specific requirements may vary on a building by building basis based on the size of the project and the affordable housing component required. Physically, the subject is of adequate size to support a variety of uses, including office or multi-family uses. The subject is located in an established commercial/office neighborhood. The best utilization of the property, when considering compatibility, is for office or multi-family residential use. This is consistent with surrounding uses.

[77] The Appraisal of Real Estate, Twelfth Edition, The Appraisal Institute, 2001, Page 305.

The subject site, as vacant, appears suitable for an investor desiring to locate in a visible locale with a suburban setting. Most purchasers of office or multi-family residential real estate are motivated by the potential for profit. That potential is probable for the subject property however speculative development would likely be deferred until the market improves.

In conclusion, potential uses of the subject are most restricted by the zoning ordinance that permits office or multi-family residential use of the site. Alternate uses are less desirable as they fail to maximize the potential of the site's location in a suburban setting. The subject property has good exposure and access and can function well as an either a multi-family or office site. The location is rated good but speculative development should be delayed until the market improves

Highest and Best Use - As Improved

The property's existing improvements associated with 949 Moraga Road are consistent with the highest and best use of the property as if vacant. These improvements, which are considered to be functional and versatile, are also considered the best utilization of the property. There are 2 tenants currently in the subject. This type of user typically requires small spaces with easy access to the nearby residential neighborhoods. Hence, the existing use is the highest and best use of the property.

The existing improvements associated with 941 and 943 Moraga Road are not consistent with the highest and best use of the property as if vacant. These improvements, which are considered to be functionally and economically obsolete, are also not considered the best utilization of the property. The owner/user recently put the 360 square foot office (941 Moraga Road) on the market for lease but it has been vacant for a year. The older residence associated with 943 Moraga Road appears to be in very poor condition with significant areas of deferred maintenance. The highest and best use of these properties is to demolish the existing carrier value improvements for the development of a mixed-use commercial/residential or multi-family residential project. Hence, the existing carrier use is not the highest and best use of the property. There are no improvements on 945 Moraga Road with the exception of paving.

METHODOLOGY

The valuation process is the orderly program in which the data used to estimate the value of the subject property is acquired, classified, analyzed and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value; the Cost Approach, the Sales Comparison Approach and the Income Approach. The final step in the valuation process is the reconciliation or correlation of the value indications.

In order to estimate market values for the subject property, the three traditional approaches to value (Cost Approach, Sales Comparison Approach and Income Capitalization Approach) have been considered. The **Cost Approach** to value is based on comparison. A prudent investor will pay no more for a property than the amount for which the investor can obtain a comparable site and construct a building of equal desirability and utility without undue delay. This approach is most applicable when a property is new or relatively new and sufficient comparable land sales are available to support a reasonable conclusion of land value.

In the **Sales Comparison Approach**, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered on the market. This is a good indication of value assuming the market data considered is recent and reliable.

In the **Income Capitalization Approach**, value is estimated based on the present value of the anticipated net income stream from the subject property. In direct capitalization, the current or estimated rental income is projected with deductions for vacancy and collection loss and operating expenses. A conclusion about the prospective net operating income of the property is developed. An applicable capitalization method and appropriate capitalization rates are developed for use in computations that lead to an indication of value by the Income Capitalization Approach. Another analysis technique for this approach is the discounted cash flow analysis. For this analysis, the direct capitalization method is given the most weight as most investors focus on the potential income stream a property can produce.

Reconciliation

After an indication of value is achieved in each of the approaches, the applicability and reliability of each approach is then evaluated and weighed by the appraiser. Through physical inspection of the property and the appraiser's investigation, judgment, and experience, a final value estimate is then made for the subject. The application of each approach is discussed in the respective sections. We will apply the Sales Comparison and Income Capitalization Approaches to value the 949 Moraga Road medical office property. We will separately evaluate the remaining combined three parcels associated with 941-943-945 Moraga Road as "land only" using the Sales Comparison Approach. The Cost Approach will not be used based on the age of the improvements, the difficulty determining depreciation and because it wasn't required to produce credible results.

SALES COMPARISON APPROACH – 949 MORAGA ROAD

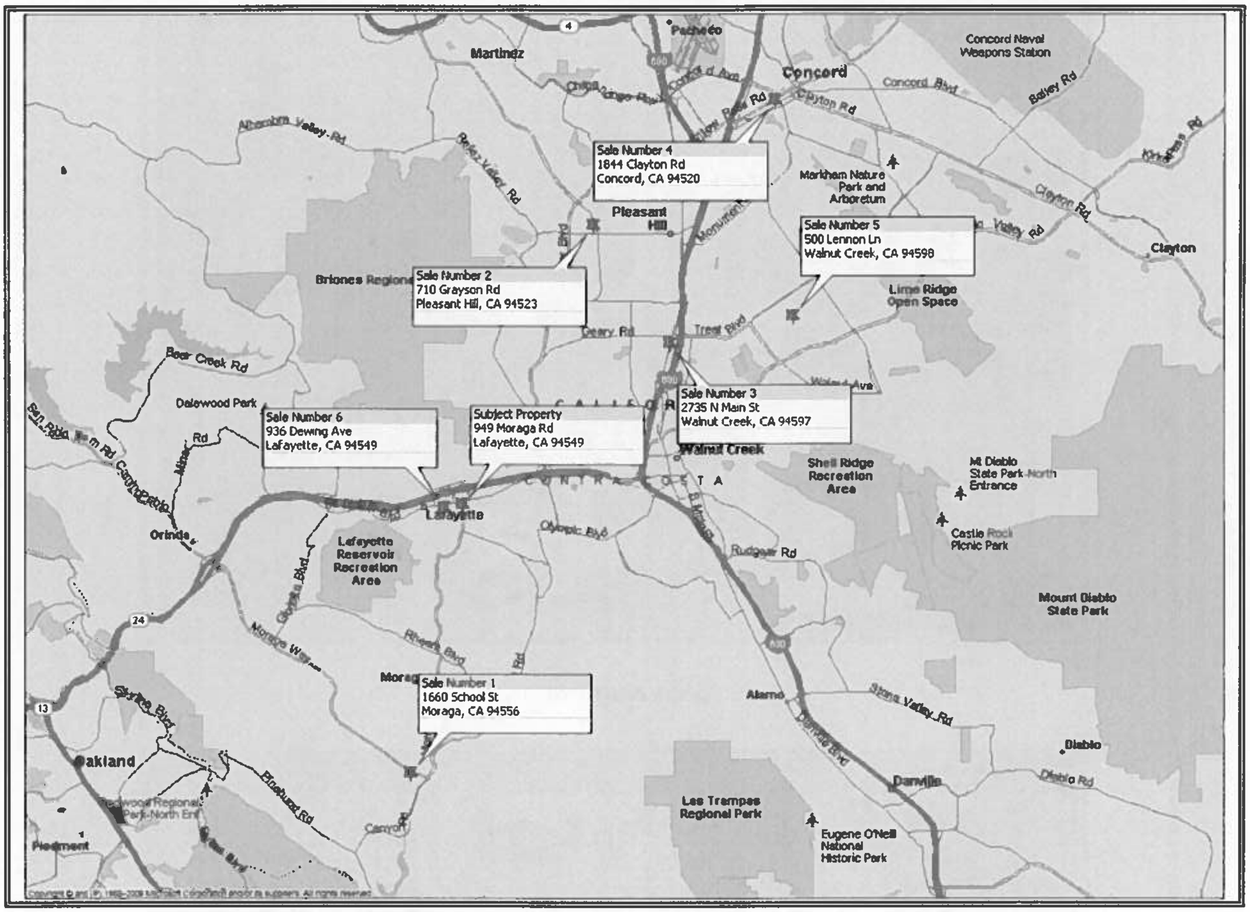
The first step in this approach is to survey the local market for sales of similar use properties, which have recently transferred. As a result of the search, a number of sales were discovered. Those sales reflecting the highest degree of comparability to the subject have been displayed on the following chart. Additional details and comments with respect to each sale have been provided after the sales chart, as well as discussion on adjustments to the unit of comparison used.

A review of the market information and conversation with brokers indicated that the price per rentable square foot was the unit of comparison most commonly referred to in the marketplace. This will be the unit of comparison for this analysis. The overall rates have also been discussed when available.

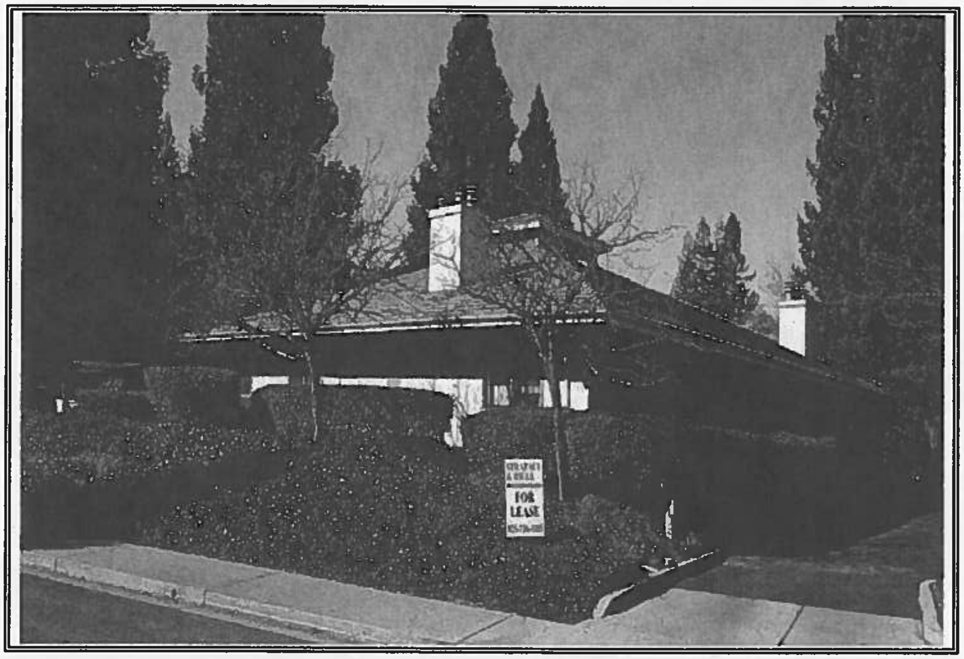
COMPARABLE BUILDING SALES SUMMARY CHART

No.	Location APN	Sale Price COE	Bldg Size Yr Built	Quality/Appeal Cond Bldg/Mtls	Site Size (AC/SF) FAR	Sale Price Per SF	Buyer Seller Doc Number
1	1660 School Street Moraga 257-190-052	$1,550,000 1/26/2010	6,396 1980	Average-Good Average-Good 1, 1-sty, frame	27,443 0.63 0.23	$242	Young Liptai Family Trust Riele Family Living Trust 27487
2	710 Grayson Road Pleasant Hill 166-081-051	$965,000 1/5/2010	3,600 1985	Average-Good Average-Good 1, 1-sty, frame	15,246 0.35 0.24	$268	Michael Huguet Tittle Family Trust 6925
3	2735 North Main Walnut Creek 171-092-021	$2,695,000 12/9/2009	8,020 1962	Average Average 1, 1-sty, Frame	32,234 0.74 0.25	$336	LJ Troy LLC Grossman Trust 296131
4	1844 Clayton Road Concord 126-152-034	$1,387,500 8/25/2009	5,712 2005	Good Good 1, 2-sty, Masonry	10,890 0.25 0.52	$243	Clayton Professional Center LLC. Robert & Carol Barrick 211477
5	500 Lennon Lane Walnut Creek 143-120-001	$1,740,000 7/2/2009	6,222 1981	Average-Good Average-Good 1, 1-sty, Masonry	28,227 0.65 0.22	$280	500 Lennon Lane Partners LLC. 500 Lennon Lane Partners 156667
6	936 Dewing Avenue Lafayette 243-102-009 & 012	$2,562,500 3/11/2009	8,556 1945	Average Average 1, 2-sty, frame	19,602 0.45 0.44	$299	Michelsen Living Trust Jeanette Holmes Family 50182
	Subject Property 945-949 Moraga Road Lafayette 243-210-016-8		3,566 1947	Average Average 1, 1-sty, frame	7,405 0.17 0.48		919 Moraga LLC

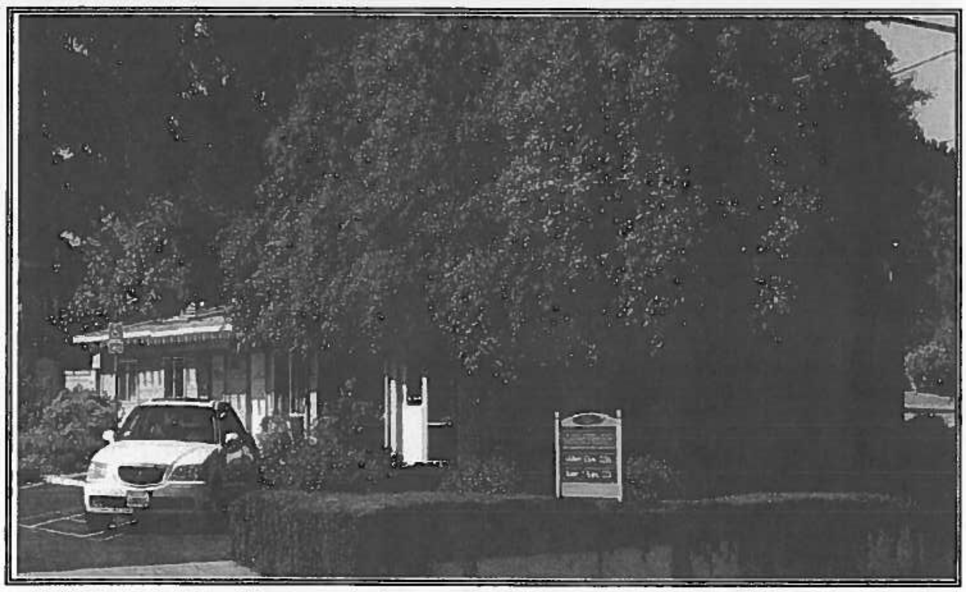
LOCATION OF COMPARABLE BUILDING SALES



COMPARABLE SALES PHOTOGRAPHS



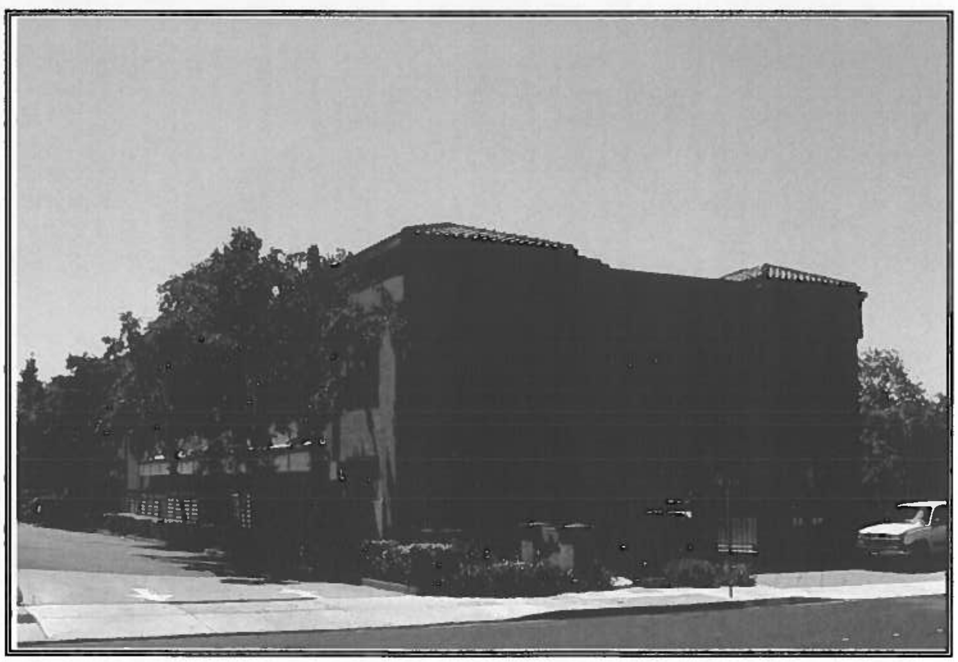
Sale Number 1



Sale Number 2

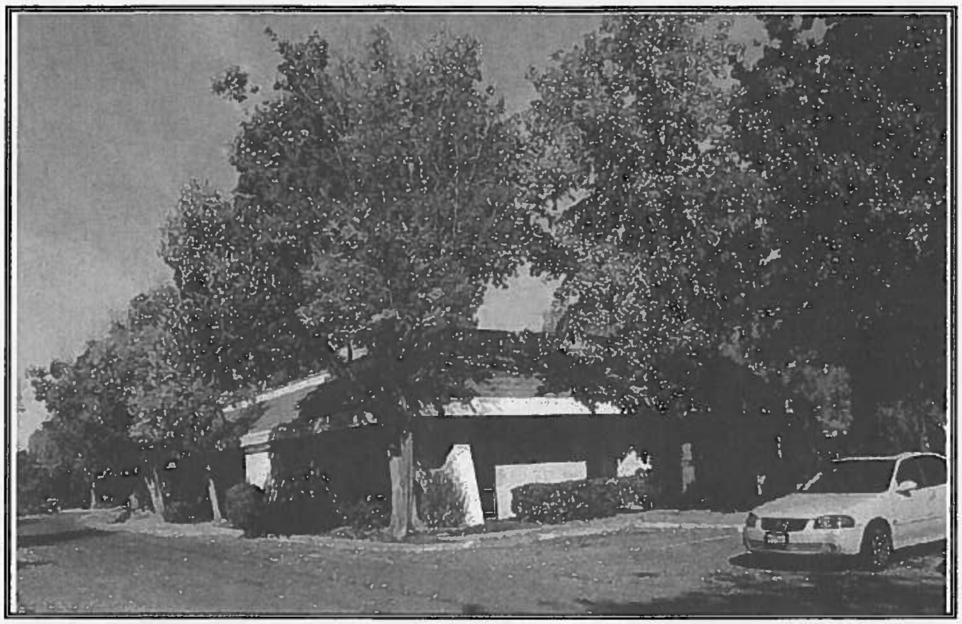
COMPARABLE SALES PHOTOGRAPHS

Sale Number 3

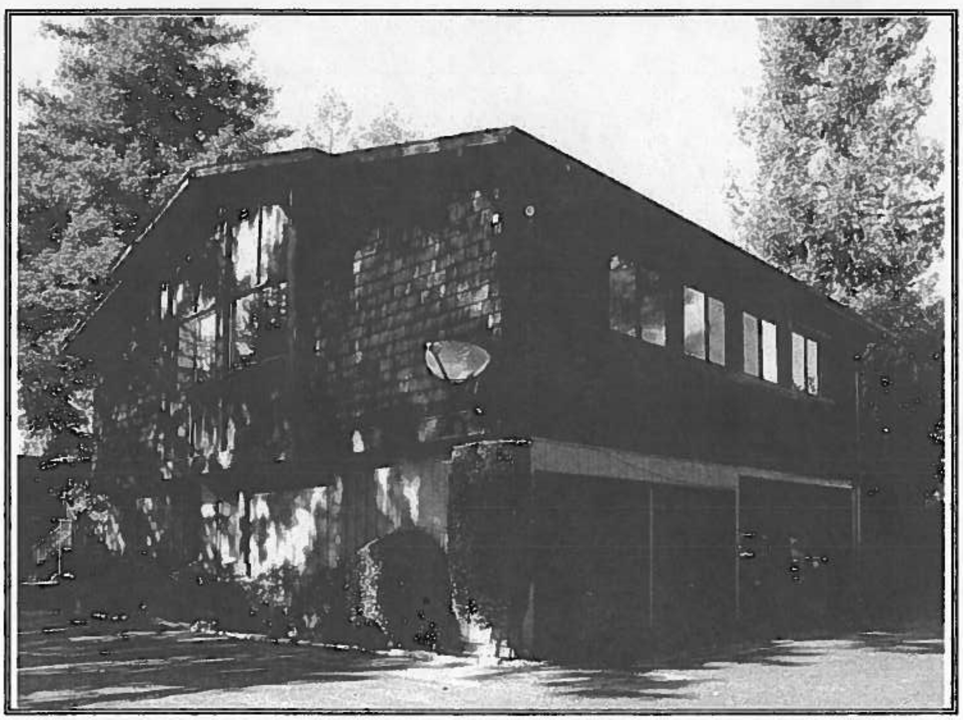


Sale Number 4

COMPARABLE SALES PHOTOGRAPHS



Sale Number 5



Sale Number 6

Comparable Number 1 is the recent sale of a single story office building located at 1660 School Street in Moraga. This is a minor thoroughfare with inferior freeway access. The building contains 6,396 square feet and is situated on a site with 27,443 square feet for a FAR of 0.23. This building was constructed in 1980 and is in average to good condition. It was sold to the previous occupant who approached the seller. The rental rate was estimated by the broker at $2.00 per square foot on a full service basis. The building was 100% occupied by six tenants. There are 30 parking spaces for a ratio of 4.7 spaces per 1,000 square feet of building area.

This comparable sold for $1,550,000 or $242 per square foot on January 26, 2010. Based on the reported rent and expenses of $4,500 per month, a cap rate of 5.9% can be calculated.

This comparable was adjusted upward for location, freeway access and size. A downward adjustment was needed for age.

Comparable Number 2 reflects the sale of a similar sized building located at 710 Grayson Road in Pleasant Hill. This is an owner user purchase by an existing tenant. This single story building is situated just west of Gregory Land in Pleasant Hill. It contains 3,600 square feet and is on a parcel with 15,246 square feet. The FAR is calculated at 0.24. The building was constructed in 1985. The buyer's broker indicated that market rent would be approximately $1.20 per square foot on a triple net basis. This is medical office space. There are 20 parking spaces on-site for a parking ratio of 5.6 spaces per 1,000 square feet of building area.

Escrow closed on this property January 5, 2010. The sales price was $965,000 or $268 per square foot. Given the above indicated rent on triple net terms, a cap rate of 4.8% can be calculated.

This comparable was adjusted downward for age and upward for location.

Comparable Number 3 is the sale of a single story office building located at 2735 North Main Street in Walnut Creek. It is on a major north south artery. This is a single tenant building that will be occupied by a partial owner user that will operate a veterinary hospital. This property was not on the market, the buyer approached the property owner. This building contains 8,020 square feet and is situated on a 32,234 square foot parcel with a FAR of 0.25. Parking is provided at 2.5 spaces per 1,000 square feet. The building was constructed in 1962.

The property sold for $2,695,000 or $336 per square foot on December 9, 2009. The buyer reported that they believe it sold above market as it fulfilled specific needs of the user.

This sale was adjusted downward for conditions of sale as it reportedly sold above market and for declining market conditions. Additional downward adjustments were applied for exposure and age. An upward adjustment was needed for size.

Comparable Number 4 is the sale of a two story office building located at 1844 Clayton Road in Concord. This property contains 5,712 square feet. The building was constructed in 2005 and is in good condition. It is situated on a parcel containing 10,890 square feet for a floor area ratio of 0.52. Parking is available at 3 spaces per 1,000 square feet. It was sold by an owner user and purchased by an owner user.

It closed escrow August 25, 2009 for $1,387,500 or $243 per square foot. No cap rate was available as this is an owner user purchase.

Downward adjustments were needed for declining market conditions and age. Upward adjustments were applied for location and size.

Comparable Number 5 is the sale of an office building situated at 500 Lennon Lane in Walnut Creek. It is located in the Shadelands Business Park. This is an owner user sale with an owner user purchasing. It was owned by an accounting firm but was sold to an oncology group who reportedly invested approximately $100 per square foot for new plumbing lines and other medical improvements. It is part of a larger office complex and shares parking with the other buildings in the complex. The purchaser had reportedly gotten a conditional use permit to convert it to medical indicating that sufficient parking was available. The building contains 6,222 square feet and is situated on a 28,227 square foot parcel with a floor area ratio of 0.22. It was constructed in 1981.

This comparable sold July 2, 2009 for $1,740,000 or $280 per square foot. No cap rate was available as it was an owner user sale.

Downward adjustments were applied for declining market conditions and age. Upward adjustments were needed for location, inferior exposure and size.

Comparable Number 6 is the sale of an office building located at 936 Dewing Avenue in Lafayette. This is a two story building situated on a minor thoroughfare, two blocks off of the main thoroughfare, Mt. Diablo Boulevard. This 8,556 square foot office building is situated on a 19,602 square foot site with an FAR of 0.44. It was built in 1945 and was in average overall condition. The space was divided into four tenant spaces. The building was 100% leased at an average rental rate of $2.20 per square foot on a full service basis. It has 4 covered parking spaces and 20 surface spaces for a parking ratio of 2.8 spaces per 1,000 square feet.

This transaction closed escrow March 11, 2009 for a price of $2,562,500 or $299 per square foot. The cap rate based on actual income was reported at 6.2%.

A negative adjustment was applied for the market declining conditions since the date of sale. Upward adjustments were needed for size and inferior exposure.

The adjustments are summarized on the following chart.

IMPROVED SALES ADJUSTMENT CHART						
	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5	COMP 6
Sale Price Bldg/SF	$242	$268	$336	$243	$280	$299
Financing						
Property Rights						
Conditions of Sale			-10%			
Net Adjustments	0%	0%	-10%	0%	0%	0%
Market Adjusted Price	$242	$268	$302	$243	$280	$299
Market Conditions	0%	0%	-3%	-8%	-10%	-15%
Time Adjusted Price	$242	$268	$293	$224	$252	$254
Location	10%	10%		25%	10%	
Access/Exposure	10%		-5%		10%	5%
Condition/Effective Age	-10%	-10%	-5%	-20%	-10%	
Building Size	10%		10%	10%	10%	10%
Net Adjustments	20%	0%	0%	15%	20%	15%
Adjusted Sale Price	$290	$268	$293	$257	$302	$292

Conclusion:

As a result of the adjustment process, the indicated range of sales prices per square foot is from $257 to $302 with the majority of the support in the range from $290 to $293. All of the comparables are located in suburban office areas with good similarity to the subject. They are a combination of single and multi-level buildings in average to good condition. Primary weight was given to Comparable Number 6 as it is also located in Lafayette. Secondary weight was given to the remaining comparables. Therefore the indicated Market Value for the subject as indicated by the bracketed value is $1,034,140 or $290 per square foot (3,566 square feet x $290 per square foot = $1,034,140. Based on the Sales Comparison Approach the value is **$1,035,000, rounded.**

SALES COMPARISON APPROACH – LAND SALES

In addition to the property discussed above at 949 Moraga Road, there are three parcels that are underdeveloped. As previously stated, they are improved with two carrier buildings that are not considered to add value. The two parcels contain a total of 25,003 square feet or 0.57 acres. The property owner has considered redeveloping the entire subject. According to the City Planning director uses permitted would likely be multi-family, medical services or senior housing. The City is currently considering purchasing the property for use as a parking lot. The maximum density permitted is 35 units per acre with two to three story height limit.

Eden Housing considered developing the entire site for senior housing but determined the asking price at the time was too high. We were not provided with the asking price at that time. Summit Medical Group also considered the site for a medical office space but was looking for something larger. If the site were redeveloped the City would impose a right turn in and right turn out requirement which would limit egress from the site.

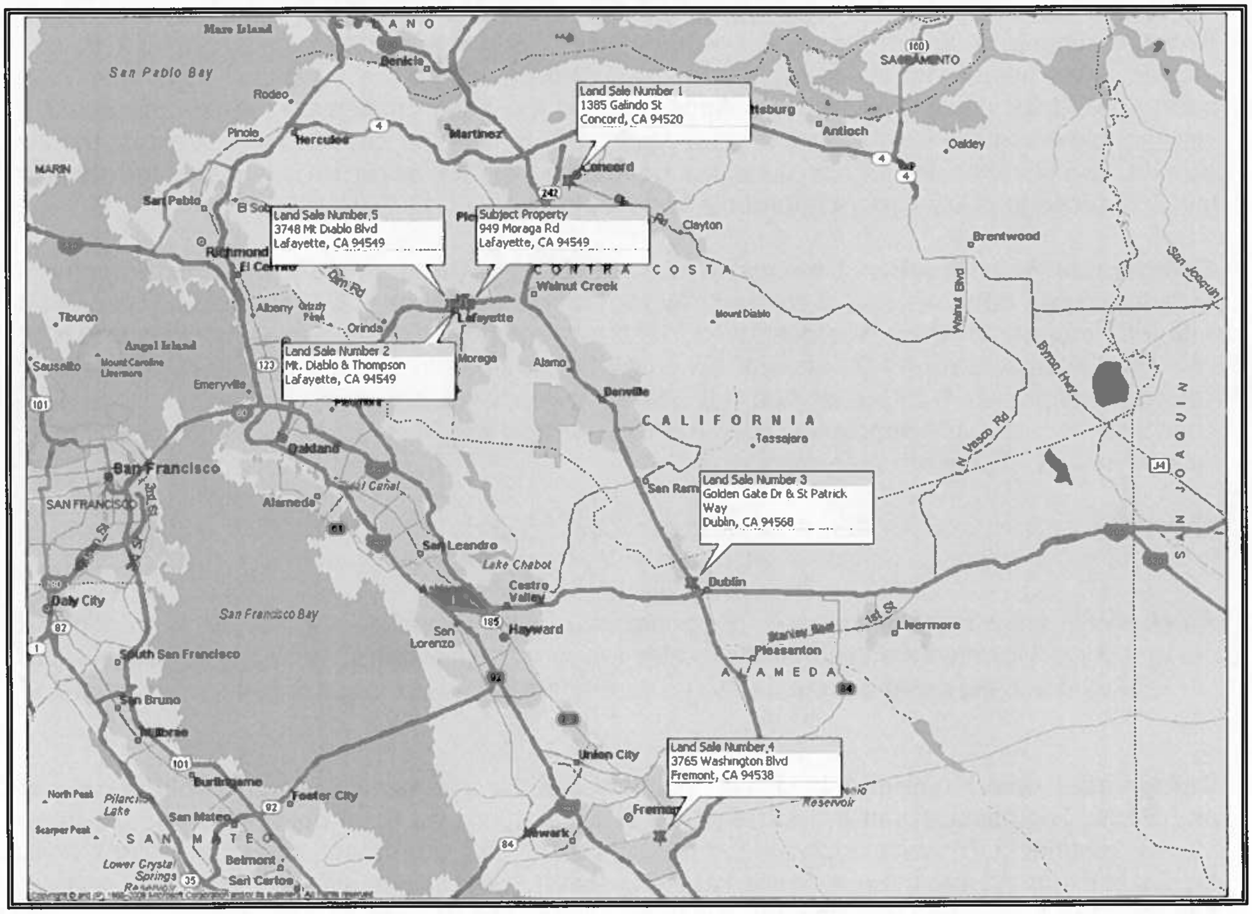
In determining the value for the underdeveloped or vacant portion of the site, the first step is to survey the local market for land sales of similar use properties, which have recently transferred. As a result of the search, a number of sales were discovered that were of good comparability to the subject's MRO zoned land area. Those sales reflecting the highest degree of comparability to the subject have been displayed on the following chart. Additional details and comments with respect to each sale have been provided after the land sales chart, as well as discussion on adjustments to the unit of comparison used.

A review of the market information and conversation with brokers indicated that the price per square foot of land was the unit of comparison most commonly referred to in the marketplace. This will be the unit of comparison for this analysis.

LAND SALES SUMMARY CHART

NO.	LOCATION APN	SALE PRICE DOC NO.	SALE DATE	BUYER SELLER	PRICE PER SF	SITE SF SITE ACRES	AVERAGE DENSITY/ACRE PRICE/UNIT	ZONING INTENDED USE ENTITLEMENTED	FRONTAGE/ CORNER CURRENT USE
1	1385 Galindo Street Concord 126-133-013, 009 & 052	$2,100,000 Asking	Asking	N/A Owen & Saundra O'Neal	$46	45,456 1.04	95 Units/acre $21,212	DB Senior Housing 95/acre No	Interior Vacant
2	Mt. Diablo Blvd & S. Thompson Lafayette 243-040-035-4	$4,600,000 Pending	Pending	KB Homes Lafayette Residential Partners	$72	64,033 1.47	52 Units/acre avg $60,526	P-1, Planned Development 70-82 Condomiums Yes	Interior Paved/Parking
3	Golden Gate Dr & St Patrick Way Dublin Portion 941-1500-046	$5,000,000 N/A	Nov-09	Essex Union Bank and Trust	$35	141,570 3.25	60 Units/acre $25,641	C-60 City Service Commercial 195 residential units Yes	Comer Vacant
4	3765 Washington Boulevard Fremont 525-0628-008-02	$1,050,000 92741	Mar-09	Washington One Investment Foster Family Properties	$57	18,295 0.42	N/A N/A	Community Commercial Day Care Yes	Comer Vacant
5	3748 Mt. Diablo Blvd Lafayette 241-010-024,033,040	$8,000,000 96387	May-08	Woodbury, LLC Bharat Amin	$88	90,604 2.08	27 Units/acre $142,857	Multi Family 56 Condominiums Yes	Interior Hotel
	SUBJECT 941-943-945 Moraga Road Lafayette 243-210-013, 014, 015					25,003 0.57	35 units/acre	MRO-Multi-family resid. Office City Parking Lot No	Interior Carrier Use

LOCATION OF COMPARABLE LAND SALES



The majority of the sales have a higher density than the subject. When the economy and residential real estate market was stronger, it was affordable to develop properties with higher densities. That is no longer the case. Lower density developments cost less to construct as they include lower height improvements and surface parking. Therefore a minimal adjustment has been applied for density differences. Additionally in the past, entitlements were considered a very valuable component for vacant land. Again, this is less the case in the current economic climate. Entitlements for higher densities developments are being revisited and the density levels reduced to make it more affordable to develop.

Comparable Sale Number 1 is located at 1385 Galindo Street in Concord. This property is vacant and has been used as a contractor's yard for an interim use. It was previously improved with a funeral home which was destroyed in a fire. It consists of three parcels containing a total of 45,456 square feet or 1.04 acres. This property has been in and out of escrow a couple of times. Development with senior housing has been proposed but they were unable to secure financing, they are still negotiating with the City for this use. It is zoned DB with 95 units per acre permitted. There are no entitlements

This property is currently offered for sale at an asking price of $2,100,000 or $46 per square foot. The seller indicated he would sell it to the City for closer to $41 per square foot.

A downward adjustment is required for conditions of sale as the likely price will be negotiated below asking. Downward adjustments are also made for higher density and the cost required to demolish the subject's improvements. An upward adjustment was made for inferior location and size.

Comparable Sale Number 2 is located northwest of the intersection of Mt. Diablo Boulevard and South Thompson Road in Lafayette. This site is approved for a building to exceed three stories containing 70 units however the purchaser has inquired about adjusting it to 82 units total. It is expected that the purchaser, KB Homes will have entitlements before it closes escrow. It is zoned P-1 Planned Development. It is currently a paved parking lot.

There is a base purchase price of $4,600,000. Plus an additional land payment of 21% of any profit in excess of 21% after all sales revenue minus expenses is calculated. No additional value was placed on these potential profits sometime in the future largely as a function of the current poor residential market which will take some time to recover.

This comparable was a adjusted downward for declining market conditions as it has been in escrow an extended period of time and for superior location. Additional downward adjustments were required for lack of demolition, higher density and entitlements. An upward adjustment was applied for size.

Comparable Sale Number 3 consists of a parcel containing 3.25 net acres. It is located at the corner of Golden Gate Drive and St. Patrick Way in Dublin. It is a block away from the new west Dublin BART station. This property was originally approved for development of 60 units per acre but was reapproved for 95 units per acre. Based on the cost of construction, it is expected that the units per acre will be changed back to 60 per acre or a total of 195 units. It will be developed with apartments. This is a flat parcel with no on-site improvements as of the time of sale. It is zoned C-60, City Service Commercial.

This property closed escrow November 5, 2009. The sales price was $5,000,000 or $35 per square foot. The bank had taken this property back and while it was listed on the open market, the bank was motivated to sell.

This comparable was adjusted downward for declining market conditions and upward for conditions of sale as the bank was a motivated seller. A downward adjustment was also applied for lack of demolition, density and entitlements. An upward adjustment was needed for size and location.

Comparable Sale Number 4 is the sale of a smaller parcel containing 0.42 acres or 18,295 square feet. The zoning is for community commercial. This property is located at 3765 Washington Boulevard in Fremont. It is in the center of the new Irvington downtown area and is within walking distance from the future Irvington BART station. This parcel is situated at the northeast corner of Washington Boulevard and Roberts Avenue and the southeast corner of Main Street and Roberts Avenue. This was a vacant parcel and the buyer received approval for a child care center prior to closing escrow and it was entitled before the close of escrow. It will be improved with a 6,000 square foot, two story child care facility and a large playground area in addition to parking. The planning department indicated that it could be developed with mixed use commercial and residential but did not have a density as it would be considered on a case by case basis.

This parcel closed escrow March 25, 2009 at a price of $1,050,000 or $57 per square foot.

This comparable was adjusted downward declining market conditions, lack of demolition and entitlements.

Comparable Sale Number 5 is the located at 3748 Mt. Diablo Boulevard in Lafayette. It does not actually have frontage on Mt. Diablo but has access. It has frontage on Risa Road. It was zoned general commercial but it was changed to P-1, planned unit development prior to close of escrow. The property was approved for the development of 65 condominium units. This sale represents three of the four parcels included in this assemblage. The fourth parcel was purchased well above market value as the owner was aware of the adjacent assemblage. It was therefore not included in this comparable. This portion of the development would include approximately 56 units. This translates into 27 units per acre. This comparable contains 2.08 acres or 90,604 square feet. This property had been approved with a three building hotel and it was estimated by the owner that the cost to remove the buildings would be approximately $60,000.

This property sold for $8,000,000 or $88 per square foot in May 2008.

This comparable was adjusted downward for declining market conditions. Additional downward adjustments were needed for location and entitlements. Upward adjustments were required for size.

The adjustments to the comparables are summarized on the following chart.

LAND SALES ADJUSTMENT CHART

	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5
Sale Price/SF	**$46**	**$72**	**$35**	**$57**	**$88**
Financing					
Conditions of Sale	-10%		5%		
Net Adjustments	-10%	0%	5%	0%	0%
Market Adjusted Price	**$41**	**$72**	**$37**	**$57**	**$88**
Market Conditions		-5%	-5%	-10%	-20%
Time Adjusted Price	**$41**	**$68**	**$35**	**$51**	**$70**
Location	20%	-5%	20%		-5%
Site Area	5%	5%	20%		10%
Demolition	-2%	-1%	-1%	-5%	
Density	-10%	-5%	-5%		
Entitlements		-10%	-10%	-10%	-10%
Net Adjustments	13%	-16%	24%	-15%	-5%
Adjusted Sale Price	**$47**	**$57**	**$43**	**$44**	**$67**

Conclusion:

As a result of the adjustment process, the indicated range of land sales prices per square foot is from $43 to $67 per square foot with a mean of $52 per square foot. The comparables bracket the subject in terms of size, density and location. They include one asking, one pending and three closed sales. Two of the closed sales occurred in 2009 and one in 2008. Comparables 2 and 5 at $57 and $67 per square foot respectively were both located in Lafayette but have superior access to the subject. The value of the subject is therefore considered to fall below this level, closer to the mean or $55 per square foot.

Therefore the indicated Market Value for the subject as indicated by the bracketed value is $1,375,165 or $55 per square foot (25,003 square feet x $55 per square foot = $1,375,165. Based on the Sales Comparison Approach the combined value for the three parcels associated with 941, 943 and 945 Moraga Road is **$1,375,000, rounded.**

INCOME CAPITALIZATION APPROACH – 949 MORAGA ROAD

Lease Summary

The subject property consists of a single-story office building. It has been demised into 2 suites. There are no vacant spaces at this time as there are two tenants. The suites contain 1,250 and 2,200 square feet. In addition there is a center hall containing 116 square feet. No rent is being paid for the common area. Typically this would be included in the net rentable area and considered as a load factor. The total building area is 3,566 square feet.

The tenants leases are on a gross basis with the landlord paying a majority of the expenses, and the tenants paying utilities and janitorial. They also pay for repairs and maintenance. Suite A represents approximately 2,200 square feet. The tenant is Alta Bates Medical Group, Inc. The lease was signed to commence on July 1, 2008 and run for 12 months. The rental rate is currently at $3.12 per square foot, gross or $6,864 per month. The lease was verbally extended for a year through the end of June 2010. The tenant has the option to give 6-months notice to extend the lease for up to 3 one-year periods with 4% adjustments applied to the current rate. As there is no written agreement at this time, this is considered to be a month to month tenant.

East Bay Physicians is leasing 1,250 square feet at a rental rate of $4.00 per square foot, gross, for the first two years with 4% annual increases thereafter. This is a ten year lease with two 5 year options. The landlord has the option to terminate the lease with 3 months notice upon sale or conveyance of the property. The copy of the lease we received was not signed and it is assumed that this lease has been signed.

Rent Roll

Lessee	Start Date	End Date	Rentable Area	Current Rent	Lease Rate - $/SF/MO
East Bay Eye Physicians	Jul-08	Jun-18	1,250	$5,000.00	$4.00
Alta Bates	Jul-08	Mo to Mo	2,200	$6,864.00	$3.12
Total			**3,450**	**$11,864.00**	**$3.44**

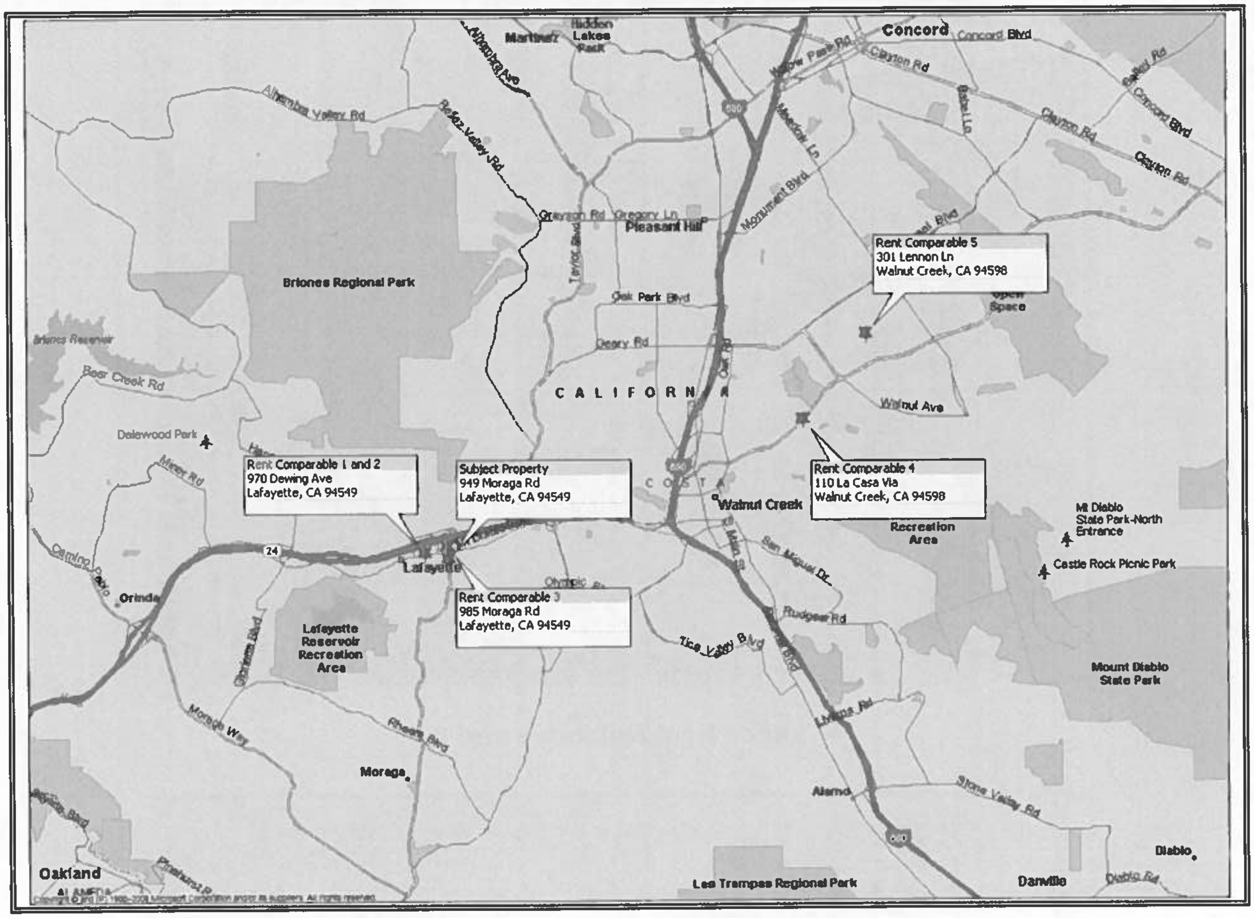
Market Rent

For the first step, the market was searched for leases on similar properties. Pertinent data on each comparable is displayed and adjustments will be made to the comparables. The price per square foot was the unit of comparison considered.

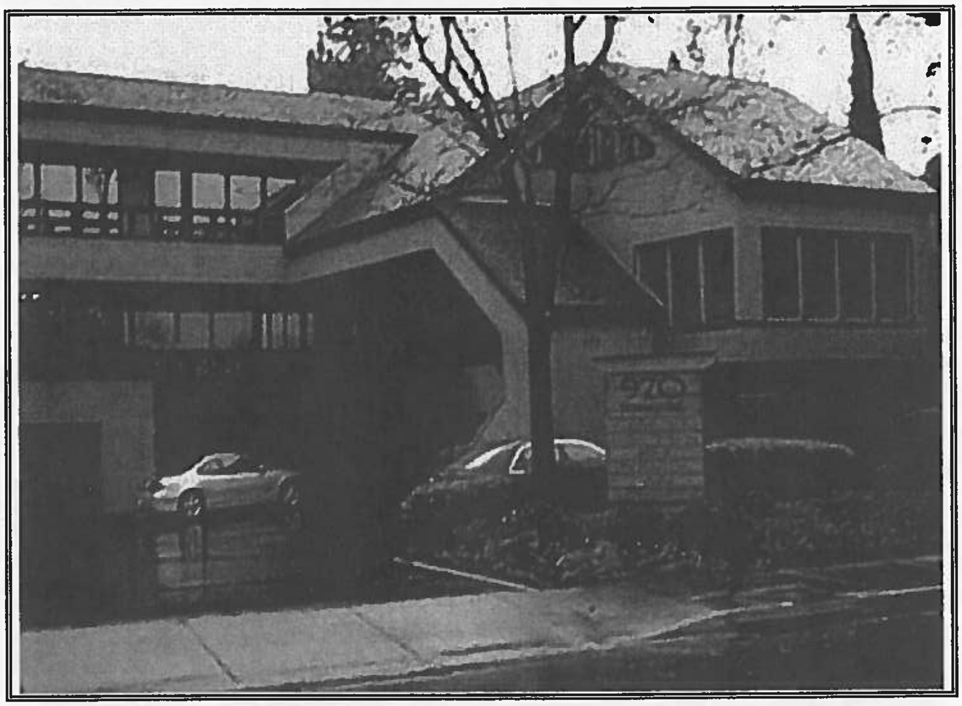
The following chart will show the rent comparables:

COMPARABLE RENTS SUMMARY CHART						
No.	Tenant/Location	Lease Date Term(Mo)	Leased Area Age	Quality Condition Bldg/Mtls	Base Rent	Comments
1	Diagnostic Imaging 970 Dewing Ave Lafayette	Pending 72	2,545 1982	Avg-Good Avg-Good 1-3 sty, frame	**$1.95** **NNN**	$10/sf TI's and two months free Annual increases CAM $0.75/sf
2	Dr. Michael Nelson 970 Dewing Ave Lafayette	Mar-10 39	1,834 1982	Avg-Good Avg-Good 1-3 sty, frame	**$1.96** **NNN**	$5/sf TI's and three months free Annual increases CAM $0.75/sf
3	Randy Ackerman 985 Moraga Road Lafayette	Jan-10 30	1,716 1961	Average Average 1-2 sty, frame	**$2.06** **Full Service**	3 Months free rent No TI's
4	Dermatologist 110 La Casa Via Walnut Creek	Dec-09 60	2,224 1987	Avg-Good Avg-Good 1-2 sty, frame	**$2.65** **Full Service**	No Free rent TI's $8/sf Renewal, expansion
5	Orthopedic Surgeon 301 Lennon Lane Walnut Creek	Dec-09 12	2,300 1982	Avg-Good Avg-Good 1-2 sty, frame	**$2.00** **IG**	Renewal No free rent or TI's
	Subject 949 Moraga Road Lafayette		1,250 & 2,200 1947	Average Average 1-1 sty, frame		

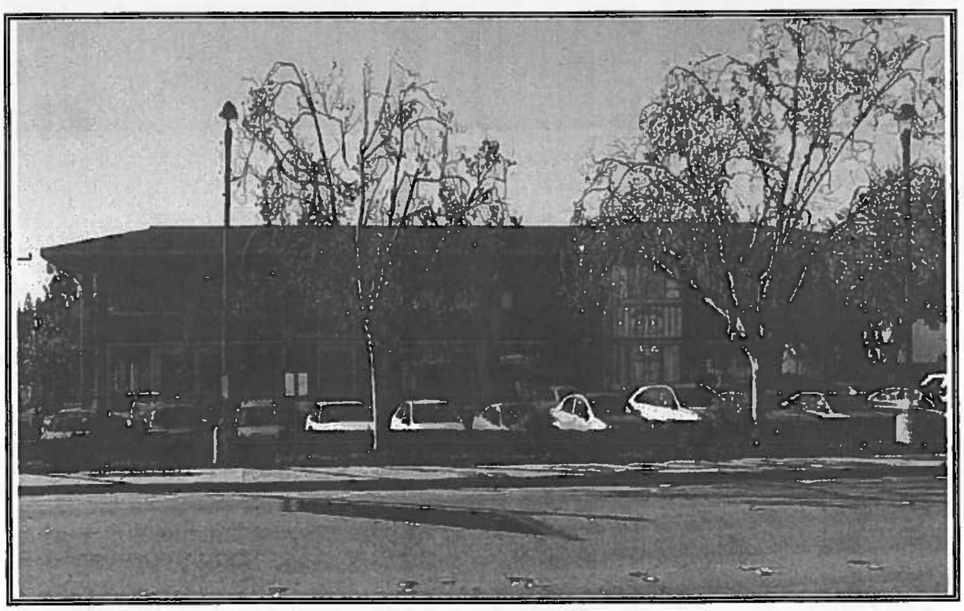
LOCATION OF COMPARABLE OFFICE RENTS



COMPARABLE OFFICE RENT PHOTOGRAPHS



Office Rent Number 1 and 2



Office Rent Number 3

COMPARABLE OFFICE RENT PHOTOGRAPHS

Office Rent Number 4

Office Rent Number 5

Rental Market Discussion

The Rent Comparables are multi-tenant buildings with average to good quality construction. The leases were quoted on triple net, gross and a full service basis. The lease on the subject is based on gross expenses. In a gross lease, the landlord pays most expenses and the tenant pays for utilities and janitorial. However in the case of the subject the tenant also pays for repairs and maintenance. These comparable buildings were of average to good similarity to the subject property and located in office buildings in the Lafayette or Walnut Creek market and required minimal adjustments. We did not adjust for size differences below 2,500 square feet due to the market not appearing to recognize the smaller size differentials in the leases rates negotiated.

Comparable Number 1 and 2 are in a three story medical office building located near the subject in Lafayette. It is located just off Mount Diablo Boulevard at 970 Dewing Avenue, which offers similar location with inferior exposure compared to the subject. The building was constructed in 1982, and appears to be in superior average to good condition. This building is occupied by numerous labs, medical and dental tenants. The CAM charges were reported at $0.75 per square foot. Comparable Number 1 reflects a pending lease to Diagnostic Imaging for a 2,545 square foot suite. The rental rate is $1.95 per square foot on a triple net basis. Tenant improvements of $10 per square foot were included with 2 months of free rent. The lease term is 72 months. Comparable Number 2 is a lease to Dr. Michael Nelson for a 1,834 square foot suite. The lease term is 39 months with a rental rate of $1.96 per square foot on a triple net basis. The lease was signed in March 2010. There are 3 months of free rent and $5 per square foot of tenant improvements. An upward adjustment was applied for the NNN expenses and a downward adjustment for the free rent. An additional downward adjustment was needed for condition/age and an upward adjustment for visibility/exposure.

Comparable Number 2 is another recent lease in a building located just north of the subject at 985 Moraga Road in Lafayette with similar placement and exposure. The building was constructed in 1961, and appears to be in superior condition. This however is general office space which is not in as high demand as medical office space. Randy Ackerman leased this 1,716 square foot suite for a rental rate of $2.06 per square foot on a full service basis. The lease term was 30 months and the lease was signed in January 2010. There were 3 months of free rent provided and no tenant improvements. This comparable was adjusted downward for free rent and conversion to gross basis. An additional downward adjustment was needed for age and an upward adjustment for appeal as this is not medical space.

Comparable Number 4 is a lease at 110 La Casa Via in Walnut Creek. It is across the street from the John Muir Medical Center and Hospital at the rear of a medical office complex. This property was constructed in 1987. A dermatologist is leasing 2,224 square feet for a term of 60 months. The lease is dated December 2009 and has a rental rate of $2.65 per square foot on a full service basis. There were no months of free rent provided. Tenant improvements were included at $8 per square foot. It was adjusted downward for conversion to gross terms and for declining market conditions. An additional downward adjustment was needed for age. An upward adjustment was applied for inferior exposure.

Comparable Number 5 is a lease to an Orthopedic Surgeon at 301 Lennon Lane in the Shadelands Business Park in Walnut Creek. This is an inferior location with inferior exposure on the interior of an office park. This building was constructed in 1982. This is a 2,300 square foot suite that was leased in December 2009. The rental rate was $2.00 per square foot on a gross basis. There were no months of free rent or tenant improvements included. The lease has a 12 month term. The tenant renews on an annual basis. This comparable was adjusted downward for declining market conditions and age. An upward adjustment was needed for location and exposure.

The adjustments are summarized below.

COMPARABLE RENT ADJUSTMENTS					
	COMP 1	COMP 2	COMP 3	COMP 4	COMP 5
Rent/SF	$1.95	$1.96	$2.06	$2.65	$2.00
Financing					
Concessions	-3%	-8%	-10%		
Expenses	18%	18%	-10%	-17%	
Net Adjustments	15%	10%	-12%	-17%	0%
Market Adjusted Price	$2.24	$2.16	$1.81	$2.20	$2.00
Market Conditions				-3%	-3%
Time Adjusted Price	$2.24	$2.16	$1.81	$2.13	$1.94
Location					10%
Quality / Appeal			25%		
Condition/Age	-10%	-10%	-5%	-10%	-10%
Size					
Visibility/Exposure	5%	5%		10%	10%
Net Adjustments	-5.0%	-5.0%	20.0%	0.0%	10.0%
Adjusted Rent PSF	$2.13	$2.05	$2.17	$2.13	$2.13

Market Rent Conclusion

As a result of the adjustment process, the indicated range of rents is $2.05 to $2.17 per square foot, gross, with most weight from $2.13 to $2.17 per square foot, gross. The mean can be calculated at $2.12 per square foot. Comparables 1 and 2 are medical office leases in a newer building located just a few blocks from the subject. Comparable 3 is a general office lease in a building just north of the subject. Comparables 4 and 5 are medical office spaces in Walnut Creek. All of the comparables were in the subject's general market area. The most weight was in the range of $2.13 and $2.17 per square foot and this is generally consistent with the mean at $2.12 per square foot. Therefore, a market rent of a bracketed $2.15 per square foot; gross has been established and has reasonable support.

Potential Gross Income

The Potential Gross Income (PGI) projections for the subject property are based on the market rent for the subject's two leases and the corresponding rentable areas. The contract rent is not consistent with market rent survey. The Alta Bates lease is on a month to month basis and market rent has been applied to this suite. The remaining suite will be assigned the $2.15 per square foot, gross. We have included the common hallway in our calculations of rent for a total net rentable area of 3,566 square feet. The rent gain associated with the above market contract rent will be discussed in the Reconciliation Section.

The Potential Gross Income for the subject property is calculated at $92,003, (3,566 square feet x $2.15/sf/month x 12 months).

Vacancy and Collection Loss

As stated previously, office vacancy levels in the Lafayette office market are at 11.6% but this is for general office space. Discussions with brokers indicated that there is higher demand for medical office space and little vacancy. The subject is currently 100% occupied by medical tenants. It has historically maintained a higher occupancy level based on its favorable location and small size.

Buyers typically make an allowance for vacancy or credit losses. We have concluded to a vacancy rate of 4% and 1% for collection loss which reflects the current Lafayette medical office market, and also closely mirrors the subject's current lack of any vacancy. The resulting total of 5% has been concluded for the vacancy and collection loss allowance.

Estimated Operating Expenses

The subject property is leased on a gross basis and the comparables have been converted to gross when necessary. In a gross lease the landlord is responsible for the majority of the expenses with the exception of utilities and janitorial. In the case of the subject, the tenant also pays for the majority of repairs and maintenance. We have also considered expenses experienced on similar properties, as well as quotes from knowledgeable sources. We were provided with expenses for the last three years and they are included in the chart below along with the appraiser's projections. A brief discussion of each expense item follows. Historical taxes have not been included in the chart as they have been calculated based on current market value. The expenses have been reported as follows:

OPERATING EXPENSES

Expense	2007 Expenses	2007 Expenses/sf	2008 Expenses	2008 Expenses/sf	2009 Expenses	2009 Expenses/sf	Appraiser's Projection	Appraiser's Projection/sf
Landscaping	$ 2,400.00	$ 0.67	$ 2,400.00	$ 0.67	$ 2,400.00	$ 0.67	$ 1,425.00	$ 0.40
Repairs & Maintenance	$ 1,250.00	$ 0.35	$ 600.00	$ 0.17	$ 2,500.00	$ 0.70	$ 1,250.00	$ 0.35
Insurance	$ 2,300.00	$ 0.64	$ 2,460.00	$ 0.69	$ 2,500.00	$ 0.70	$ 1,250.00	$ 0.35
Total Operating Expenses	$ 5,950.00	$ 1.67	$ 5,460.00	$ 1.53	$ 7,400.00	$ 2.08	$ 3,925.00	$ 1.10

Property Taxes

The subject's property taxes are estimated by dividing the NOI without an expense for property taxes by a modified OAR that is calculated by adding the property tax rate to the OAR. The result is the preliminary value estimate. This is multiplied by the tax rate to arrive at the estimated taxes based on the current estimated property value.

Assessments

Reflect the actual amount reported by the county assessor's office.

Insurance

The subject property reported an expense for insurance at $0.67 per square foot however this included the entire subject property and not just this building. Similar buildings in the area are indicating rates of approximately $0.25 to $0.50 per square foot, which is considered a reasonable range for the subject. We have applied a rate of $0.35 per square foot.

Landscaping

Landscaping has been reported at a consistent $0.67 per square foot for the last three years. Typically the charge for landscaping falls between $0.20 and $0.55 per square foot. Again this expense includes the entire subject property and not just this building. As a result, we have applied a mid-rate of $0.40 per square foot or $1,425 per year in the Income Summary.

Repairs & Miscellaneous

This includes all forms of building maintenance. However, according to the leases, the tenants are responsible to keep all parts of the building except the roof, exterior walls, plumbing and electrical in good condition and repair during the term of the lease. The tenant has expressly waived all rights to make repairs at the expense of the landlord. Over the last three years, this expense has ranged from $0.17 to $0.70 per square foot. The higher rate was due to treating termites this past year. A rate of $0.35 per square foot was applied and is considered adequate.

Management - Administration

Quoted ranges for property management range from as low as 2% to 5% of effective gross income. A total management fee of 4% of the effective gross income is considered within the range reasonably expected for a dual-tenant property and has been applied.

Structural Maintenance and Reserves

Typically, structural maintenance and reserve allowances are seen in the 1% to 2% of effective gross income range. We've assigned structural maintenance and reserves for replacement at 2% of effective gross income as a form of contingency against future expenses due to the age and condition of the building.

Summary

After the above indicated adjustments, the total expenses were calculated as indicated in the following chart. Total expenses are at 26% of effective gross income which is considered within a reasonable range considering the size of the building. This is reasonable considering the building type and condition, and it is in line with other properties under similar gross lease agreements.

Overall Capitalization Rate (OAR) Analysis

The capitalization rate for the subject property is based on the quality, quantity and durability of the projected income stream, the demand for and supply of competitive office space, the relative stability of the expense projection, and the age, size and quality of the subject property in comparison to similar properties. The capitalization rate is typically extracted from the comparable improved sales in the Sales Comparison Approach. The capitalization rates indicated by these transactions generally reflect the relationship between their anticipated income levels and their acquisition costs. The overall rates of Comparable Sales that had cap rates were reported at 5.9% for Comparable 1, 4.8% for Comparable 2 and 6.2% for Comparable 6.

Korpacz in their First Quarter 2010 survey reported that San Francisco Office investors are paying 6.0% to 11.0% overall rates for institutional grade office with an average rate of 8.49%. This is down from last quarter of 8.53% and a year ago at 7.63%. These surveys are based on large, multi-tenant investor properties, in which the investor seeks a higher rate.

As an additional check to value, a band of investment was created under the following assumptions:

Band of Investment					
Equity Return	3.0%		Safe Rate		
Mortgatge Rate	6.0%				
Mortgage Term	25 years				
Loan to Value Ratio	60.0%				
Overall Rate Estimate					
	Portion of Value		Interest Rate		Product
Mortgage Debt Ser\	60.0%	x	0.077316	=	0.0464
Equity Dividend	40.0%	x	3.0%	=	0.0120
Overall Rate					0.05839
				or	**5.8%**

In my selection of a cap rate, the most weight was placed evenly on the rates indicated by the local sales and Band of Investment analysis as these closely reflect the actions of current market participants in the marketplace for this type of property. The rates indicated in the sales comparison approach had good comparability to the subject building in terms of location, exposure, style, or rental appeal. The subject is a dual-tenant previous owner user property in a popular neighborhood in suburban Lafayette.

Given the subject's location, exposure, size, design, condition and the having applied market rent, an overall rate of 6.0% is considered reasonable and supportable. There is little medical office space in this area and the small price point makes it affordable to a larger sector of potential buyers. Applying the selected capitalization rate to the subject's net operating income results in a value of $1,085,000, rounded. The direct capitalization approach follows.

INCOME SUMMARY						
GROSS ANNUAL INCOME	3,566	x	12	x	$2.15	$92,003
VACANCY & COLLECTION LOSS	5.0%					($4,600)
EFFECTIVE GROSS INCOME						$87,403
OPERATING EXPENSES						
	TAXES	1.1045%			$11,983	
	SPECIAL ASSESSMENTS	Actual			$1,148	
	INSURANCE	$0.35			$1,250	
	LANDSCAPING	$0.40			$1,425	
	REPAIRS AND MAINTENANCE	$0.35			$1,250	
	MANAGEMENT	4.0%			$3,496	
	RESERVES	2.0%			$1,748	
	TOTAL EXPENSES	26%				$22,300
NET OPERATING INCOME						$65,103
CAP RATE						0.0600
INDICATED VALUE						$1,085,042
	ROUNDED					**$1,085,000**

COMMENTS AND FINAL CORRELATION

The approaches considered in this report have indicated the following values for the "As Is" Market Value estimate for the medical office property located at 949 Moraga Road:

Cost Approach:	N/A
Sales Comparison Approach:	$1,035,000
Income Capitalization Approach:	$1,085,000

The approaches considered in this report have indicated the following values for the "As Is" Market Value estimate for the MRO zoned properties located at 941, 943 and 945 Moraga Road:

Cost Approach:	N/A
Sales Comparison Approach:	$1,375,000
Income Capitalization Approach:	N/A

The process of reconciliation weighs the strengths and weaknesses of the two approaches involved with valuing 949 Moraga Road and the single most applicable approach for valuing the combined 941-943-945 Moraga Road. The approach deemed most reliable is given most consideration in determining market value was the Sales Comparison Approach due to the short term nature of one of the tenant's lease, the previous owner/user occupancy of the medical office, the small size and based on being the typical approach used for valuing land. The relative reliability of each of the approaches is dependent upon the extent to which it can reflect the probable actions of market participants. Information about the data must be detailed enough to allow for analysis of components relative to the similarity or variance from the subject property. Each of the value approaches is analyzed in the following paragraphs.

Sales Comparison Approach

The Sales Comparison Approach to value uses actual sales that have recently occurred and compares prices of those properties to the subject property. Our survey produced numerous recent sales of generally similar properties to the subject. They have all occurred within the last two years and are similar in attributes to the subject. This approach was considered to offer a very reliable indication of value for both of the subject properties valued (medical office & land).

Income Capitalization Approach

The Income Capitalization Approach to value is an attempt to measure the value of the subject property as though it were purchased by an investor willing to make the property available for lease. All of the comparables are located within either medical office buildings or general office buildings located in Walnut Creek and Lafayette. They are pending or occurred within the last five months. The comparables reflected both similar size and slightly larger leases similar to the subject. These comparables offered a moderate adjusted range of values for the subject property. The indicated adjusted range in values was consistent and the resulting value conclusion had good support. The value indicated by this approach is deemed reliable for the analysis of the 949 Moraga Road property, and in fact, was supportive of the value conclusion indicated in the Sales Comparison Approach.

This approach was not used for valuing the land associated with 941-943-945 Moraga Road due to it not being a typical approach used for land valuation and based on the carrier value of the existing improvements on the land currently.

Value Conclusion

The Sales Comparison Approach and Income Capitalization Approaches indicate values with a variance of $50,000 for the 949 Moraga Road office property. Based on the above analysis, it is our opinion that the Sales Comparison Approach value indication should be given primary consideration in the valuation of the subject property since the sale transactions reflected similar product to the subject, the typical buyer of a small office is another owner/user and the sale comparables were of superior quality. Based on the analysis presented in this report, it is our opinion the market value of the leased fee interest of the subject property, subject to the assumptions and limiting conditions cited in this report, as of April 1, 2010, and predicated on an estimated exposure time of six to twelve months, is $1,035,000.

BONUS RENT CALCULATION – 949 MORAGA ROAD

While we applied market rent for our analysis, the above market rent must be recognized as it adds value to the subject. As Alta Bates is on a month to month basis, there is no bonus rent attributable. The contract rent and market rent for the remaining tenant is detailed in the chart below. This bonus rent is projected to continue until the lease expire. The number of months remaining for the lease is included in the chart below.

The bonus rent for the lease with 99 months remaining has been discounted at a rate of 25% over the remaining term to reflect the risk that this tenant will continue to pay this level of rent in this declining market. Bonus rent was calculated at $98,597.90 or $100,000, rounded. This bonus rent of $100,000 is added to the above determined value of $1,035,000 for a total value of $1,135,000.

BONUS RENT AND RENT LOSS

Lessee	End of Term	Rentable Area	Current Monthly Rent 3/10	Effective Rental Rate	Appraiser's Monthly Projection	Appraiser's Projection - $/SF	Estimated Monthly Rent Bonus	Remaining Months	Discount Rate	Present Value of Rent Loss
East Bay Eye Physicians	6/30/2018	1,250	$5,000.00	$4.00	$2,687.50	$2.15	$2,312.50	99	25.00%	$98,597.90
TOTAL										$98,597.90

Value of 941-943-945 Moraga Road

The Sales Comparison Approach indicated a well bracketed value for the 941-943-945 Moraga Road properties. The Sales Comparison Approach value indication was given sole consideration in the valuation of the subject property since the land sale transactions were similar commercial or multi-family development products to the subject. Based on the analysis presented in this report, it is our opinion the market value of the fee simple interest of the subject property, subject to the assumptions and limiting conditions cited in this report, as of April 1, 2010, and predicated on an estimated exposure time of six to twelve months, is a bracketed $1,375,000. Therefore, the combined values of the total four properties represents $1,135,000 + $1,375,000 = **$2,510,000. This reported value assumes a sale of all properties to the same buyer.**

The subject property is currently listed for sale at an asking price of $3,500,000. This price is in excess of the value determined above and considered to be an above market asking price.

EXPOSURE AND MARKETING TIME

For federally related transactions, all appraisals are required to report reasonable exposure and marketing times for the subject property. The Appraisal Standards Board of the Appraisal Foundation defines exposure time as follows: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at a market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events, assuming a competitive and open market. It should be noted that exposure time is different for various types of real estate and under various market conditions. Moreover, the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time, but also adequate, sufficient, and reasonable effort. Consequently, based on its location, quality/condition, occupancy characteristics, and the current market, the subject's ***exposure time is estimated to be six to twelve months.***

Marketing time is the length of time necessary to expose a property to the open market in order to achieve a sale. Implicit in this definition are the following assumptions: 1) the property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar properties, 2) a sale will be consummated under the terms and conditions of the definition of market value as stated in this report, and 3) the property will be offered at a price reflecting the most probable markup over market value used by sellers of similar properties. Therefore, based on the reported marketing times of comparable properties, the subject's ***marketing time is also estimated to be six to twelve months.***