

**CITY OF OAKLAND
AGENDA REPORT**

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 DEC 29 PM 12:47

TO: Office of the Agency Administrator
ATTN: Deborah Edgerly
FROM: Community and Economic Development
DATE: January 11, 2005

RE: **AGENCY AND CITY RESOLUTIONS AUTHORIZING THE SALE OF REAL PROPERTY LOCATED AT 1728 SAN PABLO AVENUE FOR \$1.3 MILLION TO SILVER SOUND ELECTRONICS, INC., FOR REHABILITATION AS A RETAIL AND OFFICE PROJECT, AND AUTHORIZING A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE PROJECT.**

SUMMARY

Two resolutions have been prepared authorizing the Redevelopment Agency to sell to Silver Sound Electronics, Inc., Agency-owned real property located at 1728 San Pablo Avenue on the block bounded by San Pablo Avenue, 18th Street, 17th Street and Telegraph Avenue ("Exhibit A"), known as the Cal-Art building, for the purchase price of \$1.3 million for development and rehabilitation of the existing building to be used as retail and commercial space (the "Project"). The resolutions will authorize the Agency Administrator to enter into a Disposition and Development Agreement ("DDA") with Silver Sound Electronics, Inc., to sell the property for \$1.3 million. The project proposed by Silver Sound Electronics, Inc., includes approximately 8,000 to 9,000 square feet of retail and 2,000 to 3,000 square feet of associated office space.

Staff recommends that the Agency and the City following a public hearing to be scheduled on January 18, 2004 approve the resolutions authorizing the Agency to sell the Cal-Art building for \$1.3 million and authorizing a DDA for the Project. Adoption of these Resolutions satisfies Mayor and City Council Priority Goal # 1 (Make Oakland a Safe City), Goal # 2 (Develop a Sustainable City) and Goal #3 (Improve Oakland Neighborhoods).

FISCAL IMPACT

Approval of the DDA and sale of the Cal-Art Building will generate \$1.3 million in sales proceeds for the Redevelopment Agency. Close of escrow is anticipated in March of 2005. Upon completion of sale of the Property, \$1.3 million will be returned to Fund 9504 Project P132780 and will be reallocated for redevelopment projects in the next budget cycle. The Project will also produce an estimated \$13,000 per year in tax increment revenue for the Redevelopment Agency, net of all pass - through and set-asides.

Item: _____

Community and Economic Development
January 11, 2005

BACKGROUND

The original Central District Urban Renewal Plan dates back to June 12, 1969. On July 24, 2001, the Agency approved an amended redevelopment plan for the Central District Redevelopment Project Area of Oakland to be carried out in accordance with California Community Redevelopment Law (Health & Safety Code Section 33000. et seq.). According to the Plan, in order to eliminate blight influences and to improve the Project Area, all properties which are designated in the Retail Center/Uptown Project and Rehabilitation Area may be acquired by negotiation or eminent domain, and shall be sold, leased or conveyed for reuse in accordance with this plan.

In the past two decades, the Agency has been purchasing properties and relocating businesses in the Uptown Area for the purpose of assembling parcels in connection with the future Uptown Redevelopment Project. In November of 2002, the Agency acquired the subject property known as the Cal-Art building, which housed the Cal-Art Supply Store located at 1728 San Pablo Avenue (APN: 008-0641-011-01), and a noncontiguous vacant parcel located at 568 18th Street (APN: 008-0642-005-01) behind the Fox Theater that was used as the parking lot for the Cal-Art's patrons (*the owner would only sell the two parcels together*) via a voluntary acquisition for a total price of \$2 million. The Cal-Art Supply Store that had been operating in this building closed its operation, and therefore the Agency did not incur any relocation costs as a result of the acquisition. The main purpose of the acquisition was to complete site control over the entire Fox Theater block in order to ensure that the Agency would be able to provide a developer with the assembly of all parcels within the Fox Theater block identified by Exhibit "A."

The General Plan for the land use of the subject area is the "Central Business District", and it is zoned C-55 (Central Core District). The building is located within the Uptown Redevelopment Area, but it will not be incorporated in the Uptown Redevelopment Project Area (Forest City Development). Since the acquisition, the Cal-Art Building has been used to house a portion of the programs for the Oakland School of the Arts and to assist the Film Office with various projects. The Agency also worked with several developers who were interested in redeveloping the site for housing and retail purposes, but the proposed projects did not prove to be feasible. On August 11, 2004 City staff reached agreement on terms to sell the Cal-Art Building to Silver Sound Electronics, Inc., for its fair market value of \$1.3 million. Silver Sound Electronics, Inc. plans to use the building as a retail and associated office center.

KEY ISSUES AND IMPACTS

Property Description

The Cal-Art building is a streamlined, Art-Deco modern style, one story structure that was constructed in 1946-47 on an irregular lot size of 9,970 square feet. The 18,400 square-foot building features 9,900 square feet on the ground floor, with a partial second floor of 3,000 square feet and a basement that is 5,500 square feet. The property is located on the corner of 18th Street and San Pablo Avenue in the Central District Redevelopment Project Area of the City of Oakland. The building has been rated as a C3 by the City of Oakland's Cultural Heritage Survey.

Purpose of the Disposition

The purpose of the sale is to return the property to productive economic use by rehabilitating the structure into a mixed-use project with a retail and associated office component. As a result, the building will contribute to the revitalization of the Uptown district and generate tax revenues for the City and Agency. The building will be fully rehabilitated and brought into compliance with current building codes. The property will be sold in its “as-is” condition. The revenues from this sale are part of the planned financing for the Uptown Project.

Project Scope and Description

The Cal-Art building was first designed as a furniture store, but later used to house an art supply store for more than 40 years. Silver Sound Electronics, Inc. has hired the Oakland-based architectural firm Komoros–Towey to begin the design for the rehabilitation of the building. The focus of the rehabilitation will be the building exterior (repairing the façade, cleaning, painting etc.) and upgrading the mechanical, HVAC, and electrical systems. Silver Sound Electronics will relocate its current retail outlet store in Kaiser Shopping Center at Broadway and MacArthur to the Cal-Art building.

The Developer

Silver Sound Electronics, Inc. is an Oakland-based holding company that owns a retail chain of sport-related clothing and shoes called “The Spot” in the Bay Area. The company operates branches in Concord, Richmond, Hayward, Milpitas, West Oakland, and Berkeley. Their flagship store called “The Outlet” is located in Oakland at the corner of MacArthur and Broadway in the Kaiser Shopping center. Parvez Postionchian is the owner of the company which recently completed a major award winning renovation of another building located at 1715 -1721 Broadway in downtown Oakland.

Project Budget and Financing

Silver Sound Electronics, Inc. has deposited as down payment \$150,000 in escrow, which will be applied towards the purchase price. The remaining funds needed for the purchase and rehabilitation of the building will be provided in the form of a loan to Silver Sound Electronics, Inc., by the Pacific Funding Group, Inc.

Project Schedule

The predevelopment phase under the DDA is for three months with the sale of the site taking place in March of 2005. Silver Sound Electronics, Inc. has approximately 30 days after executing the DDA to complete planning approvals and to close escrow on the site. Completion of the design, construction documents and permits will take another two months, until early 2005. Construction will require up to 3 months, with occupancy of the building by September of 2005.

Date Due	Task
January 18, 2005	Resolutions approved by Agency & City
March 1, 2005	DDA is executed
April 1, 2005	Closing of Escrow, completion of planning review, submit building plans

May 1, 2005	Obtain building permits, commence construction
September 1, 2005	Complete rehabilitation, move – in

CEQA Review

The Agency’s proposal to convey the property to Silver Sound Electronics, Inc. and the Developer’s proposal to restore and retrofit the building as a retail and office center have been reviewed according to the California Environmental Quality Act (CEQA) guidelines.

The Agency has determined that the proposal will be exempt under CEQA Section 15301: Existing Facilities. This categorical exemption states that minor alterations to existing facilities involving negligible or no expansion of use would not have a significant effect on the environment. However, CEQA Section 15300.2f states that a categorical exemption shall not be used if the project may cause an adverse change in a historic resource. The existing building on the property is a Potentially Designated Historic Property (PDHP) with a rating of C3 but is not located in a historic district. The building does not meet the Local Register of Historic Resources definition and therefore is not subject to CEQA historical review. Since the conveyance or retrofit work is not expected to cause a substantial adverse change to the significance of a historic resource and there is no anticipated change of use or expansion, the proposals are consistent with the CEQA Existing Facilities exemption.

Hazardous Materials Abatement

In April of 2002, the Agency completed investigations for the presence of asbestos and lead based paint in the building. The findings indicated no evidence of asbestos and a minor presence of lead based paint in the building. As part of the negotiated price, Silver Sound Electronics, Inc. will purchase the property in an “as is” condition.

SUSTAINABLE OPPORTUNITIES

Economic: The proposed project will take an underutilized semi-vacant building and convert it to better economic use. The rehabilitation of the Cal-Art Building will improve the gateway to the Uptown Redevelopment Area and will enhance the appearance of other buildings in the downtown area. The opening of the new retail and office space will contribute to job creation, other new retail openings and increased sale and business tax revenues to the City.

Environmental: The excellent location of the property in the Uptown Area in proximity to major public transportation nodes will likely encourage use of BART and AC Transit by retail customers and office users, which will ease general pressure on the region’s congested transportation infrastructure.

Social Equity: The rehabilitation work will be designed and build by locals firms in Oakland. The retail center will expand the supply of jobs in Oakland.

DISABILITY AND SENIOR CITIZEN ACCESS

Rehabilitation work for the building will be completed in full compliance with the Americans with Disabilities Act, as well as other applicable laws.

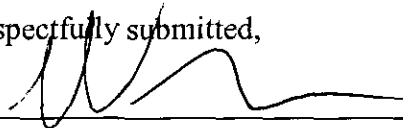
RECOMMENDATION

Staff recommends that the Agency and the City approve the resolutions authorizing the sale of Agency-owned real property located at 1728 San Pablo Avenue for \$1.3 million to Silver Sound Electronics, Inc., for rehabilitation as a retail and associated office space and authorizing a Disposition and Development Agreement for the Project.

ACTION REQUESTED OF THE AGENCY ADMINISTRATOR

Adopt the Agency and the City resolutions authorizing the sale of Agency-owned real property located at 1728 San Pablo Avenue for \$1.3 million to Silver Sound Electronics, Inc., for rehabilitation and use as a retail space with associated office, and authorizing a Disposition and Development Agreement for the Project.

Respectfully submitted,




Daniel Vanderpriem, Director of Redevelopment,
Economic Development and Housing and
Community Development

Forwarded by:
Frank Fanelli, Manager
CEDA, Real Estate Division

Prepared by:
Hamid Ghaemmaghami, Real Estate Agent
CEDA, Real Estate Division

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE



OFFICE OF THE AGENCY ADMINISTRATOR

EXHIBIT A

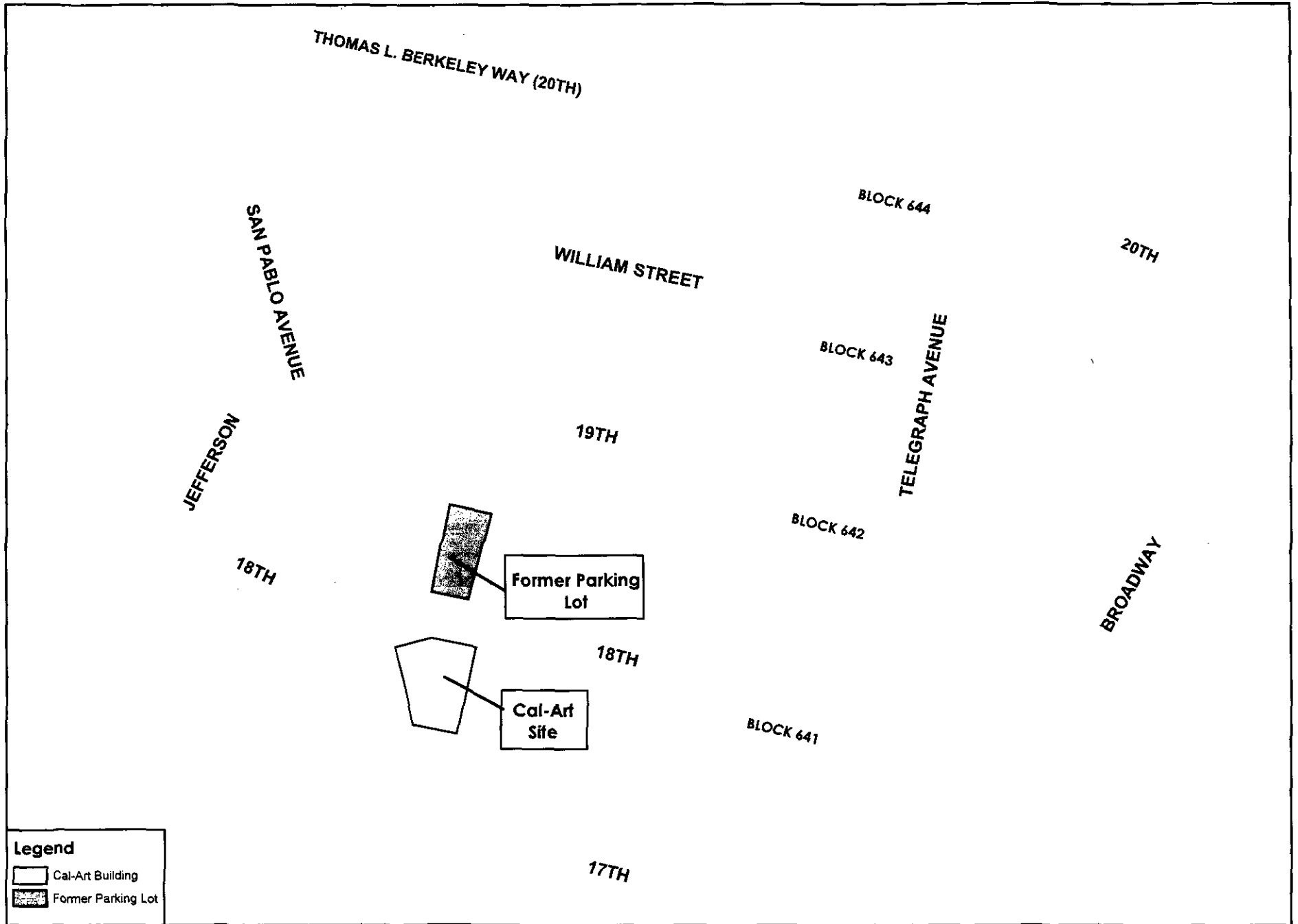


Exhibit A

Property Description

(attached)

PARCEL ONE:

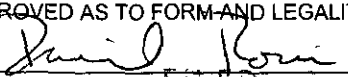
Lots 27 and 28 and a portion of Lot 29 and 30, "Map of The Campbell Tract," filed March 30, 1878, Map Book 2, Page 64, Alameda County Records, described as follows:

Beginning at the point of intersection of the Eastern line of San Pablo Avenue, with the Southern line of 18th Street, as said Avenue and Street are shown on said Map; running thence along said line of San Pablo Avenue Southerly 106.58 feet to the Southern line of said Lot 30; thence along the last mentioned line Easterly 60.85 feet; thence at right angles Northerly 118.00 feet to the Northern common corner of said Lots 28 and 29 on the said Southern line of 18th Street; thence along said line of 18th Street; Westerly 61.58 feet to an angle point therein; thence continuing along said line of 18th Street, 50.33 feet to the point of beginning.

PARCEL TWO:

Beginning at a point on the Eastern line of San Pablo Avenue, distant thereon North 14° 30' West 119.22 feet from the Northern line of 17th Street; and running thence along said line of San Pablo Avenue North 14° 30' West 0.55 of a foot to the Southern line of Lot 30, as said lot is shown on the "Map of The Campbell Tract, Oakland," filed March 30, 1878, in Book 2 of Maps, Page 64, in the Office of the County Recorder of Alameda County; thence along the last named line South 78° 53' East 60.82 feet to the Western line of the land secondly described in the Deed by Leslie Berger, et al, to Kahn Investment Company, et al, dated June 19, 1946, recorded July 1, 1946 under Recorder's Series TT/56009 in the Office of the County Recorder of Alameda County; thence South 11° 07' West 0.50 of a foot to a line drawn South 78° 53' East from the point of beginning; thence North 78° 53' West 60.58 feet to the point of beginning.

Assessor's Parcel No: 008-0641-011-01


Deputy City Attorney
OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL 2004 DEC 29 PM 12: 48

RESOLUTION No. _____ C.M.S.

A RESOLUTION APPROVING THE SALE OF REAL PROPERTY LOCATED AT 1728 SAN PABLO AVENUE FOR \$1.3 MILLION TO SILVER SOUND ELECTRONICS, INC., FOR REHABILITATION AS A RETAIL AND OFFICE PROJECT

WHEREAS, the California Community Redevelopment Law, Health and Safety Code Section 33430, authorizes a redevelopment agency within a survey (Project) area or for purposes of redevelopment to sell real property; and

WHEREAS, the California Community Redevelopment Law, Health and Safety Code Section 33433, requires that before any property of a redevelopment agency that is acquired in whole or in part with tax increment moneys is sold for development pursuant to a redevelopment plan, the sale must first be approved by the legislative body, i.e., the City Council, by resolution after a public hearing; and

WHEREAS, the City and the Redevelopment Agency of the City of Oakland (the "Agency") are actively involved in eliminating blight and encouraging retail and office development within the Central District Redevelopment Project Area; and

WHEREAS, the Agency has been implementing the Uptown Redevelopment Plan to attract residential, commercial and retail developments into the Central District, and the Agency has determined that it desires to encourage new retail and commercial development by offering Agency-owned buildings to developers for development and rehabilitation; and

WHEREAS, the Agency owns the building at 1728 San Pablo Avenue and known as the Cal-Art Building, more fully described in Exhibit A attached to this Resolution (the "Property"), located within the Central District; and

WHEREAS, Silver Sound Electronics, Inc., desires to purchase the Property from the Agency in order to rehabilitate and use the building as a retail/commercial project consisting of between 8,000 and 9,000 square feet of retail space and 2,000 to 3,000 square feet of associated office space (the "Project"); and

WHEREAS, staff has negotiated and proposes entering into a Disposition and Development Agreement ("DDA") with Silver Sound Electronics, Inc., which sets forth the terms and conditions of the sale of the Property to Silver Sound Electronics, Inc., or its affiliate and governs the development of the Project and the use of the Property by Silver

Sound Electronics, Inc., and any successors to the Property subsequent to sale through recorded covenants running with the land; and

WHEREAS, the DDA provides that the Agency will dispose of the Property to Silver Sound Electronics, Inc., at fair marketed value appraisal of \$1.3 million; and

WHEREAS, the DDA requires that Silver Sound Electronics, Inc., or its affiliate construct and operate the Project consistent with the Redevelopment Plan and restricts the use of the Property to retail and commercial uses; and

WHEREAS, the DDA and the grant deed that will convey the Property to Silver Sound Electronics, Inc., or its affiliate adequately condition the sale of the Property on the redevelopment and use of the Property in conformity with the Central District Redevelopment Plan, and such documents prohibit discrimination in any aspect of the Project as required under the Central District Redevelopment Plan and the California Community Redevelopment Law; and

WHEREAS, the Project uses are in conformity with the Central District Redevelopment Plan, the Project will assist in the elimination of blight in the Central District, and the Project will help meet the objectives of the Central District Redevelopment Plan; and

WHEREAS, the California Community Redevelopment Law (Health and Safety Code Section 33433) requires that before any property of a redevelopment agency that is acquired in whole or in part with tax increment moneys is sold for development pursuant to a redevelopment plan, the sale must first be approved by the legislative body, i.e., the City Council, by resolution after a public hearing; and

WHEREAS, as required by the California Community Redevelopment Law, the Agency has made available to the public for inspection, no later than the first date of publication of the notice for the hearing, a report that contains a copy of the draft DDA and a summary of the cost of the agreement to the Agency, the estimated fair market value of the Property at its highest and best use permitted under the Redevelopment Plan, and an explanation of why the sale of the Property and development of the Project will assist in the elimination of blight, with supporting facts and material; and

WHEREAS, a joint public hearing between the Agency and the City Council was held to hear public comments on the sale of the Property for the Project; and

WHEREAS, notice of the sale of the Property and the public hearing was given by publication at least once a week for not less than two weeks prior to the public hearing in a newspaper of general circulation in Alameda County; and

WHEREAS, the City is the Lead Agency for this Project for purposes of environmental review under the California Environmental Quality Act of 1970 ("CEQA"); and

WHEREAS, the conveyance of the Property and the proposed use were reviewed and considered by the City in evaluating the zoning consistency and compliance

with CEQA, the Guidelines for Implementation of the California Environmental Quality Act (14 CCR Sections 15000, et seq., the "CEQA Guidelines"), and the City's Environmental Review Regulations; and

WHEREAS, the City has determined that the Project involves negligible or no expansion of use, will not have a significant effect on the environment, and is therefore exempt from CEQA per Section 15301 (Existing Facilities) of the CEQA Guidelines; now, therefore, be it

RESOLVED: That the City Council hereby finds and determines that the Project will not have significant effect on the environment and is exempt from CEQA per Section 15301(Existing Facilities) of the CEQA Guidelines; and be it further

RESOLVED: That the City Council hereby finds and determines that the sale of the Property by the Agency to Silver Sound Electronics, Inc., or its affiliate for the Project furthers the purposes of the California Community Redevelopment Law, contributes to the elimination of blight in the Central District Redevelopment Project Area, conforms to the Central District Redevelopment Plan, including its Implementation Plan, and furthers the goals and objectives of said Redevelopment Plan in that: (1) the Project will increase the stock of retail and office space in the Central District, (2) the Project will provide necessary neighborhood-serving commercial facilities lacking in the Central District; (3) the Project, once completed, will create permanent jobs for low and moderate income people, including jobs for area residents; (4) the Project will redevelop and reuse a key underutilized site and building in the Central District; (5) the rehabilitation of the Cal-Art Building once completed will improve the environmental design within the Central District; and (6) the Project, once developed, will enhance the upcoming Forest City Redevelopment Project in the surrounding area, and will encourage efforts to alleviate economic and physical blight conditions in the area, including high business vacancy rates, and excessive vacant lots, by enhancing the development potential and overall economic viability of neighboring properties; and be it further

RESOLVED: That the City Council hereby approves the sale of the Property to Silver Sound Electronics, Inc., or to an affiliated entity satisfactory to the Agency, for the purchase price of \$1.3 million, subject to the terms and conditions of the DDA; and be it further

RESOLVED: That the City Council finds and determines that the purchase price of \$1.3 million equals or exceeds the fair market value of the Property at its highest and best use permitted under the Redevelopment Plan; and be it further

RESOLVED: That the City Administrator or his or her designee is directed to file a Notice of Exemption within five (5) working days of this Resolution in accordance with the CEQA Guidelines; and be it further

RESOLVED: That the custodians and locations of the documents or other materials which constitute the record of proceedings upon which the City's decision is based are respectively: (a) the Community and Economic Development Agency, Projects Division, 250 Frank H. Ogawa Plaza, 5th Floor, Oakland; (b) the Community and Economic Development Agency, Planning Division, 250 Frank H. Ogawa Plaza, 3rd Floor,

Oakland and (c) the Office of the City Clerk, 1 Frank H. Ogawa Plaza, 1st Floor, Oakland; and be it further

RESOLVED: That the Council hereby appoints the City Administrator or his or her designee as agent of the City to take any other action with respect to the Property and the Project consistent with this Resolution and its basic purpose.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

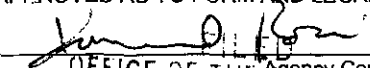
AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, and PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California


OFFICE OF THE AGENCY COUNSEL
OAKLAND CLERK

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND**

2004 DEC 29 PM 12:49

RESOLUTION No. _____ C.M.S.

**A RESOLUTION AUTHORIZING THE SALE OF REAL PROPERTY
LOCATED AT 1728 SAN PABLO AVENUE FOR \$1.3 MILLION TO
SILVER SOUND ELECTRONICS, INC., FOR REHABILITATION AS A
RETAIL AND OFFICE PROJECT, AND AUTHORIZING A DISPOSITION
AND DEVELOPMENT AGREEMENT FOR THE PROJECT**

WHEREAS, the California Community Redevelopment Law, Health and Safety Code Section 33430, authorizes a redevelopment agency within a survey (Project) area or for purposes of redevelopment to sell real property, Section 33432 requires that any sale of real property by a redevelopment agency in a project area must be conditioned on redevelopment and use of the property in conformity with the redevelopment plan, and Section 33439 provides that a redevelopment agency must retain controls and establish restrictions or covenants running with the land for property sold for private use as provided in the redevelopment plan; and

WHEREAS, the Central District Urban Renewal Plan adopted on June 12, 1969, as subsequently amended, as well as the Five-Year Implementation Plan for the Central District (together, the "Central District Redevelopment Plan" or "Redevelopment Plan"), authorizes the Redevelopment Agency to sell land in the Central District Redevelopment Project Area (the "Central District"); and

WHEREAS, the Redevelopment Agency of the City of Oakland (the "Agency") is actively involved in eliminating blight and encouraging retail and office development within the Central District; and

WHEREAS, the Agency has been implementing the Uptown Redevelopment Plan to attract residential, commercial and retail developments into the Central District, and the Agency has determined that it desires to encourage new retail and commercial development by offering Agency-owned properties to developers for development and rehabilitation; and

WHEREAS, the Agency owns the building at 1728 San Pablo Avenue and known as the Cal-Art Building, more fully described in Exhibit A attached to this Resolution (the "Property"), located within the Central District; and

WHEREAS, Silver Sound Electronics, Inc., desires to purchase the Property from the Agency in order to rehabilitate and use the building as a retail and associated office project consisting of between 8,000 and 9,000 square feet of retail space and 2,000 to 3,000 square feet of associated office space (the "Project"); and

WHEREAS, staff has negotiated and proposes entering into a Disposition and Development Agreement ("DDA") with Silver Sound Electronics Inc., which sets forth the terms and conditions of the sale of the Property to Silver Sound Electronics, Inc., or its affiliate and governs the development of the Project and the use of the Property by Silver Sound Electronics, Inc., and any successors to the Property subsequent to sale through recorded covenants running with the land; and

WHEREAS, the DDA provides that the Agency will sell the Property to Silver Sound Electronics, Inc., at its fair marketed value appraisal of \$1.3 million; and

WHEREAS, the DDA requires that Silver Sound Electronics, Inc., or its affiliate construct and operate the Project consistent with the Redevelopment Plan and restricts the use of the Property to retail and commercial uses; and

WHEREAS, the DDA and the grant deed that will convey the Property to Silver Sound Electronics, Inc., or its affiliate adequately condition the sale of the Property on the redevelopment and use of the Property in conformity with the Central District Redevelopment Plan, and such documents prohibit discrimination in any aspect of the Project as required under the Central District Redevelopment Plan and the California Community Redevelopment Law; and

WHEREAS, the Project uses are in conformity with the Central District Redevelopment Plan, the Project will assist in the elimination of blight in the Central District, and the Project will help meet the objectives of the Central District Redevelopment Plan; and

WHEREAS, the California Community Redevelopment Law (Health and Safety Code Section 33433) requires that before any property of a redevelopment agency that is acquired in whole or in part with tax increment moneys is sold for development pursuant to a redevelopment plan, the sale must first be approved by the legislative body, i.e., the City Council, by resolution after a public hearing; and

WHEREAS, as required by the California Community Redevelopment Law, the Agency has made available to the public for inspection, no later than the first date of publication of the notice for the hearing, a report that contains a copy of the draft DDA and a summary of the cost of the agreement to the Agency, the estimated fair market value of the Property at its highest and best use permitted under the Redevelopment Plan, and an explanation of why the sale of the Property and development of the Project will assist in the elimination of blight, with supporting facts and material; and

WHEREAS, a joint public hearing between the Agency and the City Council of the City of Oakland was held to hear public comments on the sale of the Property for the Project; and

WHEREAS, notice of the sale of the Property and the public hearing was given by publication at least once a week for not less than two weeks prior to the public hearing in a newspaper of general circulation in Alameda County; and

WHEREAS, the City Council has approved the sale of the Property by resolution after the public hearing; and

WHEREAS, the Agency is a Responsible Agency for this Project for purposes of environmental review under the California Environmental Quality Act of 1970 ("CEQA"); and

WHEREAS, the conveyance of the Property and the proposed use were reviewed and considered by the Agency in evaluating the zoning consistency and compliance with CEQA, the Guidelines for Implementation of the California Environmental Quality Act (14 CCR Sections 15000, et seq., the "CEQA Guidelines"), and the City's Environmental Review Regulations; and

WHEREAS, the Agency has determined that the Project involves negligible or no expansion of use, will not have a significant effect on the environment, and is therefore exempt from CEQA per Section 15301 (Existing Facilities) of the CEQA Guidelines; now, therefore, be it

RESOLVED: That the Agency hereby finds and determines that the Project will not have significant effect on the environment and is exempt from CEQA per Section 15301 (Existing Facilities) of the CEQA Guidelines; and be it further

RESOLVED: That the Agency hereby finds and determines that the sale of the Property by the Agency to Silver Sound Electronics, Inc., or its affiliate for the Project furthers the purposes of the California Community Redevelopment Law, contributes to the elimination of blight in the Central District Redevelopment Project Area, conforms to the Central District Redevelopment Plan, including its Implementation Plan, and furthers the goals and objectives of said Redevelopment Plan in that: (1) the Project will increase the stock of retail and office space in the Central District, (2) the Project will provide necessary neighborhood-serving commercial facilities lacking in the Central District; (3) the Project, once completed, will create permanent jobs for low and moderate income people, including jobs for area residents; (4) the Project will redevelop and reuse a key underutilized site and building in the Central District; (5) the rehabilitation of the Cal-Art Building once completed will improve the environmental design within the Central District; and (6) the Project, once developed, will enhance the upcoming Forest City Redevelopment Project in the surrounding area, and will encourage efforts to alleviate economic and physical blight conditions in the area, including high business vacancy rates, and excessive vacant lots, by enhancing the development potential and overall economic viability of neighboring properties; and be it further

RESOLVED: That the Redevelopment Agency hereby authorizes the Agency Administrator or his or her designee to sell the Property to Silver Sound

Electronics, Inc., or to an affiliated entity satisfactory to the Agency Administrator, for the purchase price of \$1.3 million, subject to the terms and conditions of the DDA; and be it further

RESOLVED: That the Agency finds and determines that the purchase price of \$1.3 million equals or exceeds the fair market value of the Property at its highest and best use permitted under the Redevelopment Plan, that there are no Agency or City subsidies to the developer in this transaction, and that therefore the Agency's employment and contracting programs do not apply; and be it further

RESOLVED: That the transaction shall include the following terms and conditions:

- \$1.3 million, the purchase price, to be paid in the form of cash;
- Silver Sound Electronics, Inc., or its affiliate to be responsible for the cost of required off-site improvements in connection with the Project;
- Silver Sound Electronics Inc., or its affiliate to take the Property in its "as-is" condition;
- Silver Sound Electronics Inc., or its affiliate to comply with provisions of the Central District Redevelopment Plan and nondiscrimination provisions of redevelopment law;
- The plans and specifications for the Project to be reviewed and approved by the Agency;
- Transfer of the Property to be restricted prior to Project completion;
- Project commencement and completion dates to be set in the DDA as negotiated by the Agency Administrator;
- No required application of the Agency's employment and contracting programs (prevailing wage, local employment, local/small local business enterprise contracting, apprenticeship, living wage, or first-source hiring) to the Project;
- The Project to be restricted to retail and commercial office uses;
- Any other appropriate terms and conditions as the Agency Administrator or his or her designee may establish in his or her discretion or as the California Community Redevelopment Law or the Redevelopment Plan may require; and be it further

RESOLVED: That upon completion of sale of the Property, \$1.3 million will be returned to Fund 9504, Project P132780 and will be reallocated for redevelopment projects in the next budget cycle; and be it further

RESOLVED: That the Agency Administrator or his or her designee is hereby authorized to negotiate and execute a Disposition and Development Agreement with Silver Sound Electronics, Inc., or an affiliated entity or entities approved by the Agency Administrator, for the Project, and other documents with Silver Sound Electronics Inc., or its affiliate, Project funding sources, or other parties as necessary to facilitate the sale and development of the Property for the Project; and be it further

RESOLVED: That all documents related to this transaction shall be reviewed and approved by Agency Counsel prior to execution, and copies will be placed on file with the Agency Secretary; and be it further

RESOLVED: That the Agency Administrator or his or her designee is directed to file a Notice of Exemption within five (5) working days of this Resolution in accordance with the CEQA Guidelines; and be it further

RESOLVED: That the custodians and locations of the documents or other materials which constitute the record of proceedings upon which the Agency's decision is based are respectively: (a) the Community and Economic Development Agency, Redevelopment Division, 250 Frank H. Ogawa Plaza, 5th Floor, Oakland; (b) the Community and Economic Development Agency, Planning Division, 250 Frank H. Ogawa Plaza, 3rd Floor, Oakland; and (c) the Office of the City Clerk, 1 Frank H. Ogawa Plaza, 1st Floor, Oakland; and be it further

RESOLVED: That the Agency hereby appoints the Agency Administrator or his or her designee as agent of the Redevelopment Agency to conduct negotiations and execute documents with respect to the sale of the Property as necessary to effectuate this transaction, and to take any other action with respect to the Property and Project consistent with this Resolution and its basic purpose.

IN AGENCY, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN, AND
CHAIRPERSON DE LA FUENTE,

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____

—
CEDA FLOYD
Secretary of the Redevelopment Agency
of the City of Oakland

Exhibit A

Property Description

(attached)

PARCEL ONE:

Lots 27 and 28 and a portion of Lot 29 and 30, "Map of The Campbell Tract," filed March 30, 1878, Map Book 2, Page 64, Alameda County Records, described as follows:

Beginning at the point of intersection of the Eastern line of San Pablo Avenue, with the Southern line of 18th Street, as said Avenue and Street are shown on said Map; running thence along said line of San Pablo Avenue Southerly 106.58 feet to the Southern line of said Lot 30; thence along the last mentioned line Easterly 60.85 feet; thence at right angles Northerly 118.00 feet to the Northern common corner of said Lots 28 and 29 on the said Southern line of 18th Street; thence along said line of 18th Street; Westerly 61.58 feet to an angle point therein; thence continuing along said line of 18th Street, 50.33 feet to the point of beginning.

PARCEL TWO:

Beginning at a point on the Eastern line of San Pablo Avenue, distant thereon North 14° 30' West 119.22 feet from the Northern line of 17th Street; and running thence along said line of San Pablo Avenue North 14° 30' West 0.55 of a foot to the Southern line of Lot 30, as said lot is shown on the "Map of The Campbell Tract, Oakland," filed March 30, 1878, in Book 2 of Maps, Page 64, in the Office of the County Recorder of Alameda County; thence along the last named line South 78° 53' East 60.82 feet to the Western line of the land secondly described in the Deed by Leslie Berger, et al, to Kahn Investment Company, et al, dated June 19, 1946, recorded July 1, 1946 under Recorder's Series TT/56009 in the Office of the County Recorder of Alameda County; thence South 11° 07' West 0.50 of a foot to a line drawn South 78° 53' East from the point of beginning; thence North 78° 53' West 60.58 feet to the point of beginning.

Assessor's Parcel No: 008-0641-011-01

2024 DEC 29 PM 12:49

**SUMMARY REPORT PURSUANT TO
SECTION 33433 OF THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW
ON THE DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN
THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND AND
SILVER SOUND ELECTRONICS, INC., FOR THE CAL-ART BUILDING LOCATED
AT 1728 SAN PABLO AVENUE, OAKLAND CALIFORNIA**

I. INTRODUCTION

The California Community Redevelopment Law (Section 33433 of the California Health and Safety Code) requires that if a redevelopment agency wishes to sell or lease property to which it holds title, *and if that property was acquired in whole or in part with property tax increment funds*, the agency must first secure approval of the proposed sale or lease agreement from its local legislative body after a public hearing. A copy of the proposed sale and a summary report that describes and contains specific financing elements of the proposed transaction must be available for public inspection prior to the public hearing. As required by the Community Redevelopment Law, the following information must be included in the summary report for the sale of property:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, *plus the expected interest on any loans or bonds to finance the agreement.*
2. The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the redevelopment plan.
3. The estimated fair market value of the interest to be conveyed, at the use and with the conditions, covenants, and development costs required by the sale.
4. The purchase price of the property. *If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.*
5. An explanation of why the sale of the property will assist in the elimination of blight, with reference to supporting facts and materials.

This report outlines the salient parts of the Disposition and Development Agreement (“Agreement”) by and between the Redevelopment Agency of the City of Oakland (“Agency”) and Silver Sound Electronics, Inc. (“Developer”), for the proposed Cal-Art rehabilitation project. (Please note that the proposed Agreement is being attached to this report only to illustrate in general terms the proposed

transaction, and is subject to further negotiation between the parties and possible modification.) Under this Agreement, the Developer will purchase Agency-owned property (the "Property"), located on the City Block 641 bounded by 18th Street, 17th Street, San Pablo Avenue, and Telegraph Avenue located within the Central District Urban Renewal Area ("Central District") of downtown Oakland, from the Agency and will rehabilitate the property to develop approximately 8,000 to 9,000 square feet of retail and 2,000 to 3,000 square feet of associated office space. (Please note that the specific components of the Project as set forth in this report are subject to change.)

This report is based upon information in the proposed Agreement dated November 8, 2004 (unless otherwise noted) and is organized into the following six sections:

- II. Summary of the Proposed Agreement** - This section includes a description of the site, the proposed development, and the major responsibilities of the Agency and the Developer.
- III. Cost of the Agreement to the Agency** - This section outlines the cost of the Agreement to the Agency. It presents the terms of the land conveyance to the Developer by the Agency, and sets forth the net cost of the Agreement to the Agency.
- IV. Estimated Value of the Interest to be Conveyed at Its Highest and Best Use** - This section summarizes the value of the Property to be conveyed to the Developer.
- V. Estimated Value of the Interest to be Conveyed with Disposition and Development Agreement Restrictions** - This section describes the purchase price to be paid by the Developer to the Agency. The proposed purchase price is the fair market value at the highest and best use consistent with the redevelopment plan for the interests conveyed.
- VI. Elimination of Blight** - This section includes an explanation of why the sale or lease of the Property will assist in the elimination of blight and the supporting facts and materials.
- VII. Conformance with Central District Redevelopment Plan and its Five Year Implementation Plan** - This section describes how the Agreement is in conformance with the Agency's Central District redevelopment plan (known as the "Central District Urban Renewal Plan") and its Five Year Implementation Plan.

II. SUMMARY OF THE PROPOSED AGREEMENT

The proposed Disposition and Development Agreement and all accompanying exhibits are attached (see Exhibit A, Draft Disposition and Development Agreement). A summary of the proposed Agreement is as follows (also see Exhibit C, Term Sheet):

A. *Description of the Property*

The Cal-Art building, located at 1728 San Pablo Avenue (APN: 008-0641-011-01), is located at the corner of 18th Street and San Pablo Avenue in the Central District Redevelopment Project Area of the City of Oakland. The building is a streamlined, Art-Deco modern style; one story building that was constructed in 1946-47. The 18,500 square foot building features 9,900 square feet on the ground floor, with a partial second floor of 3,000 square feet and a basement that is 5,500 square feet. The building has been rated as a C3 by the City of Oakland Cultural Heritage Survey. The Property is irregular in shape, measuring 9,970 square feet

Developer

Silver Sound Electronics, Inc., is an Oakland-based holding company that owns a retail chain of sport-related clothing and shoes called “The Spot” in the Bay Area. The company operates branches in Concord, Richmond, Hayward, Milpitas, West Oakland, and Berkeley. Their flagship store called “The Outlet” is located in Oakland at the corner of Macarthur and Broadway in the Kaiser Center shopping center. Parvez Postionchian is the owner of the company and he recently completed a major award winning renovation of his building located at 1715 -1721 Broadway in downtown Oakland.

Project Description

The Cal-Art Building was first designed as a furniture store, but later used to house an art supply store for more than 40 years. Silver Sound Electronics Inc. has hired the Oakland-based Architectural firm, Komoros–Towey, to begin the design for the rehabilitation of the building. The focus of the rehabilitation will be on repairing the façade (cleaning, painting etc.) and upgrading the mechanical, HVAC, and electrical systems. Silver Sound Electronics will relocate its current retail outlet store in Kaiser shopping Center at Broadway and Macarthur to the Cal-Art Building.

B. *Agency Responsibilities*

The Agency has no significant pre-conveyance obligations, other than to deliver the Property as set forth in the Agreement and to review and approve developer submissions as provided under the Agreement.

Subject to the specific terms and conditions stated in the Agreement, the Agency shall:

1. Sell the Property to the Developer “as is” for the price of \$1,300,000.
2. Cover closing costs in an estimated amount of \$30,000.

The Agency has no further significant financial or transactional obligations under the proposed Agreement.

C. *Developer Responsibilities*

Subject to the specific terms and conditions stated in the Agreement, the Developer shall, among other things:

1. Purchase the Property “as is” from the Agency for \$1,300,000.
2. Commence and complete construction of the Project by the dates specified in the Agreement. Silver Sound Electronics Inc. has approximately 30 days after executing the DDA to complete planning approvals, and to close escrow on the site. Completion of the design, construction documents and permits will take another two months, until early 2005. Construction will require up to 3 months, with occupancy of the building starting in late summer by beginning September of 2005. (Please note that all dates specified in the Project schedule are subject to change by mutual agreement.)

Date Due	Task
January 18, 2005	Resolutions approved by Agency and City
March 1, 2005	DDA is executed,
April 1, 2005	Closing of Escrow, completion of planning review, submit building plans
May 1, 2005	Obtain building permits, commence construction
September 1, 2005	Complete rehabilitation, move – in

3. Post-construction obligations are such that the Developer shall, among other things:
 - a. Operate the Project and Property in conformance with the requirement of the Central District Urban Renewal Plan.
 - b. Restrict the use of the Project and Property to retail, as well as office space associated with retail uses, as permitted under the Agreement.
 - c. Agree not to engage in discriminatory practices with reference to the Project as defined by redevelopment law

III. COST OF THE AGREEMENT TO THE AGENCY

This section presents the total potential cost of the Agreement to the Agency, as well as the "net cost" of the Project after consideration of the Project revenues. The net cost can be either an actual cost, when expenditures exceed receipts, or a net gain, when revenues created by implementation of the Agreement exceed expenditures. The revenues from this sale are part of the planned financing for the Uptown Project.

A. Estimated Cost to the Agency

In the past two decades, the Agency has been purchasing properties and relocating businesses in the Uptown Area for the purpose of assembling parcels for land banking purposes in connection with the future Uptown Redevelopment Project. In November of 2002, the Agency acquired the subject property known as the Cal-Art building, which housed the Cal-Art Supply Store, and a noncontiguous vacant parcel located at 568 18th Street (APN: 008-0642-005-01) behind the Fox Theater that was used as the parking lot for the Cal-Art's patrons (the owner would only sell the two parcels together) via a voluntary acquisition for a total price of \$2 million. The Cal-Art Supply Store that had been operating at the Cal-Art building closed its operation, and as result, the Agency did not incur any relocation costs as the result of the acquisition. The Agency estimates that the amount of \$1.65 million purchase price is allocable to the value of the Cal-Arts building at the time of acquisition.

For this Agreement, the net costs that the Agency has incurred are estimated in Table 1 below:

Agency Costs at 2001	Amount
Cal-Art Property and Business Acquisition	\$1,650,000
Escrow & Closing Costs	\$20,000
Total Cost to Agency	\$1,670,000

B. Revenues to the Agency

Per the terms of the Agreement, the Agency shall sell the Property to the Developer for \$1,300,000. Rehabilitation work will increase the value of the building by \$300,000. In addition to the selling price, the Agency will receive general property tax increment, net of all pass-throughs and set-asides, estimated at \$292,288 over the remaining life of the Central District Urban Renewal (see Exhibit E, Tax Increment Analysis). The Agency will also receive an estimated \$100,852 in tax increment revenues for the Low and Moderate Income Housing Fund. The total revenue stream to the Agency is estimated to be \$1,693,140. These findings are summarized in Table 2 below:

Table 2

Agency Revenues	Amount
Sales Price of Land to Developer	\$1,300,000
Estimated General Property Tax Increment	\$292,288
Estimated Housing Tax Increment	\$100,852
Total	\$1,693,140

C. Net Cost to the Agency

The Agency's costs for the Property are estimated at \$1,670,000 (Table 1). The Agency potential revenues are estimated at \$1,693,140 (Table 2). As a result, the net cost of the Agreement to the Agency, in so far as they can be determined and based on available information, will be effectively a net gain. This net gain is estimated at \$23,140 as summarized below in Table 3:

Table 3

Net Agency Revenue/Costs	Amount
Agency Revenues	\$1,693,140
Agency Costs	- \$1,670,000
Net Gain to the Agency	\$23,140

IV. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED AT ITS HIGHEST AND BEST USE

An appraisal dated August 24, 2004, prepared by licensed appraiser, William Wilkins; ASA estimated the value of the Property at \$1,300,000. The building is in a fair condition and it is likely that a new roof will be required and the interior wall is in poor condition, as are the floors. The "as is" value of the site is therefore \$1,300,000 (see Exhibit E, Appraisal). This report further concluded that the offer by the Developer is the highest and best use value for the site.

V. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED WITH DISPOSITION AND DEVELOPMENT AGREEMENT RESTRICTIONS

Since the purchase price being offered by the Developer is at or above the full fair market price of the Property at its highest and best use, there is no consideration based upon the restrictions of the Disposition and Development Agreement.

VI. HOW PROJECT WILL ASSIST WITH THE ELIMINATION OF BLIGHT

The Property is in the Central District redevelopment project area of downtown Oakland, on the block bounded by 18th Street, 17th Street, San Pablo Avenue and Telegraph Avenue. *The building has not been renovated, remodeled or updated since its original development date.*

The Project offers several benefits to the City that contributes to the improvement of the Uptown Area and in Oakland's downtown. First, the rehabilitation of the building will lead to beautification of the area and second, more retail activities will bring in shoppers to downtown area positively affecting current property values, and enhancing the needs of nearby future neighborhood residents in the Uptown Area.

The Redevelopment Agency has determined that the highest and best use of the building is retail and commercial uses. The proposed project will continue to use the building to create more retail and commercial spaces thus adding more value to the area for a long time in the future.

The Project also supports the Agency's goal of reinforcing and expanding retail uses downtown and provides a catalyst for additional private investment in the Central District, also contributing to the elimination of blight in the Central District. The Project also increases employment, both during the construction phase and thereafter.

The rehabilitation of the Cal-Art Building will ultimately contribute to a enhancing the gateway to the Uptown Redevelopment Area and will enhance the appearance of other buildings in the downtown area. The opening of the new retail and associated office will contribute to job creation, other new retail openings and increased sale and business tax revenues to the City.

VII. CONFORMANCE WITH THE CENTRAL DISTRICT REDEVELOPMENT PLAN AND ITS FIVE-YEAR IMPLEMENTATION PLAN

The sale of the Property by the Agency to Silver Sound Electronics Inc., for the Project furthers the purposes of the California Community Redevelopment Law, contributes to the elimination of blight in the Central District Redevelopment Project Area, conforms to the Central District Redevelopment Plan, including its Implementation Plan, and furthers the goals and objectives of said Redevelopment Plan in that: (1) the Project will increase the stock of retail and associate office space in the Central District, (2) the Project will provide necessary neighborhood-serving commercial facilities lacking in the Central District; (3) the Project, once completed, will create permanent jobs for low and moderate income people, including jobs for area residents; (4) the Project will redevelop and reuse a key underutilized site and building in the Central District; (5) the Project will improve environmental design within the Central District; and (6) the Project, once developed, will enhance the upcoming Forest City Redevelopment Project in the surrounding area, and will encourage efforts to alleviate economic and physical blight conditions in the area, including

high business vacancy rates, excessive vacant lots, and abandoned buildings, by enhancing the development potential and overall economic viability of neighboring properties.

LIST OF EXHIBITS FOR 33433 SUMMARY REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 DEC 29 PM 12:49

Exhibit A – Draft Disposition and Development Agreement

Exhibit B – Parcel Map

Exhibit C – Term Sheet

Exhibit D – Tax Increment Analysis

Exhibit E – Appraisal

EXHIBIT "A"

FILED
OFFICE OF THE CITY CLERK
GARLAND

FOR THE 33433 SUMMARY REPORT 2004 DEC 29 PM 12:49
CAL-ART BUILDING REHABILITATION PROJECT

DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT

NO FEE DOCUMENT

RECORDING REQUESTED BY:

Redevelopment Agency of the City of Oakland

WHEN RECORDED, MAIL TO:

City of Oakland
Community and Economic Development Agency
250 Frank Ogawa Plaza, 4th Floor
Oakland, California 94612
Attn.: Hamid Gami, Real Estate Agent

DISPOSITION AND DEVELOPMENT AGREEMENT

(1728 SAN PABLO AVENUE)

This Disposition and Development Agreement (the "Agreement") is entered into effective this _____ day of _____, 2005, by and between the Redevelopment Agency of the City of Oakland (the "Agency"), a community redevelopment agency organized and existing under the California Community Redevelopment Law, and the Silver Sound Electronics, Inc. (the "Developer"), a _____, pursuant to Agency Resolution No. _____ C.M.S. adopted on [_____], 2005.

RECITALS

A. The Agency owns a site located in Oakland, California, at 1728 San Pablo Avenue, APN 008-0644-011-01 (the "Property"), now occupied by a vacant retail/commercial building. The Property is located in the Central District Redevelopment Project Area.

B. Health and Safety Code Section 33430 authorizes a redevelopment agency within a survey (project) area or for purposes of redevelopment to sell real property. Health and Safety Code Section 33432 requires that any sale of real property by a redevelopment agency in a project area must be conditioned on redevelopment and use of the property in conformity with the redevelopment plan. Health and Safety Code Section 33439 provides that a redevelopment agency must retain controls and establish restrictions or covenants running with the land for property sold for private use as provided in the redevelopment plan.

C. The Developer desires to purchase the Property for use as a mixed-use retail and office building (the "Project"). The Agency desires to sell to the Developer, and the Developer desires to purchase from the Agency, the Property as set forth in this Agreement. In addition, the

1728 San Pablo Avenue DDA

[11/8/2004]

Developer desires to grant a repurchase option to the Agency to the Property as set forth in this Agreement in the event that the Developer does not move forward with the Project.

D. The sale of Property to the Developer for redevelopment is being made in conformance with and pursuant to the authority given to the Agency in the Health and Safety Code. A public hearing on disposition of this site was held by the Agency on _____, 2005. The sale of the property to the Developer and the execution of this Agreement was subsequently authorized by Redevelopment Agency Resolution No. _____ C.M.S.

E. This Agreement sets forth the terms and conditions under which the Agency will sell the Property to the Developer, and by which the Developer will renovate certain improvements on the property in conformance with the Central District Redevelopment Plan.

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and mutual obligations contained in this Agreement, and in reliance on the representations and warranties set forth herein, the Agency and the Developer agree as follows:

1. DEFINITIONS

1.1. The following terms and their derivatives have the meanings set forth below wherever used in this Agreement, attached exhibits, or documents incorporated into this Agreement by reference:

1.1.1. Agency. The "Agency" means the Redevelopment Agency of the City of Oakland, a community redevelopment agency organized and existing under the California Community Redevelopment Law (Health and Safety Code Sections 33000, et seq.). Any reference hereafter to "Agency" shall also be deemed to include any successors or assigns of the Redevelopment Agency of the City of Oakland.

1.1.2. Developer. The "Developer" means the Silver Sound Electronics, Inc., a _____. Any reference hereafter to "Developer" shall also be deemed to include any successors to or assigns of the Silver Sound Inc.

1.1.3. Project. The "Project" means the construction and rehabilitation of the Property according to the terms of this Agreement.

1.1.4. Property. The "Property" means that real property located in Oakland, California, at 1728 San Pablo Avenue, APN 008-0644-011-01, more fully described in that map attached as Exhibit A-1 and the legal description attached as Exhibit A-2, which are both incorporated into this Agreement by this reference.

1.1.5. Redevelopment Plan. The "Redevelopment Plan" means both the Central District Urban Renewal Plan adopted on June 12, 1969, as subsequently

amended, as well as the Five Year Implementation Strategy for the Central District Redevelopment Project adopted on December 7, 1999, including any subsequent amendments to either document. The Redevelopment Plan is hereby incorporated by reference into this Agreement.

- 1.1.6. Schedule. The "Schedule" means that Project Schedule attached to this Agreement as Exhibit B-1 incorporated herein by this reference. The Schedule outlines Project tasks that the Developer must perform by the referenced due date. The Schedule may be modified or amended by mutual agreement of the parties in writing executed by a designee of the Agency Administrator and the Developer.

2. DISPOSITION OF THE PROPERTY

- 2.1. Purchase price. The purchase price for the Property shall be one million three hundred thousand dollars (\$1,300,000) (the "Purchase Price"). Prior to close of Escrow, the Developer shall deliver said sum (less the Good Faith Deposit) in cash, cashier's check, or electronic transfer to the Escrow account.
- 2.2. Condition of title. The Agency shall convey to the Developer title of the Property free and clear of all title defects, liens, encumbrances, deeds of trust, covenants, conditions, restrictions, assessments, easements, leases and taxes except those exceptions which the Developer has previously approved in writing, and:
- 2.2.1. All the conditions, covenants and restrictions set forth or referred to elsewhere in this Agreement, which Agreement shall be recorded with the Alameda County Recorder upon conveyance as an encumbrance against the Property senior to all other private liens and encumbrances except those preexisting liens and encumbrances referenced in this Section 2.2;
- 2.2.2. The covenants, conditions and restrictions specified in the Redevelopment Plan;
- 2.2.3. Applicable building and zoning laws and regulations;
- 2.2.4. Any lien for taxes accrued subsequent to and applicable to the period following the recordation of the Grant Deed;
- 2.2.5. All easements, encumbrances and exceptions of record appearing on that certain Preliminary Report dated December 10, 2004, prepared by Fidelity National Title Company, a copy of which is attached to this Agreement as Exhibit C and incorporated into this Agreement by this reference;
- 2.2.6. Any other easements for public utilities or improvements, such as, but not limited to, tree wells, lamps, electrification, storm drains and gas mains necessary for successful development of the Project; and

- 2.2.7. Such additional conditions, covenants, restrictions or easements as may be agreed upon by the Developer and the Agency.

Title shall be in such condition at the time of conveyance as shall enable the Developer to obtain an ALTA owner's policy of title insurance, if the Developer so desires, and enable any lenders for the Project to obtain an ALTA loan policy of title insurance, if any such lender so desires, subject only to the exceptions set forth in the subsections above.

- 2.3. Physical condition of the Property. The Agency is not in any way responsible for the condition of the Property or any structures on the Property, or for removing, demolishing, or relocating any structures, debris, rubble, demolition material, or subsurface construction on the Property, including, without limitation, structures associated with previous City uses of the Property or any underground utility facilities or improvements. The Agency expresses no warranty, express or implied or other representation to the Developer other than those expressed within this Agreement as to the fitness or condition of the Property or any structures on the Property. The Property and all structures on the Property shall be conveyed in an "as is" physical condition. After the Agency's conveyance, it shall be the Developer's sole responsibility and obligation to: (1) take such action as may be necessary to place the Property in all respects in a physical condition entirely suitable for the development of the Project (including without limitation undertaking any remediation work with respect to Hazardous Materials); (2) take such action to remove or demolish or otherwise accommodate any structures or improvements on the Property (both above ground and underground); and (3) take such action to remove, demolish relocate or otherwise accommodate any utility facilities (both above ground and underground), including, without limitation, any telephone cables, as required by the appropriate governmental or public utility entity as a condition for vacating.
- 2.4. Time of disposition; contingencies; escrow. No later than the closing date set forth in the Schedule, the Agency shall sell and the Developer shall purchase the Property. The Agency's obligation to sell the Property is contingent on the following conditions precedent: (1) the Developer's representations and warranties contained herein or otherwise made to the Agency are true and correct as of the closing except as otherwise disclosed in writing, (2) the Developer has delivered the Purchase Price into Escrow, and (3) the Developer is not otherwise in default under this Agreement. The sale and purchase shall be accomplished through an escrow established with a title company mutually agreed upon by the parties (the "Escrow"). The parties shall provide the title company with instructions consistent with this Agreement.
- 2.5. Conveyance. At close of Escrow, the Agency shall convey the Property to the Developer by a grant deed in substantially the form set forth in Exhibit D attached hereto (the "Grant Deed"). Possession of the Property shall be delivered to the Developer concurrently with the conveyance of title. The Developer shall accept title on the date of conveyance.

- 2.6. Reversionary Grant Deed. As a further condition precedent to the close of Escrow, the Developer shall deposit into Escrow a fully executed grant deed reconveying fee title to the Property from the Developer to the Agency in the form attached hereto as Exhibit E (the "Reversionary Grant Deed"). The Escrow holder shall be instructed to hold the Reversionary Grant Deed in Escrow until the Agency has provided the Escrow holder with either (a) a written notice to record the Reversionary Grant Deed pursuant to Section 8 following a default by the Developer prior to completion of construction of the Project and the Agency's election to exercise any of its optional rights of repurchase, or (b) a written notice to return the unrecorded Reversionary Grant Deed to the Developer following completion of construction of the Project and the Agency's issuance of a Certificate of Completion.
- 2.7. Good faith deposit. The Developer has previously delivered to the Agency a deposit (the "Good Faith Deposit") in the amount of \$150,000. The Good Faith Deposit shall be credited to the Developer against the Purchase Price at the time of conveyance of the Property. Should the Property not be conveyed to the Developer by the closing date set forth in the Schedule, for any reason other than an Agency default hereunder, the Agency may retain the Good Faith Deposit as its liquidated damages. The Developer understands that by entering into this Agreement, the Agency is precluded from negotiating with other developers for the sale and development of the Property, and the Agency therefore suffers a detriment, should the conveyance of the Property to the Developer not occur, from limiting competition for selling and developing the Property and from the loss of time in getting the Property sold and developed. The parties agree that it would be impractical and extremely difficult to estimate the damages which the Agency may suffer in the event that the Developer fails to meet its obligations herein. Therefore, the parties do hereby agree that a reasonable estimate of the total net detriment that the Agency would suffer in the event of any such Developer default is and shall be, as the Agency's sole and exclusive remedy, the right to retain the Good Faith Deposit set forth above as liquidated damages.
- 2.8. Closing costs. At the close of Escrow, the Developer and the Agency shall pay equally the cost of all escrow, recording, and notary fees, title report costs, City real estate transfer tax, and other costs and expenses of Escrow, except for ad valorem taxes and assessments, if any, for any period prior to close of Escrow. The Agency shall be solely responsible for the cost of the County of Alameda real estate transfer tax. The Developer shall be solely responsible for the cost of obtaining its title insurance policy.

3. RIGHTS OF ACCESS.

- 3.1. Developer access. The Developer and its agents, contractors and representatives shall have the right to enter upon the Property at any time prior to conveyance to conduct investigations, tests, topographical surveys, appraisals, and studies, including

geotechnical studies, soils and groundwater tests, and environmental site assessments. The Developer shall not alter the Property except as needed to conduct the testing and other activities thereon as authorized by this Agreement, and the Developer agrees upon completion of any testing or other activity under this Agreement to remove all debris, litter, equipment, and other materials placed on the Property by the Developer and its agents, and to restore the Property as much as reasonably possible to its original condition.

The Developer shall indemnify, defend and hold the Agency, the City, and their respective officers, agents and employees, harmless from any and all claims, demands, damages, losses, actions, liabilities, causes of action or judgments, including reasonable attorney's fees, which the Agency, City, or other indemnified party may incur or be required to pay by reason of entry onto the Property and activities thereon by the Developer or Developer's agents, employees, contractors or consultants, including, without limitation, any damages, injury or death to any person or property suffered by any person, firm or corporation, except to the extent the same are attributable to the negligence or willful misconduct of the Agency or any person or entity acting on the Agency's behalf or under the Agency's authority. Prior to any entry, and thereafter until conveyance, the Developer shall cause the Agency, the City, and their respective officers, agents and employees, to be named as additional insured on a commercial general liability insurance policy with coverage of at least one million dollars (\$1,000,000) and shall cause certificates of such insurance to be delivered to the Agency.

Notwithstanding any other provision in this Agreement, this right of entry shall not relieve the Developer from the necessity of obtaining any applicable governmental approvals or permits that may be necessary to perform such tests or conduct other activities on the Property. The Agency reserves the right to require all persons entering the Property to sign a waiver of liability.

- 3.2. Agency access. The Agency and its employees, agents, architects, engineers and contractors shall have the right to enter upon the Property following close of escrow to inspect the Property and the Project at reasonable times to ensure development in conformance with this Agreement. The Agency shall indemnify, defend and hold the Developer and its officers, agents and employees, harmless from any and all claims, demands, damages, losses, actions, liabilities, causes of action or judgments, including reasonable attorney's fees, which the Developer may incur or be required to pay by reason of entry onto the Property and activities thereon by the Agency or the Agency's agents, employees, contractors or consultants, including, without limitation, any damages, injury or death to any person or property suffered by any person, firm or corporation, except to the extent the same are attributable to the negligence or willful misconduct of the Developer or any person or entity acting on the Developer's behalf or under the Developer's authority.

4. HAZARDOUS MATERIALS

- 4.1. Hazardous Materials. For purposes of this Agreement, the term "Hazardous Materials" shall mean any substances that are toxic, corrosive, inflammable, or ignitable, petroleum and petroleum byproducts, lead, asbestos, any hazardous wastes, and any other substances that have been defined as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or other terms intended to convey such meaning, including those so defined in any of the following federal statutes, beginning at 15 U.S.C. section 2601, et seq., 22 U.S.C. section 1251, et seq., 42 U.S.C. section 6901, et seq. (RCRA), 42 U.S.C. section 7401, et seq., 42 U.S.C. section 9601, et seq. (CERCLA), 49 U.S.C. section 1801, et seq. (HMTA); or California statutes beginning at California Health and Safety Code section 25100, et seq., section 25249.5, et seq., and 25300, et seq., and California Water Code section 13000, et seq., the regulations and publications adopted and promulgated pursuant to such statutes and any similar statutes and regulations adopted hereafter. Hazardous Materials shall not include substances stored on the Property that are stored as part of the normal construction and operation of a commercial project.
- 4.2. Notice. The Agency hereby gives notice to the Developer that, to the best of its knowledge and relying on analysis performed by its environmental consultants, there are no Hazardous Materials present on or beneath the Property other than those set forth in those environmental assessments and reports referenced in Exhibit F (together, the "Environmental Assessments"), incorporated herein by reference. The Developer acknowledges that it is aware of the conditions described in the Environmental Assessments, and acknowledges that it has reviewed the contents of the Environmental Assessments. This notice constitutes the notice required under California Health and Safety Code Section 25359.7 and other laws. The Developer agrees to accept the Property "as is" in its current condition without warranty express or implied by the Agency with respect to the presence of Hazardous Materials known or unknown on or near the Property.
- 4.3. Remediation. The Developer shall be solely responsible for all costs of investigation, removal, cleanup, treatment, transportation, disposal, and monitoring of any contamination by Hazardous Materials on or near the Property as required in connection with the Project, whether such contamination occurred prior to or following conveyance of the Property to the Developer. The Developer shall be solely responsible for developing, submitting, and implementing any risk assessments or remediation work plans for the Property as required by the appropriate regulatory agencies.

The Developer and the Agency hereby waive and release each other from any claims, causes of action, liabilities or costs arising from the presence of or associated with the investigation, monitoring or remediation of any Hazardous Materials contamination on or near the Property as of the date of this Agreement, except as otherwise specifically provided for in this Agreement, whether or not such contamination was known as of the date of this Agreement.

- 4.4. Environmental investigation. The Developer may engage its own environmental consultant to make such environmental site assessments or investigations of the Property with respect to possible contamination by Hazardous Materials as the Developer deems necessary, including conducting any "Phase I" and/or "Phase II" investigations of the Property. The Developer shall promptly deliver to the Agency a copy of all reports and assessments provided by the Developer's consultants.
- 4.5. Use and operation of Project. Neither the Developer, nor any agent, employee, nor contractor of the Developer, nor any authorized user, occupant, or lessee of the Property or Project shall use the Property or Project or allow the Property or Project to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials following conveyance of title to the Property to the Developer.

5. CONSTRUCTION OF THE PROJECT

- 5.1. Land Use Entitlements. The Developer shall file substantially complete applications for all required governmental land use approvals for the Project, including without limitation zoning approvals, conditional use permit approvals, and subdivision approvals, but not including building permits (such land use approvals are referred to herein as the "Land Use Entitlements"), *no later than the date set forth in the Schedule.* The Developer shall diligently take all reasonable steps necessary to obtain all final Land Use Entitlements no later than the date set forth in the Schedule. The Developer is responsible for incorporating any mitigation measures identified in the environmental review process and imposed by the City as a condition of approval into the plans for Project development and operations. Copies of all Land Use Entitlements shall be submitted to the Agency immediately upon receipt by the Developer.
- 5.2. Financial Plan. *Not later than the date set forth in the Schedule, the Developer shall submit to the Agency for its review and approval the following, which together will be referred to as the "Financial Plan":*
 - 5.2.1. A detailed cost breakdown of construction of the Project (the "Project Development Budget"). The Project Development Budget shall be an itemized Project budget for the construction of the Project, showing all construction related and nonconstruction related costs including the funding sources of payment for each item. The Project Development Budget shall provide for a ten percent (10%) retainage for all items of construction.
 - 5.2.2. A copy of letters of commitment obtained by the Developer for interim construction financing and permanent financing from a reputable institutional lender, grant funding, equity contributions, and other financing from external sources (including proposed joint ventures and partnerships) as necessary to finance development of the entire Project. The letters of commitment for financing shall be in such form and content reasonably acceptable to the Agency

as is normally furnished by lenders and other financing sources for this type of project.

- 5.2.3. A certified financial statement or other financial statement in such form reasonably satisfactory to the Agency evidencing other sources of capital, sufficient to demonstrate that the Developer has adequate funds available and is committing such funds to cover the difference, if any, between the Developer's costs of development and construction, as set forth in cost estimates for the Project approved by the Agency, and the amount available to the Developer from external financing sources.
- 5.2.4. Any other evidence reasonably requested by the Agency demonstrating the economic and financial feasibility of the Project.

Any subsequent material change to the approved Financial Plan must be first submitted to and approved by the Agency. If such change is not approved, the latest approved Financial Plan shall continue to control development of the Project.

- 5.3. Commencement of construction. The Developer shall commence construction work on the Project no later than the date set forth in the Schedule. For purposes of this Agreement, construction shall be deemed commenced upon the permanent installation of physical improvements on the Property.
- 5.4. Construction plans. The Agency will review schematic design and outline specifications for the Project. Any subsequent Material Change to the approved Schematic Design Plans (including any material deviation from the Schematic Design Plans that may be included in the final construction plans for the Project) must first be submitted to and approved by the Agency.
- 5.4.1. Material Changes. For purposes of this Agreement, the term "Material Change" shall include the following changes for the Project:
- 5.4.1.1. Significant changes in exterior elevations, building bulk, site coverage, floor area ratio, number of floors;
 - 5.4.1.2. Significant changes in color, size, type, or design or use of exterior finishing materials substantially affecting architectural appearance;
 - 5.4.1.3. Significant changes affecting off-street parking facilities;
 - 5.4.1.4. Significant changes in perimeter landscape planting and design, and changes in size or quality of exterior pavements or exterior lighting;
 - 5.4.1.5. Significant changes in Project unit mixes or unit types.

- 5.5. Construction obligations. Construction of the Project shall be in accordance with the Schematic Design Plans approved by the Agency. The Developer shall be solely responsible for all aspects of the Project, including, but not limited to, the quality and suitability of the construction plans, the supervision of construction work, and the qualifications, financial conditions, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. The Developer shall be solely responsible at its own expense for installing any off-site improvements in connection with the Project.
- 5.6. Environmentally sustainable project. The Developer shall use its good faith efforts to design, develop, rehabilitate and construct the Project to be environmentally sustainable in conformance with the LEED Green Building Rating System (Version 2.0, March 2000) published by the U.S. Green Building Council, which is on file with the Agency. The Developer and its design consultants shall work with the Agency's economic development staff to develop appropriate and economically feasible sustainable building goals and strategies using the Agency's Sustainable Building Guide and Project Management Tool. Principles of environmental sustainability, including substantial use of such green building techniques as energy-conserving design and appliances, water-conserving fixtures and landscape, recycled-content building materials and low waste construction techniques, shall be incorporated into the final construction plans for the Project.
- 5.7. Changes in Plans. Following commencement of construction of the Project, if the Developer wishes to make any Material Change in the construction plans then in effect, the Developer shall first submit the proposed Material Change to the Agency for its written approval. The Agency shall approve or disapprove the Material Change by notifying the Developer in writing within ten working days of receipt by the Agency's Project Manager. Failure of the Agency to approve or disapprove within this time period shall be deemed approval.
- 5.8. Completion of Project. The Developer shall diligently prosecute construction of the Project, and shall complete the entire Project, as evidenced by issuance of a temporary certificate of occupancy or certificate of occupancy for the entire Project by the appropriate officer of the City of Oakland, no later than the date set forth in the Schedule.
- 5.9. Employment nondiscrimination. The Developer and its contractors and subcontractors shall not discriminate against any employee or applicant for employment in connection with the use of the Property or the Project on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, marital status, AIDS or AIDS-related complex, or physical or mental disability. Each of the following activities shall be conducted in a nondiscriminatory manner: hiring; upgrading; demotion and transfers; recruitment and recruitment advertising; layoff and termination; rates of pay and other forms of compensation; and selection for training, including apprenticeship.

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- 5.10. Disabled access. The Developer shall develop the Project in compliance with all applicable federal, state, and local requirements for access for disabled persons.
- 5.11. Lead-based paint. The Developer and its contractors and subcontractors shall not use lead-based paint in the construction of the Project or maintenance of Project units. The Developer shall insert this provision in all contracts and subcontracts for work performed on the Project which involves the application of paint.
- 5.12. Site inspections. The Developer shall permit and facilitate observation and inspection of work at the Project site by the Agency's authorized representatives during normal business hours.
- 5.13. Quality of work. The Developer shall construct the Project in conformance with general industry standards, and shall employ building materials of a quality suitable for the requirements of the Project. The Developer shall develop the Project in full conformance with applicable local, state, and federal statutes, regulations, and building and housing codes.
- 5.14. Insurance. The Developer shall cause to have in full force and effect such policies of insurance as are required by the Agency pursuant to Exhibit H, which is attached hereto and incorporated herein by this reference.
- 5.15. Certificate of Completion. Promptly after completion of construction of the Project in full accordance with the terms of this Agreement, and upon the request of the Developer, the Agency shall furnish the Developer with a Certificate of Completion so certifying. The Certificate of Completion shall be a conclusive determination that the covenants in this Agreement with respect to Developer's construction obligations have been met for the Project.

6. POST-CONSTRUCTION REQUIREMENTS AND COVENANTS

- 6.1. Use restrictions. Use of the Property for the remaining term of the Redevelopment Plan shall be restricted to retail and commercial office uses.
- 6.2. Conformance with Redevelopment Plan. The Developer covenants for itself, its lessees, successors, assigns and every successor in interest to the Property that the Developer, its lessees, successors and assigns shall use the Property in full conformance with the Redevelopment Plan for so long as the Redevelopment Plan is in effect. The Developer shall ensure that language substantially similar to the above is incorporated as covenants running with the land into all leases, rental agreements and grant deeds for the Project.
- 6.3. Nondiscrimination. The Developer covenants for itself, its heirs, executors, administrators and assigns and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual preference, marital status, ancestry,

national origin, AIDS or AIDS-related complex, or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall Developer or any person claiming under or through Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property. The foregoing covenants shall run with the land. The Developer shall ensure that language substantially similar to the above is incorporated as covenants running with the land into all leases, rental agreements and grant deeds for the Project.

7. TRANSFERS AND CHANGES IN DEVELOPER

7.1. Definition of Transfer. As used in this Agreement, the term "Transfer" shall mean:

- 7.1.1. Any total or partial sale, assignment or conveyance, or creation of any trust or power by deed of trust or otherwise, or any transfer in any other mode or form of or with respect to the Property or the Project or any interest therein, or any contract or agreement to do any of the same, provided, however, the sale or lease of an individual unit within the Project does not constitute a Transfer;
- 7.1.2. Any transfer of any ownership interest greater than a 50% interest in the Developer, other than a transfer of an ownership interest to a non-managing equity member of the Developer;
- 7.1.3. Any substitution, removal, withdrawal, or addition of a member of the Developer, other than a non-managing equity member of the Developer;
- 7.1.4. Any assignment by Developer of all or any part of this Agreement; or
- 7.1.5. Any merger, consolidation, sale or lease of all or substantially all of the assets of Developer.

7.2. Purpose of Transfer restrictions. The Developer represents that its purchase of the Property, and its other undertakings pursuant to this Agreement, will be used for the purposes of timely redevelopment and rehabilitation of the Property and not for speculation in landholding. Developer further recognizes that, in view of the following factors, the qualifications of Developer are of particular concern to the community and the Agency:

- 7.2.1. The importance of redevelopment of the Property to the Agency's interest in the adjacent blocks, and to the general welfare of the community, with particular reference to the community's objectives of the elimination of physical and environmental blight in the redevelopment project area;
- 7.2.2. The reliance by the Agency upon the unique qualifications and ability of the Developer to serve as the catalyst for development of the Project; and

- 7.2.3. The fact that the Property is not to be acquired for speculation, but only for development by the Developer in accordance with this Agreement.

The Developer further recognizes that it is because of such qualifications and identity that the Agency is entering into this Agreement with the Developer. No voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein.

- 7.3. Prohibited Transfers. Except as expressly permitted below, the Developer represents and agrees that it has not made, and will not make or permit, any Transfer prohibited by this Agreement, either voluntary or by operation of law. Any Transfer in contravention of this Section shall be void and shall be deemed to be a default under this Agreement whether or not Developer knew of or participated in such Transfer.

- 7.4. Permitted Transfers. The following Transfers shall be permitted:

- 7.4.1. Before completion of construction of the Project:

- 7.4.1.1. The granting of easements or permits to facilitate the development of the Project;
- 7.4.1.2. The granting of any security interest in the Property, if such security interest is granted to secure financing for the Project and is approved by the Agency in writing;
- 7.4.1.3. The assignment to and assumption of this Agreement by a limited liability company or partnership of which the Developer is the managing member or general partner; provided that the entity to which such Transfer is made, by an instrument in writing reasonably satisfactory to the Agency and in recordable form, shall for itself and its successors and assigns, and especially for the benefit of the Agency, expressly assume all of the obligations of the Developer under this Agreement and agree to be subject to all conditions and restrictions to which the Developer is subject, and provided that the Developer has submitted to the Agency the proposed organizational documents of such entity for the Agency's prior review and approval;
- 7.4.1.4. The addition of any non-managing equity members to the Developer; or
- 7.4.1.5. Any Transfer approved by the Agency in writing in the Agency's sole discretion.

- 7.4.2. After completion of Project construction: Subject to the use restrictions herein, any Transfer shall be permitted.

8. TERMINATION AND REMEDIES

- 8.1. Fault of the Agency. The occurrence of any of the following events shall be an "Event of Default" by the Agency under this Agreement:

8.1.1. The Agency fails to sell the Property to the Developer in the time period and manner set forth in Section 2, provided that the conditions precedent to such sale which are the responsibility of the Developer have been met; or

8.1.2. The Agency breaches any other material provisions of this Agreement.

- 8.2. Developer remedies. If an Event of Default on the part of the Agency occurs, the Developer shall first notify the Agency in writing of the purported breach, giving the Agency at least 30 calendar days from receipt of such notice to cure or begin in good faith to cure such breach. If the Agency does not cure or begin to cure the breach within the time period specified, the Developer may pursue any of the following remedies: (i) terminating this Agreement; (ii) prosecuting an action for damages; (iii) seeking equitable relief from a court of competent jurisdiction, including but not limited to specific performance; or (iv) pursuing any other remedy at law or in equity.

- 8.3. Fault of the Developer. The occurrence of any of the following events shall be an "Event of Default" by the Developer under this Agreement:

8.3.1. The Developer fails to deliver into Escrow the Purchase Price for the Property by the closing date set forth in the Schedule.

8.3.2. Except as otherwise entitled under this Agreement, the Developer refuses to *accept conveyance of the Property by the closing date set forth in the Schedule.*

8.3.3. The Developer fails to obtain the Land Use Entitlements by the date specified in the Schedule, or fails to submit the Financial Plan by the date specified in the Schedule.

8.3.4. The Developer fails to commence or complete construction of the Project in the manner or within the times set forth in this Agreement, or, after commencement of construction, the work of construction is abandoned or substantially ceases for more than 30 consecutive calendar days.

8.3.5. The Developer fails to perform or observe the post-construction requirements set forth in Section 6 or keep the post-construction covenants in the manner and within the times set forth in this Agreement.

- 8.3.6. The Developer voluntarily or involuntarily undertakes or attempts to undertake a Transfer in violation of this Agreement.
- 8.3.7. A determination by the Agency in its reasonable judgment that any of the Developer's representations or warranties made in this Agreement, any statements made to the Agency by the Developer, or any certificates, documents, or schedules supplied to the Agency by the Developer were untrue in any material respect when made, or that the Developer concealed or failed to disclose a material fact from the Agency.
- 8.3.8. The Developer, or any partner, managing member, or parent entity of the Developer, files for bankruptcy, dissolution, or reorganization, fails to obtain a full dismissal of any involuntary filing brought by another party under bankruptcy or similar laws before the earlier of final relief or 60 days after filing, makes a general assignment for the benefit of creditors, applies for the appointment of a receiver, trustee, custodian, or liquidator, or fails to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or 60 days after the filing, becomes insolvent, or fails to pay its debts as they become due.
- 8.3.9. The Developer breaches any other material provisions of this Agreement.

If an Event of Default on the part of the Developer occurs, the Agency shall notify the Developer or any of its lenders for the Project in writing of its purported breach or failure, giving the Developer or lender at least 30 calendar days from receipt of such notice to cure such breach or failure, or, if such breach cannot reasonably be cured within the 30-day period, the Developer shall not be in default if the Developer or any Holder commences such cure within such 30-day period and diligently pursues such cure to completion. In the event the Developer or lender does not cure within this time period or begin a cure within this time period and diligently pursue such cure to completion, the Agency may pursue the remedies set forth below. In addition, if the Event of Default is not cured and this Agreement is terminated, the Developer shall deliver to the Agency all plans, specifications, drawings, studies, surveys, test results, and reports concerning the Project, which shall thereafter become the property of the Agency to the extent of Developer's interest therein.

- 8.4. Agency remedies prior to commencement of construction. If an Event of Default by the Developer occurs prior to the commencement of construction of the Project and is not cured as set forth above, the Agency may pursue any or all of the following remedies:
 - 8.4.1. The Agency may terminate this Agreement, in which case the Agency may retain the Good Faith Deposit as its liquidated damages if termination occurs prior to the conveyance of the Property to the Developer.

- 8.4.2. The Agency may institute an action for specific performance of the terms of this Agreement to the extent that such action is available at law or in equity with respect to the Event of Default.
- 8.4.3. If title to the Property has been conveyed to the Developer, the Agency may exercise its optional right to repurchase the Property as follows: the Agency shall deposit into Escrow an amount equal to the Purchase Price, provide written notice to the Escrow holder, with a copy to the Developer, that an uncured Event of Default has occurred, and instruct the Escrow holder to record the Reversionary Grant Deed with the Alameda County Recorder concurrent with the payment of the deposited amount to the Developer. Upon such recordation of the Reversionary Grant Deed, the Agency may reenter and take exclusive possession of the Property.
- 8.4.4. The Agency may pursue all other remedies permitted by law or at equity.
- 8.5. Agency remedies during construction. If an Event of Default by the Developer occurs following the commencement of construction of the Project and prior to the completion of the Project as evidenced by Agency issuance of a Certificate of Completion, and the Event of Default is not cured as set forth above, the Agency may pursue any or all of the following remedies:
 - 8.5.1. The Agency may terminate this Agreement.
 - 8.5.2. The Agency may institute an action for specific performance of the terms of this Agreement to the extent that such action is available at law or in equity with respect to the Event of Default.
 - 8.5.3. The Agency may exercise its optional right to repurchase the Property as follows:
 - 8.5.3.1. The Agency may elect by written notice to the Developer to require the Developer to demolish at the Developer's sole cost all improvements on the Property made by Developer and return the Property substantially to the condition existing at the time title to the Property was conveyed to the Developer. The Developer shall complete the demolition no later than 60 calendar days after such written notice. Following this 60-day period, the Agency shall deposit into Escrow an amount equal to the Purchase Price, less the estimated cost of demolition of any of the improvements if and to the extent the Developer has not fulfilled its demolition obligation, and provide written notice to the Escrow holder, with a copy to the Developer, that an uncured Event of Default has occurred, and instruct the Escrow holder to record the Reversionary Grant Deed with the Alameda County Recorder concurrent with the payment of the deposited amount to the Developer. Upon such recordation of

the Reversionary Grant Deed, the Agency may reenter and take exclusive possession of the Property.

8.5.3.2. The Agency may elect to provide written notice to the Escrow holder, with a copy to the Developer, that an uncured Event of Default has occurred, deposit into Escrow an amount equal to the Fair Market Value of the Property and all improvements thereon, as the Fair Market Value is determined per Section 8.7 below, and instruct the Escrow holder to record the Reversionary Grant Deed with the Alameda County Recorder concurrent with the payment of the deposited amount to the Developer. Upon such recordation of the Reversionary Grant Deed, the Agency may reenter and take exclusive possession of the Property.

8.5.4. The Agency may pursue all other remedies permitted by law or at equity.

8.6. Agency remedies following completion of construction. If an Event of Default by the Developer occurs following the completion of the Project as evidenced by Agency issuance of a Certificate of Completion, and the Event of Default is not cured as set forth above, the Agency may pursue any or all of the following remedies:

8.6.1. The Agency may institute an action for specific performance of the terms of this Agreement to the extent that such action is available at law or in equity with respect to the Event of Default.

8.6.2. The Agency may institute an action for damages to recover from the Developer all of the damages caused by the Event of Default.

8.6.3. The Agency may pursue all other remedies permitted by law or at equity.

8.7. Fair Market Value. If the Agency elects to exercise its option to repurchase the Property pursuant to Sections 8.5.3.2 above, the Agency shall, within 60 calendar days of written notice to exercise such option, provide the Developer with written notice of the Agency's determination of Fair Market Value.

If the Developer disputes the Agency's determination of the Fair Market Value as contained in the Agency's notice, the Developer shall notify Agency in writing, within ten calendar days of its receipt of Agency's determination, of its determination of the Fair Market Value. If the Developer fails to dispute the Agency's determination within the ten-day period, the Agency's determination of the Fair Market Value shall be deemed final. If the Developer disputes the Agency's determination, the Agency and the Developer shall then attempt to resolve their differences within ten calendar days following the Agency's receipt of the Developer's notice.

If the Agency and the Developer cannot agree on Fair Market Value during such ten-day period, the Agency and the Developer shall each appoint an appraiser who shall be an MAI and a California licensed appraiser experienced in appraising commercial and residential real estate in Alameda County and experienced in appraising projects under construction, if applicable, and give notice of such appointment to the other within ten calendar days after the foregoing ten-day period. Such appraisers shall, within 30 calendar days after the appointment of the last of them to be appointed, complete their written determinations of Fair Market Value and furnish it to the Agency and the Developer. Each party shall pay the fees and costs of its own appraiser.

If the valuations vary by ten percent (10%) or less of the higher value, the Fair Market Value shall be the average of the two valuations. If the valuations vary by more than ten percent (10%) of the higher value, the two appraisers shall, within ten calendar days after submission of the last appraisal report, appoint a third disinterested appraiser who shall be an MAI and a California licensed appraiser with the experience described above. If the two appraisers are unable to agree in a timely manner on the selection of the third appraiser, then either appraiser, on behalf of both, may request appointment of such third disinterested appraiser by the presiding judge of the Superior Court of Alameda County. Such third appraiser shall, within 15 calendar days after appointment, make a determination of Fair Market Value by selecting one of the prior appraisals. The third appraiser shall have no right to select a Fair Market Value other than as determined by one of the prior appraisals.

For purposes of this Agreement, the Fair Market Value shall mean the purchase price that an unrelated party negotiating at arm's length would pay to purchase the Property, taking into account all then current market factors, including without limitation the quality, design, condition and location of the Property, the extent and condition of the construction completed to date, the amount of any and all liens against the Property, the terms and conditions of this Agreement, and the value of the existing improvements.

Upon determination of the Fair Market Value, the Agency shall have the right to withdraw its exercise of its option by giving the Developer notice of withdrawal within 15 calendar days of the Agency's receipt of notice of the determination. If the Agency withdraws its option exercise, the Agency shall pay all appraisal fees incurred by the Agency and the Developer in determining the Fair Market Value.

- 8.8. Reversionary rights. In the event that title to the Property reverts to the Agency, the Developer shall be released by the Agency and City from any and all damages, liabilities, or obligations to the Agency or City arising from or related to the existence of any Hazardous Materials on the Property, except if such damages, liabilities or obligations are due to the exacerbation of Hazardous Materials existing on the Property prior to close of Escrow or unless such Hazardous Materials were released or placed on the Property by or on behalf of the Developer.

The Agency may assign any of its optional rights to repurchase the Property to any other entity in its sole discretion.

- 8.9. Priority of Agency option. The Agency's optional rights to repurchase the Property upon a Developer default shall be senior in priority to any private liens, leases, mortgages or encumbrances on the Property entered into after the date of this Agreement, including without limitation any deeds of trust or other instruments securing any acquisition, construction or permanent financing for any phase of the Project, but subject to the mortgagee protections set forth herein. Upon exercise of the option, the Developer shall deliver title to the Property to the Agency free and clear of any such liens, leases, mortgages, or encumbrances except those liens, leases, mortgages, or encumbrances already approved by the Agency.

9. RIGHTS OF MORTGAGE HOLDERS

- 9.1. Encumbrance for development purposes. The Developer may place, with the prior approval of the Agency, mortgages, deeds of trust, or any other reasonable method of security upon the Property before the Project has been completed, for the sole purpose of securing loans of funds to be used for financing the development of the Project. Prior to commencement of the construction of the Project, the Developer shall promptly notify the Agency of any mortgage, deed of trust, sale and lease-back or other financing, conveyance, encumbrance or lien that has been or will be created or attached to the Property. Any such lien or encumbrance shall be subject to and subordinate to this Agreement. However, notwithstanding the foregoing or any other provision of this Agreement, the optional rights of the Agency to repurchase the Property and any vesting of title in the Agency as a result thereof shall not defeat, render invalid, or limit in any way any lien or encumbrance placed on the Property for development purposes as authorized under this Agreement or any rights or interest of any holder of such lien or encumbrance, except for any limitations specifically imposed by this Agreement.

Following completion of construction of the Project, the Developer may place mortgages, deeds of trust, or other security upon the Property without the need to obtain the Agency's consent. Any such lien or encumbrance shall be subject to and subordinate to this Agreement.

- 9.2. Holder not obligated to construct. The mortgagee of any mortgage, beneficiary of any deed of trust, or holder of any other recorded security interest authorized by this Agreement in any part of the Property (a "Holder") is not obligated to construct or complete any improvements or to guarantee such construction or completion. In the event that the Holder of such lien or encumbrance (or its nominee) acquires the Property through foreclosure or deed in lieu of foreclosure, the Holder (or nominee) shall be required to comply with the following provisions of this Agreement: (i) commencement of construction and completion of construction of the Project, and (ii) compliance with the other covenants set forth in Section 5 of this Agreement, and (iii) compliance with the post-construction requirements and covenants set forth in Section 6 of this

Agreement (collectively, the "Development Covenants"). However, any Holder or entity that acquires the Property through foreclosure or deed in lieu of foreclosure of the Holder lien shall have at least 180 days after acquiring title to commence Project construction (or recommence Project construction, if Project construction has already commenced), and shall have at least two years thereafter to complete Project construction in accordance with the Development Covenants. For purposes of this Agreement, a "nominee" of a Holder shall mean an entity which is owned by or an affiliate of the Holder.

- 9.3. Notice of default and right to cure. Whenever the Agency pursuant to its rights set forth in Section 8 of this Agreement delivers any notice or demand to the Developer with respect to the commencement, completion, or cessation of the construction of the Project, the Agency shall at the same time deliver to each Holder a copy of such notice or demand. If an Event of Default on the part of the Developer remains uncured after the expiration of the period provided herein for Developer to remedy or cure such default, any Holder shall have the right to remedy, or cause to be remedied, such default within thirty calendar days after the expiration of the period provided herein for the Developer to remedy or cure such default, and the Agency shall accept such performance by or at the insistence of the Holder as if the same had been timely made by the Developer. The Holder shall have the right to add the cost of the cure to its security. Nothing in this Agreement is intended to permit a Holder to construct improvements on the Property (beyond the extent necessary to conserve or protect such improvements or construction already made) without first having expressly assumed the Developer's obligations to the Agency herein by written agreement reasonably satisfactory to the Agency. The Holder in that event must agree to complete, in the manner provided in this Agreement, the Project. Any Holder properly completing the Project shall be entitled, upon written request made to the Agency, to a Certificate of Completion as provided for in this Agreement.
- 9.4. Failure of Holder to complete improvements. In any case where, subsequent to default or breach by the Developer, any Holder who has the option or right to commence or complete construction of the Project pursuant to this Agreement or otherwise, either (i) has not exercised its option, or (ii) has exercised its option but has not proceeded diligently with construction of the Project or has not completed construction by the completion date specified in this Agreement and such default has not been cured with thirty calendar days after written notice by the Agency the Agency shall have the option (and every deed of trust or mortgage on the Property securing Project financing shall so provide for these options) of (a) paying to the Holder the Holder Purchase Price and securing an assignment of such debt and deed of trust or mortgage from the Holder, or, (b) in the event that the Holder holds title to the Property by way of foreclosure or deed in lieu thereof, repurchasing fee title to the Property from the Holder free and clear of any of the Holder interests thereon (subject to the requirements of Section 9.5 hereof), upon payment to the Holder of the Fair Market Value of the Property. For purposes of this Agreement, the "Holder Purchase Price" shall mean an amount equal to the sum of (i) the outstanding debt to the Holder secured by the Property at the time of the foreclosure

or action in lieu thereof, (ii) the Holder's reasonable foreclosure expenses (to the extent such expenses are not otherwise included in the debt secured by the Property), and (iii) the costs of any work on the Project performed by the Holder on the Property (to the extent such costs are not otherwise included in the debt secured on the Property). Notwithstanding the above, the "Holder Purchase Price" shall not include additional default interest (i.e. the excess of interest at the applicable default rate over interest at the regular rate specified in the Holder loan documents), late charges, attorneys' fees, or administrative or similar internal charges imposed by the Holder in connection with foreclosure, collection, and/or enforcement of Holder's loan. The Holder Purchase Price shall be reduced by any cash amounts actually received by Holder from the Developer or a third party prior to any Agency's acquisition, including without limitation any amounts received as payment on Holder's loan by the Developer, or by any guarantors, sureties or other third parties. At the time the Agency exercises its rights under this Section to acquire the Holder's debt, the Holder shall execute such assignments or other documents as are reasonably necessary and appropriate for the transfer of Holder's rights under its loan to the Agency, including without limitations any rights to guaranties, bonds, letters of credit, escrow funds, or other security for the loan, but without warranty or recourse other than warranty of title to the applicable loan documents and warranty as to the amount of disbursements made and payments received thereunder

- 9.5. Right of Agency to cure. By appropriate agreement with a Holder, the Developer shall cause a Holder to provide the Agency with written notice by registered mail of the occurrence of any event of default under the mortgage, deed of trust or other security instrument.

In the event of a default or breach by the Developer of a mortgage, deed of trust or other security instrument prior to the completion of the Project, and if the Holder has not exercised its option to complete the Project, the Agency may (but is not required to) cure the default, prior to the completion of any foreclosure. In such event the Agency shall be entitled to reimbursement from the Developer for all costs and expenses incurred by the Agency in curing the default. The Agency shall also be entitled to a lien upon the Property to the extent of such costs and disbursements. Any such lien shall be subordinate to mortgages, deeds of trust or other security instruments executed for the sole purpose of obtaining funds to purchase and develop the Property as authorized herein.

- 9.6. Right of Agency to satisfy other liens. After the conveyance of title to the Property and prior to the recordation of a Certificate of Completion pursuant to Section 5, and after the Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on the Property or any portion thereof, the Agency shall have the right to satisfy any such lien or encumbrances not satisfied by the Developer; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount thereof and so long as the Developer shall provide

such reasonable security as may be required by the Agency to insure the payment of such tax, assessment, lien or charge to prevent any sale, foreclosure or forfeiture of the Property by reason of such nonpayment. Such security shall be not less than the amount of the contested tax, assessment, lien or charge, including all penalties, fines and interest which can be assessed thereon.

10. GENERAL PROVISIONS

10.1. Notices, demands and communications. Formal notices, demands and communications under this Agreement shall be given in writing by any commercially accepted means to the principal offices of a party as follows, or if any such office is relocated, to the new address specified by the relocated party:

DEVELOPER: The Silver Sound Electronics Inc.
Parviz Poustinchian
Chief Executive Officer

275 West MacArthur Boulevard
Oakland, CA 94611

AGENCY: Redevelopment Agency of the City of Oakland
c/o City of Oakland, Community and Economic
Development Agency,
250 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612
Attn: Hamid Gami, Real Estate Agent

Copy to:
Agency Counsel
c/o City of Oakland, Office of the City Attorney
1 Frank Ogawa Plaza, 6th Floor
Oakland, CA 94612
Attn: Daniel Rossi, Deputy City Attorney

If mailed, the written notice shall be deemed received and shall be effective three (3) business days after deposit in the United States mail in the State of California or upon actual receipt by the addressee if earlier.

10.2. Conflicts of interest. The Developer warrants and represents, to the best of its present knowledge, that no public official of the Agency who has been involved in the making of this Agreement, or who is a member of an Agency or City of Oakland board or commission which has been involved in the making of this Agreement, has or will receive a direct or indirect financial interest in this Agreement or the Project in violation of the rules contained in California Government Code Section 1090, et seq.,

pertaining to conflicts of interest in public contracting. The Developer shall exercise due diligence to ensure that no such official will receive such an interest.

The Developer further warrants and represents, to the best of its present knowledge and excepting any written disclosures as to these matters already made by the Developer to the Agency, that (1) no public official of the Agency who has participated in decision-making concerning this Agreement or the Project or has used *his or her official position to influence decisions regarding this Agreement or the Project*, has an economic interest in the Developer or the Project, and (2) neither the Project nor this Agreement will have a direct or indirect financial effect on said official, the official's spouse or dependent children, or any of the official's economic interests. The Developer agrees to promptly disclose to the Agency in writing any information it may receive concerning any such potential conflict of interest. The Developer's attention is directed to the conflict of interest rules applicable to governmental decision-making contained in the Political Reform Act (California Government Code Section 87100, et seq.) and its implementing regulations (California Code of Regulations, Title 2, Section 18700, et seq.).

- 10.3. Nonliability. No member, official, employee, or agent of the Agency or the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Agency or for any amount which may become due to the Developer or successor under the terms of this Agreement.
- 10.4. Developer's warranties. The Developer represents and warrants: (1) that it has access to professional advice and support to the extent necessary to enable the Developer to fully comply with the terms of this Agreement and otherwise carry out the Project; (2) that there are no pending or threatened actions or proceedings before any court or administrative agency which may substantially affect the financial condition or operation of the Developer, other than those already disclosed to the Agency; (3) that it is duly organized, validly existing and in good standing under the laws of the State of California; (4) that the organizational documents it has submitted to the Agency concerning it or its partners or members are true, correct, and complete as of the date of this Agreement; (5) that it has the full power and authority to undertake the Project; and (6) that the persons executing and delivering this Agreement are authorized to execute and deliver such document on behalf of the Developer.
- 10.5. Litigation. The Developer shall promptly give notice in writing to the Agency of any litigation pending or threatened against the Developer, any of Developer's partners or members, or the Developer's parent entity in which the amount claimed is in excess of five hundred thousand dollars (\$500,000).
- 10.6. Publicity. Any publicity generated by the Developer for the Project shall make reference to the contribution of the Agency in making the Project possible. The words "Redevelopment Agency of the City of Oakland" and "Community and Economic Development Agency" shall be prominently displayed in all pieces of publicity

generated by the Developer, including flyers, press releases, posters, signs, brochures, and public service announcements. Agency staff will be available whenever possible at the request of the Developer to assist the Developer in generating publicity for the Project. The Developer agrees to cooperate with the Agency in any Agency-generated publicity or promotional activities with respect to the Project.

- 10.7. Waiver. Any waiver by the Agency of an obligation in this Agreement must be in writing and executed by an authorized agent of the Agency. No waiver will be implied from any delay or failure by the Agency to take action on any breach or event of default of the Developer or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Developer to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Agency to any act or omission by the Developer shall not be construed to be consent to any other act or omission or to waive the requirement for the Agency's written consent to future waivers.
- 10.8. Enforced delay. Performance by either party under this Agreement shall not be deemed to be in default where delays or default are due to war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; or unusually severe weather. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the Agency and the Developer. Notwithstanding the above, in no event shall construction of the Project be completed later than one year from that completion date stated in this Agreement.
- 10.9. Inspection of records. The Agency has the right at all reasonable times to inspect the books, records and all other documentation of the Developer pertaining to its obligations under this Agreement prior to receipt of a Certificate of Completion.
- 10.10. No merger. None of the provisions of this Agreement are intended to or shall be merged with the Grant Deed, and the Grant Deed shall not affect or impair this Agreement.
- 10.11. Governmental approvals. Should the Developer require the approval of any governmental body or board, the Developer shall bear the sole cost and responsibility for obtaining the approval. In pursuit of these approvals, the Developer shall have the right to apply on behalf of the Agency prior to the conveyance of the Property to the Developer.
- 10.12. Indemnification. If through acts or neglect on the part of the Developer or its construction contractor(s), any other contractor or any subcontractor suffers loss or damage on the work, and such other contractor or subcontractor assesses any claim against the Agency on account of any damage alleged to have been sustained, the

Agency shall notify the Developer and its construction contractor who shall defend at their own expense any suit based upon that claim, and the Developer shall pay all costs and expenses incurred by the Agency in connection with any judgment or claim.

The Developer shall indemnify and hold the Agency, the City, and their respective officials, directors, employees, and agents (collectively, "Indemnitees") harmless from any losses, damages, liabilities, claims, demands, judgments, actions, causes of action, court costs, and legal or other expenses (including attorneys' fees) which Indemnities may incur as a result of (1) the Developer's failure to perform any of its obligations as and when required by this Agreement; (2) a failure of any of the Developer's representations or warranties to be true and complete; or (3) any act or omission by the Developer or any contractor, subcontractor, architect, engineer or supplier with respect to development or use of the Project or the Property, except to the extent the loss is caused by the negligence or willful misconduct of the Agency. When a loss is caused by the joint negligence or willful misconduct of the Developer and the Agency, the Developer's duty to indemnify and hold Indemnities harmless shall be in proportion to the Developer's allocable share of the joint negligence or willful misconduct. The Developer shall pay immediately upon the Agency's demand any amounts owing under this indemnity. The duty of the Developer to indemnify includes the duty to defend Indemnities in any court action, administrative action, or other proceeding brought by any third party arising from the matters set forth in this Section.

These indemnity and hold harmless provisions are severable from this Agreement, in that they shall survive termination or invalidation of this Agreement.

- 10.13. Real estate commissions. Neither party shall be responsible to the other for any real estate commissions or brokerage fees which may arise from this Agreement or otherwise be incurred by the other party.
- 10.14. Applicable law. This Agreement shall be governed by the laws of the State of California, except for those provisions preempted by federal law.
- 10.15. Severability. If any term, provisions, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.
- 10.16. Attorneys' fees. In the event any legal action is commenced to interpret or to enforce the terms of this Agreement, or to collect damages as a result of any breach of this Agreement, the party prevailing in any such action shall be entitled to recover against the party not prevailing all reasonable attorneys fees and costs incurred in the action.
- 10.17. Time. Time is of the essence in the performance of this Agreement.

- 10.18. Binding upon successors; covenants to run with the land. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, transferees, successors-in-interests and assigns of each of the parties hereto, except that there shall be no transfer of any interest of any of the parties hereto except pursuant to the terms of this Agreement. The term "Developer" as used in this Agreement shall include all such assigns, successors-in-interest, and transferees.

The parties intend that the covenants contained in this Agreement shall constitute covenants running with the land and shall bind the Property and every person having an interest in the Property during the term of this Agreement. The Developer agrees for itself and for its successors that in the event that a court of competent jurisdiction determines that the covenants herein do not run with the land, such covenants shall be enforced as equitable servitudes against the Property.

- 10.19. Relationship of parties. The relationship of the Developer and the Agency for this Project is and shall remain solely that of a purchaser and seller of real property, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship. The Agency neither undertakes nor assumes any responsibility or duty to the Developer (except as provided for herein) or any third party with respect to the Project or the Property. Except as the Agency may specify in writing, the Developer shall have no authority to act as an agent of the Agency or to bind the Agency to any obligation.

The Developer shall be solely responsible for all aspects of its conduct in connection with construction of the Project, including, but not limited to, the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial conditions, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. The Agency is under no duty to review the construction plans or to inspect construction of the Project. Any review or inspection undertaken by the Agency for the Project is solely for the purpose of determining whether the Developer is properly discharging its contractual obligations to the Agency, and should not be relied upon by the Developer or by any third parties as a warranty or representation by the Agency as to the quality of the design or construction of the Project. Approval of the Schematic Design Plans or other construction plans by the Agency under this Agreement shall not constitute a permit approval by the City or a representation or warranty as to compliance with state or City building codes, zoning or land use regulations, or design review standards.

- 10.20. Reasonable approvals. The approval of a party of any documentation or submissions herein called for shall not be unreasonably withheld, delayed or conditioned.

- 10.21. Agency approvals. Whenever a reference is made herein to an action or approval to be undertaken by the Agency, the Agency Administrator or his or her designee is authorized to act on behalf of the Agency, unless specifically provided otherwise.

- 10.22. Execution of other documentation. The Agency and the Developer agree to execute any further documentation that may be necessary to carry out the intent and obligations under this Agreement, provided said documentation does not conflict with this Agreement.
- 10.23. Amendments. Any amendment to this Agreement must be in writing and must be executed by both the Agency and the Developer.
- 10.24. Estoppel certificates. Either party to this Agreement shall provide an estoppel certificate to the other as requested from time to time stating that this Agreement has not been modified, or, if modified, stating the nature of such modification, and certifying that this Agreement, as modified, is in full force and effect.
- 10.25. Integration. This Agreement constitutes the entire understanding and agreement of the parties with respect to the transaction contemplated by this Agreement.
- 10.26. Execution and counterparts. This Agreement is executed in three duplicate originals, each of which is deemed to be an original. This Agreement may be signed in multiple counterparts, which, when signed by all parties, shall constitute a binding agreement.
- 10.27. Exhibits. The following Exhibits are attached to this Agreement and are hereby incorporated into this Agreement by reference:

- Exhibit A-1: Property map
- Exhibit A-2: Property legal description
- Exhibit B-1 Schedule
- Exhibit C: Preliminary Title Report
- Exhibit D: Form of Grant Deed
- Exhibit E: Form of Reversionary Grant Deed
- Exhibit F: List of environmental assessments and reports
- Exhibit G: Insurance requirements

[SIGNATURE BLOCKS ON NEXT PAGE]

1728 San Pablo Avenue DDA
[11/8/2004]

IN WITNESS WHEREOF, the undersigned parties have executed this Disposition and Development Agreement effective as of the date first above written.

“AGENCY”

THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND,
a community redevelopment agency organized and existing under the California
Community Redevelopment Law

By: _____
Agency Administrator

Approved as to form and legality:

By: _____
Agency Counsel

“DEVELOPER”

THE SILVER SOUND ELECTRONICS INC.,
a _____

By: _____

Its: _____

Exhibit A-1

Property Map

(attached)

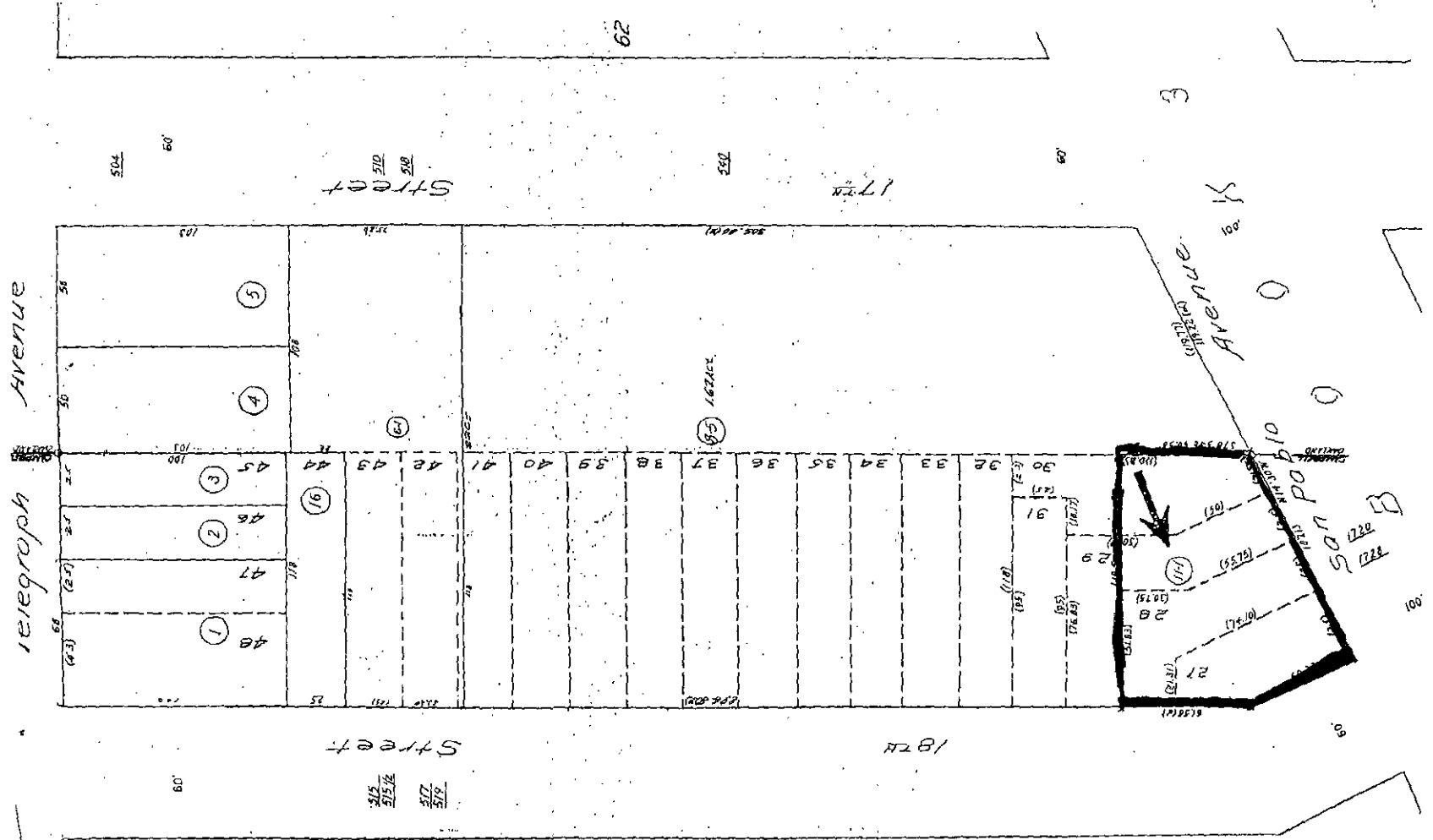


EXHIBIT A-1
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT
(Attached)

EXHIBIT A-2
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT
(Attached)

Property Description

(attached)

PARCEL ONE:

Lots 27 and 28 and a portion of Lot 29 and 30, "Map of The Campbell Tract," filed March 30, 1878, Map Book 2, Page 64, Alameda County Records, described as follows:

Beginning at the point of intersection of the Eastern line of San Pablo Avenue, with the Southern line of 18th Street, as said Avenue and Street are shown on said Map; running thence along said line of San Pablo Avenue Southerly 106.58 feet to the Southern line of said Lot 30; thence along the last mentioned line Easterly 60.85 feet; thence at right angles Northerly 118.00 feet to the Northern common corner of said Lots 28 and 29 on the said Southern line of 18th Street; thence along said line of 18th Street; Westerly 61.58 feet to an angle point therein; thence continuing along said line of 18th Street, 50.33 feet to the point of beginning.

PARCEL TWO:

Beginning at a point on the Eastern line of San Pablo Avenue, distant thereon North 14° 30' West 119.22 feet from the Northern line of 17th Street; and running thence along said line of San Pablo Avenue North 14° 30' West 0.55 of a foot to the Southern line of Lot 30, as said lot is shown on the "Map of The Campbell Tract, Oakland," filed March 30, 1878, in Book 2 of Maps, Page 64, in the Office of the County Recorder of Alameda County; thence along the last named line South 78° 53' East 60.82 feet to the Western line of the land secondly described in the Deed by Leslie Berger, et al, to Kahn Investment Company, et al, dated June 19, 1946, recorded July 1, 1946 under Recorder's Series TT/56009 in the Office of the County Recorder of Alameda County; thence South 11° 07' West 0.50 of a foot to a line drawn South 78° 53' East from the point of beginning; thence North 78° 53' West 60.58 feet to the point of beginning.

Assessor's Parcel No: 008-0641-011-01

EXHIBIT "B-1"
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT
(Attached)

Project Schedule

Date Due	Task
January 18, 2005	Resolutions approved by Agency & City
March 1, 2005	DDA is executed,
April 1, 2005	Closing of Escrow, completion of planning review, submit <i>building plans</i>
May 1, 2005	Obtain building permits, commence construction
September 1, 2005	Complete rehabilitation, move – in

EXHIBIT C
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT

Preliminary Title Report
(Attached)



Fidelity National Title Company

National Commercial Services

ANY QUESTIONS OR COMMENTS CONCERNING THIS
PRELIMINARY REPORT AND/OR COMMITMENT FOR TITLE INSURANCE

REPORT SHOULD BE DIRECTED TO:

FIDELITY NATIONAL TITLE COMPANY

50 CALIFORNIA STREET, SUITE 3550

SAN FRANCISCO, CA 94111

Attention: Carrie Ritter

Carrie Direct: 415.837.2305

Office: 415.392.1061

Facsimile: 415.438.7876

Escrow Number: 142132-CR

Property Reference: 1728 San Pablo Avenue, Oakland, California

WIRING INSTRUCTIONS

Wells Fargo Bank – San Francisco

550 California Street

San Francisco, CA 94104

Credit To: Fidelity National Title Company

ABA Routing Number: 121-000-248

Account Number: 4945-091981

Special Instructions: Contact – Carrie Ritter

S.F. Commercial Division

Reference Escrow Number: 142132-CR

Fidelity National Title Company – National Commercial Services
50 California Street, Suite 3550 - San Francisco, CA 94111
Phone: 415.392.1061 - Fax: 415.438.7876



Fidelity National Title Company
OF CALIFORNIA

PRELIMINARY REPORT

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

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

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

The Policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a California Corporation.


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

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


Countersigned



Fidelity National Title Company

BY  President

ATTEST  Secretary



Fidelity National Title Company
OF CALIFORNIA

Title Only

7011 Koll Center Parkway #100 Pleasanton, CA 94566
(925) 426-5055 FAX (925) 417-3322

PRELIMINARY REPORT

ESCROW OFFICER: Carrie Ritter
TITLE OFFICER: Rob Delgado

ORDER NO.: 1131675 - A
Amendment
LOAN NO.:

TO: Redevelopment Agency of the City of Oakland
250 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

ATTN: Hamid Ghaemmaghami

SHORT TERM RATE: No

PROPERTY ADDRESS: 1728 San Pablo Ave, Oakland, California

EFFECTIVE DATE: December 1, 2004, 07:30 A.M.

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

California Land Title Association Standard Coverage Policy - 1990
02 - American Land Title Association Policy (10-17-92) with A.L.T.A.

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

The Redevelopment Agency of the City of Oakland

3. THE LAND REFERRED TO IN THIS REPORT IS SITUATED IN THE CITY OF OAKLAND, IN THE COUNTY OF ALAMEDA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "ONE" ATTACHED HERETO AND MADE A PART HEREOF

CP\IP 12/15/2004

EXHIBIT "ONE"

PARCEL ONE:

Lots 27 and 28 and a portion of Lot 29 and 30, "Map of The Campbell Tract," filed March 30, 1878, Map Book 2, Page 64, Alameda County Records, described as follows:

Beginning at the point of intersection of the Eastern line of San Pablo Avenue, with the Southern line of 18th Street, as said Avenue and Street are shown on said Map; running thence along said line of San Pablo Avenue Southerly 106.58 feet to the Southern line of said Lot 30; thence along the last mentioned line Easterly 60.85 feet; thence at right angles Northerly 118.00 feet to the Northern common corner of said Lots 28 and 29 on the said Southern line of 18th Street; thence along said line of 18th Street; Westerly 61.58 feet to an angle point therein; thence continuing along said line of 18th Street, 50.33 feet to the point of beginning.

PARCEL TWO:

Beginning at a point on the Eastern line of San Pablo Avenue, distant thereon North $14^{\circ} 30'$ West 119.22 feet from the Northern line of 17th Street; and running thence along said line of San Pablo Avenue North $14^{\circ} 30'$ West 0.55 of a foot to the Southern line of Lot 30, as said lot is shown on the "Map of The Campbell Tract, Oakland," filed March 30, 1878, in Book 2 of Maps, Page 64, in the Office of the County Recorder of Alameda County; thence along the last named line South $78^{\circ} 53'$ East 60.82 feet to the Western line of the land secondly described in the Deed by Leslie Berger, et al, to Kahn Investment Company, et al, dated June 19, 1946, recorded July 1, 1946 under Recorder's Series TT/56009 in the Office of the County Recorder of Alameda County; thence South $11^{\circ} 07'$ West 0.50 of a foot to a line drawn South $78^{\circ} 53'$ East from the point of beginning; thence North $78^{\circ} 53'$ West 60.58 feet to the point of beginning.

Assessor's Parcel No: 008-0641-011-01

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. 2003-2004 Taxes are exempt property has been assessed to The Redevelopment Agency of the City of Oakland.
2. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.
3. The fact that said land is included within a project area of the Redevelopment Agency shown below, and that proceedings for the redevelopment of said project have been instituted under the Redevelopment Law (such redevelopment to proceed only after the adoption of the redevelopment plan) as disclosed by a document.

Redevelopment

Agency: The Redevelopment Agency of The City of Oakland
Recorded: December 17, 1974, Instrument No. 158560, Book 3835, Page 488, of Official Records

Said Plan has been amended by instrument recorded December 31, 1975, Series No. 193098, Reel 4214 OR, Image 290 and recorded September 1, 1995, Instrument No. 95-201279.

4. Matters which may be disclosed by an inspection and/or by a correct ALTA/ACSM Land Title Survey of said land that is satisfactory to this Company, and/or by inquiry of the parties in possession thereof.

An inspection of said land has been ordered; upon its completion the Company reserves the right to except additional items and/or make additional requirements.
5. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF ITEMS

- Note 1. We find no open deed of trust of record. Please verify by inquiry of escrow personnel and/or agents whether or not we have overlooked something and advise the Title Department accordingly prior closing.
- Note 2. There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.

Note 3. The following cities impose a property transfer tax for each \$1,000.00 or fractional part based on full value, as follows:

San Leandro:	\$ 6.00
Oakland:	\$15.00
Albany:	\$11.50
Alameda:	\$ 5.40
Piedmont:	\$13.00
Berkeley:	\$15.00
Hayward:	\$ 4.50

Note 4. The name(s) of the buyer(s) furnished with this application for Title Insurance is/are:
Silver Sounds, Inc.

If these names are incorrect, incomplete or misspelled, please notify the Company.

Note 5. This Company will require the following documents for review prior to the issuance of any title assurance predicated upon a conveyance or encumbrance by the corporation named below.

Corporation: Silver Sounds, Inc.,

- (a) A copy of the corporation By-Laws and Articles of Incorporation.
- (b) An original or certified copy of the Resolution authorizing the transaction contemplated herein.
- (c) If the Articles and/or By-Laws require approval by a "parent" organization, a copy of the Articles and By-Laws of the parent.

The right is reserved to add requirements or additional items after completion of such review.

Note 6. Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all fundings should be done through wire transfer, certified check or checks drawn on California financial institutions.

Note 7. The charge where an order is cancelled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be cancelled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.

Note 8. California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.

Fidelity National Financial Group of Companies' Privacy Statement

July 1, 2001

We recognize and respect the privacy expectations of today's consumers and the requirements of applicable federal and state privacy laws. We believe that making you aware of how we use your non-public personal information ("Personal Information"), and to whom it is disclosed, will form the basis for a relationship of trust between us and the public that we serve. This Privacy Statement provides that explanation. We reserve the right to change this Privacy Statement from time to time consistent with applicable privacy laws.

In the course of our business, we may collect Personal Information about you from the following sources:

- From applications or other forms we receive from you or your authorized representative;
- From your transactions with, or from the services being performed by, us, our affiliates, or others;
- From our internet web sites;
- From the public records maintained by governmental entities that we either obtain directly from those entities, or from our affiliates or others; and
- From consumer or other reporting agencies.

Our Policies Regarding the Protection of the Confidentiality and Security of Your Personal Information

We maintain physical, electronic and procedural safeguards to protect your Personal Information from unauthorized access or intrusion. We limit access to the Personal Information only to those employees who need such access in connection with providing products or services to you or for other legitimate business purposes.

Our Policies and Practices Regarding the Sharing of Your Personal Information

We may share your Personal Information with our affiliates, such as insurance companies, agents, and other real estate settlement service providers. We also may disclose your Personal Information:

- to agents, brokers or representatives to provide you with services you have requested;
- to third-party contractors or service providers who provide services or perform marketing or other functions on our behalf; and
- to others with whom we enter into joint marketing agreements for products or services that we believe you may find of interest.

In addition, we will disclose your Personal Information when you direct or give us permission, when we are required by law to do so, or when we suspect fraudulent or criminal activities. We also may disclose your Personal Information when otherwise permitted by applicable privacy laws such as, for example, when disclosure is needed to enforce our rights arising out of any agreement, transaction or relationship with you.

One of the important responsibilities of some of our affiliated companies is to record documents in the public domain. Such documents may contain your Personal Information.

Right to Access Your Personal Information and Ability to Correct Errors or Request Changes or Deletion

Certain states afford you the right to access your Personal Information and, under certain circumstances, to find out to whom your Personal Information has been disclosed. Also, certain states afford you the right to request correction, amendment or deletion of your Personal Information. We reserve the right, where permitted by law, to charge a reasonable fee to cover the costs incurred in responding to such requests.

All requests must be made in writing to the following address:

Privacy Compliance Officer
Fidelity National Financial, Inc.
4050 Calle Real, Suite 220
Santa Barbara, CA 93110

Multiple Products or Services

If we provide you with more than one financial product or service, you may receive more than one privacy notice from us. We apologize for any inconvenience this may cause you.

EXHIBIT A

AMERICAN LAND TITLE ASSOCIATION RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) EXCLUSIONS

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

Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

- land use
- improvements on the land
- land division
- environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at policy date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

The right to take the land by condemning it, unless:

- a notice of exercising the right appears in the public records on the Policy Date
- the taking happened prior to the Policy Date and is binding on you if you bought the land without knowledge of the taking

3. Title Risks:

- that are created, allowed, or agreed to by you
- that are known to you, but not to us, on the Policy Date unless they appeared in the public records
- that result in no loss to you
- that first affect your title after the Policy Date - this does not limit the labor and material fee coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title.

5. Lack of a right:

- to any land outside the area specifically described and referred to in Item 3 of Schedule A or
- in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

SCHEDULE B EXCEPTIONS

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

Any rights, interests, or claims of parties in possession of the land not shown by the public records. Any easements or liens not shown by the public records. This does not limit the lien coverage in Item 8 of Covered Title Risks.

3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.
4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990 EXCLUSIONS FROM COVERAGE

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

(a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations restricting, regulating, prohibiting or relating to) the occupancy, use, or enjoyment of the land; (b) the character, dimensions or location of any improvement now or hereafter erected on the land; (c) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (d) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

Defects, liens, encumbrances, adverse claims, or other matters:

- (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
- (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy; or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

SCHEDULE B, PART I EXCEPTIONS FROM COVERAGE

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

PART 1

Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.

Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.

2. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

**EXHIBIT A
(CONTINUED)**

**AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
WITH A.L.T.A. ENDORSEMENT-FORM 1 COVERAGE AND
AMERICAN LAND TITLE ASSOCIATION LEASEHOLD LOAN POLICY (10-17-92)
WITH A.L.T.A. ENDORSEMENT-FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

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

- (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid

value for the insured mortgage.

4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgage insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgage being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgage as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgage being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

**AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92) AND
AMERICAN LAND TITLE ASSOCIATION LEASEHOLD OWNER'S POLICY (10-17-92)
EXCLUSIONS FROM COVERAGE**

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

- (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy, or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.

4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

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

EXCEPTIONS FROM COVERAGE

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters exempted under (a), (b) or (c) are shown by the public records.

**EXHIBIT A
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (6-2-98)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-17-98)
EXCLUSIONS**

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

Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:

- a. building
- b. zoning
- c. Land use
- d. improvements on Land
- e. Land division
- f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation appears in the Public Records at the Policy Date.

This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.

The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.

The right to take the Land by condemning it, unless:

- a. notice of exercising the right appears in the Public Records at the Policy Date; or
- b. the taking happened before the Policy Date and is binding on You if You bought the Land without knowing of the taking.

4. Risks:

- a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
- b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
- c. that result in no loss to You; or
- d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8, 4, 22, 23, 24 or 25.

5. Failure to pay value for Your Title.

6. Lack of a right:

- a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
- b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

**RESIDENTIAL TITLE INSURANCE POLICY
ONE-TO-FOUR FAMILY RESIDENCE
ENHANCED VERSION (1997)
EXCLUSIONS**

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

Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

- a. land use;
- b. improvements on the land;
- c. land divisions; or
- d. environmental protection.

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the coverage described in Items 12c and d, 13 and 18 of Covered Title Risks.

The right to take the land by condemning it, unless:

- a. a notice of exercising the right appears in the public records on the Policy Date; or
- b. the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.

3. Title Risks:

- a. that are created, allowed, or agreed to by you;
- b. that are known to you, but not to us, on the Policy Date - unless they appeared in the public records;
- c. that result in no loss to you; or
- d. that first affect your title after the Policy Date - this does not limit the coverage described in Items 3b, 8, 17 and 19 of Covered Title Risks.

4. Failure to pay value for your title.

5. Lack of a right: (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A or (b) in streets, alleys, or waterways that touch your land.

This exclusion does not limit the coverage described in Items 5 and 12a of the Covered Title Risks.

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)
EXCLUSIONS FROM COVERAGE**

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

- (a) Any law, ordinance or governmental regulation (including but not limited to zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.

Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.

Defects, liens, encumbrances, adverse claims or other matters:

- (a) created, suffered, assumed or agreed to by the Insured Claimant;
- (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
- (c) resulting in no loss or damage to the Insured Claimant;
- (d) attaching or created subsequent to Date of Policy (this paragraph does limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or
- (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the Indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(a) and 28.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 9.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:
 - (a) The time of the advance; or
 - (b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

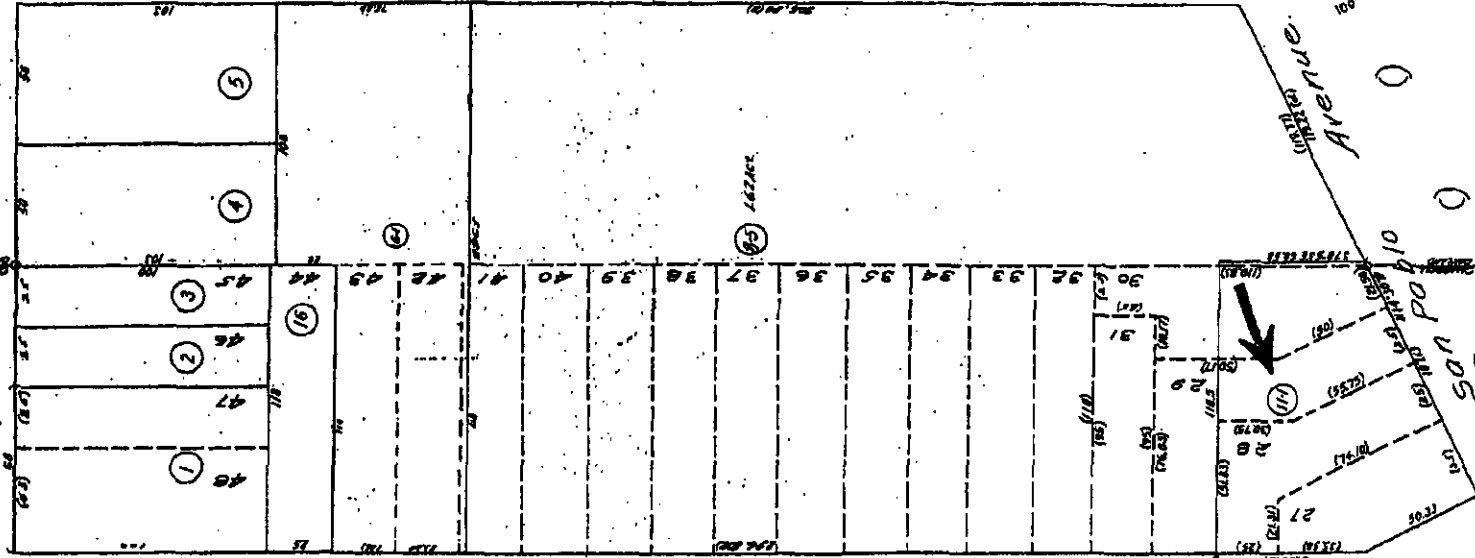
ASSESSOR'S MAP 8

Scale 1"=40'

641
1999

MAP OF OAKLAND AND VICINITY (Bk. 17 Pg. 4)
MAP OF CAMPBELL TRACT (Bk. 2 Pg. 64)

Telegraph Avenue



THIS MAP SHOULD BE USED FOR REFERENCE PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

EXHIBIT D
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT

Form of Grant Deed

NO FEE DOCUMENT

RECORDING REQUESTED BY:

The Redevelopment Agency of the City of Oakland

WHEN RECORDED, MAIL TO:

The City of Oakland
Community and Economic Development Agency
250 Frank Ogawa Plaza, 4th Floor
Oakland, California 94612
Attn.: Hamid Gami, Real Estate Agent

The undersigned grantor(s) declare(s):
CITY TRANSFER TAX: _____
DOCUMENTARY TRANSFER TAX: _____
SURVEY MONUMENT FEE: _____

Computed on the consideration or value of property conveyed: OR
Computed on the consideration or value less liens or encumbrances
remaining at time of sale.

MAIL TAX STATEMENTS TO:

The Silver Sound Electronics, Inc.
275 West MacArthur Boulevard
Oakland, CA 94611

APN: _____

GRANT DEED

The REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, a community redevelopment agency organized and existing under the California Community Redevelopment Law, herein called "Grantor," hereby grants to THE SILVER SOUND ELECTRONICS, INC., a _____, herein called "Grantee," that real property situated in the City of Oakland, County of Alameda, State of California more particularly described in Exhibit "A" (attached hereto and incorporated by this reference), hereinafter referred to as the "Property."

1. This Grant Deed is subject to easements of record, and to the covenants, conditions and restrictions set forth in that certain Disposition and Development Agreement between Grantor and Grantee, dated _____ 2005, and recorded as document no. _____ with the Alameda County Recorder, hereinafter called the "DDA". The DDA, though not intended by the parties to be merged with this Grant Deed, is incorporated into this Grant Deed by this reference.
2. This Grant Deed is further subject to those options to repurchase the Property held by the Agency as set forth in the DDA.
3. Grantee covenants and agrees for itself, and its successors and assigns to all or any part of the Property that Grantee, and such successors and assigns, shall:
 - (i) Devote the Property to, and only to and in accordance with, the uses specified in the DDA, and this Grant Deed; and
 - (ii) Not discriminate upon the basis of race, color, ancestry, national origin, marital status, religion, creed, sex, sexual preference, AIDS or AIDS-related complex, or disability in the sale, lease, or rental or in the use or occupancy of the Property or any improvements erected or to be erected thereon, or any part thereof. Grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, ancestry, national origin, marital status, religion, creed, sex, sexual preference, AIDS or AIDS-related complex, or disability in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall Grantee or any person claiming under or through it, establish or permit any such practice of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land. The restrictive covenants contained herein shall remain in full force and effect without limitations as to time.
4. If there is any conflict between the provisions of this Grant Deed and the DDA, it is the intent of the parties that the DDA shall control.
5. The parties intend that the covenants of Grantee contained in this Grant Deed shall constitute covenants running with the land and shall bind the Property and every person having an interest in the Property, and that they shall be, to the fullest extent permitted by law and equity, binding for the benefit of and enforceable by the Redevelopment Agency of the City of Oakland. Grantee agrees for itself and for its successors that in the event that a court of competent jurisdiction determines that the covenants herein do not run with the land, such covenants shall be enforced as equitable servitudes against the Property.

IN WITNESS WHEREOF, the parties hereto have executed this Grant Deed this _____ day of _____, _____.

“GRANTOR”

**THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND,
a community redevelopment agency organized and existing under the California
Community Redevelopment Law**

By: _____
Agency Administrator

Approved as to form and legality:

By: _____
Agency Counsel

“GRANTEE”

THE SILVER SOUND ELECTRONICS INC. GROUP

a _____

By: _____

Its: _____

EXHIBIT E
Of The
DRAFT DISPOSITION AND DEVELOPMENT

Form of Reversionary Grant Deed

NO FEE DOCUMENT

RECORDING REQUESTED BY:

The Redevelopment Agency of the City of Oakland

WHEN RECORDED, MAIL TO:

The City of Oakland
Community and Economic Development Agency
250 Frank Ogawa Plaza, 4th Floor
Oakland, California 94612
Attn.: Harnid Gami, Real Estate Agent

The undersigned grantor(s) declare(s):
CITY TRANSFER TAX: Exempt
DOCUMENTARY TRANSFER TAX: Exempt
SURVEY MONUMENT FEE: Exempt

Computed on the consideration or value of property conveyed: OR
Computed on the consideration or value less liens or encumbrances
remaining at time of sale.

MAIL TAX STATEMENTS TO:

N/A

APN: _____

REVERSIONARY GRANT DEED

THE SILVER SOUND ELECTRONICS INC., a _____, herein called "Grantor," hereby grants to the REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND, a community redevelopment agency organized and existing under the California Community Redevelopment Law, herein called "Grantee," that real property situated in the City of Oakland, County of Alameda, State of California more particularly described in Exhibit "A" (attached hereto and incorporated by this reference), hereinafter referred to as the "Property."

This Reversionary Grant Deed is given pursuant to provisions of that Disposition and Development Agreement between Grantor and Grantee, dated _____ 2005, and recorded as document no. _____ with the Alameda County Recorder, hereinafter called the

"DDA". This Reversionary Grant Deed and the conveyance herein is made to Grantee subject only to the lien of current real property taxes and assessments (a lien not yet delinquent), and to those exceptions to title permitted under the DDA.

Dated: _____

"GRANTOR"

THE SILVER SOUND ELECTRONICS INC.

a _____

By: _____

Its: _____

EXHIBIT F
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT

List of Environmental Assessments and Reports
(Attached)



RGA Environmental Inc.

Asbestos and Lead Survey Report

Site Location:
California Arts Building
1728 San Pablo
Oakland, California

Prepared for:

City of Oakland
Attn: Mr. John Adams
Environmental Program Specialist
250 Frank Ogawa Plaza, Suite 5301
Oakland, California 94612

Prepared by:

RGA Environmental, Inc.
4701 Doyle Street, Suite 14
Emeryville, California 94608

April 29, 2002
RGA Project #COO7563

Report Prepared By: _____

Tedd Kattchee

(CAC #99-2557)

Report Reviewed By: _____

Steffen Steiner

(CAC #92-0850, DHS-Lead #I-477)

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Appendices

- A. Asbestos Laboratory Results and Chain of Custody**
- B. Lead Laboratory Results and Chain of Custody**
- C. Site Inspector Certificates**

Asbestos and Lead Survey Report

California Arts Building

1728 San Pablo Avenue

Oakland, California

1. Executive Summary

The following is a report of the asbestos and lead survey conducted by Mr. Tedd Kattchee, California Certified Asbestos Consultant (CAC), Mary O Donnell, California Certified Site Surveillance Technician and Mark Hiley, California Department of Health Services (DHS) Lead Inspector/Assessor, with RGA Environmental, Inc. (RGA). The survey was performed on April 12, 2002 at California Arts Building located at 1728 San Pablo Avenue, Oakland, California.

Two paint samples were collected from painted building components throughout the building. Both painted surfaces sampled from the building were found to contain detectable levels of lead. The highest lead content (2,030 parts per million) was detected in the beige paint on the interior plaster walls and ceilings.

A total of twelve (12) homogeneous suspect asbestos-containing materials (ACMs) were identified in the building during the survey. None of the homogeneous materials tested positive for asbestos-content.

2. Scope of Work

The scope of the survey was as follows:

- Conduct an asbestos and lead survey of 1728 San Pablo Avenue, Oakland, California. The survey did not include destructive testing to identify concealed ACMs or sampling of the roof.
- Collect a representative number of samples of ACMs. Asbestos bulk samples were analyzed using polarized light microscopy (PLM) in accordance with EPA's July 1993 method for the determination of asbestos in bulk building materials - EPA 600/R-93/116.

- Provide a DHS lead certified inspector to collect bulk chip samples of paint suspected to be lead-containing. Bulk samples were analyzed at an accredited laboratory by Flame Atomic Absorption (AA) for Total Lead reported in parts per million (ppm).
- Submit written report including analytical results, regulatory requirements, conclusions and recommendations.

3. Methods and Sampling Strategy

Visual Inspection

Accessible building materials were visually inspected using the methods presented in the federal Asbestos Hazard Emergency Response Act (AHERA) regulations (40 CFR, Part 763) as a guideline. AHERA was originally only applicable to schools, however State and Federal Occupational Safety and Health Administration (OSHA) and Asbestos School Hazard Abatement Reauthorization Act (ASHARA) have adopted the AHERA sampling methodology for all buildings subject to demolition or renovation.

Potential ACM was also physically assessed for friability, condition and disturbance factors.

The inspection was non-destructive in nature. That is, no demolition of building components was performed in order to access hidden materials such as internal wall insulation or pipe chases, fire doors, ceramic tile grouts and mastics, etc. Consequently, unidentified ACMs such as pipe lagging may be hidden between wall spaces. Providing these materials are not disturbed during renovation, construction, demolition or other physical activity they do not pose a significant risk to building occupants. RGA makes no warranty as to the possible existence or absence of such materials or to their evaluation in respect to asbestos content. Additional destructive sampling of inaccessible suspect building materials prior to any major renovation or building demolition will be required.

Bulk Sampling of Asbestos

Bulk samples of all homogeneous materials from identified functional spaces containing suspect ACM were collected. A homogeneous material is defined as a surfacing material, thermal system insulation, or miscellaneous material that is uniform in color, texture and age of construction. Examples of homogeneous materials include:

- Pipe-insulation produced by the same manufacturer and installed during the same time period;
- Resilient flooring of identical color and pattern;
- Troweled on surfacing materials located in a building.

The building was visually inspected for the presence of suspect materials. As materials were identified, bulk samples were obtained with the aid of a coring device or other hand tool and placed into individual sampling bags. Each sample was given a discreet identification number and recorded on field notes as well as chain-of-custody forms. Refer to accompanying tables and appendices for details on material sample locations and results.

Bulk Sampling of Lead Paint

Paint chip samples were collected using a hand scraper and were placed into individual plastic sampling containers. Each sample was provided a discreet sample number, which was recorded on a chain-of-custody form. The samples were transported under chain-of-custody procedures to RJ Lee Group, Inc. (RJ Lee) in San Leandro, California. Please refer to Table 2 for details on sample locations and sample results.

Bulk Sample Analysis

Bulk samples were analyzed by RJ Lee. RJ Lee is accredited under the National Institute of Standards and Technology's National Voluntary Laboratory Accreditation Program (NVLAP).

All samples were analyzed using polarized light microscopy (PLM) techniques in accordance with methodology approved by the U.S. Environmental Protection Agency (EPA). As set forth in the Code of Federal Regulations, 40 CFR Part 763, Appendix A to Subpart F, Section 1.2 and 1.7.2.4, the lower limit of reliability detection for asbestos using the PLM method is approximately one percent (1%) by volume. Cal-OSHA defines asbestos containing construction materials (ACCM) as those materials having an asbestos content of greater than one tenth of one percent ($>0.1\%$).

When None Detected (ND) appears in this report, it should be interpreted as meaning no asbestos was observed in the sample material above the reliable limit of detection for the PLM method.

Note: under EPA assessment criteria, if a single sample of a homogeneous material tests positive for asbestos, all homogeneous materials in that functional space are considered to be asbestos containing.

All paint samples were analyzed for lead content using the Flame Atomic Absorption spectroscopy in accordance to EPA Method SW846-3050-7000A. When "<" appears in the lead sample report, it should be interpreted as meaning below analytical detection limit and no lead was detected in the paint sample.

4. Asbestos Results

A total of twelve (12) homogeneous suspect ACMs were identified in the building during the survey. None of the homogeneous materials tested positive for asbestos-content.

Twelve (12) suspect ACMs were sampled but did not contain asbestos. The materials include:

**TABLE 1
 NON-ASBESTOS CONTAINING MATERIAL(S)**

Material	Location
Brown marbled vinyl sheeting and mastic	Throughout main level
Plaster	Throughout building
Stucco	Exterior and interior loading dock
Concrete flooring	East end of main level
Drywall with joint compound	Back room main level
White square pattern sheet vinyl and mastic	Main level restrooms
Cement floor finish	Throughout basement
Yellow patterned vinyl sheeting	2 nd level Office
Beige vinyl sheeting w/ pebble pattern	2 nd Level Lounge Area
Textured wall plaster	Main level southeast corner room
Vapor barrier	Perimeter Wall Main level
Fiberglass insulation	Perimeter wall main level

5. Lead Results

A total of two (2) bulk paint chip samples were collected from representative surfaces on the interior and exterior of the building. Table II below summarizes the sampling locations and lead content of each sample.

**TABLE 2
LEAD IN PAINT SAMPLE RESULTS**

Sample Number	Location	Results mg/kg (ppm)
135686	Beige Paint on Interior Plaster	2,030
147512	Beige Paint on Exterior Stucco	1,510

6. Regulatory Requirements

Lead

Limited peeling and otherwise damaged lead-containing paints were identified in the building. Impacting lead or lead-containing paint either through repair, maintenance, renovation or demolition activities triggers numerous regulations enforced by such agencies as OSHA (worker protection) and EPA (environmental exposure, transportation and disposal).

Listed below are the lead paint regulations that apply if the paint is removed:

- There are presently no federal, state or local regulations limiting the concentration of lead in public sector buildings, however several regulations established for the private sector as well as for government subsidized housing are used industry wide as guidelines for assessing exposure to lead. The Consumer Product Safety Commission (CPSC) has set a maximum limit of 600 ppm in paint used for residential purposes and the Department of Housing and Urban Development (HUD) requires abatement of paints containing lead in concentrations exceeding 5,000 ppm.
- Disposal of all lead-containing paints is regulated at concentrations at or exceeding 350 ppm as stated in 40 Code of Federal Regulations (CFR) Part 263 - Land Disposal Regulations and Title 22, Division 4 Environmental Health of the California Administrative Code. However, lead related work at any lead concentration is regulated under the Occupational Safety and Health statutes.

- The Federal Occupational Safety and Health Administration (OSHA) as well as California OSHA regulate all worker exposure during construction activities that impact lead-containing paint. California OSHA enforces the Lead in Construction Standard in Title 8 CCR 1532.1. The scope covers construction work where employees may be exposed to lead during such activities as demolition, removal, surface preparation for re-painting, renovation, clean-up and routine maintenance. The OSHA specified method of compliance includes respiratory protection, protective clothing and equipment, housekeeping, hygiene facilities, medical surveillance, training, etc.
- EPA Title X requires that the EPA and/or individual states develop training/certification regulations for individuals engaged in lead-containing paint activities and requires the EPA to issue guidelines and evaluate renovation and remodeling activities involving lead paint.

7. Recommendations to Implement Regulatory Requirements

Lead

Two paint samples were collected from painted building components throughout the building. Both painted surfaces sampled from the building were found to contain detectable levels of lead. The highest lead content (2,030 parts per million) was detected in the beige paint on the interior plaster.

When lead painted surfaces are abated, the paint debris should be classified as hazardous waste if lead waste concentrations exceed either the total lead concentration or soluble lead concentration regulatory limits. Total lead concentration is determined by Total Threshold Limit Concentration (TTLC). Soluble or leachable lead is determined by the Soluble Threshold Limit Concentration (STLC, California required test) and/or Toxicity Characteristic Leaching Procedure (TCLP) (Federal EPA required test). Regulatory limits characterize a lead waste as a hazardous waste if lead concentration exceeds 350 ppm by TTLC or 5 milligram per liter by STLC or TCLP.

RGA recommends the following actions prior to the start of building renovation or demolition.

- Abate any peeling, stratified or blistered lead-containing paint.
- Require abatement contractor to provide workers that are trained by the California Department of Health Services for abatement of lead-containing paint.

- Use only trained workers to demolish building components containing intact lead-containing paint or walls where lead lining is present.
- Worker exposure and environmental monitoring and proper engineering controls should be implemented throughout the lead abatement work.
- Contractor should adhere to OSHA and other applicable state and local regulations for worker protection, hazard communications, work practices, engineering controls and proper waste disposal.
- Following abatement, proper waste stream categorization is required for the disposal of lead-containing paint. The disposal of lead-containing materials shall be coordinated with the landfill.

8. Limitations

The information provided in this report is not intended to be used as a biddable document for abatement purposes.

Note that destructive testing was not conducted during the survey and additional inspections and testing will be required prior to demolition or renovation activities.

Appendix A
Asbestos Laboratory Results and Chain of Custody

Test Report - RGA Environmental, Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

APR. 24. 2002 7:42AM

R J LEE GROUP INC

NO. 1572 P. 2/10

Sample Number / Sample Appearance	Client Sample Number	-----Asbestos-----						-----Nonasbestos-----					Run Date	Analyst		
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers	Other Fibers			NonFibrous Material	
0011697CPL Brown VSF ; brn. mastic	117281	-	-	-	-	-	-	30 %	-	-	-	-	-	70 %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Misc. Part.								Non Homogeneous
0011698CPL Brown VSF ; brn. mastic	147604	-	-	-	-	-	-	30 %	-	-	-	-	-	70 %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Misc. Part.								Non Homogeneous
0011699CPL White plaster ; offwht. plaster	147603	-	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Misc. Part.								Non Homogeneous
0011700CPL White plaster ; offwht. plaster ; wht. drywall	135717	-	-	-	-	-	-	2 %	-	-	-	-	-	98 %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Gyp, Mica, Misc. Part								Non Homogeneous
0011701CPL White plaster ; offwht. plaster ; wht. drywall	135742	-	-	-	-	-	-	2 %	-	-	-	-	-	98 %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Gyp, Mica, Misc. Part.								Non Homogeneous
0011702CPL White plaster ; wht. skimcoat	135746	-	-	-	-	-	-	<1 %	-	-	-	-	-	99+ %	4/22/02	SSY
								NFM: Qtz, Carb, Binder, Opaq, Misc. Part.								Non Homogeneous

Samples received on: Monday, April 22, 2002

Authorized Signature _____

Date

Stephen S. Yata, Geologist
 Tuesday, April 23, 2002

Phone (510) 567-0480
 Fax (510) 567-0488

RJ Lee Group, Inc.
Bay Area Lab

530 McCormick Street
 San Leandro, CA 94577

Test Report - RGA Environmental , Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

Sample Number / Sample Appearance	Client Sample Number	Asbestos						Nonasbestos					Run Date Analyst		
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers	Other Fibers		NonFibrous Material	
0011703CPL White plaster	135749	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Homogeneous
0011704CPL White plaster	117269	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Homogeneous
0011705CPL Grey concrete	147605	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Homogeneous
0011706CPL Grey concrete	135674	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Homogeneous
0011707CPL Grey concrete	135747	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Homogeneous
0011708CPL Grey stucco ; wht. skimcoat	126105	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY	Non Homogeneous

Samples received on: Monday, April 22, 2002

Authorized Signature _____

Stephen S. Yata, Geologist
 Tuesday, April 23, 2002

Date

Phone (510) 567-0480
 Fax (510) 567-0488

RJ Lee Group, Inc.
 Bay Area Lab

530 McCormick Street
 San Leandro, CA 94577

APR 23 2002 11:42AM R J LEE GROUP INC

NO. 1572 P. 3/10

Test Report - RGA Environmental , Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

Sample Number / Sample Appearance	Client Sample Number	Asbestos						Nonasbestos				Run Date	
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers		Other Fibers
0011709CPL Grey stucco ; wht. skimcoat	125567	-	-	-	-	-	-	-	-	-	-	-	100 % 4/22/02 SSY Non Homogeneous
0011710CPL Grey stucco	135712	-	-	-	-	-	-	-	-	-	-	-	100 % 4/22/02 SSY Homogeneous
0011711CPL White wallboard ; wht. mud	135733	-	-	-	-	-	-	3 %	-	-	-	-	97 % 4/22/02 SSY Non Homogeneous
0011712CPL White vinyl sheeting ; brn. mastic	135713	-	-	-	-	-	-	20 %	-	-	-	-	80 % 4/22/02 SSY Non Homogeneous
0011713CPL White vinyl sheeting ; brn. mastic	147069	-	-	-	-	-	-	20 %	-	-	-	-	80 % 4/22/02 SSY Non Homogeneous
0011714CPL White vinyl sheeting ; brn. mastic	135716	-	-	-	-	-	-	20 %	-	-	-	-	80 % 4/22/02 SSY Non Homogeneous

Samples received on: Monday, April 22, 2002

RJ Lee Group, Inc.
Bay Area Lab

530 McCormick Street
 San Leandro, CA 94577

Authorized Signature _____

Date

Stephen S. Yata, Geologist
 Tuesday, April 23, 2002
 Phone (510) 567-0480
 Fax (510) 567-0488

APR. 24. 2002 7:42AM

RJ LEE GROUP INC

NO. 1572 P. 4/10

Test Report - RGA Environmental , Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

APR. 24. 2002 7:43AM R. J. LEE GROUP INC

Sample Number / Sample Appearance	Client Sample Number	-----Asbestos-----							-----Nonasbestos-----				Run Date	
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers	Other Fibers		NonFibrous Material
0011715CPL Black vapor barrier	147058	-	-	-	-	-	-	65 %	-	-	-	-	35 %	4/22/02
													NFM: Qtz, Tar, Carb, Binder, Opaq, Misc. Part.	SSY
													Homogeneous	
0011716CPL Black vapor barrier	135729	-	-	-	-	-	-	65 %	-	-	-	-	35 %	4/22/02
													NFM: Qtz, Tar, Carb, Binder, Opaq, Misc. Part.	SSY
													Homogeneous	
0011717CPL Brown insulation	135751	-	-	-	-	-	-	5 %	5 %	80 %	-	-	10 %	4/22/02
													NFM: Qtz, Carb, Binder, Opaq, Misc. Part	SSY
													Homogeneous	
0011718CPL Grey cement	135748	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02
													NFM: Qtz, Carb, Binder, Opaq, Misc. Part.	SSY
													Homogeneous	
0011719CPL Yellow vinyl sheeting ; brn. mastic	147602	-	-	-	-	-	-	10 %	-	2 %	-	-	88 %	4/22/02
													NFM: Qtz, Carb, Binder, Opaq, Misc Part	SSY
													Non Homogeneous	
0011720CPL Yellow vinyl sheeting ; brn. mastic ; grey pad	135722	-	-	-	-	-	-	10 %	-	1 %	-	-	89 %	4/22/02
													NFM: Qtz, Carb, Binder, Opaq, Misc. Part.	SSY
													Non Homogeneous	

Samples received on: Monday, April 22, 2002

RJ Lee Group, Inc.
Bay Area Lab

530 McCormick Street
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Page: 4 of 6

Authorized Signature _____

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NO. 1572 P. 5/10

Test Report - RGA Environmental , Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

APR. 24. 2002 7:43AM
 R J LEE GROUP INC

Sample Number / Sample Appearance	Client Sample Number	-----Asbestos-----							-----Nonasbestos-----				Run Date
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers	Other Fibers	
0011721CPL Yellow vinyl sheeting ; brn. mastic ; grey pad	135657	-	-	-	-	-	10 %	-	1 %	-	-	89 %	4/22/02 SSY
													Non Homogeneous
0011722CPL Beige vinyl sheeting ; yellow mastic ; wht. level comp	135655	-	-	-	-	-	10 %	-	2 %	2 %	-	86 %	4/22/02 SSY
													Non Homogeneous
0011723CPL Beige vinyl sheeting ; yellow mastic ; wht. level comp	135656	-	-	-	-	-	10 %	-	2 %	2 %	-	86 %	4/22/02 SSY
													Non Homogeneous
0011724CPL Beige vinyl sheeting ; yellow mastic	135684	-	-	-	-	-	10 %	-	2 %	2 %	-	86 %	4/22/02 SSY
													Non Homogeneous
0011725CPL White plaster ; offwhite plaster	146085	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY
													Non Homogeneous
0011726CPL White plaster ; offwht. plaster	135688	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02 SSY
													Non Homogeneous

Samples received on: Monday, April 22, 2002

RJ Lee Group, Inc.
Bay Area Lab

530 McCormick Street
 San Leandro, CA 94577
 Page: 5 of 6

Authorized Signature _____
 Stephen S. Yata, Geologist
 Date Tuesday, April 23, 2002
 Phone (510) 567-0480
 Fax (510) 567-0488

NO. 1572 P. 6/10

Test Report - RGA Environmental, Inc.
Polarized Light Microscopy Analysis Results
Project AOC204394

APR 24 2002 7:43AM
 R J LEE GROUP INC

Sample Number / Sample Appearance	Client Sample Number	-----Asbestos-----							-----Nonasbestos-----				Run Date	Analyst	
		Chrysotile	Amosite	Crocidolite	Anthophyllite	Tremolite	Actinolite	Cellulose	Mineral Wool	Fibrous Glass	Synthetic Fibers	Other Fibers			NonFibrous Material
0011727CPL White plaster ; offwht. plaster	125534	-	-	-	-	-	-	-	-	-	-	-	100 %	4/22/02	SSY
															Non Homogeneous
0011728CPL White plaster ; offwht. plaster	135685	-	-	-	-	-	-	<1 %	-	-	-	-	99+ %	4/22/02	SSY
															Non Homogeneous

NO. 1572 P. 7/10

Samples received on: Monday, April 22, 2002

RJ Lee Group, Inc.
Bay Area Lab

530 McCormick Street
 San Leandro, CA 94577
 Page: 6 of 6

Authorized Signature _____

Date

Stephen S. Yata, Geologist
 Tuesday, April 23, 2002
 Phone (510) 567-0480
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4701 DOYLE ST., STE. 14 Emeryville, CA 94608
 Tel: (510) 547-7771 Fax: (510) 547-1983

870 MARKET ST., STE 1249 San Francisco, CA 94102
 Tel: (415) 834-9660 Fax: (415) 834-9670

948 11TH ST., STE 11-1 Modesto, CA 94354
 Tel: (209) 525-8108 Fax: (209) 525-8109

ACM BULK SAMPLE DATA SHEET

- PLM Analysis
- Stop Analysis at First Positive

PAGE 1 OF 3

Project Name/Address: 1728 SAN PABLO AVE, OAKLAND P.M. Initial: TK

RGA Project #: C00 9563 Sampled By: TK + MBO Sampling Date: 04.18.02

Sample(s) Sent To: R.J. Lee Micro Other: _____ Turnaround Time: _____ Rush 24Hrs _____ 3-5 Days

Fax Report To: 510-547-1983 415-834-9670 209-525-8109 (Fax #) TEOD

HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
001	BROWN MARBLED VINYL SHEETING			
		117281	MAIN SHOWROOM UNDER CIRCLE STRUCTURE	
		147604	PICTURE GLASS AREA	
002	WALL PLASTER			
		147603	OFFICE AREA NORTH SIDE (ON BUTTON BOARD)	
		135717	DISPLAY ROOM	
		135742	MAIN FLOOR ROOM	
003	WALL PLASTER			
		135746	SOUTH WALL	
		135749	2 ND FLOOR OFFICE	
		117269	BACK HALLWAY	
003	CONCRETE FLOORING TEXTURED			
		147605	BACK ROOM STORAGE	
		135674	BACK ROOM STORAGE	
		135747	BACK ROOM STORAGE	
004	STUCCO			
		126105	LOADING DOCK	
		125567	LOADING DOCK	
		135712	LOADING DOCK	
005	WALLBOARD + MVD			
		135733	BACK ROOM STORAGE	

Relinquished By: MARY O'DONNEN Signature: [Signature] Date/Time: 04/18/02

Received By: M. Carter Signature: [Signature] Date/Time: 4/22/02



ACM BULK SAMPLE DATA SHEET

4701 DOYLE ST., STE. 14 Emeryville, CA 94608
 Tel: (510) 547-7771 Fax: (510) 547-1983

870 MARKET ST., STE 1249 San Francisco, CA 94102
 Tel: (415) 834-9660 Fax: (415) 834-9670

948 11TH ST., STE 11-J Modesto, CA 94354
 Tel: (209) 525-8108 Fax: (209) 525-8109

* PLM Analysis
 * Stop Analysis at First Positive

PAGE 2 OF 3

Project Name/Address: 1728 SAN PABLO AVE, OAKLAND, CA P.M. Initial: TK

RGA Project #: C007563 Sampled By: TK & MBO Sampling Date: 04.18.02

Sample(s) Sent To: R.J. Lee Micro Other: _____ Turnaround Time: _____ Rush 24Hrs 3-5 Days

Fax Report To: 510-547-1983 415-834-9670 209-525-8109 (Fax #) TEDD

HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
006	SQUARE PATTERN WHITE VINYL SHEETING	135713	1 ST FL. RESTROOM	
		147069	1 ST FL. RESTROOM	
		135716	1 ST FL. RESTROOM	
007	VAPOR BARRIER	177058	SOUTH PERIMETER WALL	
		135729	SOUTH PERIMETER WALL	
008	WALL INSULATION	135751	SOUTH PERIMETER WALL	
009	CEMENT FLOOR FINISH	135748	BASEMENT	
010	YELLOW PATTERNED VINYL SHEETING	147602	2 ND FL. OFFICE	
		135722	2 ND FL. OFFICE	
		135657	2 ND FL. OFFICE	
011	BEIGE VINYL SHEETING w/ PEBBLE PATTERN	135655	2 ND FL. LOUNGE	
		135656	2 ND FL. LOUNGE	
		135684	2 ND FL. LOUNGE	

Relinquished By: MARY O'DONNELL Signature: [Signature] Date/Time: 04/18/02

Received By: M. CARTER Signature: [Signature] Date/Time: 04/22/02



4701 DOYLE ST., STE. 14 Emeryville, CA 94608
 Tel: (510) 547-7771 Fax: (510) 547-1983
 870 MARKET ST., STE 1249 San Francisco, CA 94102
 Tel: (415) 834-9660 Fax: (415) 834-9670
 948 11TH ST., STE 11-1 Modesto, CA 94354
 Tel: (209) 525-8108 Fax: (209) 525-8109

ACM BULK SAMPLE DATA SHEET

* PLM Analysis
 * Stop Analysis at First Positive
 PAGE 3 OF 3

Project Name/Address: 1728 SAN PABLO, OAKLAND, CA P.M. Initial: TK
 RGA Project #: C007563 Sampled By: TK + MBO Sampling Date: 04.18.02
 Sample(s) Sent To: R.J. Lee Micro Other: _____ Turnaround Time: _____ Rush 24Hrs _____ 3-5 Days
 Fax Report To: 510-547-1983 415-834-9670 209-525-8109 (Fax #) TEOP

HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
002	SMOOTH WORK PLASTER	146085	FRONT PILLAR	
012	TEXTURED PLASTER	135688	ROOM BELOW LOUNGE	
		125534	ROOM BELOW LOUNGE	
		135685	LOUNGE	
HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:
HM#	Material Description:	Sample ID	Sample Location & Material Location	Quantity:

Relinquished By: MICHAEL O'DONNEN Signature: [Signature] Date/Time: 04/18/02
 Received By: M. CARTER Signature: [Signature] Date/Time: 4/22/02

Appendix B
Lead Laboratory Results and Chain of Custody

350 Hochberg Road Monroeville, PA 15146
 Phone (724) 325-1776 Fax (724) 733-1799

LABORATORY REPORT

RGA Environmental
 4701 Doyle Street, Suite 14
 Emeryville, CA 94608
 Attention: Tedd Katchee
 (510) 547-7771 FAX: (510) 547-1983

RJ Lee Group Job No.: ACC204624
 Samples Received: 23-Apr-02
 Report Date: 24-Apr-02
 Client Project: 1728 San Pablo Ave., Oakland, CA
 COO 7563
 Sampling Date: 18-Apr-02

Analysis: Lead in Paint
 Method: EPA SW846-7420 ---- FLAA

Sample Identification		Lead	
Client	RJ Lee Group	Weight Percent	Parts per Million
135686	0359176	0.203	2,030
147512	0359177	0.151	1,510

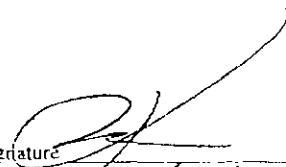
These results are submitted pursuant to RJ Lee Group's current terms and conditions of sale, including the company's standard warranty and limitation of liability provision. No responsibility or liability is assumed for the manner in which the results are used or interpreted. Unless notified in writing to return the samples covered by this report, RJ Lee Group will store the samples for a period of ninety (90) days before discarding. A shipping and handling fee will be assessed for the return of any samples.

S. Paul Cohen, Laboratory Manager Kimberly S. DiNatale, Scientist
 Brandon J. Miller, Assistant Scientist Philip Grindle, Supervisor Alan M. Levine, Manager
 Ryan B. Walters, Assistant Scientist Melisa Varner, Assistant Scientist

Please direct inquiries to Brandon J. Miller in Client Services.

AJHA ELLAP #3204
 CA ELAP #1970
 PA DEP #02-396

Monroeville, PA - San Leandro, CA - Washington, DC

Authorized Signature 
 Date 4/24/02

APR-24-2002 WED 04:33 PM

FAX NO.

P. 03/07

AEC 204-624



LEAD PAINT SAMPLE DATA SHEET

4701 DOYLE ST., STE. 14 Emeryville, CA 94608
 Tel: (510) 547-7771 Fax: (510) 547-1983

870 MARKET ST., STE 1249 San Francisco, CA 94102
 Tel: (415) 834-9660 Fax: (415) 834-9670

948 11TH ST., STE 11-1 Modesto, CA 94354
 Tel: (209) 525-8108 Fax: (209) 525-8109

* Lead Analysis
 - Total Threshold Limit Concentration

PAGE ___ OF ___

Project Name/Address: 1728 SAN PABLO AVE., OAKLAND, CA P.M. Initial: TK
 RGA Project #: C007563 Sampled By: TK + MBO Sampling Date: 04.18.02
 Sample(s) Sent To: R.J. Lee Micro Other: _____ Turnaround Time: _____ Rush 24Hrs _____ 3-5 Days
 Fax Report To: 510-547-1983 415-834-9670 209-525-8109 (Fax #) TEPP

Sample ID	Paint Description and Sample Location	Peeling Quantity
135686	Paint Color: <u>BEIGE</u> Substrate: <u>CEILING PASTER</u> Composite Sample: Y / N Sample Location: <u>THROUGHOUT</u>	<u>LOOSE + PEELING</u>
147512	Paint Color: <u>BEIGE</u> Substrate: <u>STUCCO</u> Composite Sample: Y / N Sample Location: <u>EXTERIOR</u>	<u>LOOSE + PEELING</u>
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	
	Paint Color: _____ Substrate: _____ Composite Sample: Y / N Sample Location: _____	

Relinquished By: MARY O'DONNEN Signature: [Signature] Date/Time: 04/18/02

Appendix C
Site Inspector Certificates

State of California
Division of Occupational Safety and Health

Certified Asbestos Consultant

Theodore A. Kattchee



Name

Certification No. **99-2557**

Expires on **3/10/2003**

This certification was issued by the Division of Occupational Safety and Health as authorized by Sections 7180 et seq. of the Business and Professions Code

State of California Department of Health Services

Lead-Remediation Construction Certificate	Certificate Inspector/Assessor	Expiration Date 05/05/2003
--	-----------------------------------	-------------------------------



Mark A. Hiley

ID # 9760

State of California
Division of Occupational Safety and Health

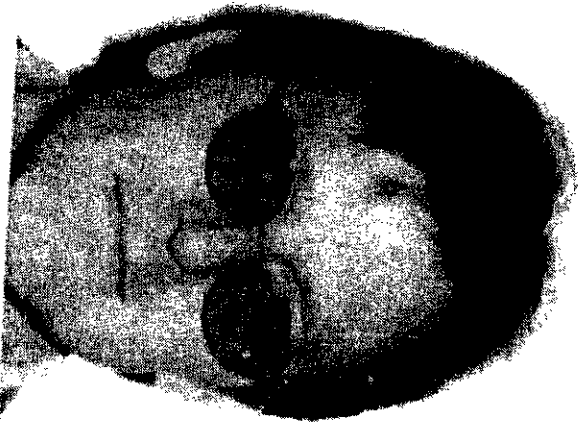
Certified Asbestos Consultant

Theodore A. Kattchee

Name

Certification No. **99-2557**

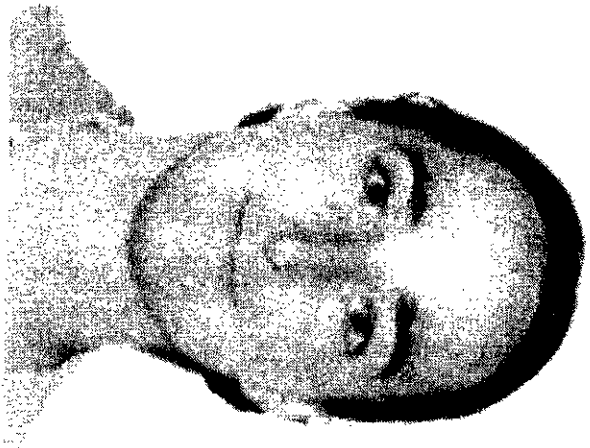
Expires on **3/10/2003**



This certification was issued by the Director of
Occupational Safety and Health as authorized by
Sections 72000 and 72001 of the Business and
Professions Code.

State of California
Division of Occupational Safety and Health

Certified Site Surveillance Technician
Mary Bridget O'Donnell



Name

91-2973

Certification No.

7118/2002

Expires on

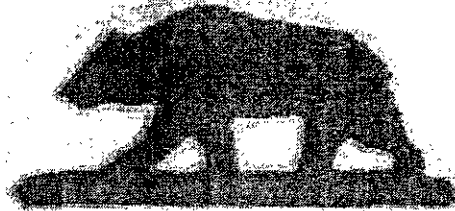
This certification was issued by the Division of Occupational Safety and Health as authorized by Sections 7180 et seq. of the Business and Professions Code

State of California Department of Health Services

Lead-Related
Construction Certificate Inspector/Assessor

Certificate

Expiration Date
05/05/2003



Mark A. Hiley

ID # 9760

EXHIBIT G
Of The
DRAFT DISPOSITION AND DEVELOPMENT AGREEMENT

Insurance Requirements
(Attached)

I. Insurance requirements during construction

The Developer shall ensure that the general contractor for the Project obtains the following insurance coverage, and maintain such coverage in full force and effect during Project construction. Before issuance of a notice to proceed for any phase of the Project, the Developer shall deliver to the Agency certificate(s) of insurance, or a binder followed within 30 days by a certificate of insurance, evidencing the required coverage.

- **COMPREHENSIVE GENERAL LIABILITY AND VEHICLE INSURANCE.**
 - Minimum coverage: Bodily injury limits of \$5,000,000 for each occurrence; property damage limits of \$5,000,000 for each occurrence.
 - Policies shall include, at a minimum, but need not be limited to, coverage's for bodily injury, property damage, personal injury, broad form property damage, premises and operations, severability of interest, products and completed operations, contractual liability, independent contractors and XCU.

- **BROAD FORM PROPERTY DAMAGE (BUILDERS RISK INSURANCE).**
 - Minimum coverage: 100% of replacement cost.
 - Deductible: \$25,000 maximum deductible per occurrence.
 - Property covered: Structure and all insurable items within the Property (including landscaping and common areas).
 - Perils covered: All risk, or fire and hazardous installation, vandalism and malicious mischief.
 - Builders' risk installation floater for coverage of the contractor's labor, materials and equipment to be used for completion of work performed under the construction contract.

- **WORKERS' COMPENSATION.**
 - Workers' Compensation as required by the California Labor Code for all persons employed in connection with this Project.
 - Employer's Liability insurance with a limit of no less than \$1,000,000 combined single limit per occurrence.

- **AUTOMOBILE INSURANCE (if not part of CGL).**
 - Minimum coverage: Bodily injury limits of \$1,000,000 for each person and \$1,000,000 for each accident or occurrence; property damage liability limits of \$500,000 for each accident or occurrence

II. Property insurance

Upon conveyance of the Property, the Developer shall obtain property insurance including all risk coverage or standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements to the extent of the full replacement value of the Property (which may exclude existing improvements which are to be demolished) for the duration of the term of this Agreement. Coverage amount may be adjusted for fluctuation in replacement values.

II. Insurance requirements for professional services providers

The Developer shall ensure that any architect, design professional, engineer, consultant, and any other professional services provider that the Developer contracts with to perform work on the Project carries professional liability insurance for errors and omissions with a limit of no less than \$1,000,000. The Agency may in its discretion waive this requirement on a case-by-case basis. Before any such professional begins work on the Project, the Developer shall deliver to the Agency certificate(s) of insurance, or a binder followed within 30 days by a certificate of insurance, evidencing the required coverage.

III. General requirements

The aforementioned insurance shall be endorsed and have all the following conditions:

- **Additional Insured:** The Developer shall ensure that the Redevelopment Agency of the City of Oakland, the City of Oakland, their respective Councilmembers, directors, officers, agents and employees are named as additional insureds in its comprehensive commercial general liability, professional liability, and automobile liability policies. If the Developer submits the ACORD Insurance Certificate, the additional insured endorsement must be set forth on a CG20 10 11 85 form (or more recent) and/or CA 20 48 - Designated Insured Form (for business auto insurance). A STATEMENT OF ADDITIONAL INSURED ENDORSEMENT ON THE ACORD INSURANCE CERTIFICATE FORM IS INSUFFICIENT AND WILL BE REJECTED AS PROOF OF THE ADDITIONAL INSURED REQUIREMENT;
- **Loss Payee:** The Developer shall ensure that the Redevelopment Agency of the City of Oakland, the City of Oakland, their respective Councilmembers, directors, officers, agents and employees are named as Loss Payee in the builders' risk insurance and property insurance. The Developer shall provide appropriate Loss Payee endorsement as proof of meeting this requirement.
- **Cancellation Notice:** 30-day prior written notice of cancellation, termination or material change in coverage.
- Certificate holder is to be the same person and address as indicated in the "Notices" section of this Agreement.

- Insurer shall carry a Best Rating of B+ or greater.

In the case of the breach of any of the insurance provisions of this Agreement, the Agency may, at the Agency's option, take out and maintain at the expense of the Developer such insurance in the name of Developer as is required pursuant to this Agreement.

All endorsements, certificates, forms, coverage and limits of liability referred to herein shall have the meaning given such terms by the Insurance Services Office (ISO) as of the date of this Agreement.

The Developer or its general contractor shall include all subcontractors as insureds under its policies or shall maintain separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all the requirements stated herein. The Agency reserves the right to perform an insurance audit during the course of the Project to verify compliance with requirements.

Any deductible or self-insured retentions greater than \$50,000 must be declared to and approved by the Agency. At the option of the Agency, either the insurer shall reduce or eliminate such deductible or self-insured retentions as respects the Agency, the City and their respective Councilmembers, directors, officers, agents, employees and volunteers; or the Developer shall provide a financial guarantee satisfactory to the Agency guaranteeing payment of losses and related investigations, claim administration and defense expenses.

EXHIBIT "B" OF THE 33433 SUMMARY REPORT

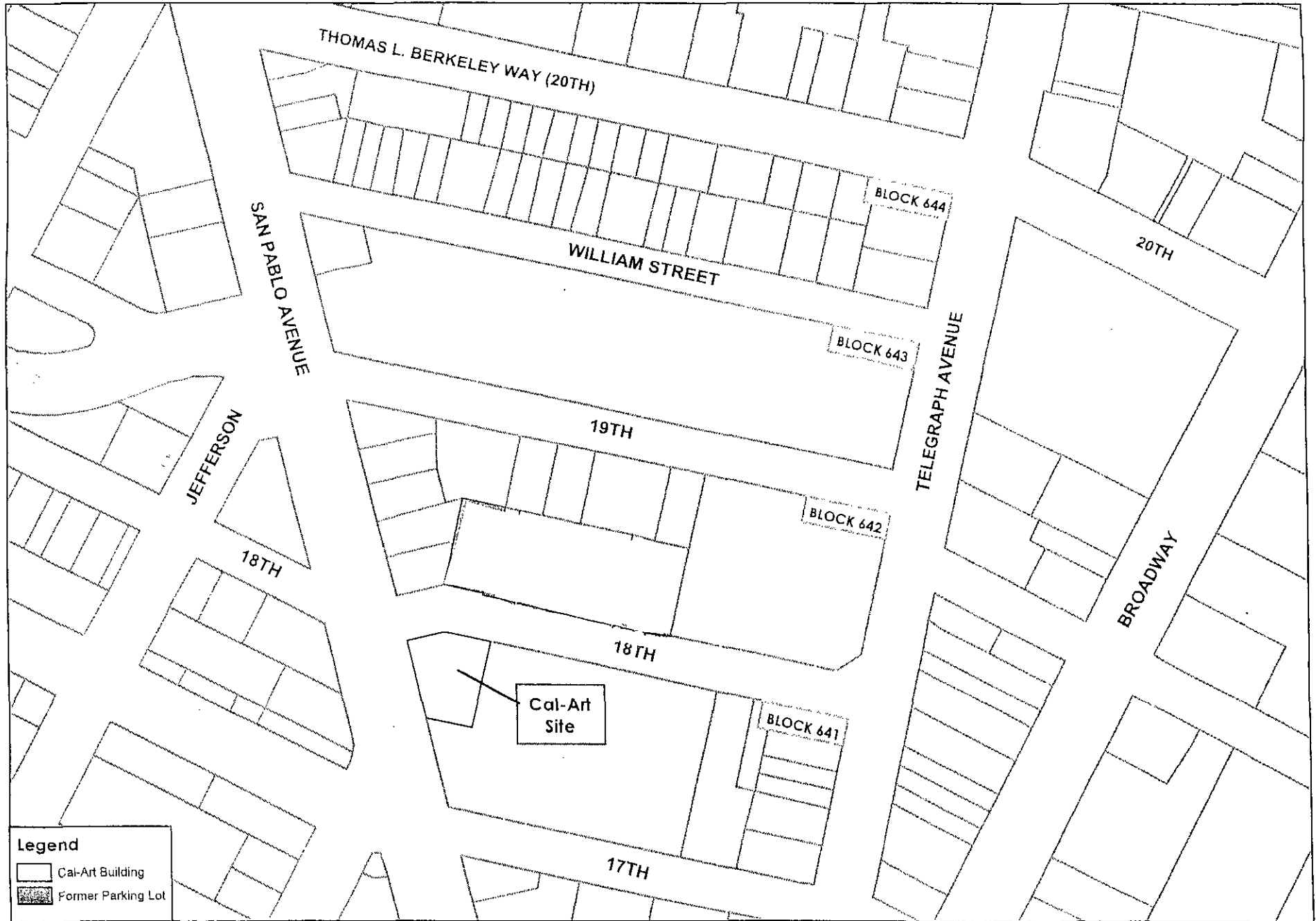


EXHIBIT "C"
OF THE 33433 SUMMARY REPORT

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OFFICE OF THE CITY CLERK
OAKLAND

2004 DEC 29 PM 12: 50

TERM SHEET

The terms of the Disposition and Development Agreement include the following:

- Silver Sound Electronics, Inc., to build between 8,000 to 9,000 square feet of retail space, as well as 2,000 to 3,000 square feet of office space associated with the retail space.
- Silver Sound Electronics, Inc., to purchase the site for \$1.3 million.
- Silver Sound Electronics, Inc., or its affiliate to be responsible for the cost of required off-site improvements in connection with the Project.
- Silver Sound Electronics, Inc., to take the Property in its "as-is" condition.
- Silver Sound Electronics, Inc., or its affiliate to comply with provisions of the Central District Redevelopment Plan and nondiscrimination provisions of redevelopment law.
- The plans and specifications for the Project to be reviewed and approved by the Agency.
- Transfer of the Property to be restricted prior to Project completion.
- No required application of the Agency's employment and contracting programs (prevailing wage, local employment, local/small local business enterprise contracting, apprenticeship, living wage, or first-source hiring) to the Project.
- The Project to be restricted to retail and associated office uses.
- Any other appropriate terms and conditions as the Agency Administrator or his or her designee may establish in his or her discretion or as the California Community Redevelopment Law or the Redevelopment Plan may require.

Project Summary

Project Name:

Cal-Art Rehabilitation Retail and
Commercial Project

Project Type:

Address/Location: 1728 San Pablo
Avenue in the Central District
Redevelopment Project Area

Developer:

Silver Sound Electronics, Inc.,

Architect:

Komoros-Towey

Type of Construction:

Rehabilitation

Retail Area:

8,000 to 9,000 Square Feet

Total Development Costs:

\$300,000

EXHIBIT "C"
OF THE 33433 SUMMARY REPORT
(Continued)

TERM SHEET

Development Schedule

Date	Task
January 18, 2005	Resolutions approved by Agency & City
March 1, 2005	DDA is executed,
April 1, 2005	Closing of Escrow, completion of planning review, submit building plans
May 1, 2005	Obtain building permits, begin construction
September 1, 2005	Complete rehabilitation, move – in

EXHIBIT "D"
OF THE 33433 SUMMARY REPORT

Projected Tax Increment Analysis for the Cal-Art

Value at: **\$1,600,000**

Year	Project Assessed Value	Applicable Tax Rate	Tax Increment	Pass Through at 20%	ERAF 5.78%	Housing Set-a Side at 25%	Net Tax Increment
2004-05	\$1,600,000.00	0.011775	\$18,840.00	(\$376.80)	(\$1,088.95)	(\$4,710.00)	\$12,664.25
2005-06	\$1,632,000.00	0.011775	\$19,216.80	(\$384.34)	(\$1,110.73)	(\$4,804.20)	\$12,917.53
2006-07	\$1,664,640.00	0.011775	\$19,601.14	(\$392.02)		(\$4,900.28)	\$14,308.83
2007-08	\$1,697,932.80	0.011775	\$19,993.16	(\$399.86)		(\$4,998.29)	\$14,595.01
2008-09	\$1,731,891.46	0.011775	\$20,393.02	(\$407.86)		(\$5,098.26)	\$14,886.91
2009-10	\$1,766,529.29	0.011775	\$20,800.88	(\$416.02)		(\$5,200.22)	\$15,184.64
2010-11	\$1,801,859.87	0.011775	\$21,216.90	(\$424.34)		(\$5,304.22)	\$15,488.34
2011-12	\$1,837,897.07	0.011775	\$21,641.24	(\$432.82)		(\$5,410.31)	\$15,798.10
2012-13	\$1,874,655.01	0.011775	\$22,074.06	(\$441.48)		(\$5,518.52)	\$16,114.07
2013-14	\$1,912,148.11	0.011775	\$22,515.54	(\$450.31)		(\$5,628.89)	\$16,436.35
2014-15	\$1,950,391.07	0.011775	\$22,965.85	(\$459.32)		(\$5,741.46)	\$16,765.07
2015-16	\$1,989,398.89	0.011775	\$23,425.17	(\$468.50)		(\$5,856.29)	\$17,100.38
2016-17	\$2,029,186.87	0.011775	\$23,893.68	(\$477.87)		(\$5,973.42)	\$17,442.38
2017-18	\$2,069,770.61	0.011775	\$24,371.55	(\$487.43)		(\$6,092.89)	\$17,791.23
2018-19	\$2,111,166.02	0.011775	\$24,858.98	(\$497.18)		(\$6,214.74)	\$18,147.06
2019-20	\$2,153,389.34	0.011775	\$25,356.16	(\$507.12)		(\$6,339.04)	\$18,510.00
2020-21	\$2,196,457.13	0.011775	\$25,863.28	(\$517.27)		(\$6,465.82)	\$18,880.20
2021-22	\$2,240,386.27	0.011775	\$26,380.55	(\$527.61)		(\$6,595.14)	\$19,257.80
City's Total Portion of Pass Through (34.8%)				\$2,807.72			
Total for the Agency Low-Moderate Income Housing set- a - Side						\$100,851.99	
Agency's Projected Total Future GrossTax Increment FY 2004-2022							\$292,288.13

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OAKLAND

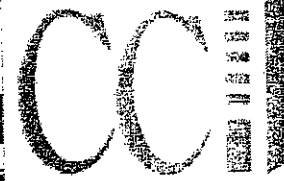
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EXHIBIT "E"
OF THE 33433 SUMMARY REPORT

APPRAISAL
"Attached"

3300 Broadway

-Oakland-



For Lease // Auto Dealership & Repair Shop



AVAILABILITY 3,500 - 20,000 square feet

RENTAL RATE \$.85 psf NNN

HIGHLIGHTS Currently Automotive Shop

Includes Equip.: 7-10 Bays with Lifts; Hazmat Recovery Collector; 6 Reel Dispensers for Fluids

Stunning Showroom with 2nd Story Offices

Over 200 Linear Feet of Frontage / Signage

Conference Room / Kitchenette

ADA Upgrades & Seismic Retrofit Completed

City	Oakland	Listing Co.	CCI
Address	3300 Broadway	Listing Agt.	Len Epstein / Phil Tagami
Cross St.	Brook Street	Phone	(510) 268-8500
Space Avail.	3,500 - 20,000	Listing Dates	11/02 - 11/04
Price	\$.85 NNN	Listing #	
Prop. Type	Office / Retail	Acres S.O.	1/2 of 6,6,5,4,4

California Commercial Investments

3300 Frank H. Ogawa Plaza, Suite 340, Oakland, CA 94612, (510) 268-8500, (tel) (510) 834-5580 (Fax)

* information Herein Deemed Reliable but not Guaranteed

OFFICE

1433 WEBSTER STREET, OAKLAND

AVAILABLE FOR LEASE & SALE - 17,542 SQUARE FEET

SUITES:

Ground Floor	— 8,057 sq.ft.	— Available Now
Suite 200	— 5,228 sq.ft.	— Available Now
Suite 201	— 939 sq.ft.	— 30 to 60 days
Suite 203	— 690 sq.ft.	— 30 to 60 days
Suite 204	— 2,628 sq.ft.	— 30 to 60 days

COMMENTS: Short walk to BART, Lake Merritt & Chinatown.

SALE PRICE: \$2,500,000.

LEASE RATE:
\$0.75 FS – Ground Floor
\$1.00 FS – 2nd Floor Suites

COLLIERS
INTERNATIONAL

1999 Harrison Street, #1750
Oakland, CA 94612

For More Information, Contact Exclusive Agents:

Kenneth Meyersieck
(510) 433-5802

kmeyersieck@colliersparrish.com

and

Anthony Stratton
(510) 433-5818

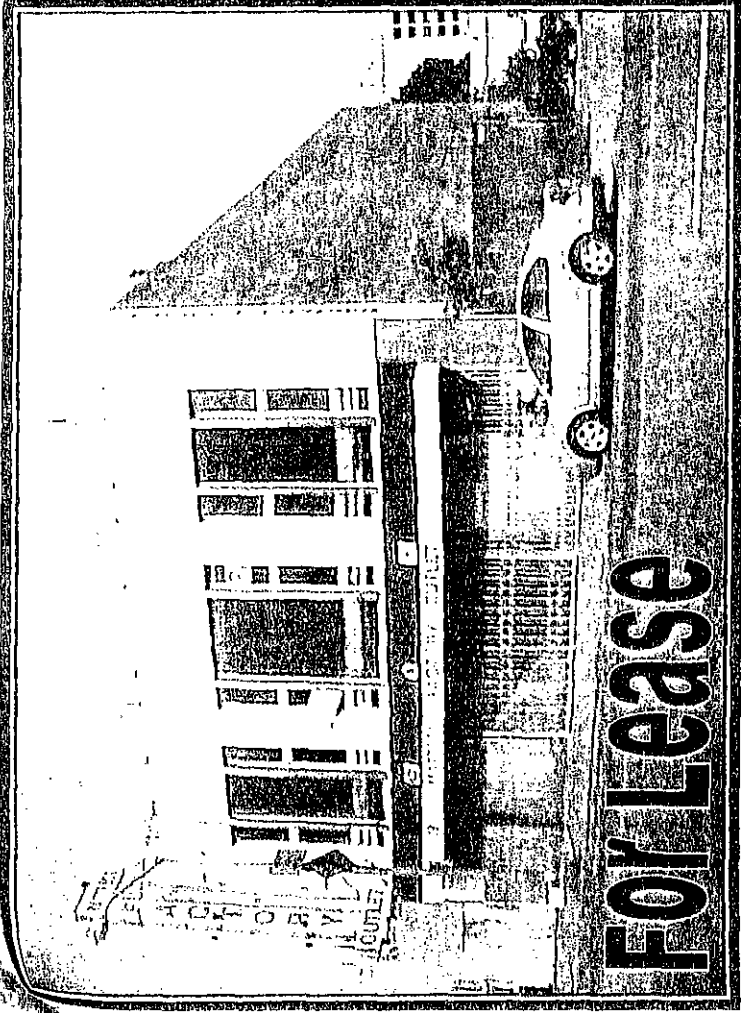
astratton@colliersparrish.com

CITY:	Oakland	LISTING CO.:	Colliers International - Oakland
ADDRESS:	1433 Webster Street	LISTING AGENT:	K. Meyersieck / A. Stratton
CROSS ST.:	15 TH Street	PHONE #:	(510) 433-5802 / 433-5818
SPACE AVAIL.:	17,542 square feet	LIST DATES:	1/1/02 – 02/04
PRICE:	\$2,500,000.00 / \$0.75 FS/\$1.00 FS	LISTING #:	
PROP. TYPE:	Office	REB TO'S/O.:	\$1.00 psf/year/5 year term.

Information herein deemed reliable but not guaranteed

CLYDE AVE.

OFFICE / RETAIL BUILDING
NEAR DOWNTOWN



CALIFORNIA COMMERCIAL INVESTMENTS FOR LEASE

LEASE RATE: \$ 115 PSF IG

AVAILABLE SPACE: +/- 10,556 SQUARE FEET (+/- 5,153 SF PER FLOOR WITH 250 SF MEZZANINE). OPEN FLOOR PLAN +/- 4,000 SF WAREHOUSE IN BACK FREE TO TENANT.

LOCATION: 2328 TELEGRAPH AVE., CLOSE TO DOWNTOWN AND BART IN DEVELOPING AREA NEAR NEW SEARS LOFTS RENOVATION.

FEATURES:

- 45' OF STOREFRONT WINDOW SPACE
- 600 AMP
- 14 1/2 FT CEILING ON FIRST FLOOR
- 4 OFFICES & 3 RESTROOMS
- PARKING AVAILABLE

*** USE OF +/- 4,000 SF WAREHOUSE IN BACK FREE!

CITY	OAKLAND	LISTING CO.	CCI
ADDRESS	2328 TELEGRAPH AVE	LISTING AGT.	DAMIAN S. FINK
CROSS ST.	23RD STREET	PHONE #	(510) 268-8500
SPACE AVAIL.	+/- 10,556 SF & 4,000 SF	LISTING DATES	DEC-02
RICE	\$115 IG WAREHOUSE FREE	LISTING #	M4504
PROP. TYPE	OFFICE/RETAIL (C-40)	FEE TO SO.	1/2 OF 76,543

FOR INFORMATION ONLY. DEEMED RELIABLE BUT NOT GUARANTEED.

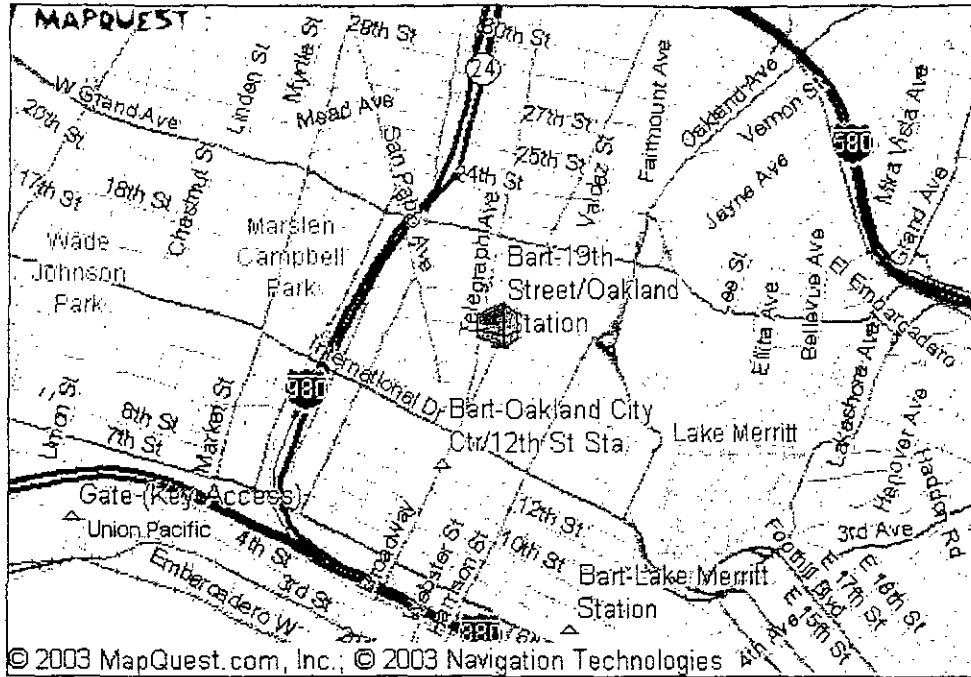


Downtown Oakland – For Lease
J.J. Newberry Co.
1921 Broadway, Oakland, CA

- Available:** Ground Floor: +/- 16,000 square feet
 Basement: +/- 9,000 square feet
- Rates:** Ground Floor Retail: \$1.25 - \$1.50 psf Industrial Gross
 Basement: \$0.50 - \$0.75 psf Industrial Gross
- Highlights:**
- ✓ Great downtown location
 - ✓ On BART and public transportation lines
 - ✓ Tenant improvements negotiable

City:	Oakland	Listing Co.:	California Commercial Investments
Address:	1921 Broadway	Listing Agent:	Len Epstein
Cross St.:	19th Street	Phone #:	(510) 268-8500
Available:	Ground Floor: +/- 16,000 sf Basement: +/- 9,000 sf	List Dates:	2/6/01 – 5/6/01
Rent:	Ground Floor: \$1.50 IG Basement: \$0.75 IG	Listing #:	
Type:	Ground Floor	Fee to S.O.:	1/2 of Schedule

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

Financing:

1st California Pacific Bank \$1,250,000

* Market Time: The property was not on the market at the time of sale. The buyer directly approached the seller.

* Exchange: This was the buyer's upleg in a 1031 exchange.

Total Assessed: \$759,492
Year Assessed: 2002

Doc Num / Transfer Tax
198069 (N/Av)

Recording Date: 04/04/2003

Confirmed by: John McDonagh
Date: 08/06/2003
Email: qualitycontrol@costar.com
Phone: (888)636-8389
Updated Date: 08/07/2003

property characteristics

building

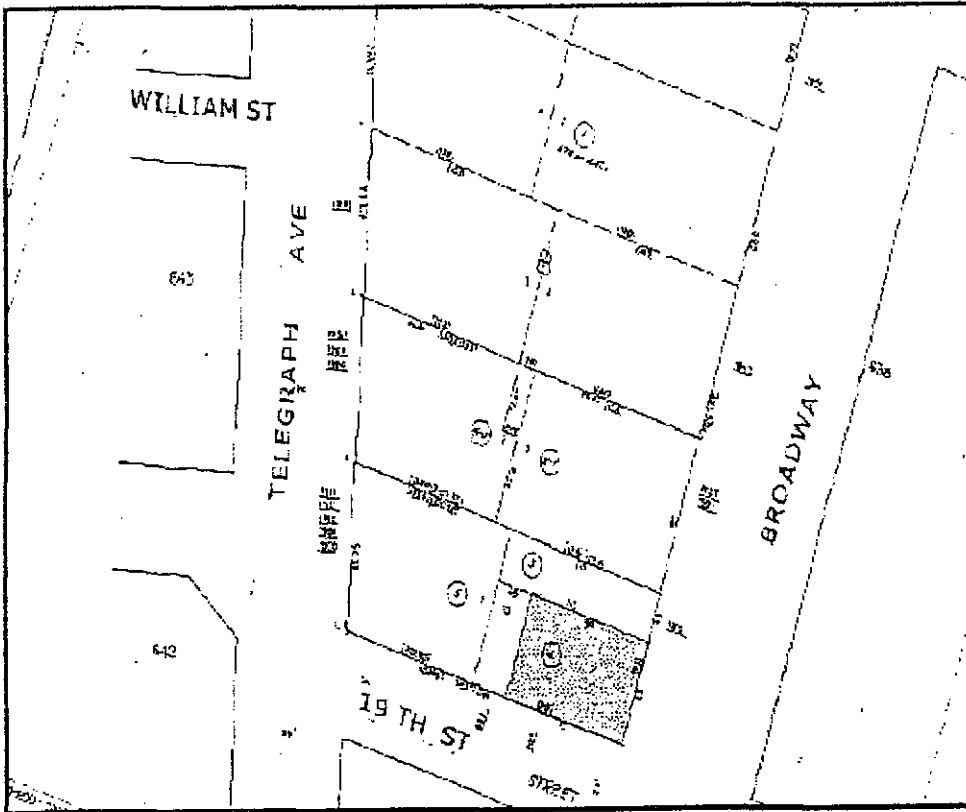
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
	1925		10,650	1	2	Conc block		Average	

Total Buildings: 1

plat map

Map: 649-G/3 Legal: Por blk B Fountain Place bk 3 pg 28

Comps No: ALC-43230-08-0320 Parcel Number: 008-0639-004-00 Title Co: Placer Title

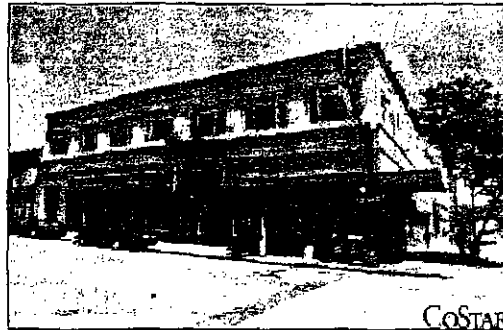


464 19th St *Published*



Oakland, CA 94612 -2204
Storefront Retail/Office of 10,650 SF Sold for **\$1,250,000**

buyer
Fruitvale Investments (LLC)
 c/o Warren Malnick
 3721 International Blvd
 Oakland, CA 94601
 (510) 533-9301



seller
1901 Broadway (LLC)
 c/o Mark Ritchie
 34 W Santa Clara St
 San Jose, CA 95113-1806
 (408) 971-2700

vital data

Sale Date:	04/04/2003	Sale Price:	\$1,250,000
Escrow/Contract:	N/Av	Status:	Confirmed
Days on Market:	N/Av	Building SF:	10,650 Gross
Exchange:	Tax Dfrd	Price/SF:	\$117.37
Conditions:	None	Cap Rate:	N/Av
Land Area SF:	5,670	Down Pmnt:	N/Av
Acres:	0.130	Pct Down:	N/Av
\$/SF Land Gross:	\$220.46	Doc No:	198069
\$/SF Land Net:	\$103.62	Trans Tax:	(Not Shown)
Year Built:	1925 Age 78	Zoning:	C-55/S-6, Oakland
Coverage:	94%	Lot Dim:	90 x 63
Parking Spaces:	On Street	FAR:	1.88
Parking Ratio:	N/Av	Improv Ratio:	53%
		Submarket:	Oakland-Downtown
		Corner:	Yes
Frontage:	90' 19th 63' Broadway		
Comp No:	ALC-43230-08-0320	Property Type:	Retail

income/expense

The property was 100% vacant at the time of sale.

listing broker

Ritchie Commercial
 1940 Webster St
 Oakland , CA 94612 -2910
 (510) 834-6469

Arthur Goldman

buyers broker

Ritchie Commercial
 1940 Webster St
 Oakland , CA 94612 -2910
 (510) 834-6469

Arthur Goldman

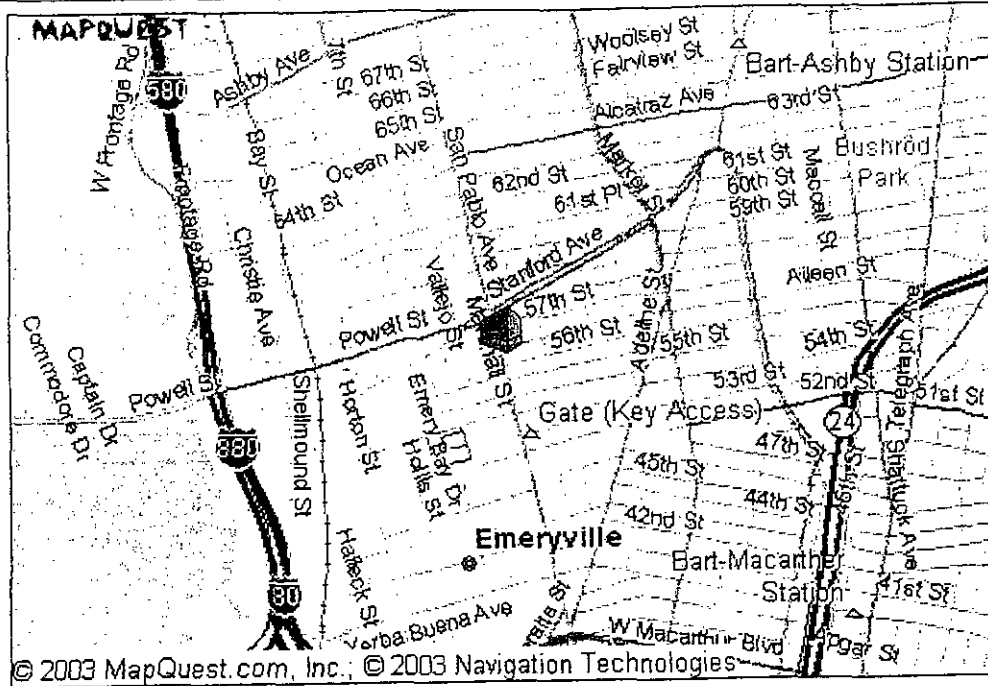
financing

1st California Pacific Bank
 Bal/Pmt: **\$1,250,000**
 Net Spendable (rate): **N/Av (N/Av)**

prior sale

Date/Doc No: **12/02/1999 (432591)**
 Sale Price: **\$475,000**
 Comps No: **ALC-24709-02-0020**

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

Financing:
1st Wells Fargo Bank N.A. \$488,750

Total Assessed: \$484,500
Year Assessed: 2002

Doc Num / Transfer Tax
188501 (\$538)

Recording Date: 04/01/2003

Confirmed by: John McDonagh
Date: 07/25/2003
Email: qualitycontrol@costar.com
Phone: (888)636-8389
Updated Date: 07/25/2003

property characteristics

major tenants

Amber Flooring Inc.

building

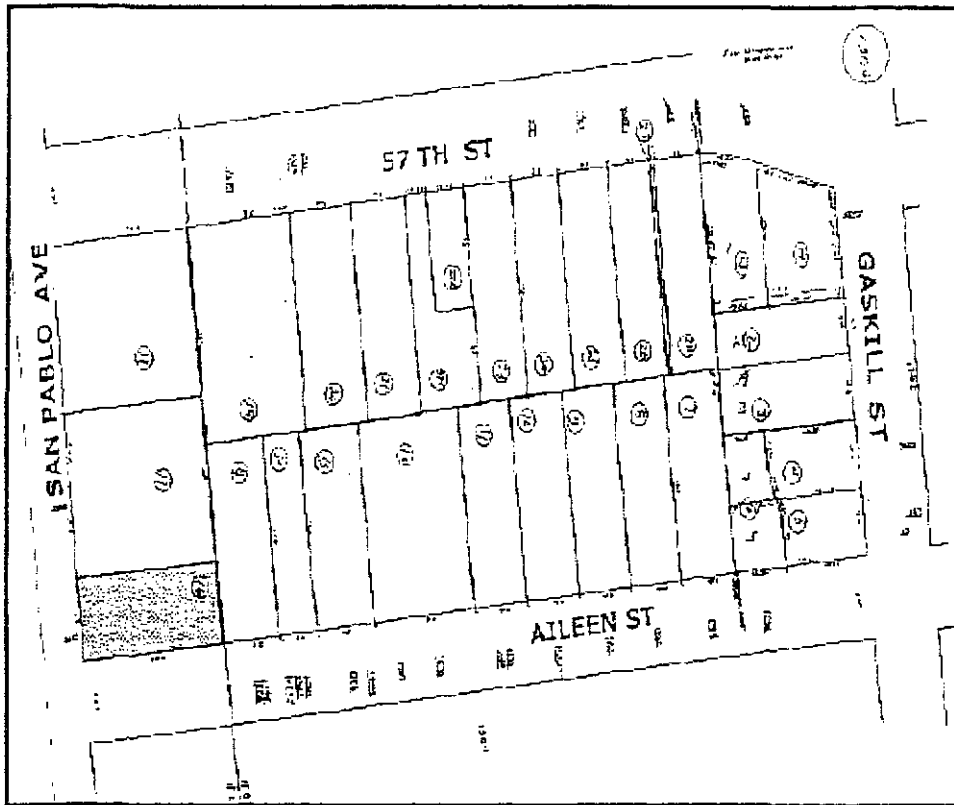
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
	1930		5,000	1	1	Conc block	Stucco	Average	

Total Buildings: 1

plat map

Map: 629-F/6 Legal: Lengthy legal refer to deed

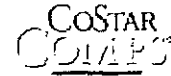
Comps No: ALC-39314-07-0320 Parcel Number: 015-1306-016-00 Title Co: Chicago Title



5652 San Pablo Ave *Published*

Amber Flooring Inc.
Oakland, CA 94608 -2732

Free Standing Retail Building of 5,000 SF Sold for \$489,000



buyer
M/M Ilan & Tali Zamir
1031 Key Route Blvd
Berkeley, CA 94706

seller
Leonard Epstein
1755 Broadway
Oakland, CA 94612-2155
(510) 268-1010



vital data

Sale Date:	04/01/2003	Sale Price:	\$489,000
Escrow/Contract:	30 days	Status:	Confirmed
Days on Market:	apx 45 days	Building SF:	5,000 Rentable
Exchange:	No	Price/SF:	\$97.80
Conditions:	None	Cap Rate:	N/Av
Land Area SF:	5,000	Down Pmnt:	\$250
Acres:	0.115	Pct Down:	0%
\$/SF Land Gross:	\$97.80	Doc No:	188501
\$/SF Land Net:	\$12.71	Trans Tax:	(\$537.90 F)
Year Built:	1930 Age 73	Zoning:	C-35, Oakland
Coverage:	100%	Lot Dim:	100 x 50
Parking Spaces:	On Street	FAR:	1
Parking Ratio:	N/Av	Improv Ratio:	87%
		Submarket:	Oakland-North
		Corner:	Yes
Frontage:	50' San Pablo		
	100' Aileen		
Comp No:	ALC-39314-07-0320	Property Type:	Retail

income/expense

Buyer in an owner/user.

listing broker

California Commercial Investments
300 Frank H Ogawa Plz
Oakland, CA 94612 -2046
(510) 268-8500

Len Epstein

buyers broker

California Commercial Investments
300 Frank H Ogawa Plz
Oakland, CA 94612 -2046
(510) 268-8500

Len Epstein

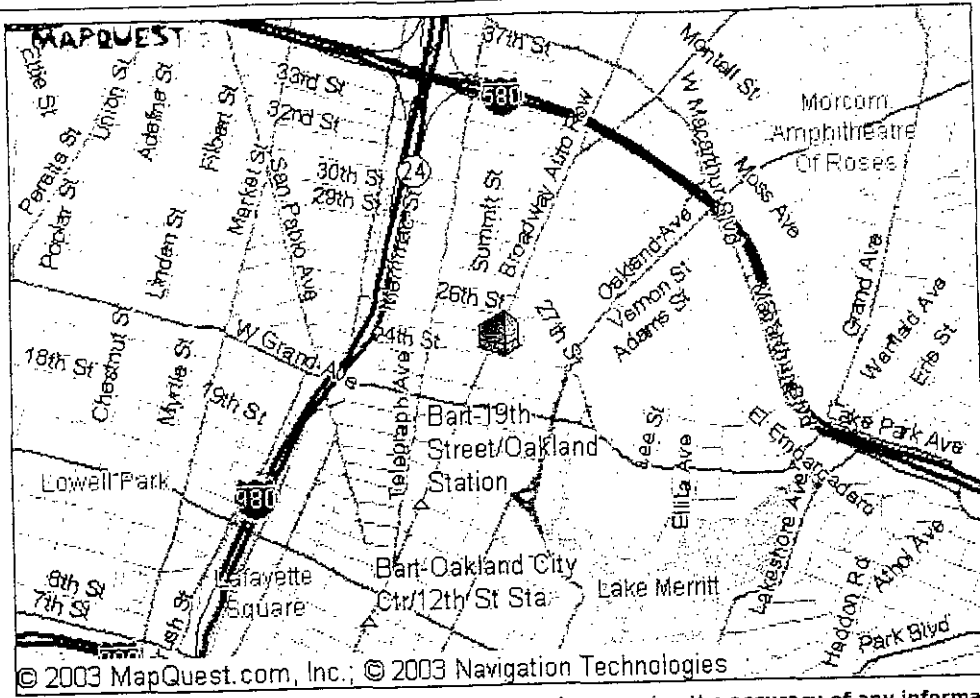
financing

1st Wells Fargo Bank N.A.
Bal/Pmt: **\$488,750**
Net Spendable (rate): **N/Av (N/Av)**

prior sale

Date/Doc No: **09/15/1999 (351849)**
Sale Price: **\$290,000**
Comps No: **ALC-95060-11-9919**

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

* Additional Property Address:
2415 Valdez St Oakland, CA 94612-3113

Financing:
1st Bank of America \$1,088,250 VIR.

* Exchange: This was the seller's downleg in a 1031 exchange.

Total Assessed: \$242,002
Year Assessed: 2002

Doc Num / Transfer Tax
433117 (\$1,596)

Recording Date: 07/25/2003

Confirmed by: John McDonagh
Date: 09/08/2003
Email: qualitycontrol@costar.com
Phone: (888)636-8389
Updated Date: 09/09/2003

property characteristics

major tenants
Gill Electric

building

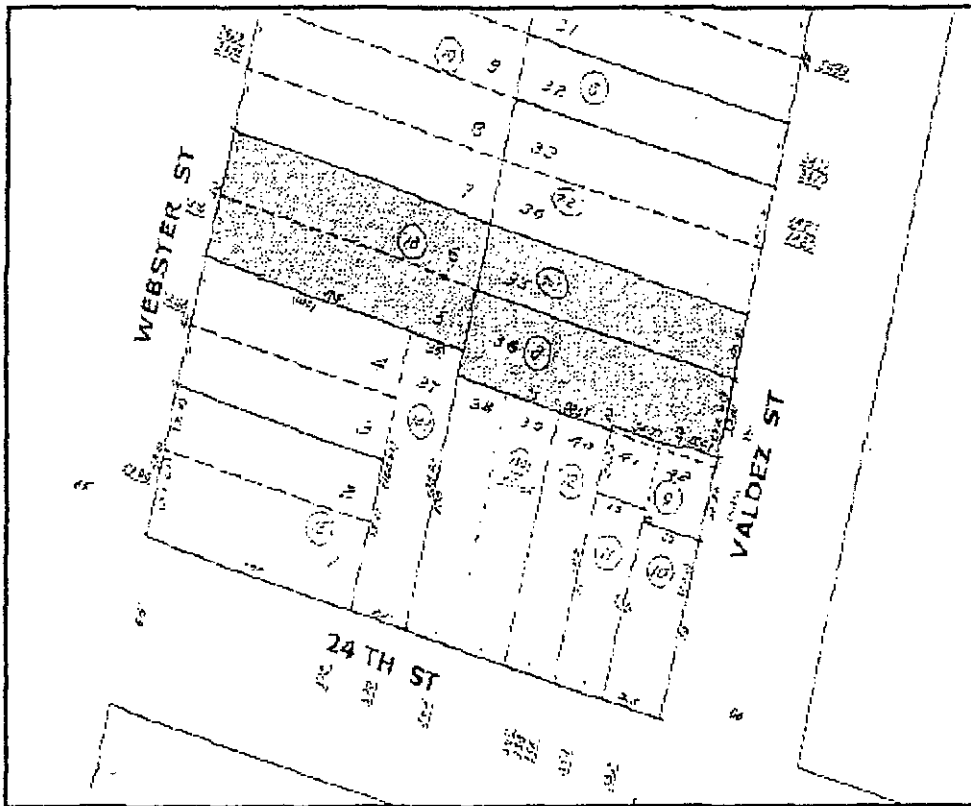
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
2410 Webster St	1957	SL7707	12,500	1	2	Struct brick		Average	

Total Buildings: 1

plat map

Map: 649-H/3 Legal: Lot 35 & por lot 36 blk A Map of Subdiv Webster 24th & Valdez St bk 13 pg 15; lots 5,6 blk A Map 2 Webster, 24th & Valdez

Comps No: ALC-90932-09-0320 Parcel Number: 008-0672-007-01 Title Co: First American Title
008-0672-008, 018



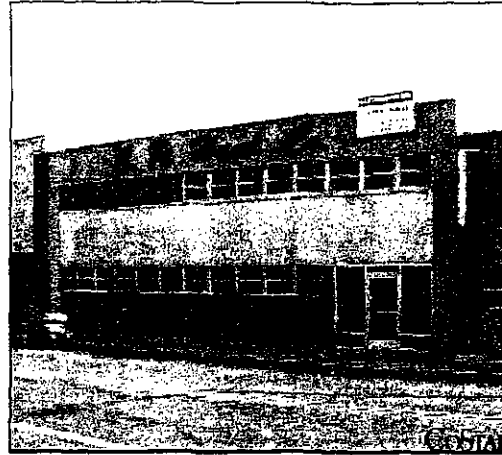
2410 Webster St *Published*

Gill Electric Company
 Oakland, CA 94612 -3118
 Storefront of 12,500 SF Sold for **\$1,451,000**



buyer
Bradley A. & Nancy J Gill , Trs.
 2410 Webster St
 Oakland, CA 94612-3118
 (925) 376-0767

seller
Tyler R. & Patsy Hunt (et al)
 3592 Powell Dr
 Lafayette, CA 94549-4938
 (925) 284-5561



vital data

Sale Date:	07/25/2003	Sale Price:	\$1,451,000
Escrow/Contract:	90 days	Status:	Confirmed
Days on Market:	180 days	Building SF:	12,500 Rentable
Exchange:	Tax Dfrd	Price/SF:	\$116.08
Conditions:	None	Cap Rate:	N/Av
Land Area SF:	13,560	Down Pmnt:	\$362,750
Acres:	0.311	Pct Down:	25%
\$/SF Land Gross:	\$107.01	Doc No:	433117
\$/SF Land Net:	\$70.62	Trans Tax:	(\$1,596.10 F)
Year Built:	1957 Age 46	Zoning:	C-40/S-19, Oakland
Coverage:	N/Av	Lot Dim:	Irregular
Parking Spaces:	On Street	FAR:	.92
Parking Ratio:	N/Av	Improv Ratio:	34%
		Submarket:	Oakland-North
		Corner:	No
Frontage:	50' Webster		
	59' Valdez		
Comp No:	ALC-90932-09-0320	Property Type:	Retail

income/expense

Buyer is an owner/user.

listing broker

CB Richard Ellis
 155 Grand Ave
 Oakland , CA 94612 -3758
 (510) 874-1941
Sid P Ewing, Sheldon E Crandall

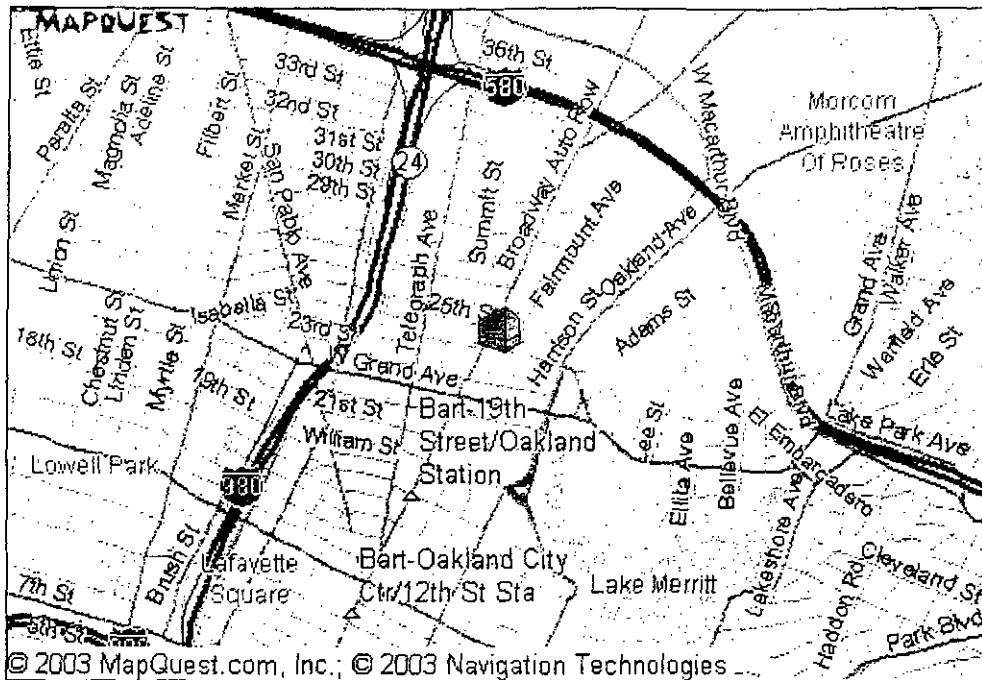
buyers broker

CB Richard Ellis
 155 Grand Ave
 Oakland , CA 94612 -3758
 (510) 874-1941
Sid P Ewing, Sheldon E Crandall

financing

1st Bank of America(VIR)
 Bal/Pmt: **\$1,088,250**
 Net Spendable (rate): **N/Av (N/Av)**

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

Financing:

1st Summit Bank \$307,500 VIR,

Total Assessed: \$108,176

Year Assessed: 2003

Doc Num / Transfer Tax

548332 (N/Av)

Recording Date: 09/16/2003

Confirmed by: Joy Davis

Date: 01/28/2004

Email: qualitycontrol@costar.com

Phone: (888)636-8389

Updated Date: 01/29/2004

property characteristics

major tenants
Hertz

building

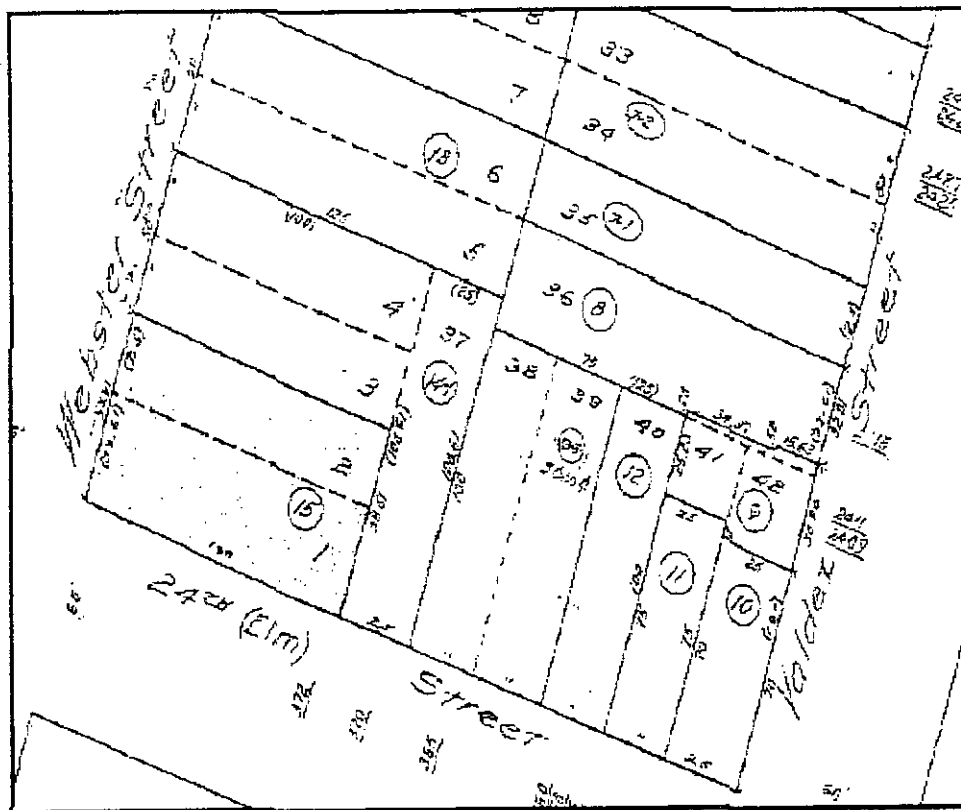
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
	1940		5,782	1	1	Frame/wood		Average	

Total Buildings: 1

plat map

Map: 649-H/3 Legal: Lots 1,2 blk A Map of Subdiv of Webster 24th & Valdez St bk 13 pg 15

Comps No: ALC-12833-01-0420 Parcel Number: 008-0672-015-00 Title Co: First American Title



2400 Webster St *Published*

Hertz
Oakland, CA 94612 -3118
Free Standing Retail Building of 5,782 SF Sold for \$385,000



buyer
Wellington Property Company, Inc.
c/o Randal M. Lee
6400 Moraga Ave Ste. 8
Oakland, CA 94611
(510) 339-9825

Photo not Available

seller
Patterson Parts, Inc.
c/o E.K. Madsen, Pres
745 Cesar Chavez Army St
San Francisco, CA 94124-1211
(415) 206-9521

vital data			
Sale Date:	09/16/2003	Sale Price:	\$385,000
Escrow/Contract:	60 days	Status:	Confirmed
Days on Market:	N/Av	Building SF:	5,782 Rentable
Exchange:	No	Price/SF:	\$66.59
Conditions:	None	Cap Rate:	6.7%
Land Area SF:	5,900	Down Pmnt:	\$77,500
Acres:	0.135	Pct Down:	20%
\$/SF Land Gross:	\$65.25	Doc No:	548332
\$/SF Land Net:	\$45.03	Trans Tax:	N/Av
Year Built:	1940 Age 63	Zoning:	C40, Oakland
Coverage:	98%	Lot Dim:	59 x 100
Parking Spaces:	Not Available	FAR:	.98
Parking Ratio:	N/Av	Improv Ratio:	31%
		Submarket:	Oakland-North
		Corner:	Yes
Frontage:	59' Webster (est) 100' 24th (Elm) (est)	Property Type:	Retail
Comp No:	ALC-12833-01-0420		

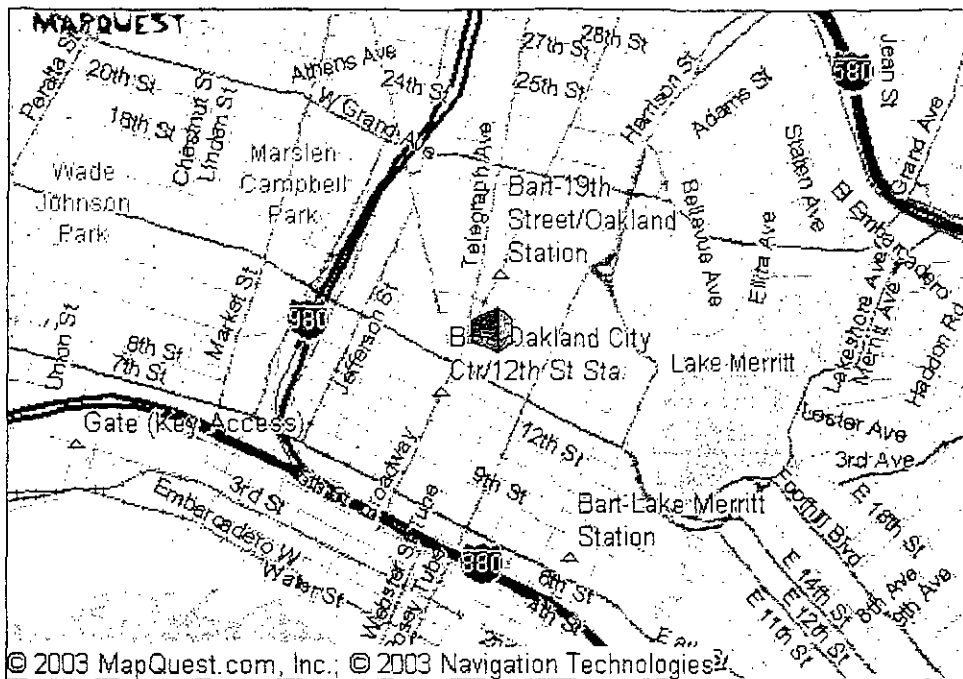
income/expense
Buyer reported that the property sold at a 6.7% cap rate based on income at time of sale. The buyer reported that Hertz signed a 5 year modified gross lease.

listing broker
None involved per principal
buyers broker
Buyer is broker - represented self

Cap Rate: 6.7%

financing
1st Summit Bank(VIR)
Bal/Pmt: \$307,500
Jet Spendable (rate):N/Av (N/Av)

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

* Additional Property Address:
400-414 15th St Oakland, CA 94612-2803

Financing:
1st Seller \$80,000
2nd Nara Bank \$1,040,000 VIR,

Total Assessed: \$1,317,000
Year Assessed: 2003

Doc Num / Transfer Tax
456000 (\$1,760)

Recording Date: 08/05/2003

Confirmed by: Joy Davis
Date: 12/18/2003
Email: qualitycontrol@costar.com
Phone: (888)636-8389
Updated Date: 12/22/2003

property characteristics

major tenants

Smokes, Sodas, & Candles, Quick Bite, Pat's Bar, Jimbos Burger House, Hawaiian Walk-In, Liberty Health Care, Ho Brothers, K2 Jewelry, Bootstrapped Soul Food

building

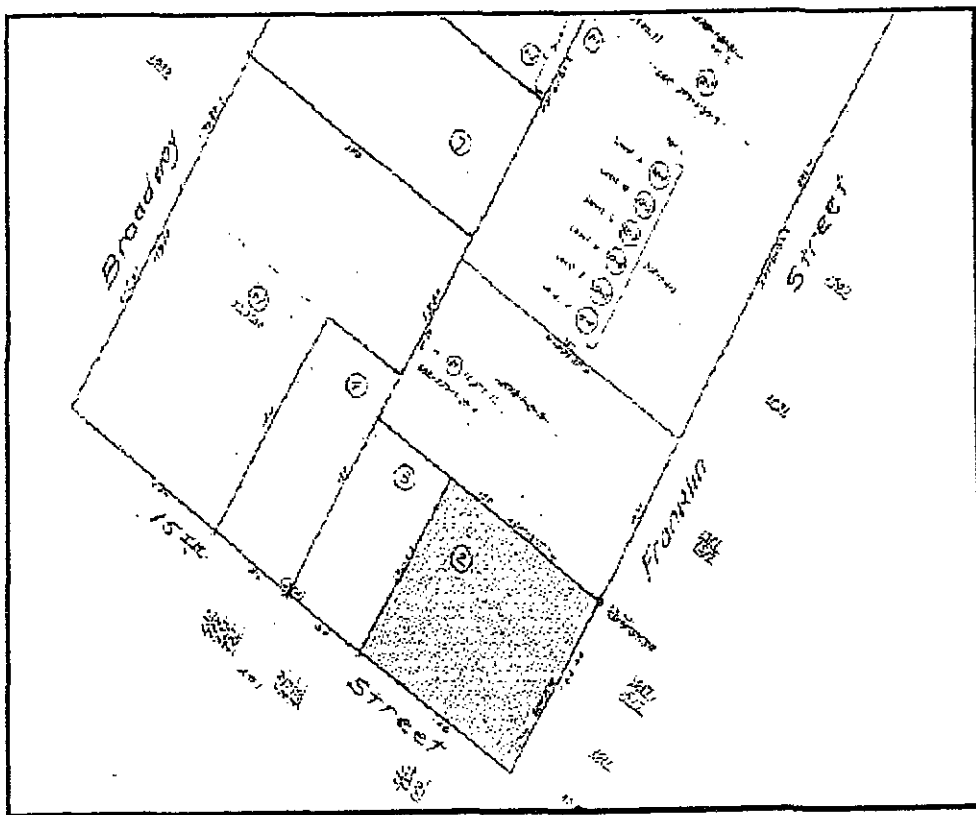
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
	1922		10,049	1	1	Struct brick	Tile	Fair	

Total Buildings: 1

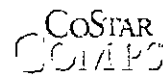
plat map

Map: 649-G/4 Legal: Lengthy legal-refer to deed

Comps No: ALC-98431-12-0320 Parcel Number: 008-0622-002-00 Title Co: First American Title



1511 - 1517 Franklin St *Published*



Oakland, CA 94612 -2803

Storefront of 10,049 SF Sold for **\$1,600,000**

buyer
Won J & Jung Kim
 45 Franklin St
 San Francisco, CA 94102-6017



seller
15th/Franklin Streets Associates
 c/o Shu-Ying Yuan Lin
 1305 Franklin St Ste #500
 Oakland, CA 94612

vital data

Sale Date:	08/05/2003	Sale Price:	\$1,600,000
Escrow/Contract:	60 days	Status:	Confirmed
Days on Market:	apx 120 days	Building SF:	10,049 Rentable
Exchange:	No	Price/SF:	\$159.22
Conditions:	None	Cap Rate:	7.0%
Land Area SF:	10,100	Down Pmnt:	\$480,000
Acres:	0.232	Pct Down:	30%
\$/SF Land Gross:	\$158.42	Doc No:	456000
\$/SF Land Net:	\$52.28	Trans Tax:	(\$1,760.00 F)
Year Built:	1922 Age 81	Zoning:	COMM
Coverage:	99%	Lot Dim:	100 x 101
Parking Spaces:	On Street	FAR:	.99
Parking Ratio:	N/Av	Improv Ratio:	67%
		Submarket:	Oakland-Downtown
		Corner:	Yes
Frontage:	100' Franklin (est)		
	100' 15th (est)		
Comp No:	ALC-98431-12-0320	Property Type:	Retail

income/expense

Broker reported that the property sold at a 7% cap rate based on income at time of sale.

Cap Rate: 7.0%

listing broker

Commonwealth Companies
 1939 Harrison St
 Oakland, CA 94612 -3529
 (510) 832-5195

Ted W Dang

buyers broker

Commonwealth Companies
 1939 Harrison St
 Oakland, CA 94612 -3529
 (510) 832-5195

Ted W Dang

financing

1st Seller

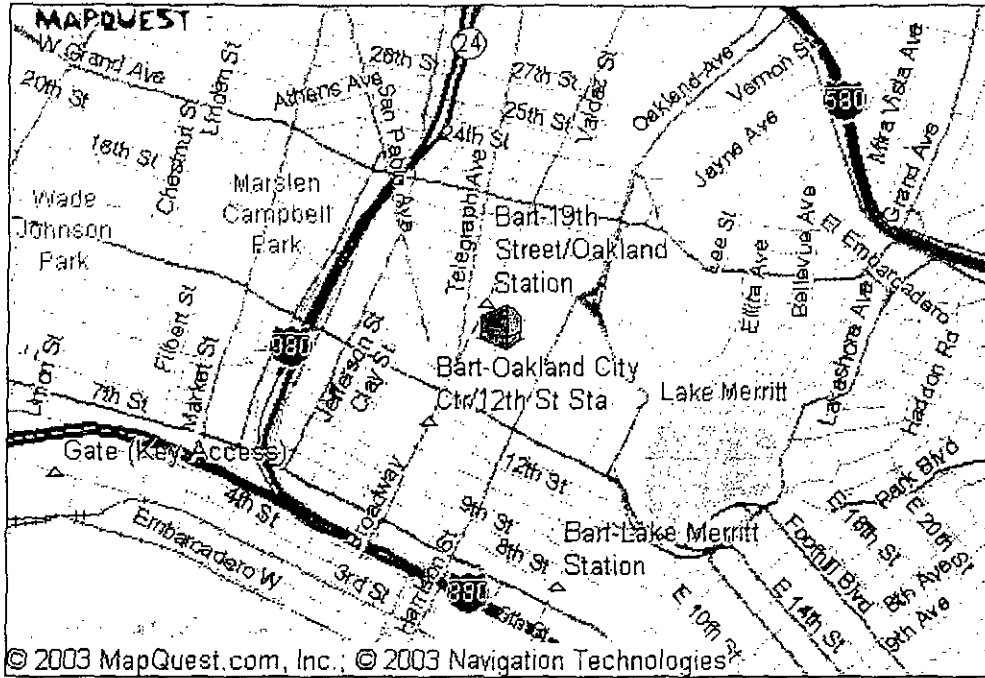
Bal/Pmt: **\$80,000**

2nd Nara Bank(VIR)

Bal/Pmt: **\$1,040,000**

Net Spendable (rate): **N/Av (N/Av)**

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

* Additional Property Address:
1700 Franklin St Oakland, CA 94612-3408

Financing:
1st Private \$237,400 Fixed,

The information in this report is unverified and will be updated as soon as the information is available.

* Additional Buyer's: M/M Sandor P. Zirulnik & Francis N. Burges and Gary M. & Mari S. Bettencourt

* Additional Seller: Ingrid J. B. Madsen

* Description: Property is comprised of one retail/office building on one parcel of land.

Total Assessed: \$622,837
Year Assessed: 2003

Doc Num / Transfer Tax
035370 (\$1,716)

Recording Date: 01/29/2004

Confirmed by: Dan Martinez
Date: 05/24/2004
Email: qualitycontrol@costar.com
Phone: (888) 636-8389
Updated Date: 05/24/2004

property characteristics

major tenants

Ichi Japanese Restaurant, Temple Tattoo, Unique Braids, Teie Gallery, Coffee Beans, Henry's Gallery Cafe, Le Magic Cleaners

building

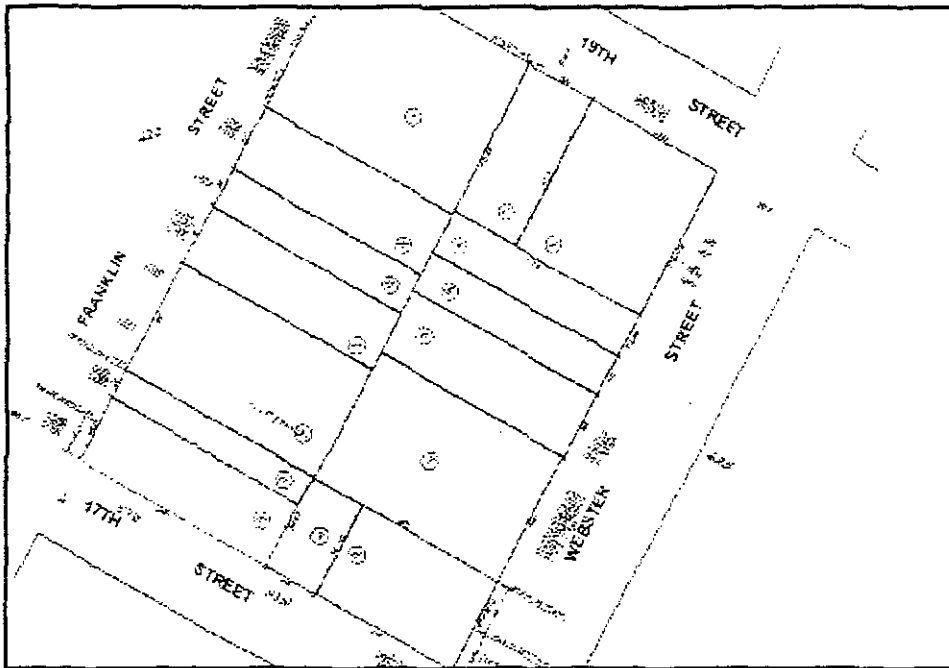
Address	Yr Built	Serial	SF	Bldgs	Stories	Construction	Veneer	Condition	Comments
	1925		13,500	1	2	Struct brick		Average	

Total Buildings: 1

plat map

Map: 649-G/3 Legal: Lengthy legal - refer to deed

Comps No: ALC-21720-05-0420 Parcel Number: 008-0624-010-00 Title Co: Chicago Title



380 -392 17th St *Published*



Oakland, CA 94612 -3335
Storefront Retail/Office of 13,500 SF Sold for \$1,560,000

buyer
Steven Banker (et al)
 c/o LCB Associates
 388 17th St Suite 200
 Oakland , CA 94612-3335
 (510) 763-7090

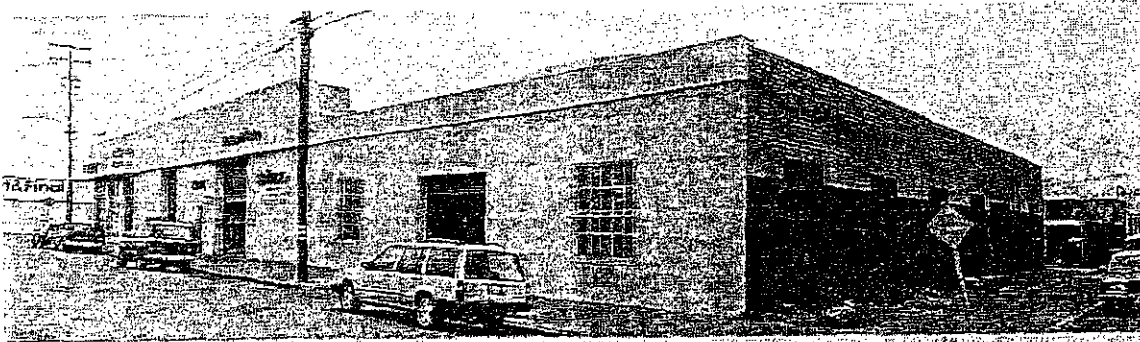


seller
Victor J Rauch (et al)
 140 Southampton Ave
 Berkeley , CA 94707-2037
 (510) 527-9258

vital data			
Sale Date:	01/29/2004	Sale Price:	\$1,560,000
Escrow/Contract:	N/Av	Status:	Full Value
Days on Market:	N/Av	Building SF:	13,500 Rentable
Exchange:	N/Av	Price/SF:	\$115.56
Conditions:	Not Available	Cap Rate:	N/Av
Land Area SF:	6,920	Down Pmnt:	\$1,322,600
Acres:	0.159	Pct Down:	85%
\$/SF Land Gross:	\$225.43	Doc No:	035370
\$/SF Land Net:	\$144.28	Trans Tax:	(\$1,716.00 F)
Year Built:	1925 Age 79	Zoning:	C-55, Oakland
Coverage:	97%	Lot Dim:	150 x 46
Parking Spaces:	On Street	FAR:	1.95
Parking Ratio:	N/Av	Improv Ratio:	36%
		Submarket:	Oakland-Downtown
		Corner:	Yes
Frontage:	150' 17th		
	46' Franklin		
Comp No:	ALC-21720-05-0420	Property Type:	Retail

income/expense	listing broker
Retail/office building on one parcel.	Unknown
	buyers broker
	Buyer is broker - represented self

financing	prior sale
1st Private(Fixed)	Date/Doc No: 03/08/1996 (057974)
Bal/Pmt: \$237,400	Sale Price: \$600,000
Net Spendable (rate): N/Av (N/Av)	Comps No: ALC-50244-07-9619



FOR LEASE
(Fruitvale Major Retail Strip Center)

This is a very well located Fruitvale Major Retail Strip Center consists of three 4,000. s.f. retail spaces, or it can be converted into one large 12,000. s.f. retail space. It has been occupied by McKevitt Volvo dealer for their showroom for the past four years. The building has been substantially renovated to meet the dealership's specification and requirement. It is available for a new business owner NOW

4,000. s.f. retail spaces at \$2 per square foot NNN
or one 12,000. s.f. retail space

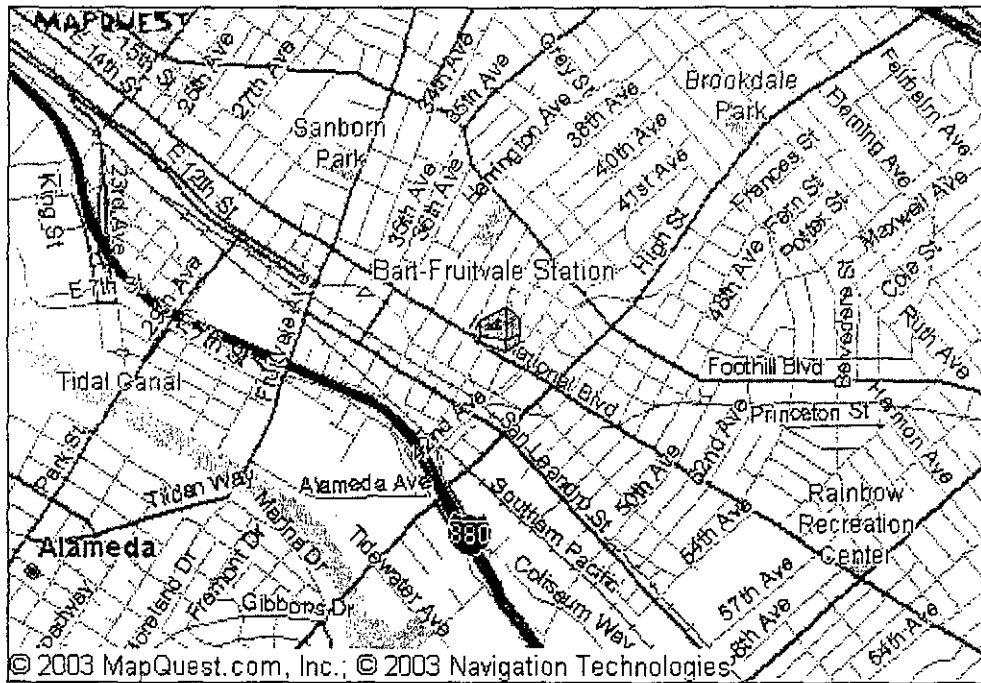
22,600. s.f. free standing parking lot is available for \$15,000. per month gross

Bonnie Chui (510) 835-8888 for an additional information and private tour

City: Oakland
Address: 4030 International Blvd
Space: 4,000. to 12,000. retail spaces
Price: \$2. p.s.f. nnn
Property Type: Retail

Listing Co.: B.C. Realty
Telephone: (510) 835-8888
Listing Date: May 2004
Listing #: M6267
Fee to S.O. 50/50 of 5%

site map



This site map is derived from MapQuest.com Inc. No opinion is expressed concerning the accuracy of any information contained herein.

description

* Additional Property Address:

1406-1414 41st Ave Oakland, CA 94601-4140
 4032 E 15th St Oakland, CA 94601-4102
 1501 41st Ave Oakland, CA 94601-4141
 4029 E 15th St Oakland, CA 94601-4101

Financing:

1st Sonoma National Bank \$2,227,000
 2nd Sonoma National Bank \$1,463,000

* Frontage: Property also has 379' of frontage along E. 15th St. and 147' along 42nd Ave.

* APN: (Cont'd.) 033-2147-023-01

* Legal: (Cont'd.) bk 13 pg 26

Total Assessed: \$1,442,286
 Year Assessed: 2003

Doc Num / Transfer Tax
 150418 (\$4,510)

Recording Date: 04/09/2004

Property Tax: \$53,464
 Confirmed by: Dan Martinez
 Date: 05/26/2004
 Email: qualitycontrol@costar.com
 Phone: (888)636-8389
 Updated Date: 05/26/2004

property characteristics

major tenants

Enterprise Car Rental, H W Mckevitt Co Inc, Volvo

building

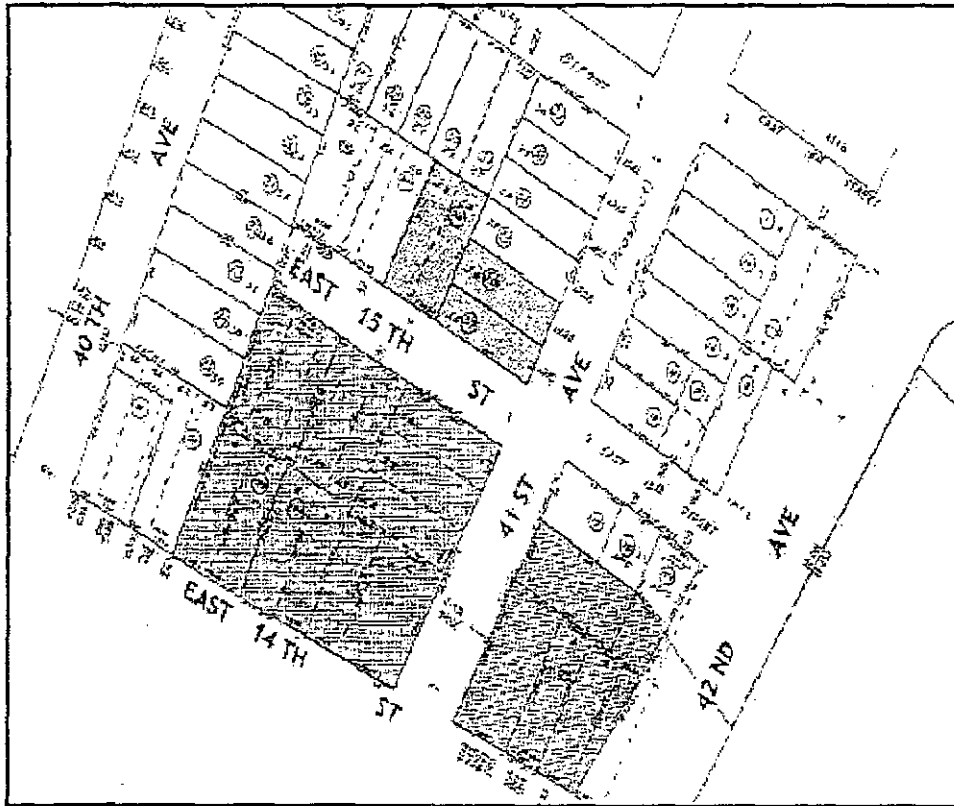
Address	Yr Built	Serial	SF Bldgs	Stories	Construction	Veneer	Condition	Comments
4030 International Blvd	1933	SL5270	33,624	2	1 Conc tilt-up		Average	

Total Buildings: 2

plat map

Map: 670-D/1 Legal: Lots 1, 2, 4 thru 9, 12 thru 15, 18, 19, & por lots 3, 10 & 11 Map Prospect Park bk 24 pg 26 and lots 1 thru 4, 7 & 9 blk A Dal

Comps No: ALC-59404-05-0420 Parcel Number: 033-2144-037-00, 038, 049-02, 049-04, Title Co: New Century Title



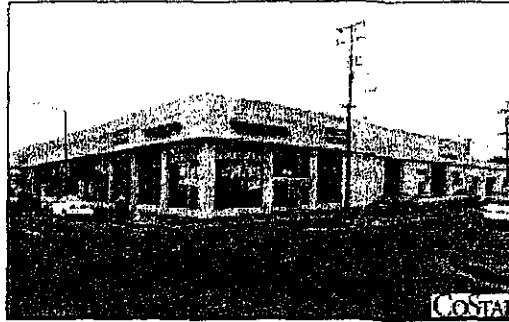
4030 -4108 International Blvd *Published*



Oakland, CA 94601 -4014
Free Standing Retail Building of 33,624 SF Sold for **\$4,100,000**

buyer
Mason M & Nanjoo Au
 2250 E 12th St
 Oakland, CA 94606-5010
 (510) 532-3482

seller
Achim & Koharig Ehrhardt
 378 Mays Blvd
 Incline Village, NV 89451
 (775) 833-3595



Retail data			
Sale Date:	04/09/2004	Sale Price:	\$4,100,000
Escrow/Contract:	10 months	Status:	Confirmed
Days on Market:	apx 365 days	Building SF:	33,624 Rentable
Exchange:	No	Price/SF:	\$121.94
Conditions:	None	Cap Rate:	8.49%
Land Area SF:	81,654	Down Pmnt:	\$410,000
Acres:	1.875	Pct Down:	10%
\$/SF Land Gross:	\$50.21	Doc No:	150418
\$/SF Land Net:	\$30.63	Trans Tax:	(\$4,510.00 F)
Year Built:	1933 Age 71	Zoning:	N/Av, Oakland
Coverage:	41%	Lot Dim:	Irregular
Parking Spaces:	Not Available	FAR:	.41
Parking Ratio:	N/Av	Improv Ratio:	39%
		Submarket:	Oakland-South
		Corner:	Yes
Frontage:	365' International		
	405' 41st		
Comp No:	ALC-59404-05-0420	Property Type:	Retail

Income/expense	
*broker reported current GSI of \$36,000 per month modified gross. Market vacancy of 5% and pro forma expenses of \$62,500 per year estimated by CoStar. Seller is temporarily leasing back the larger building until they vacate.	
Gross Scheduled Income:	\$432,000
Vacancy 5%:	< \$21,600 >
Effective Gross Income:	\$410,400
Property Tax 1.304000%:	\$53,464
Other Expenses:	\$9,036
Total Expenses 15.23%:	< \$62,500 >
(\$1.86/SF)	
Net Annual Income:	\$347,900
Cap Rate:	8.49%

listing broker
B.C. Realty
 526 E 18th St
 Oakland, CA 94606 -2414
 (510) 835-8888

buyers broker
B.C. Realty
 526 E 18th St
 Oakland, CA 94606 -2414
 (510) 835-8888
Bonnie Chui

financing
First Sonoma National Bank
 Bal/Pmt: **\$2,227,000**

Second Sonoma National Bank
 Bal/Pmt: **\$1,463,000**

Net Spendable (rate): **N/Av (N/Av)**

SUMMARY OF IMPROVED SALES FOR 1728 SAN PABLO AVE. OAKLAND CA.

ADDRESS	USE	BLDG SIZE	LAND AREA	SALE DATE	SALE PRICE	PRICE PER SF	CAP RATE	RENT FAR
4030 International	Free Standing Retail Bldg.	33,624 SF	81,864 SF	4/9/04	\$ 4,100,000	\$ 121.94	8.49%	\$ 1.07 pm .41
380 17 th Street	Storefront Retail/Office	13,500 SF	6,920 SF	1/29/04	\$ 1,560,000	\$ 115.56	NA	NA 1.95
1511 Franklin Street	Storefront	10,049 SF	10,100 SF	8/5/03	\$ 1,600,000	\$ 159.22	7.0%	NA .99
2400 Webster St.	Free Standing Retail Bldg.	5,782 SF	5,900 SF	9/16/03	\$ 385,000	\$ 66.59	6.7%	NA .98
2410 Webster Street	Storefront	12,500 SF	13,560 SF	7/25/03	\$ 1,451,000	\$ 116.08	NA	NA .92
5652 San Pablo Ave	Free Standing Retail Bldg.	5,000 SF	5,000 SF	4/1/03	\$ 489,000	\$ 97.80	NA	NA 1.0
464 19 th Street	Storefront Retail/Office	10,650 SF	5,670 SF	4/4/03	\$ 1,250,000	\$ 117.37	NA	NA 1.88

Subject Property

1728 San Pablo Ave. Free Standing Retail Bldg. 18,400 SF with 9,970 SF Land site; FAR 1.29

RECONCILIATION

The appraisal is based on the *Direct Sales Comparison Approach* and the *Income Approach*, with no consideration given to the *Cost Approach*. As determined by the *Direct Sales Comparison*, the indicated value of the subject property, "As Is" is \$ 1,300,000. As determined by the *Income Approach*, the indicated value of the subject property "As Is" is \$ 1,300,000. Both approaches are given weight, as the typical investor would consider the *Income stream* generated by the subject property and an owner user would consider the *amenities* available to the subject property. Both approaches also consider the *current condition* of the building and an estimated cost of \$ 120,000 or \$ 10.00 per square foot to bring the building up to a *habitable and rentable* condition.

Value of the subject property as of August 24, 2004, is

\$1,300,000.

MARKETING ESTIMATE

The subject property is a free standing commercial building last occupied by Cal Arts. The first floor was constructed for retail display and the second floor was developed for office space. The basement area is suitable for limited storage as there is no elevator for moving supplies, materials or people. It is estimated that the marketing time for the subject property is 120 days.

RENTAL RATES

ADDRESS	AREA	AVAILABILITY	RENT	REMARKS
1921 Broadway	16,000 SF	1 st Floor	\$ 1.50 per square foot	Industrial gross
1921 Broadway	9,000 SF	Basement	\$ 0.75 per square foot	Industrial gross
2328 Telegraph	10,556 SF	1 st and 2 nd floor	\$ 1.15 per square foot	Industrial gross
1433 Webster St	8,057 SF	1 st Floor	\$ 0.75 per square foot	Full service
3300 Broadway	20,000 SF	1 st Floor	\$ 0.85 per square foot	NNN

INCOME APPROACH

12,500 Square foot x \$.85 PSF = \$ 10,625 per month
5,900 Square foot x \$.25 PSF = \$ 1,475 per month
Gross Annual Income \$ 12,100 x 12 months = \$ 145,200

Vacancy and Collection
5% of GAI = \$ 7,260 \$ 7,300

Effective Gross Income \$ 137,900

Expenses
7% of EGI = \$ 9,653 \$ 9,700

Net Operating Income \$ 128,200

Overall Capitalization Rate = 10%

Value of the Income Stream = \$ 1,280,200

SAY **\$ 1,300,000**

INCOME APPROACH

The subject building consists of 9,900 square feet of retail space on the first floor, 3,000 of open office space on the second floor and a basement which contains 5,500 square feet of finished space. The building is vacant and has been since the Redevelopment Agency acquired it in 2002. At the time of the acquisition, the building was owner occupied by "Cal Arts" a crafts supply store. The condition has deteriorated since acquisition, and would require an estimated \$ 120,000 of work prior to any occupation by a tenant.

Rents in the area of the subject property vary considerably depending on lease terms and the types of leases generated. A survey of rents indicated a range from \$ 0.75 per square foot on a full service lease to \$ 1.50 per square foot based on an industrial gross lease for 1st and 2nd floor retail and office space. Rents for basements vary based on the finish and accessibility from free to \$ 0.75 per square foot. Based on the premise that the building is ready and available for occupancy, a rent of \$ 0.85 per square foot based on a triple net lease is applicable for the first and second floor space. A rent of \$ 0.25 per square foot is determined applicable for the basement area, based on the limited accessibility(lack of an elevator).

Vacancy and collection is a given in the life of a building, based numerous conditions, such as remodeling or terms between tenants. An industry standard for the subject property type is in the range between 3% and 5%. A vacancy and collection factor of 5% is considered applicable for the subject property.

As the lease rate is based on a triple net premise, the tenant is responsible for all typical expenses, and the owner has only limited expenses. Typical expenses for the owner include management, typically 3%; Reserves for Replacement, typically 2%; Insurance, 1% and Utilities of 1%. Total expenses are about 7% of the Effective Gross Income.

To convert an income stream into an indicator or value, a Capitalization Rate is required. The Capitalization rate is derived from the market place and the sale of other similar types of properties. Based on three sales noted under the comparable sales section of the report, a range of 6.7% to 8.49% was determined. Because of the current condition of the subject property there is slightly more risk, therefore a capitalization rate of 9% is considered appropriate.

The Income Approach calculations and conclusions are located on the next page.

The building is located in a very slightly superior location on the corner of 19th and Broadway. The building is in average condition and the FAR is slightly inferior to the subject property. Overall the comparable is slightly superior to the subject property. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 107.00 per square foot.

Sales range is from \$ 66.59 per square foot to \$ 159.22 per square foot of building area. The adjusted sales range is from \$ 53 to \$ 151 per square foot. After consideration for the total range, it is determine that most sales fall between \$ 95.00 and \$ 117.00 per square foot of building area.

Subject property contains 12,500 square feet of finished space on the first and second floors. The basement area is not included in the calculation. The building is in fair condition and it is likely that a new roof will be required as the building leaks after rain. The interior wall is in poor condition, as are the floors. It is estimated that \$ 10.00 per square foot of building area will bring the building up to usable condition. Value of the Direct Sales Comparison Approach is calculated at \$ 105 per square foot, as of August 24, 2004.

12,500 square foot x \$ 105 per square foot = \$ 1,312,500

SAY

\$ 1,300,000

DIRECT SALES COMPARISON APPROACH

4030 International Blvd. \$4,100,000 in April of 2004

33,624 sq. ft. bldg. 81,864 sq. ft. land \$ 121.94 per sq. ft. of building

The building is located in a superior location, is in good condition and located on two corners. FAR is superior to the subject. Overall the comparable is superior to the subject property. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 95.00 per square foot.

380 17th St. \$ 1,560,000 in January of 2004

13,500 sq. ft. bldg. 6,920 sq. ft. land \$ 115.46 per sq. ft. of building

The building is in an equal location, is in average condition and located on a corner lot. FAR is slightly inferior to the subject. Overall the comparable is equal to the subject property. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 105.00 per square foot.

1511 Franklin St. \$ 1,600,000 in August of 2003

10,049 sq. ft. bldg. 10,100 sq. ft. land \$ 159.22 per sq. ft. of building

The building is located in an equal location, is in fair condition and located on a corner lot. FAR is similar to the subject. Overall the comparable is equal to the subject property. Adjusted indicator is \$ 151.00 per square foot.

2400 Webster St. \$ 385,000 in September of 2003

5,782 sq. ft. bldg. 5,900 sq. ft. land \$ 66.59 per sq. ft. of building

The building is located in an equal location on a corner lot. The building is in average condition and the FAR is similar to the subject. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 53.00 per square foot.

2410 Webster St. \$ 1,451,000 in July of 2003

12,200 sq. ft. bldg. 13,560 sq. ft. land \$ 116.08 per sq. ft. building

The building is located in an equal location on an interior lot. The building is in average condition and the FAR is similar to the subject. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 106.00 per square foot.

5652 San Pablo Ave. \$ 489,000 in April of 2003

5,000 sq. ft. bldg. 5,000 sq. ft. land \$ 97.80 per sq. ft. building

The building is located in an inferior location on a corner lot. The building is in average condition and the FAR is similar to the subject. Overall the comparable is inferior to the subject. An adjustment for condition of the subject improvements of \$ 10 per square foot is required. Adjusted indicator is \$ 98.00 per square foot.

464 19th St. \$ 1,250,000 in April of 2003

10,650 sq. ft. bldg. 5,670 sq. ft. land \$ 117.00 per sq. ft. building

A discussion of market conditions of the comparable sales, requires analysis of sales over a given period of time to determine if market prices are going up, coming down, or are stable. In a typical supply and demand market, the demand will stay in balance with the supply. If the supply is too large, the demand will cause prices to fall. If the supply is too small the demand will cause prices to rise.

Location takes into consideration proximity to freeways and major traffic routes and patterns. Location also must consider attitudes of the community, towards desirability for shopping, neighborhood facilities, and towards newer or more desirable and growing parts of an area, as compared to older neighborhoods.

Size is generally summarized by the typical relationship that a smaller site will sell for a higher price per square foot, while larger sites tend to sell for a lower price per square foot.

Location, physical characteristics, and political impacts are considered for each of the market data, as they relate to the subject property. Each of the market data must be considered on an analytical basis without prejudice.

Access/visibility adjustments must consider the amount and type of street access available to the subject parcel as compared to the market data.

A narrative description of each comparable sale follows on the next page.

Correlation and Final Conclusion: The final step in the appraisal process is the reconciliation or correlation of the indications of value. In this step, the appraiser considers the relative applicability of each of the three approaches utilized, examines the weaknesses and strengths of the data, considers the range created by the value indications, and places major emphasis on the approach that appears to produce the most reliable solution to the appraisal problem. The final determination must be a reflection of the thoughts, motivations and actions of buyers and sellers in the marketplace for property, and hence, can be called Fair Market Value.

APPROACH TO VALUE: The valuation methodology utilized in this appraisal report is the Direct Sales Comparison Approach and the Income Approach. The Cost Approach was not considered appropriate to the appraisal problem, as the age and condition of the improvements make a value and cost determination of depreciation and obsolescence difficult to calculate.

DIRECT SALES COMPARISON APPROACH: In the sales comparison approach, the subject property is compared to similar properties that have been sold recently. 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 open market. No two properties are the same, however units of comparison can be extracted from the market data and adjustments can be made to the sales to account for differences in elements of comparison. The typical unit of comparison to value the subject, within the concept of the highest and best use, is the sale price per square foot of building area.

The sales data researched for the appraisal are all located in the city of Oakland. The comparable sales sold within a time frame from April 2003 to April of 2004. Sale price range for the market data is from \$ 489,000 to \$ 4,100,000.

Each sale was confirmed by recorded documentation and/or other reliable data. The factual data of the sales are contained in the Market Data Section of the report.

ANALYSIS OF THE SALES

The process of determining the value of the subject property land requires the sale price of each market data be rendered to a common indicator, such as the price per square foot and then adjustments made to the market data to account for the differences between the market data and the subject property. The adjustments must include discussion of the real property rights conveyed, conditions of the sale, financing, market conditions, and physical characteristics, such as location, size, topography, access/visibility, utilities/infrastructure and zoning, demolition and development plans/permits.

Property rights conveyed take into account differences in the legal estate between the subject and each comparable sale. All of the sales were transfers of the fee simple interest.

Financing adjustments are required when terms other than cash or its equivalent are present. All sales were cash or equivalent.

Conditions of Sale include the motive and circumstances of a buyer or seller as it relates to the sale

THE VALUATION PROCESS APPROACH TO VALUE

The purpose of this valuation study is (1) the estimation of a value indicator of the subject property, as determined within the highest and best use analysis in accordance with the definition of market value as it is defined within this appraisal.

The appraisal process generally involves an analysis of the three traditional approaches to value-Direct Sales Comparison Approach, Replacement Cost Approach and the Income Capitalization Approach--as they may relate to a specific property. These three approaches are explained and applied as follows:

The Direct Sales Comparison Approach: The Direct Sales Comparison Approach is based on the principle of substitution; that is, that the value of a property is generally governed by the prices obtained for similar properties. The appraiser gathers data on sales of comparable properties and analyzes the nature and condition of each sale, making logical adjustments for similar characteristics. Typically a common denominator is found. For land value, this can be a price per square foot, price per front foot or price per acre; for improved properties, it may be a price per square foot, price per unit, or a gross income multiplier. The common denominator is then applied to the subject qualities and a fairly accurate statement of what the property would sell for can be set forward. This approach is a direct measure of market activity and is considered the best method of property valuation when reliable sales data is available.

The Replacement Cost Approach: The Cost Approach is based on the assumption that a potential purchaser of property is not likely to pay more for an improved property than it would cost to buy vacant land and construct similar improvements offering equal utility on the land. The land value is obtained through the Market Approach. The estimated replacement or reproduction costs new are calculated from a reliable cost index, such as Marshall Valuation Service, or local contractors; then depreciation resulting from physical deterioration and functional and economic obsolescence are deducted from the cost new. When the cost new, less accrued depreciation, is added to the market land value, the resultant figure indicates the replacement cost of the whole property. Since all buildings have cost, this approach can usually be used whenever estimating the value of improved property.

The Income Approach: The Income or Capitalization Approach is predicated on the assumption that there is a definite relationship between the amount of income a property will earn, and its value. This approach is founded on the principle that value is created by the expectation of benefits derived in the future. The anticipated annual net income that can be generated by the subject property is processed to produce an indication of value. The net income is the rent a property will earn after deducting for expected vacancy loss and expenses, but not taking into consideration financing or debt service. The process of converting the income stream into an indication of value is called capitalization, which involves either dividing the annual income by an appropriate rate, or discounting the anticipated series of payments by a present worth factor. The Income Approach produces the best results when the elements in the formula are correct and the property being appraised is of a type purchasers buy for investment purposes. The product of this technique is the price which a prudent and knowledgeable investor would be justified in paying for the subject ownership in light of competing returns offered by other investments.

- *P1. a. Resource Identifier (assign a name or number): 1716-30 SAN PABLO AV
b. Other Identifier: California Furniture Company building (h) California Art Supply (c)
- *P2. Location: a. County Alameda
*b. Address 1716-30 SAN PABLO AV/SE COR 18TH ST
City Oakland, CA Zip
*c. UTM: USGS 7.5' Quad Date Zone: mE / mN
*d. Other Locational Data (e.g. parcel #, legal description, additional UTMs, etc.)
Parcel no.: 008 0641 011 01

- *P3. a. Description (Describe resource and its major elements. Include design, materials, condition, alterations, size, setting, etc.):

1716-30 SAN PABLO AV is a Streamlined Moderne store building. It is one story and mezzanine, irregular plan, on a corner lot. It has a stepped parapet, and tall sign pylon over the entry near the center of the San Pablo Avenue facade. Exterior walls are tan and orange-brown terra cotta in front and stucco on the sides and rear. There are fluted patterns in the terra cotta on the pilasters and parapet. Structure is shown on Sanborn maps as concrete frame with URM infill and wood frame; the building incorporates the ground floors of two earlier buildings. The building has plate glass store windows in metal sash all along San Pablo Avenue and 18th Street, with a single slightly recessed entry with a half-round canopy and terrazzo pavement. Present use is store, California Art Supply, with the original "California Furniture" neon blade sign, modified to say "Drafting Furniture". There are two early sidewalk stamps in front of the south half of the building signed "The Gray Bros. A.S.P. Co." Surroundings are commercial and parking. Visible alterations include minor storefront changes, awnings. The building is in excellent condition; its integrity is excellent.

b. Resource attributes: HP06--store building

- *P4. Resources present: /X/Building //Structure //Object //Site //District //Element of District ()//Other

- *P5. a. Photograph or Drawing



- P5. b. Photo number: 687-32
Photo date: 12/03/95

- *P6. Date Constructed/Age, and Source:
//Prehistoric /x/Historic //Both
1946-47 F inc 1902pre
building permit #B13318.

- *P7. Owner and Address:
LANGELL BOBBY
1001 WINSOR AVE
OAKLAND CA 94610

- *P8. Recorded by (name, affiliation, address):
Oakland Cultural Heritage
Survey, 250 Frank Ogawa Plaza
Oakland 94612 (510-238-3941)

- *P9. Date Recorded: -- 06/29/00

- *P10. Type of Survey: /X/Intensive
/ /Reconnaissance / .Other

- *P11. Report Citation:

- *Attachments: / /None / /Location Map / /Sketch Map / /Continuation Sheet /X/Building, Structure, & Object Record / /Other

*Resource Name or #:
1716-30 SAN PABLO AV/SE COR 18TH ST Oakland CA

B1. Historic Name: California Furniture Company building
B2. Common Name: California Art Supply
B3. Original Use: Commerce
B4. Present Use: Commerce/specialty store
*B5. Architectural Style: Streamlined Moderne
*B6. Construction History: 1946-47, incorporating pre 1902 storefront changed, awnings
*B7. Moved? /X/No / /Yes / /Unknown Date: Original Location:
*B8. Related Features: signs

B9a. Architect: Schary, Harry A.

b. Builder: Leiter, E.T. & Sons
Clark, N. & Son (t.c.)

*B10. Significance: Theme: commercial activity and development Area: Oakland
Period: 1850-1960 Property Type: store building N.R. Criteria: N/A
(Discuss importance in terms of context as defined by theme, period, and geographic scope. Also address integrity.)

1716-30 SAN PABLO AV, the California Furniture Company, is a very good example of a Streamlined Moderne store building. Its present form dates from 1946-47, architect Harry A. Schary and builder E.T. Leiter & Sons. Terracotta was by N. Clark & Son of Alameda (job #2313). It is dated by building permit B13318, and was originally valued at \$50,000. Plans are on file with the City of Oakland. It apparently incorporates the bottom floors of two earlier buildings constructed before 1902. Historically the building reflects neighborhood commercial development, reuse of old buildings by remodeling or moving, and the post-World War II building boom. The earliest name associated with the present building is California Fixture and Furniture Company, founded by Jack Berger, who remodeled the building in 1946-47. The previous buildings were the Juanita Hotel, c.1890s, and Majestic Hotel, 1900s. California Furniture occupied the lower floors of both buildings from the mid-1920s. Furniture stores were numerous on this part of San Pablo Avenue through most of the 20th century.

The Oakland Cultural Heritage Survey rates this property C3 (C, secondary importance or superior example), particularly for its type/style. It is not located in a potential historic district (3). Its Survey rating makes it a Potential Designated Historic Property under Oakland's Historic Preservation Element. It does not appear eligible for the National Register, however, since there are more (see continuation page)

B11. Resource Attributes: HP06--store building

*B12. References:

Building and alteration permits, Sanborn maps, 1912-1935, 1951, 1970s; directories & phone books; city & county block books; name and subject indexes, Oakland History Room, OPL

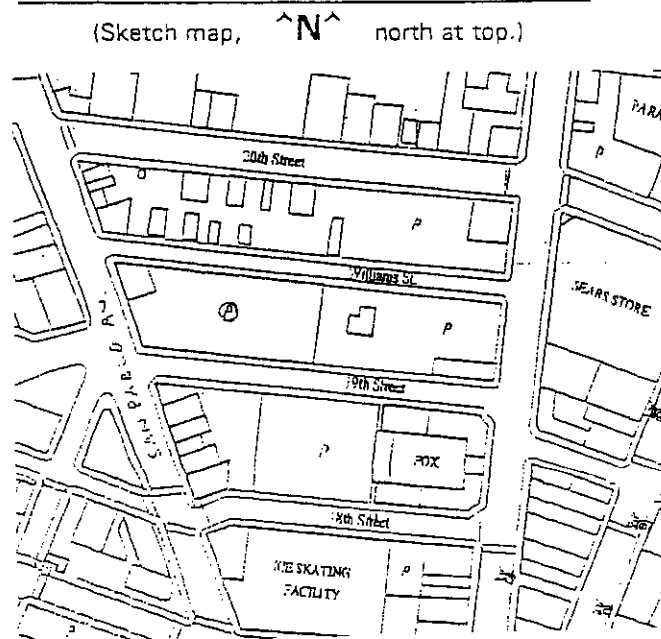
B13. Remarks:

*B14. Evaluator: Betty Marvin

*Date of Evaluation: 02/13/00

Date Recorded: 06/30/00

(This space reserved for official comments.)



DOWNTOWN OAKLAND RETAIL-OFFICE BUILDING FOR SALE



1728 SAN PABLO AVENUE • 568 EIGHTEENTH STREET

- Description/ Price:**
- **1728 San Pablo Avenue:** ±18,400 SF, reinforced concrete building with a partial 2nd floor & basement (9,500 SF on the ground floor, 3,000 SF on the 2nd floor & 5,500 SF basement); Asking \$2,100,000.00
 - **568 Eighteenth Street:** ±5,900 SF parking lot; Asking \$354,000.00

- Comments:**
- Currently used as an art supply store
 - Building will be delivered vacant at the close of escrow
 - Building & parking lot can be purchased separately or together
 - Located in a fast-improving area, near the Rotunda, City Hall & residential/commercial City development
 - Zoned C-55
- See reverse for more details.*

For Additional Information, Contact Exclusive Agents:

STEVE BANKER • CHRIS WAVRIN • 510-763-7016

05-01

LCB
ASSOCIATES

388 SEVENTEENTH STREET, SUITE 200, OAKLAND, CALIFORNIA 94612
PHONE 510-763-7016 FAX 510-763-7763

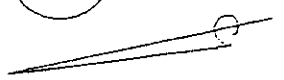
ASSESSOR'S MAP 8

Code Area N01F022

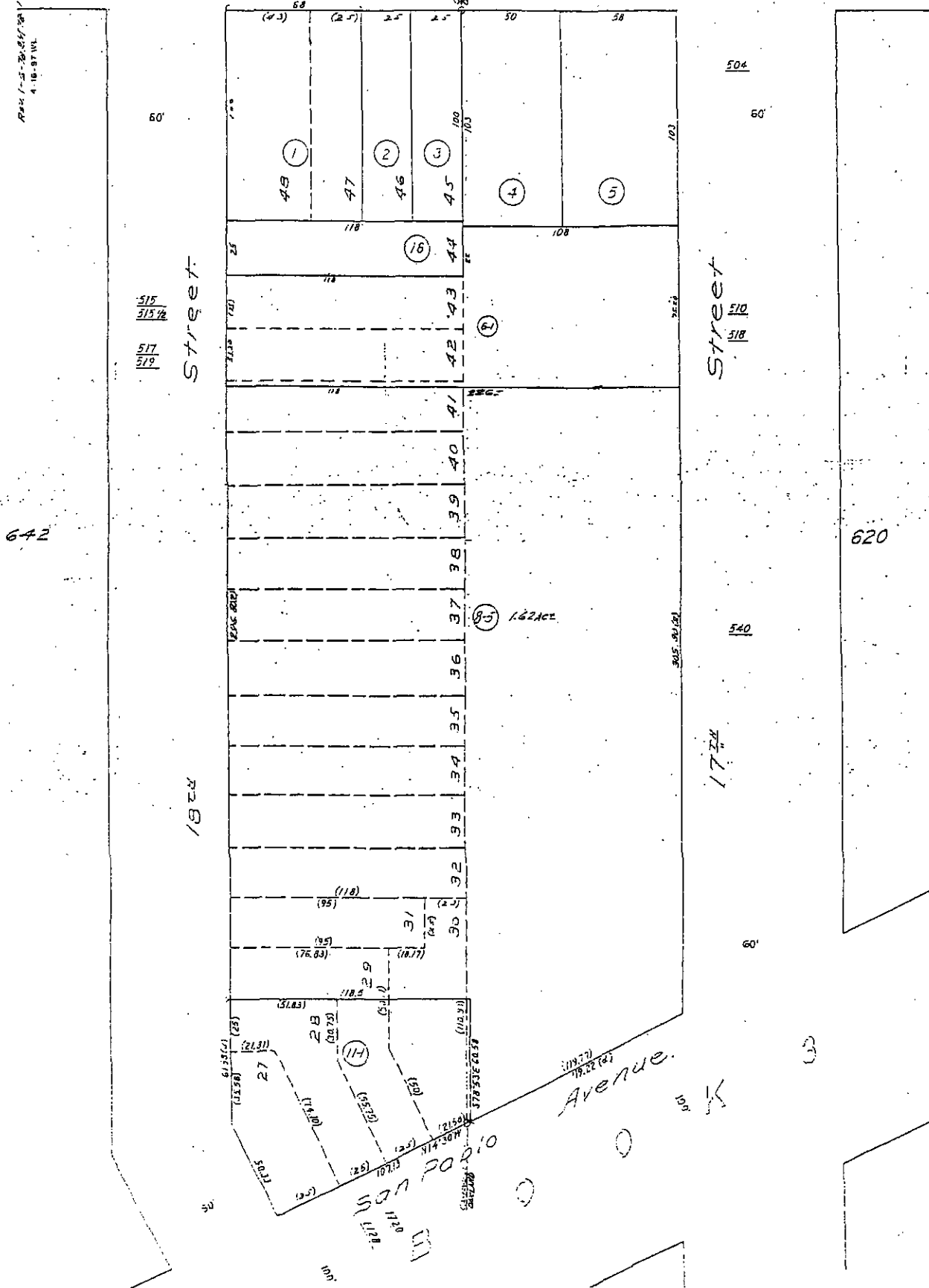
MAP OF OAKLAND AND VICINITY (Bk.17 Pg.14)
MAP OF CAMPBELL TRACT (Bk.2 Pg.64)

641
1989

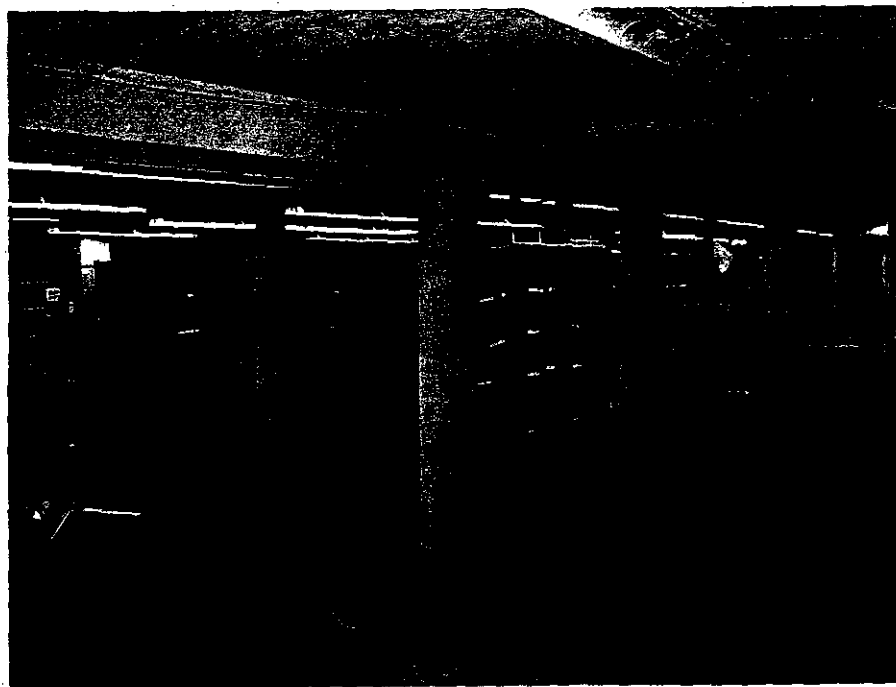
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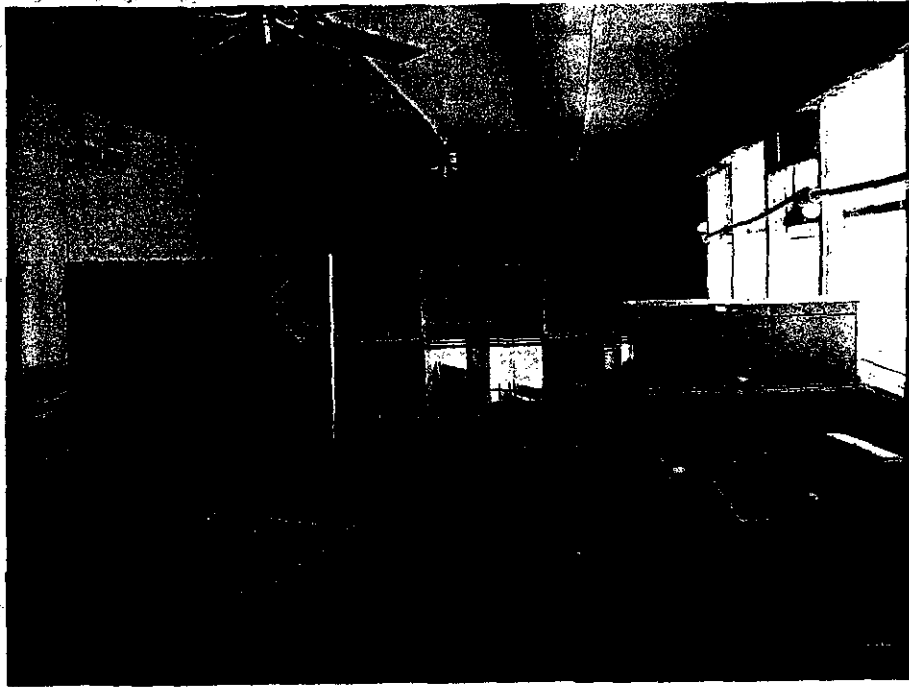
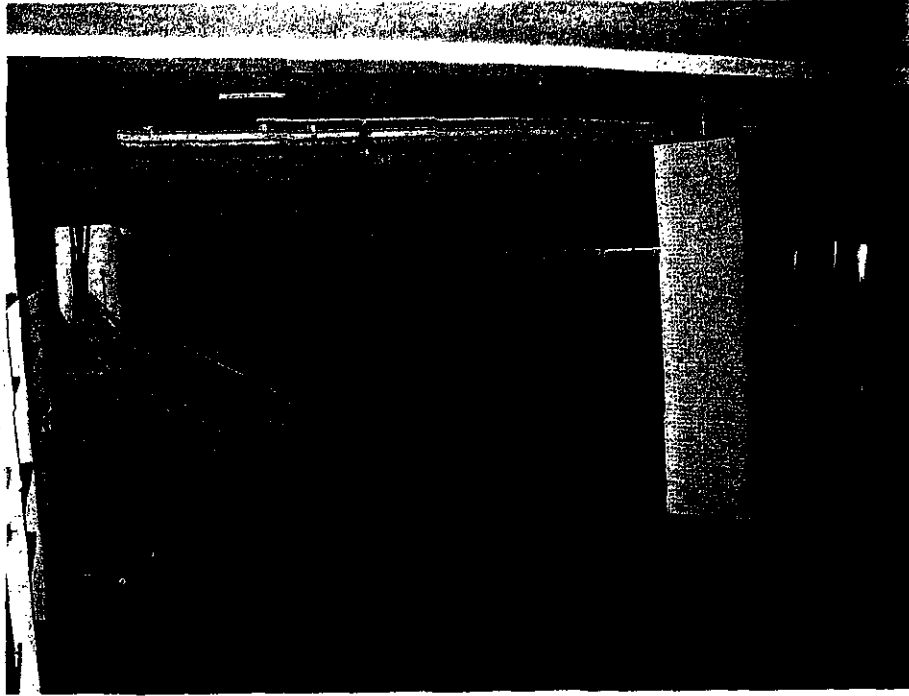


SUBJECT PROPERTY
BASEMENT



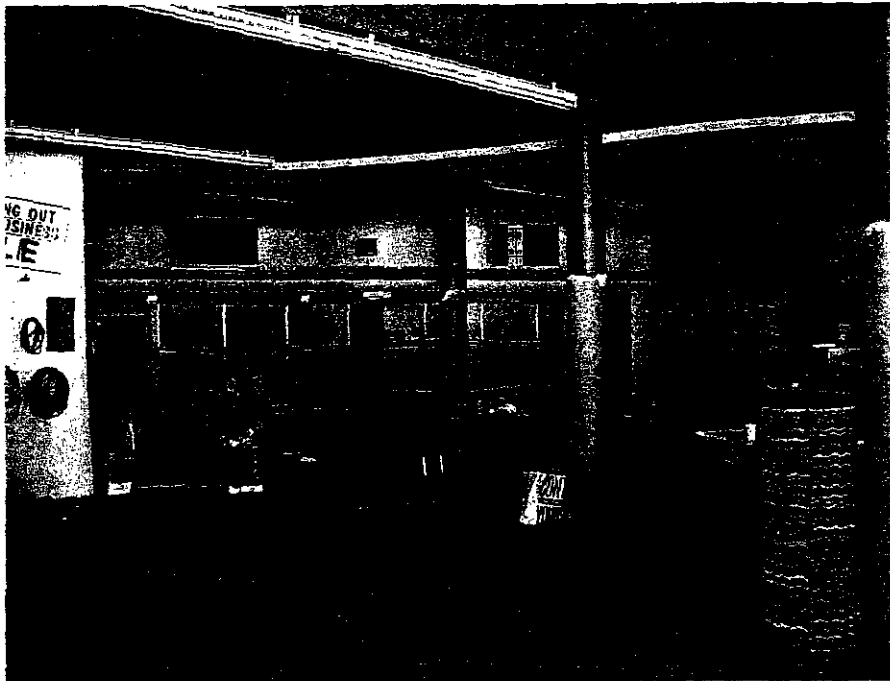
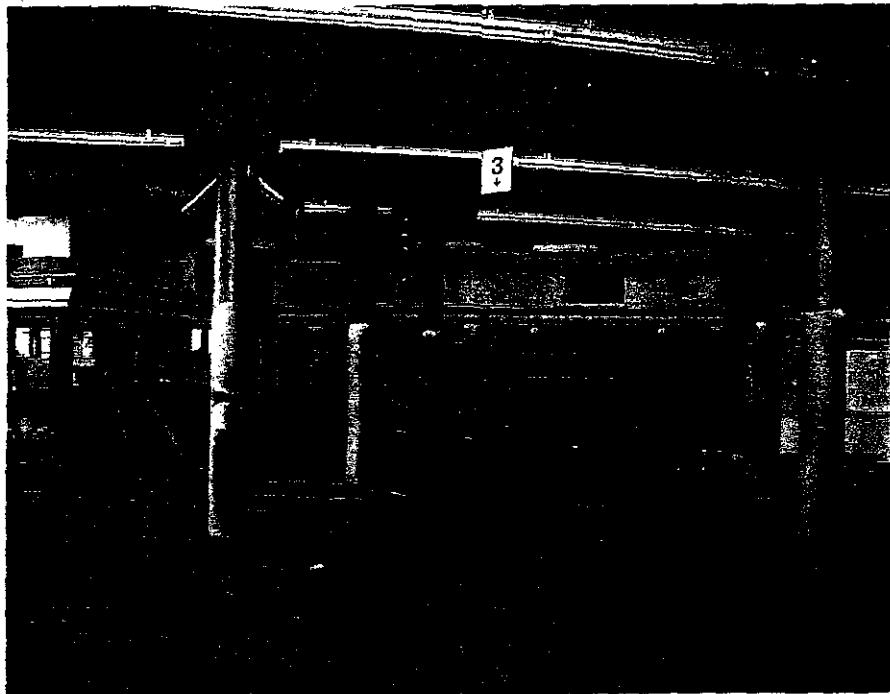
Photos by W. Wilkins
August 30, 2004

SUBJECT PROPERTY
SECOND FLOOR



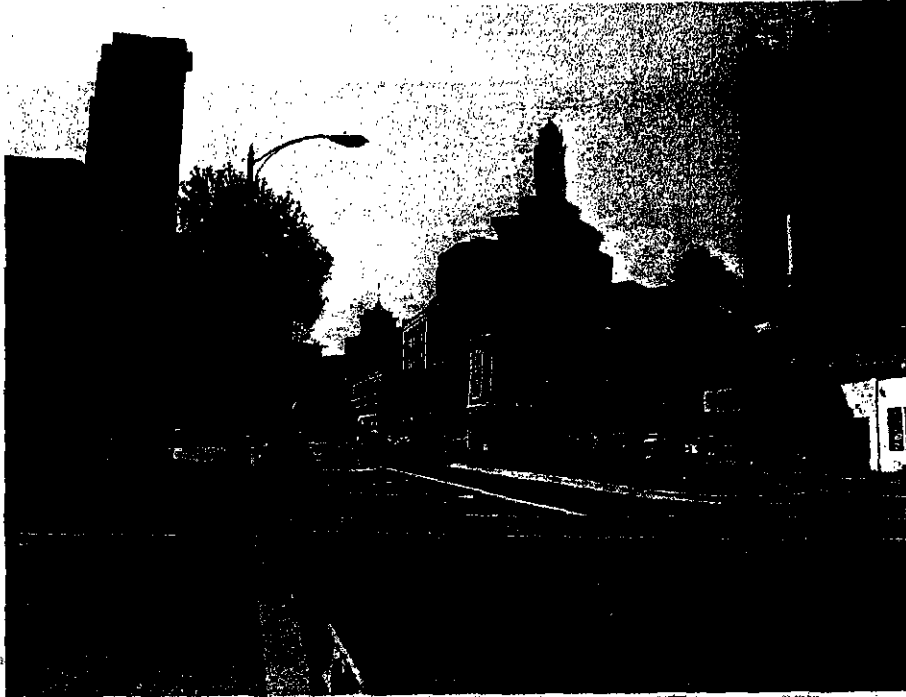
Photos by W. Wilkins
August 30, 2004

SUBJECT PROPERTY
FIRST FLOOR



Photos by W. Wilkins
August 30, 2004

SUBJECT PROPERTY



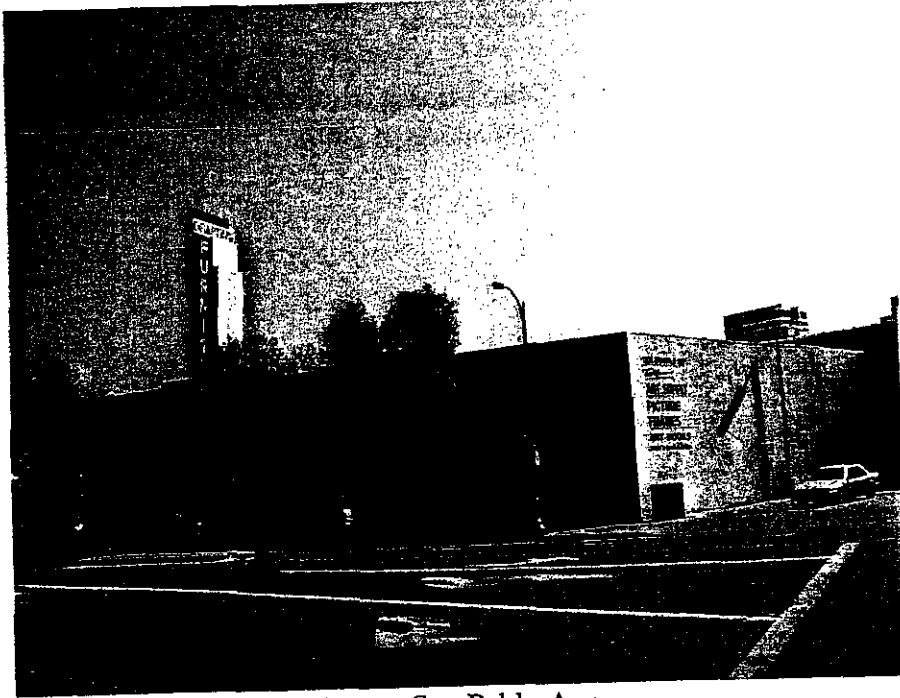
Along San Pablo looking south



Along San Pablo looking north

Photos by W. Wilkins
August 30, 2004

SUBJECT PROPERTY



Across San Pablo Ave.



Across 18th Street
Photos by W. Wilkins
August 30, 2004

1946-47 and the effective age is estimated at 56 years. The building was last owner occupied as a retail store.

REMARKS:

The building is vacant and has been since acquisition in 2002.

zone is to create, preserve, and enhance areas for very high-intensity regional center for employment. Residential development is allowed within the R-90 zoning which allows a FAR of 7:00 and a minimum of 150 square foot of land per unit.

General Plan

General Plan for land use for the subject area is the "Central Business District" which allows residential development with a maximum density of 300 units per gross acre.

HIGHEST AND BEST USE

The subject property is valued as improved with a commercial retail building.

ASSESSOR'S DATA

Assessor's Parcel No.:	008-0641-011-01
Assessed Values:	-0-
Tax Code Area	17022
Taxes	Exempt

EASEMENTS

A visual inspection of the subject property has been made. There appear to be no easements, encumbrances or encroachments which would negatively impact property value for the existing use or any proposed project development.

UTILITY AVAILABILITY

All of the usual and necessary utilities are available to the subject property.

ACCESS AND STREET IMPROVEMENTS

The subject property has full pedestrian and vehicular access to 18th Street and San Pablo Avenue. All are paved public roadways.

IMPROVEMENTS:

The property is improved with an 18,400 square foot reinforced concrete building with a partial 2nd floor and basement (9,900 square foot on the ground floor, 3,000 on the 2nd floor and 5,500 square foot basement). Construction of the building dates to

SUBJECT PROPERTY

OWNER OF RECORD Redevelopment Agency of City of Oakland
One Frank H. Ogawa Plaza
Oakland, CA 94612

OWNERSHIP HISTORY The agency acquired the property by deed on January 11, 2002. Sale Price was \$ 2,019,672 in conjunction with the parking lot across the street. The parking lot was required for the Uptown Project, but the owner would only sell the two parcels together. There were no other sales in the previous five years

LOCATION Oakland CA. TG 649 G3. Southeast corner of 18th Street and San Pablo Avenue.

LEGAL DESCRIPTION Lots 27 and 28 and portions of lots 29 and 30 of Campbell Tract Bk. 2 Pg. 64.

LAND

Shape: irregular in shape

Area: 9,970 square feet m/l

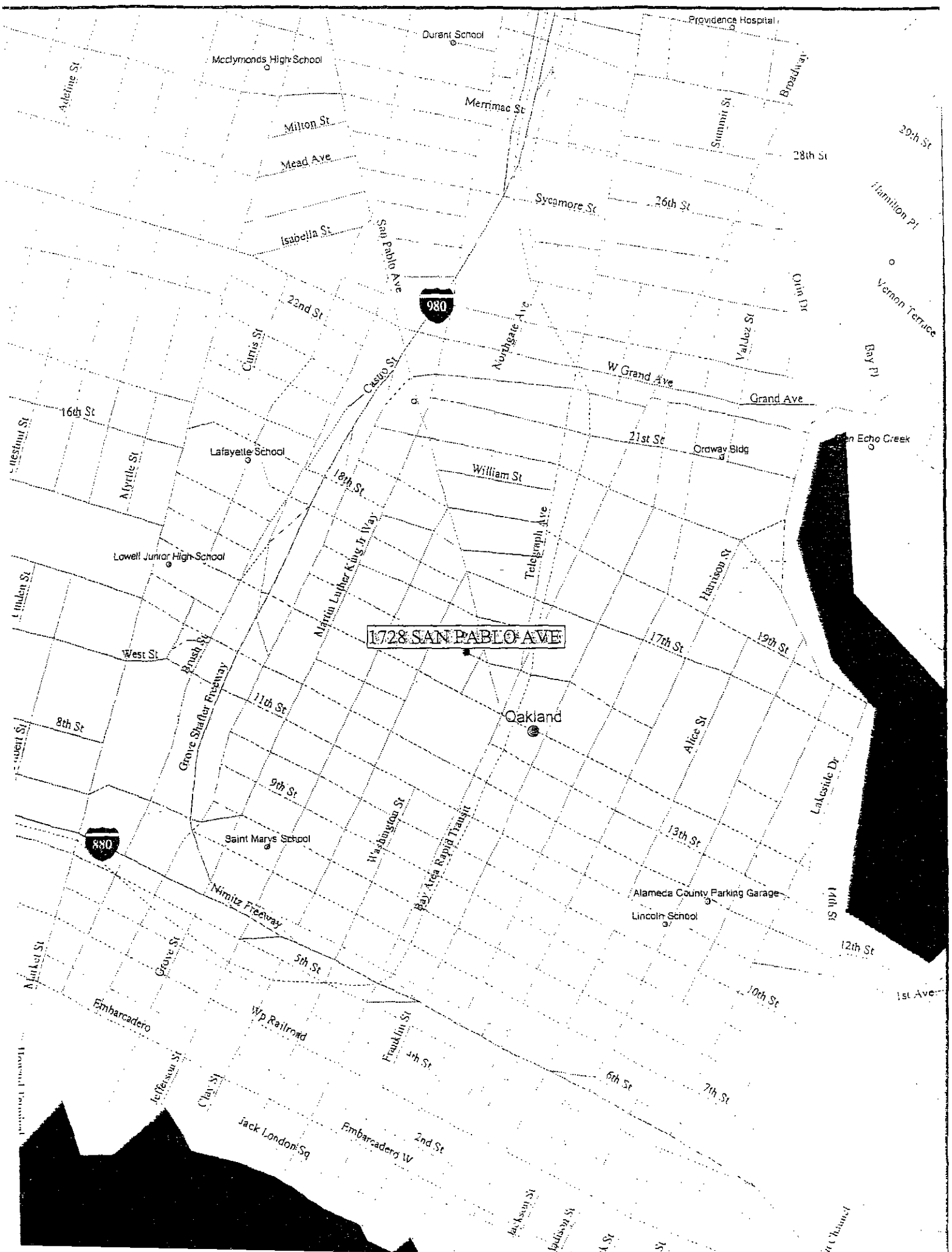
Topography: level at curb

Soils and Drainage Conditions: No soils report, was made available to the appraisal, however there appear to be no adverse conditions regarding soil stability.

Earthquake Zone: The subject property is not within an Alquist - Priolo Special Study Zone.

Hazardous Substances: A visual inspection of the subject property did not show any apparent hazardous substances, however the appraiser is not an environmental inspector. The final opinion of value is subject to any additional information obtained after the date of this appraisal.

Zoning The subject property is zoned C-55(CENTRAL CORE DISTRICT) City of Oakland. Purpose of the



1728 SAN PABLO AVE

Oakland



McClaymonds High School

Durant School

Providence Hospital

Milton St

Merrimac St

Mead Ave

Sycamore St

26th St

28th St

29th St

Isabella St

San Pablo Ave

Summit St

Bradway

22nd St

Curtis St

Northgate Ave

W Grand Ave

Valdez St

Quinn St

Vernon Terrace

16th St

Hessling St

Myrtle St

Lafayette School

18th St

William St

21st St

Ordway Bldg

San Echo Creek

Lowell Junior High School

Martin Luther King Jr Way

Telegraph Ave

Harrison St

1728 SAN PABLO AVE

17th St

19th St

West St

Grove Shafter Freeway

11th St

Oakland

Alice St

Lakeside Dr

8th St

Quincy St

Saint Marys School

9th St

Washington St

Bay Area Rapid Transit

13th St

Alameda County Parking Garage

Lincoln School

15th St

12th St

1st Ave



Nimitz Freeway

5th St

Washington St

Franklin St

13th St

Alameda County Parking Garage

Lincoln School

15th St

12th St

1st Ave

Embarcadero

Wp Railroad

4th St

6th St

7th St

Market St

Grove St

Clay St

Jack London Sq

Embarcadero W

2nd St

Jackson St

Madison St

15th St

16th St

7th Channel

CERTIFICATE OF APPRAISER

1728 San Pablo Avenue, Oakland California Parcel APN. 008-0641-011-01

I do hereby certify that I am an appraiser employed by the City of Oakland Community and Economic Development Agency, and that to the best of my knowledge and belief:

the statements of fact contained in this report are true and correct.

the research involved in this appraisal is only that which would be reasonably deemed necessary to set forth a statement of fair market value.

the reported analyses, opinions, and conclusions are limited only by the reported limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

I have made a personal inspection of the property that is the subject of this report.


no one provided significant professional assistance to the person signing this report,

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

my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of this report.

I have not revealed the findings and results of such appraisal to anyone other than the proper officials of the public agency, and I will not do so until so authorized by said official, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

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



WILLIAM W. WILKINS, ASA, SR/WA
AG013931

Date: August 25, 2004

with ADA requirements, but there was no consideration for that issue in estimating the value of the property.

LIMITING CONDITIONS

1. The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.
2. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
3. No opinion as to title is rendered. Data on ownership and the legal description were obtained from sources generally considered reliable. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
4. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
5. Maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
6. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and the property is not subject to surface entry for the exploration or removal of such materials except as may be expressly stated in any title report contained herein.
7. The appraiser has personally inspected the subject property and finds no obvious evidence of structural deficiencies except as stated in this report; however, no responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections. Proof of a CEQA (California Environmental Quality Act) categorical exemption or negative declaration was not provided to the appraiser. The application for CEQA review and compliance is deemed to be the responsibility of the party(s) requesting this report. Neither responsibility, nor any expertise is purported by this appraiser for the determination of compliance with CEQA. Each subject property is appraised based on the assumption that they comply with CEQA or that any infractions can be easily mitigated.
8. A hazardous waste materials' report was not provided to the appraiser. Although a physical inspection of the subject did not reveal such materials, no responsibility is assumed nor any expertise purported by the appraiser for the detection of hazardous waste materials. The valuation of the subject property is predicated on the assumption that there is no such material on or in the property.
9. There was no survey for specific compliance made to determine if the building is in conformity with ADA requirements. It is possible that the building is in non-compliance

Legal Description: Lots 28 and 28 and portions of lots 29 and 30 of Campbell Tract
Bk. 2 Pg. 64.

Environmental &
Hazardous Waste
Conditions: The subject property has been appraised as though free and clear of
soil contaminants.

ADA requirements: No specific compliance survey or analysis of this property has been
made to determine whether or not it is in conformity with the
requirements of ADA.

ASSIGNMENT AND SUMMARY

Nature of the Assignment

The assignment is to inspect and determine market value of the subject property, "As Is", located on the southeast corner of San Pablo Avenue and 18th Street in the City of Oakland, California. Value of the property will be based on specific assumptions outlined in the Limiting Conditions section of this report.

Property Rights Appraised

Property rights appraised are the fee simple interest in the subject property, real property only.

Function of the Report

This report will be used by City of Oakland staff, to establish a value for possible disposal as surplus to the needs of the City.

Definition of 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:

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

Data Analysis

Data used within this report for analysis was collected from Win 2 Data, Comps Inc. and people familiar with the area. Confirmation of the sales information was from Comps Inc. as reported in Comps Inc. and Real Estate Broker information.

Summary of Salient Data

Date of Valuation: August 24, 2004

Highest and Best Use: Development within existing zoning as mixed use development in accordance with other development in the area.

Valuation \$ 1,300,000

CITY OF OAKLAND



Community and Economic Development Agency
Real Estate Services

INTEROFFICE MEMO

August 24, 2004

To: Frank Fanelli
Manager of Real Estate

From: William W. Wilkins, ASA, SR/WA

Subject: Limited Restricted Appraisal Report for San Pablo Avenue,
Oakland CA. APN # 008-0641-011-01

Based upon request, I have completed a limited restricted appraisal report of the referenced parcel. The purpose of the appraisal is to determine the market value of the fee interest in the subject property according to the definition of market value as stated within this report as subject to the assumptions, limiting conditions and certifications *contained within*. I have personally inspected the subject property and have gathered all the data I consider necessary to arrive at the value conclusion. The following is regarded as a limited/restricted appraisal report under USPAP guidelines.

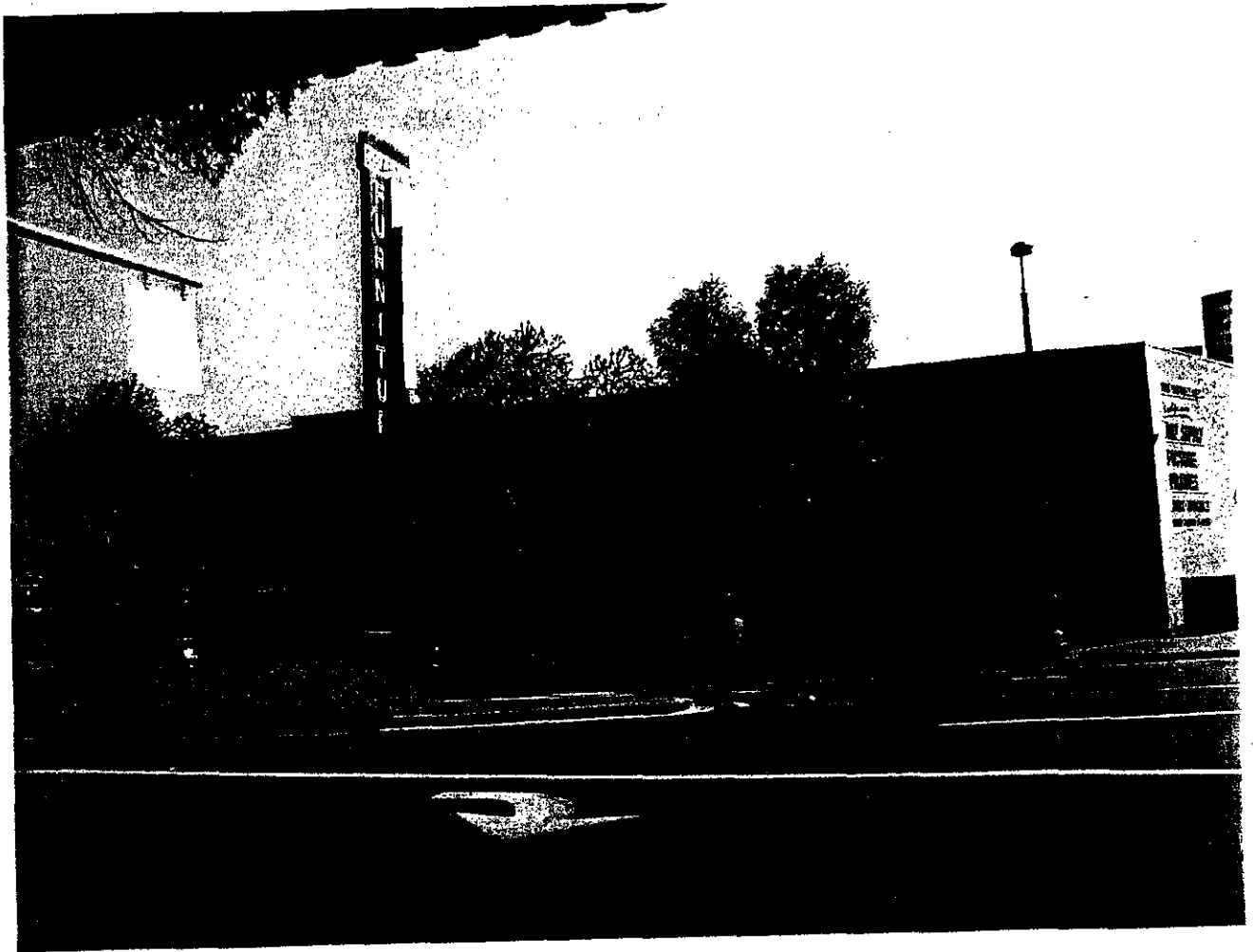
The value calculated is based on the premise of current value "as is", land and structure.

Current value of the subject property is established at \$ 1,300,000 as of August 24, 2004.

A handwritten signature in black ink, appearing to read "William W. Wilkins".

William W. Wilkins
AG013931
August 24, 2004

SUBJECT PROPERTY



1728 San Pablo Avenue
Oakland CA