

**OPPORTUNITY TO PURCHASE
THE HISTORIC ROTUNDA BUILDING**

The Redevelopment Agency of the City of Oakland is accepting offers to purchase the historic Rotunda Building. This breathtaking National Historic Landmark building is located in Oakland's City Center area. Minimum offer requirements are as follows:

- ▶ A monetary dollar amount.
- ▶ Ability to deposit \$20 million in an escrow account or finance and set aside the \$20 million in a special account for seismic improvements, building renovation and first phase tenant improvements.
- ▶ A good faith deposit of \$150,000 to be returned to unsuccessful offerers.
- ▶ Assurances that the Historic integrity of the building will not be compromised during construction or use.
- ▶ Assurances that offerer will meet the Redevelopment Agency's prevailing wage and local requirements.
- ▶ Assurances that the offerer will meet with community representatives, at minimum on a quarterly basis, to provide an update on construction activities related to the historic nature of the building.
- ▶ Commitment to complete renovation by August 1999.
- ▶ Pledge to pay a minimum of \$5,000 per month with annual CPI increases for maintenance of Frank Ogawa Plaza.
- ▶ Offers are due no later than September 9, 1997. For a full package of information, please send \$45.00 to:

Oakland Redevelopment Agency
Attn: Lois R. P. Butler, CEDA
1333 Broadway, Suite 900

Oakland, CA 94612

For questions call: Lois R. P. Butler at (510) 238-3982.

KENNEDY-WILSON
INTERNATIONAL
REAL ESTATE MARKETING AND
INVESTMENT BANKING SERVICES

225 Bush Street, Suite 1600, San Francisco, CA 94104, Tel. (415) 439-8382, Fax (415) 439-8387

September 15, 1997

Ms. Lois R.P. Butler, CEDA
Oakland Redevelopment Agency
1333 Broadway, Suite 900
Oakland, CA 9412

Dear Ms. Butler,

Re: The Rotunda Building
Oakland, CA

On behalf of The STG Group ("STG"), I am pleased to set forth certain terms and conditions upon which STG, its affiliates or assignees would be willing to purchase the Rotunda Building project ("Property") from the Redevelopment Agency of the City of Oakland ("Seller"). This letter of intent is a summary of the major provisions of a binding purchase contract (the "Contract of Sale") in which STG would be willing enter so as to purchase the project.

1. **Purchase Price:** Twenty Million Dollars (\$20,000,000)
2. **Good Faith Deposit:** STG shall deposit with Fidelity National Title, Fifty Thousand Dollars (\$50,000) cash in an interest bearing escrow account within 3 (three) business days of execution of the Contract of Sale. Said deposit shall be increased to One Hundred Fifty Thousand (\$150,000) upon removal of due diligence and review contingencies. If STG purchases the Property, the deposit together with all interest thereon shall be applied to the purchase price.
3. **Title:** Subject to the Contract of Sale, fee simple title shall be conveyed by Seller to STG at closing, free and clear of all liens, subject only to such exceptions as STG and Seller shall approve. Current year taxes will be prorated between Seller and STG at closing. Assessments are to be paid in full by Seller.
4. **Title Insurance:** Within ten (10) days after the effective date of the Contract of Sale, Seller shall deliver to STG a current commitment for an ALTA owner policy of title insurance issued by Fidelity National Title, as agent for a title underwriter to be approved by STG, in form and content to be specified by Seller and STG in the Contract of Sale.

Initials _____

UNITED STATES ■ JAPAN ■ HONG KONG

530 Wilshire Boulevard ■ Suite 101 ■ Santa Monica, CA 90401 ■ Telephone (310) 314-8400 ■ Facsimile (310) 314-8510

- 5. **Surveys:** Within ten (10) days after the effective date of the Contract of Sale, Seller shall furnish to STG at Seller's sole cost and expense a survey of the Property, as Seller and STG shall set forth in the Contract of Sale.
- 6. **Due Diligence and Review Period:** Following the receipt of the last items specified in paragraphs 4 and 5 above, STG shall have One Hundred-Twenty (120) days to determine the suitability of the Property for purchase. Seller shall grant to STG and its agents a right entry on the Property to obtain and perform all such reasonable evaluations, tests, appraisals, and review necessary. In addition, STG and Seller shall cooperate in discussing the renovation and design approvals on the property, and to review any local ordinances and other regulations affecting the Property. STG may terminate the Contract of Sale at any time during the inspection period, and the earnest money with interest thereon will be returned to STG by the escrow agent and the parties shall have no further obligations toward one another.
- 7. **Closing:** The closing of the sale of the Property shall occur within Thirty (30) days of removal of contingencies.
- 8. **No Other Negotiations:** Seller agrees that until the failure of Seller and STG to execute a Contract of Sale or the withdrawal of STG from the Contract negotiations, Seller will not negotiate with any other parties a sale of the Property, and will not solicit directly or through its agents offers to purchase the property, and will not consider any unsolicited offers to purchase the Property. The parties acknowledge that this is a letter of intent outlining the provisions of a proposed Contract of Sale and neither party is obligated to execute such Contract of Sale, but Seller is obligated to strictly comply with the provisions of this paragraph.
- 9. **Brokerage Compensation:** Kennedy-Wilson International shall be paid a commission equal to One and One Half percent (1.5%) of the total project cost. Commissions shall be paid upon close of escrow from the Seller.
- 10. **Notices:** All notices to STG shall be addressed to: Mr. John Ziegler, 915 Piner Rd., Suite E, Santa Rosa, CA 95403
- 11. **Other Terms and Conditions:**

Conditions Precedant. STG's obligation to purchase the Property shall be subject to the satisfaction (or waiver by STG) of the condition set forth below.

a) Upon close of escrow, STG shall obtain Twenty Million Dollars (\$20,000,000) in the form of Bank financing and place into a mutually acceptable escrow account. Such funds shall be earmarked for the purposes of funding building renovations and first phase tenant improvements. The Seller shall credit such funds to the purchase price, as incurred during the construction period. Upon 95% occupancy, any balance remaining in the escrow account shall be credited to STG.

Initials _____

b) Purchase is further conditioned upon STG being able to secure leases for at least Seventy percent (70%) of the Property's entire rentable square footage. Tenants mix and lease terms and conditions shall be mutually acceptable to Seller and STG.

c) STG will agree to working with the City of Oakland to assure that the Historic integrity of the building will not be compromised during construction or use. STG further agrees to meet with community representatives, at minimum on a quarterly basis, to provide an update on construction activities related to the historic nature of the building.

d) STG will agree to working with the City of Oakland to meet the Redevelopment Agency's prevailing wage and local requirements.

e) STG will endeavor to complete renovations in a timely manner.

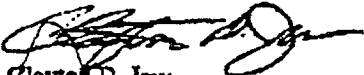
f) STG will agree to maintain Frank Ogawa Plaza.

g) The City of Oakland will agree to fund and complete any and all required seismic improvements and retrofit to the Property, with adherence to local standards.

The terms and provisions of this letter shall be more completely documented in a formal Contract of Sale between Seller and STG. Seller and STG agree to diligently proceed with the negotiation and execution of the Contract of Sale. In the event such Contract is not agreed upon and executed in full by the parties on or before September 30, 1997, neither party shall have any liability to the other and each party shall bear its own expenses in connection with the transaction contemplated herein. It is understood that this Letter of Intent is not binding upon the parties, except as provided in paragraph 10 above.

If you agree with the foregoing, please sign the enclosed counterpart of this Letter of Intent and return it to undersigned and the broker, whereupon STG's attorney will immediately begin preparing a formal Contract of Sale.

Sincerely,
KENNEDY-WILSON INTERNATIONAL


Clayton D. Lew
Vice President

Agreed to and Accepted by:

Agreed to and Accepted by:


Mr. John Ziegler
President

Date

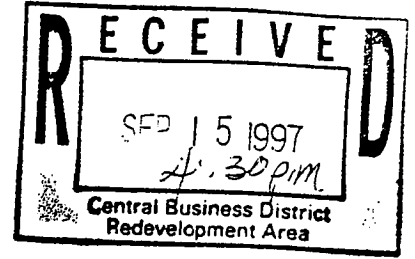
By:
Its:

Date

** TOTAL PAGE.04 **

MOBEDSHAHI  HOTEL GROUP

Ms. Lois R. P. Butler, CEDA
Oakland Redevelopment Agency
1333 Broadway, Ste 900
Oakland, Ca



Re. Historic Rotunda Building

The Mobedshahi Hotel Group (MHG) is interested in developing the Rotunda Building into a Four Star, roughly 250 room hotel, with extensive meeting and retail space. MHG estimates that the development of a world class hotel would take a financial package of \$30 million. We believe that the Rotunda Building is a cornerstone of Downtown Oakland, and such should be renovated to meet and exceed its original grandeur

The Mobedshahi Hotel Group has had a very successful previous experience working with the San Jose Redevelopment Agency in developing the Hotel (Hyatt) Sainte Claire, a National Historic Landmark. MHG has always worked very closely with City officials and members of the San Jose Redevelopment Agency to transform the Hyatt Sainte Claire into the finest hotel in San Jose. MHG has also renovated two previous landmarks, The Sherman House and the Savoy Hotel, both in San Francisco. MHG also has extensive experiences in working with the Landmark Commissions in Sacramento.

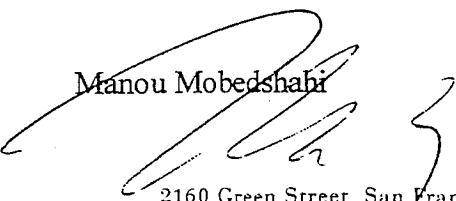
The Mobedshahi Hotel Group has become very successful in its operations of its Hotels, and because of their success, Hyatt Hotel Corporation has entrusted MHG with two of its three franchises worldwide, the Hyatt Sainte Claire and the Hyatt San Jose. Please refer to the page title Mobedshahi Hotel Group for a complete history of its Hotels.

Manou Mobedshahi, President of Mobedshahi Hotel Group, has an estimated net worth in excess of \$35 million dollars from his holdings in the three hotels. He is in the process of getting a final commitment for a \$15 million dollar line of credit to used towards future acquisitions. He also has a strong relationship with GE Capital, which will be the first choice for the financing of the Rotundo Building.

Manou Mobedshahi has a real passion towards his hotels and towards the renovations of landmark properties. He has become very knowledgable in the Bay Area's Hotel Market and has also become very successful in doing so. He has always taken a vested interest in contributing to a community and its arts (Manou is currently a Board Member of the San Jose Symphony). The Mobedshahi Hotel Group is excited to make this proposal and look forward towards a long a lasting relationship with the City of Oakland.

As per the attachments, we believe that the Mobedshahi Hotel Group has met all the requirements of the Redevelopment Agency of Oakland. Attached to this proposal, is a Deal Point Proposal, Personal References, Financial Statements and a check for \$150,000.

Manou Mobedshahi


2160 Green Street San Francisco. California 94123 tel: +1 563-5902 fax: +1 563-5686

Deal Points

Total Package \$30,000,000

Sources of Funds:

Contribution - 1 st Deed of Trust - Financed	17,000,000
Contribution - 2 nd Deed of Trust - City of Oakland	6,500,000
Contribution - Mobedshahi - Contribution	6,500,000
Total Sources	30,000,000

Uses of Funds:

Rooms Renovations	20,000,000
Seismic Upgrade	5,000,000
Common Area Renovations	3,800,000
Purchase of Building	1,200,000
Total Uses	30,000,000

Note 1: The Redevelopment Agency of the City of Oakland will provide Mobedshahi Hotel Group with an interest free loan for \$6.5 million to be repaid in ten years.

Note 2: The Redevelopment Agency of the City of Oakland will provide adequate parking for the Hotels needs as a requirement of this deal.

Note: The Mobedshahi Hotel Group initial estimate of the costs to renovate is based on its present understanding of the property, exact numbers will become more available as MHG performs its further due diligence.

**GE Capital**

Commercial Real Estate Financing & Services
General Electric Capital Corporation
201 South Lake Avenue, Suite 402, Pasadena, CA 91101
818 405-7373
Fx: 818 405-7362

September 15, 1997

Lois R. P. Butler, CEDA
Oakland Redevelopment Agency
1333 Broadway, Suite 900
Oakland, CA 94612

Re: The Historic Rotunda Building

Dear Lois:

We have been asked by Mr. Manou Mobedshahi to provide you with the following information in support of his bid to acquire the above referenced property.

GE Capital has financed 2 hotel properties for the Mobedshahi Hotel Group for a total loan amount of \$12,500,000 and is currently processing a third loan request of \$32,000,000 for the acquisition and rehabilitation of a hotel property in San Jose. Collectively these properties indicate an equity position for the Mobedshahi Hotel Group in excess of \$30,000,000. In addition the loan request currently being reviewed by GE Capital contains \$15,000,000 in availability beyond the initial advance under an equity earn-out structure.

Although we have not had the opportunity to review the details relative to the acquisition and redevelopment of the subject property we would be interested in pursuing the opportunity with Mr. Mobedshahi.

Should you have any questions with respect to the forgoing please feel free to contact me at any time.

Best regards,

Ian Williams
District Manager

Mobedshahi Hotel Group

In 1980 Manou Mobedshahi purchased a run down historical mansion in Pacific Heights neighborhood of San Francisco, and decided to restore the property into the finest small luxury hotel. After four long years and \$3.6 million in capital, The Sherman House opened its doors to the public. The property has received critical acclaim from the beginning, and in 1994 was ranked the 4th best hotel in the country by Zagat Hotel Survey.

In 1983, just before the opening of The Sherman House, Manou married Vesta Lohrasb, an art historian from Vancouver, British Columbia. They were to spend the next 6 years learning and operating The Sherman House. This knowledge taught them the skills to embark on their second hotel purchase. The 75-year old Savoy Hotel, like The Sherman House was run down and required a major renovation. The 83-room hotel was renovated and a new restaurant, the Brasserie Savoy was added, the property re-opened for business in April 1990.

In 1991, Manou and Vesta came across their third hotel, the 170 room Hotel Sainte Claire in Downtown San Jose, California. The Sainte Claire, an historic landmark, was in its hey-day the pride of San Jose, but over the years had fallen into disrepair. The Mobedshahis negotiated a deal with the Redevelopment Agency of San Jose to restore the 70 year-old landmark back to its original grandeur. At the time of purchase of the Sainte Claire, the Mobedshahi Hotel Group was formed for the purposes of managing hotel and restaurant properties. After two years of operations, Mobeshahi Hotel Group successfully negotiated the first Hyatt Franchise with Hyatt Hotel Corporation, renaming the hotel the Hyatt Sainte Claire.

Due to the success of the Hyatt Sainte Claire, the Hyatt Hotel Corporation granted the Mobedshahi Hotel Group with their third franchise, the 35 year old Hyatt San Jose. On June 1, 1996, the 474-room Hyatt San Jose changed its ownership to the Mobedshahis. As with their previous three properties, the Mobedshahi saw in the Hyatt San Jose the opportunity of transforming this hotel into one of the finest garden style hotels in the country. In an effort towards obtaining this goal, the Mobedshahis have quickly embarked on a 12 million major renovation project, with a completion date of March 1998. The renovations will include the complete remodel of all guest rooms and bathrooms, new hardwood furnishings and complete upgrade of all fire and life safety features. Each guest room will also be equipped with its own computer and a printer/fax/copier with access to the internet and other computer features. The Mobedshahi Hotel Group believes that the combination of the garden setting and technology will give the Hyatt San Jose a distinct advantage over its competition.

Manou Mobedshahi was born in Kerman, Iran in 1944 in a Zoroastrian family. While living in Iran, Manou became the CEO/Chairman of several public steel manufacturing companies in Iran, all under the Shahryar Industrial Group, and was on the Board of the Directors for the Bank of Shahryar. Manou and Vesta Mobedshahi have two sons Zubin 9 and Ojan 7

Sheet 1

Manou Mobedshahi
August 31, 1997

Assets:		
Cash		25,000
Business Interest:		
Hyatt San Jose	23,975,200	
Hyatt Sainte Claire	12,293,040	
The Sherman House	1,245,000	
	<u> </u>	37,513,240
Personal Assets		50,000
		<u> </u>
Total		<u><u>37,588,240</u></u>
Liabilities:		
Personal Debts:		
M. Hormazzadeh	1,205,000	
K. Lohrasb	654,000	
M. Oshidari	22,000	
	<u> </u>	1,881,000
		<u> </u>
Net Worth		<u>35,707,240</u>
		<u> </u>
Total		<u><u>37,588,240</u></u>

Business Interest

Hyatt San Jose		
Hotel Value (based on 10% Cap Rate Rate of Trailing 12 mos.)	39,125,200	
Other Assets	850,000	
	<u> </u>	39,975,200
1st Deed of Trust	12,500,000	
Line of Credit	3,000,000	
Other Unsecured Liabilities	500,000	
	<u> </u>	16,000,000
	<u> </u>	<u> </u>
Net Worth	23,975,200	23,975,200
	<u> </u>	
Total Liabilities and Net Worth	<u><u>39,975,200</u></u>	

Hyatt Sainte Claire

Hotel Value (based on 10% Cap Rate Rate of Trailing 12 mos.)	22,508,040	
Other Assets	400,000	
	<u>22,908,040</u>	

1st Deed of Trust	9,970,000	
Unsecured Debet	400,000	
Other Unsecured Liabilities	245,000	
	<u>10,615,000</u>	

Net Worth 12,293,040 12,293,040

Total Liabilities and Net Worth 22,908,040

The Sherman House

Hotel Value (based on 10% Cap Rate Rate of Trailing 12 mos.)	3,450,000	
Other Assets	350,000	
	<u>3,800,000</u>	

1st Deed of Trust	2,480,000	
Other Unsecured Liabilities	75,000	
	<u>2,555,000</u>	

Net Worth 1,245,000 1,245,000

Total Liabilities and Net Worth 3,800,000

MANUK MOBEDSHAH
 FINANCIAL STATEMENT
 SIGNED 9.15.97



Personal References

Susan Hammer	Mayor City of San Jose	408-920-8080
Frank Taylor	Executive Director San Jose Redevelopment Agency	408-277-4744
Bob Leninger	Deputy Executive Director San Jose Redevelopment Agency	408-277-4744
Doug Geoga	President Hyatt Hotel Corporation	312-750-1234
Sara Hays	Executive Council Franchise Division Hyatt Hotel Corporation	312-750-8403
Jeff Allen	General Council - MHG Graves & Allen	510-839-8777



NATIONWIDE CAPITAL SERVICES LLC

September 15, 1997

Lois R. P. Butler, Manager of Projects
Oakland Redevelopment Agency
City of Oakland Community &
Economic Development Agency
1333 Broadway, Suite 900
Oakland, CA 94612

RE: The Historic Rotunda Building
Between: Broadway and 16th Street
Kahn's Alley and San Pablo,
Oakland, California
Containing approximately 345,586 sq. feet with rights for parking off site.

Dear Mrs. Butler,

Pursuant to our conversation and after review of the information package on the captioned project, the Nationwide Capital Services, LLC and Associates ("NCS-A"), is respectfully submitting this offer to purchase the Historic Rotunda Building.

The offer is for \$1,150,001.00. In addition, it is ~~our~~ understanding that funds are available to be borrowed in the amount of \$7,500,000 - ~~\$10,000,000~~ on terms which would be mutually acceptable to the Oakland Redevelopment Agency ("ORA") and "NCS-A". It is our intention to convert the Rotunda Building into a four star hotel, preserving the historic integrity and architectural significance.

We are highly experienced at that task after having owned two historic buildings and having assembled the development of one of San Francisco's most outstanding historic building currently known as the Ritz-Carlton Hotel, located on Nob Hill.

We are including copies of brochures of our Associates and/or Consultants, which will be involved in the development and management of the proposed hotel. We feel that it is time for Oakland to have an upscale hotel, one in which we can all be proud of.

Further more, it is our intent to comply with the requirements, which you have outlined in your ad. To that end we have enclosed the following documentation for your review.

1. A photocopy of a Letter of Interest from one of our lenders to provide a new first mortgage of \$20,000,000.
2. Good Faith Deposit Agreement
3. Nationwide Capital Services, LLC - (Owner-Developer) brochures.
4. Hornberger-Worstell's brochure.
5. A photocopy of one of the NCS partners financial statement, together with a Bank of America letter.

I trust that you will find everything in order; however, should you need anything further, please do not hesitate to call the undersigned.

Sincerely,



Karl Diaz-Hoffmann
Nationwide Capital Services, LLC

KDH/jlr
Enc.



Bank of America

Charles M. Ellis
Vice President & Manager
Union Square Branch 0260

August 19, 1997

To Whom it may concern:

This letter is to confirm that Mr. Richard Parasol has been a client at Bank of America for over twenty two years.

As of this writing the balance in his accounts are in excess of \$2.4 Million. He consistently maintains balances in this range. He also maintains his company records, Phone Vision, with the bank. His accounts have always been handled in an excellent manner.

Please extend all courtesies to Mr. Parasol and do not hesitate to call me if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Charles M. Ellis'.

Charles M. Ellis
Vice President & Branch Manager
Union Square Branch 260
(415) 622-2949

BELGRAVIA® CAPITAL

2401 PGA Boulevard
Suite 280-E
Palm Beach Gardens, FL 33410
561 691 4900
FAX 561 691 4995

Monday, September 15, 1997

Karl Diaz-Hoffmann
President
Nationwide Capital Services, LLC
50 California Street, 15th Floor
San Francisco, CA 94111

Dear Karl:

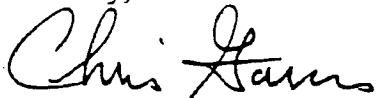
Per your request, I have reviewed the preliminary information you sent me on the Rotunda Building located in Oakland, California. Belgravia Capital has a great desire to provide redevelopment financing on turnaround projects like this and based on your proforma, a loan of approximately \$20 million should be attainable. Additionally, your experience level and success with projects of this nature is viewed very positively. Obviously, additional supporting information must be provided and underwritten before we can commit to the project, but we are anxious to receive this data.

For your information, last year, Belgravia Capital, in conjunction with Ocwen Financial, was involved in providing the participating first mortgage for the acquisition of the Airport Corporate Center in Oakland, California. Subsequently, we were involved in permanent financing for the building. The transaction was handled out of our San Francisco office.

Belgravia Capital completed \$1.2 billion of real estate capitalization in 1996 and will close in excess of \$1.7 billion worth this year, with approximately 60% of that business being direct fundings of debt and the remainder made up of structured finance capitalizations which include participating debt, credit enhancements, construction loans, redevelopment loans and equity placements.

Please contact me as soon as you are able to provide me more information on the Rotunda Building. Good luck in your pursuit to acquire the project.

Sincerely,



Chris Garris
Director