

THE ROTUNDA BUILDING

OAKLAND, CALIFORNIA

MASTER LEASE & DEVELOPMENT PROPOSAL



Prepared for The City of Oakland
Community Economic Development Agency
By California Commercial Investments - California Capital Group

JUNE 27, 1997

THE ROTUNDA PROJECT

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INTRODUCTION

Revitalizing the Rotunda will be a physical dramatization of the revitalization of downtown. The architecturally unique and historically significant design of the structure is an important addition to Oakland's rightful claim as the beautiful center of Alameda County. Along with the Broadway Building, the Rotunda Revitalization will bring beauty and life to the neighborhood.

We believe that returning the Rotunda Building to the market place is a critical component in completing the City Administration Project. The Rotunda Building is the keystone for linking the ground floor "pedestrian friendly" activities from City Center to the proposed Uptown Theater District, and from the State of California Building to the Broadway corridor. Revitalizing the Rotunda will be a physical dramatization of the revitalization of downtown. The architecturally unique and historically significant design of the structure is an important addition to the CBD.

Previous plans have suggested a grand scheme to restore the entire building all at once and/or include construction of new structures which, under current market conditions, is not financially feasible for the private sector to develop.

Therefore, we propose a "master lease" approach. A viable and realizable plan to improve and lease 289,000 rentable square feet over the next twenty years. The estimated improvement costs for the project will be approximately \$23 million.

The proposed master lease approach allows for an accelerated leasing plan for the lower levels of the building, thus bringing the building on-line much sooner. This approach transfers the burden and expense of leasing and managing the building from the City of Oakland to the master lessors.

We understand that the City of Oakland wants to complete the Rotunda Building as a part of the City Hall Administration Project. We are convinced that this wish can be realized if the enclosed strategy is adopted.

BRIEF PROJECT HISTORY

The following is a condensed history of the Rotunda Project:

- 1) Originally conceived and built as Kahn's Department Store (1912 -1913, 1923 - 1924).
- 2) Became Liberty House which eventual closed in the early 1980's.
- 3) Myron Zimmerman purchased the property with the intention of creating mixed use commercial and retail (1984).
- 4) Property returned to the control of the lender (1984).
- 5) The structure suffered damages as a result of Loma Priata quake (1989).
- 6) City of Oakland purchased the property for \$1.7M in 1991.
- 7) The Rotunda Building has remained completely out-of-service since the early 1980's.

REVIEW OF STUDIES AND RESEARCH MATERIAL

Since 1992, three separate studies have been completed regarding proposed development and use of the property:

Stanford Development Team, April, 1992

East Bay Associates, Inc., April, 1992

Applied Economics Development, Inc., August, 1996

The above studies have discussed various approaches to restoration and implementation. Each study states that upon completion, the value of the Rotunda Building will be substantially less than the cost to renovate it. All three studies suggest that to renovate and lease the structure, the City of Oakland must commit substantial financial resources. The studies establish that:

1. It is estimated that initial development costs for the Rotunda will total \$24.76 M. Subsequent releasing expenses in the first ten years of operation would add another \$7.22 M for a total development cost of \$31.98 M.
2. The baseline Rotunda feasibility analysis shows a negative net present value (NPV) of \$20.8 M suggesting that the development would not be supported by private sector interests without significant public subsidies.
3. The essential parameters to achieve financial feasibility include obtaining at least \$4.5 M in historic tax credits, a City equity contribution of \$14 M, and obtaining below market rate financing for the remaining development costs. If the City holds the building for the first ten years, its total cost would be \$14 M plus \$7.22 M in tenant improvements for a total of \$21.22 M. In addition the City would borrow \$6.26 M at below market interest rates.
4. The project should be able to be sold for at least \$11.3 M at the end of the 10-year holding period, with significant potential to increase this sale projection due to the conservative rent projections used in our proforma. The project cash flow would cover the debt service and unpaid principal in the \$6.26 M note, leaving the City with a maximum unrecovered subsidy to the project of \$9.9 M.

Based upon information provided to us by the City staff, the costs to complete the seismic restoration and the shell improvements is estimated at between \$9.9M for a reduced scope of work to \$16M for a more complete scope of work. These figures exclude the related soft costs.

We also understand that the ORA - CBD project area budget is lean. There has been a substantial decrease in real property tax assessments coupled with the other financial commitments for strategic projects that need to be funded.

The project under the previously pursued scenarios is not feasible.

Other ORA - CBD Projects which need funding include:

- The Fox Theater
- Uptown Theater Project land assemblage
- BART office consolidation
- CBD parking shortage
- Swan's Market Hall
- Bermuda Building demolition
- Broadway Auto Row
- Hotel II site

DEVELOPMENT STRATEGY

Qualifications

California Capitol Group (CCG) is uniquely qualified to undertake the re-development of the Rotunda Building. Organized to achieve the goals of the City of Oakland, CCG offers these specialized and, in effect, single-source capabilities.

CCG has demonstrated ability to meet the challenges of major urban developments including:

- **Construction Expertise**
- **Seismic Experience**
- **Tenant Improvements**
- **Historic Restoration/Renovation**
- **Asbestos Experience**

Our statement of qualifications focuses on providing detailed information to support our ability to successfully undertake this redevelopment project. With combined staff resources, our team is prepared to readily address the challenges presented by this project.

CCG has committed significant portions of their resources to renovate/rehabilitate urban projects throughout Oakland. We view the completion of each project and their resultant effects on Oakland as significant accomplishments!

Projects pursued by our firm have been, by their nature, complex and time consuming. Sites are often physically constrained calling for creativity in design and sophistication in managing construction and financing. And, they are often politically sensitive due to their prominent locations and potential impact on the financial and social well-being of the City. And, inevitably, they present challenges regrading parking and frequently involve the integration of existing structures to create a "blended" scheme.

CCG possess the demonstrated ability required to handle these elements. All staff resources will be coordinated by CCG as the project team leader. CCG will provide turnkey service to the City of Oakland by providing the structured commercial expertise, financial consulting, real estate development, and construction proficiency required to achieve project goals.

Control The Cost Of The Seismic And Shell Renovation

- 1) Through our experience in value engineering and managing seismic projects, and the restoration of historically significant buildings (see resume), we can assist the City in focusing its resources to the areas that establish our shared objective of leasing up the building. We can keep the project on time and on budget.

- 3) By separating the tenant improvement construction, and related management from the City, we can reduce the City's project "soft costs" by almost \$1,000,000 and still meet City contracting requirements.

Limit The City Of Oakland's Financial Exposure

- 1) The City retains ownership of the Rotunda Building.
- 2) All tenant improvement work will be done at the master lessors' expense only, that is, no cost to the City of Oakland!
- 3) The city will immediately begin saving hundreds of thousands of dollars annually by reducing the hours of outside consultants, city staff, security services and others.

PROPOSED MASTER LEASE TERMS & CONDITIONS

Term: 15 years, starting January 1, 1998

Rent: years 1-4 at \$1,000 per month.

years 5-15 at \$25,000 per month (of which \$5,000 a month will be allocated to beautification and maintenance of City Hall Plaza).

Financing: City to provide \$7,500,000 in construction funds.

Master Lessor (ML) may borrow up to 80% LTV not to exceed 20 year amortization or 9.25 interest.

ML to provide between \$4,000,000 - \$4,500,000 in capital contribution.

Sale: At the end of 15 years the property will be appraised at fair market value. The City will then sell its ownership in the property for \$1 plus 50% of the value above \$23,000,000.

*Additional
Items:*

- a. ML to draw down on construction funds upon submittal of paid invoices.
- b. Construction labor to be in accordance with City policies and practices.
- c. City to monitor construction.
- d. City has right to put in "favored tenants" at fair market.
- e. ML to initially put up \$100,000 as good faith money.
- f. City will cooperate and participate with ML to resolve the parking deficiency.
- g. Construction work to be bonded.
- h. ML to abide by Plaza CC&R's.
- i. ML to make best effort to obtain TCO by 1/99

PROFORMA

See Following Speadsheet

OUTREACH & CONTRACT HIRING COMPLIANCE

There are a number of organizations, individuals, and other constituencies that have been active in the revitalization and preservation of the Rotunda Building. We feel it is important to communicate our plans and proposed uses with the community. We acknowledge and respect that consensus is a vital aspect of community revitalization. We intend to seek support from all of the following:

- | | |
|--------------------------------|---|
| > CBD small local businesses | > Neighboring Property Owners |
| > Oakland Chamber of Commerce | > Hispanic Chamber of Commerce |
| > Black Chamber of Commerce | > Korean Chamber of Commerce |
| > Chinatown Chamber | > Central Business District Association |
| > Preservation Community - OHA | > Oakland Sharing the Vision |
| > Oakland Board of Realtors | |

Contract Compliance

California Capital Group is committed to significant Minority-Owned Business Enterprises and Women-Owned Business Enterprises' (MBE/WBE) participation on this project.

To meet MBE/WBE goals established for the project, a formal participation plan would be developed during the Preconstruction Phase of the project for incorporation into the bidding documents. This plan would include the following elements:

1. Identification of local, state and regional MBE/WBE firms.
2. Prequalification of MBE/WBE firms to areas of expertise, experience, performance record and financial capability.
3. Division of bid packages to maximize the utilization of MBE/WBE firms.
4. Development of joint ventures between MBE/WBE and non-MBE/WBE subcontractors.
5. Encouragement of bidding participation through direct solicitation and assistance where required in bid preparation.

We have met with OPW staff and have begun to coordinate the administration of hiring policy's for the project to meet all of the established goals.

ADDITIONAL BENEFITS OF THE STRATEGY

- 1) Effective and cost efficient management of the Rotunda Building restoration designed to maximize asset value and minimize cost.
- 2) Minimize City of Oakland staff time and expense to manage and lease the building.
- 3) Timely revitalization of the downtown neighborhood.
- 4) Improving downtown, making it more pedestrian friendly.
- 5) Provide street-level retail shopping to increase pedestrian traffic.
- 6) New tenants at the Rotunda Building means increased city revenues via business license taxes.
- 7) New tenants will also employ many Oakland residents.
- 8) Rental income to the city will reach \$300,000 annually.

LEASING PLAN

We want to see the Rotunda Building "alive" when the ribbons to Frank Ogawa Plaza are cut in 1998. Previous studies have suggested that the class A and class B office market will require time to absorb the large amount of vacancy anticipated from the City Administration consolidation, UCOP relocation, state building completion, and potential BART consolidation efforts.

Despite recent improvements in business and retail activity in the CBD, both national and regional retailers continue to have doubts and fears regarding the safety and viability of the neighborhood which includes the Rotunda Building and adjacent blocks. Retail uses will have to overcome the lack of ample controlled parking. To overcome the problems we must demonstrate the certainty of linking the City Center through the Lake Merritt Financial/Business District. We also need to prove to prospective retail users that the City of Oakland is committed to supporting all efforts needed to revitalize the area.

Strengths

- Most beautiful building in Oakland
- Level of investment and activity in the area
- Close to BART and other transportation
- Large "pre-qualified" day time population
- Capacity for large retail or office user

Weaknesses-Challenges

- Lack of Convenient Parking
- Perception of Safety
- Floor Plan
- Crossing Broadway to the project from the South
- Lack of comparable activities from the North - West

In analyzing the challenge of leasing the Rotunda Building, we envision a comprehensive approach inclusive of the retail portions of the City Administration Buildings. Both Administration Buildings have ground floor retail space that is strategically located to capture pedestrian traffic coming from the State of California Building and the City Center. If the Rotunda Building is leased in concert with adjacent neighborhoods, it will increase the likelihood of maintaining the pedestrian traffic needed to support businesses in the Rotunda.

We have been working with BT Commercial and Grubb & Ellis regarding a collaborative effort. We envision a brokerage team including brokers and agents from both California Commercial Investments and other companies that specialize in retail leasing and that understand the downtown Oakland market place.

We believe in the need to adopt a district program for leasing. Each building can be individually marketed, but also marketed as a part of a CBD plan and a neighborhood plan. We envision a relationship which includes the tenant, the landlord, the neighborhood and the community. We see the need to fully engage the community before introducing a final project program so our attraction efforts can be directed to promote a positive community relationship.

The goal is to create a cohesive tenant mix. There are several aspects to a lease/marketing plan that must be pursued. Many of these alternatives can and should be done concurrently.

New American Network - Effective service connecting over 150 real estate firms in 210 offices world wide representing over 3,000 real estate agents.

Trade Dimensions Listing - Tenant listing service that lists prospective retailers by category, size, product, etc...

Web Site - A web site will be created, tracking the development of the Rotunda project, and listing the available space for lease.

Shopping center trade shows - (ICSC) A great source of prospects.

Contacting neighboring/regional shopping centers - Often those businesses that are successful in similar local centers are viable candidates to expand to Rotunda Building.

Brokerage contacts/advertising - An excellent way to increase traffic of prospective tenants is to inform the brokerage community of vacancy, either through direct mailings or through advertisements in the commercial metro.

Color brochures - Emphasizing the unique features and advantages of the center with colorful handouts or mailers can be very impressive to a prospective tenant.

Advertising the "Concession package" discussed above - Also concessions are drastic and usually discourage, sometimes the lure of getting something "free" or at reduced rates is very compelling to prospects.

Contacting national credit tenants directly - Companies such as Tommy Hilfiger, Reebok, Burlington Coat Factory, Ross, Crescent Jewlers and the GAP have been contacted directly.

Direct marketing - Targeted, direct mail to tenants who "fit" is an excellent way to gain new tenants who will add strength and stability to the center.

Leasing Guidelines

Our initial Leasing Plan outlining the proposed goals and strategies to be implemented along with the proposed leasing guidelines will be modified by the agents and brokers based on response to the project. This will be subject to the review and approval of the Master Lessor.

Since the leasing market is typically dynamic, we anticipate that the leasing guidelines may also have to change.

Lease Rate And Terms

We have projected:

Office rates: \$13.20 PSF annually full service (\$9.00 for lower level)

Retail rates: \$9.00 PSF NNN (except lower level which is \$6.00)

Term

The term of the lease may vary with location, type of business, and cost of tenant improvements. The term of the lease is a function of tenant improvement costs and rental rates required by the prospective tenant. Annual rate increases are desirable whenever possible. Ideally, the lease should be for a term long enough to fully recover the costs of improvements plus a reasonable return, in addition to a reasonable return on shell costs.

Although we would like to lease the project paying at or above the established market rate, sometimes to attract tenants, rents must start off at substantially below market rates. This leasing rate methodology is known as the "rate for occupancy" approach.

The importance of raising rents can not be overemphasized. Raising rents is the easiest and best way to help a building's owner show a profit and the most important ingredient in determining a building's value. Raising rents is also crucial for increasing a building's value. The most common way of determining a value for income property is the "income approach." In short, the income approach uses net operating income (NOI) to directly determine value (see appraisal for much more detailed information). Historically, the increase in value of a property, using the "income approach" to value, is approximately ten times the increase in net operating income.

Concessions

To attract tenants we are prepared to consider:

Holding rent stable (no escalation clause for tenants who sign long-term leases) - Traditionally, most leases allow for annual increases, usually based on increases in CPI or some other index. As an inducement, Landlords may offer to keep rent stable for the

entire term of the lease. That is, five years without an increase for a five year lease, or two years without an increase for a two year lease.

Free rent - To induce tenants to sign long-term leases, some landlords choose to offer some "free rent" months. These months are usually at the beginning of a lease but we recommend that free months accrue rather than offer them all up front. That is, rather than offer the first five months free on a five year lease, a landlord may offer one month free at the end of each year, or some variation on that theme.

Tenant improvement package - Usually shopping center tenants are responsible for improvements but occasionally retail tenants are asked to contribute to the improvement costs following their rented premises. To induce tenants to sign long-term leases, some landlords offer a "dollar matching program" whereby the landlord contributes one dollar for each dollar spent by the tenant to improvement the premises.

Free or joint advertising projects - To induce tenants to commit to long term leases, a landlord may offer free advertising (shopping center newsletters, joint coupons, newspaper advertisements, free mailings, etc.) to the tenant. The most effective approach for the landlord is to include advertising for all tenants in each ad or mailer.

Upgrade visibility/signage - To encourage long-term commitments, a landlord may offer to upgrade the tenants own signs to a higher profile sign (back-lit, raised lettering, neon, or other).

Tenant Improvements

We have projected the following tenant improvement allowances:

Office space - \$40 PSF

Retail space - \$20 PSF

Any cost of improvements above this budgeted amount will be requested from the tenant, treated as a concession, or amortized into the lease rate as the market allows.

PROPERTY MANAGEMENT

This section of this report is to demonstrate guidelines and procedures to be followed by the Master Lessor and defines the flow of transactions and interfaces with Management and the leasing/marketing of the subject property.

The intent of this report is to assist the City of Oakland in evaluating the proposed master lease in the redevelopment of the Rotunda in a fashion which will accomplish the City Hall Administration Project Objectives and fulfill the terms of the proposed Master Lease.

This section may subsequently become the nucleus of an Operations Manual which may periodically be amended or modified.

Organizational Responsibilities/Interfaces

The Management and Leasing efforts will be coordinated directly by the Master Lessor (ML). As specifically detailed in this proposal, the authority regarding property operating decisions rests upon ML, however, ML will make periodic reports to the City of Oakland and discuss the recurring activities.

Property Marketing Functions and Reporting

The ML will monitor physical, location-related, regulatory and market appeal factors for possible changes that may prove to be beneficial or detrimental to the property value. Regular inspections of the Property by the ML will be conducted to determine its condition. A semi-annual inspection will be performed and be documented by completing an in-depth Property Inspection Report. The ML's property management staff will perform the following activities:

- Inspect the site and improvements for deferred maintenance and prospective problems.
- Inspect the neighborhood and market area to assess and evaluate any changes in access, ingress, egress, neighborhood properties, market trends or traffic flows which will affect the property. Any significant changes, along with the Management's recommendations, should be included in the Property Inspection Report.
- Investigate any potential environmental concerns that might impact the property.
- Monitor the legal/regulatory implications by analyzing proposed zoning/building code changes that may impact values.
- Monitor market appeal by observing tenant preferences and new property designs.
- Monitor and resolve tenant problems by being aware of parking problems, unapproved signs and other failures of the tenants to abide by the terms of the leases.

In summary, ML will perform an annual or semi-annual inspection of the property to gather and document information regarding items such as:

- Site improvements
- Legal and regulatory Environment
- Environmental issues
- Market conditions
- Market appeal and competitiveness
- Tenant problems

Market Assessment Functions and Reporting

One of the key components of the ML's responsibilities is the completion of the initial Property Analysis Report. This information is very important to correctly position the property and to accomplish/direct leasing and operations objectives.

The ML will complete the initial assessment of the surrounding real estate market. ML shall provide on a monthly basis a Market Condition Report for the Rotunda Building.

The components of Market Analysis Report for commercial properties are as follows:

Investigation of the market area's major competitive properties and any proposed developments in the market area that may become competitive. The survey of each competitive property should include:

- Property identification and address
- Size in square feet, gross leasable area and net leasable area
- Year built, if known, year renovated, if applicable
- Current occupancy rate
- Expected absorption time

- Asking and effective rental rate, to include:
 - Rental concessions offered
 - Tenant build-out allowance
 - Terms available
 - Expense stop or expense pass-through
- Real estate/leasing commissions - full or split, structure
- Other concessions - moving allowance, Lease takeover
- Assessment of supply and demand conditions in the market area by:
 - Obtaining occupancy rates for each competitive property in the market area.
 - Estimating absorption rates for each competitive property in the market area.

Determination of market area conditions over the next six (6) and twelve (12) month periods, based on the supply and demand assessment by the ML. Specific measures indicating market area conditions and trends may include:

- Trends in vacancy rates in the market area.
- Trends in absorption rates in the market area.
- Trends in rents and sale prices in the market area.
- Trends in building permits and construction for similar property type (shopping center construction).
- Assessment of competitive advantage/disadvantages/amenities.

Other comments

In summary, after performing an annual assessment of the market conditions, including current supply and demand, ML will present and opinion regarding the trends observed and how the property may be affected over the next twelve (12) month period.

Based on these property and market studies, ML shall develop a Management Plan which allows the property to achieve the highest rents possible while maintaining an acceptable occupancy level.

Expenses

Tight control and identification of responsibility for property operating expense is essential. Each lease form handles the responsibility of maintenance, utilities, taxes, insurance, etc. differently. Operating expense or escalation clauses, such as base year, dollar stop clauses, or triple net should be included in all commercial lease. Any requested change of responsibility for expense in the standard lease forms must be reviewed and approved by ML.

COMPANY PROFILE

CALIFORNIA COMMERCIAL INVESTMENTS CALIFORNIA CAPITAL GROUP

In May 1992, Mark Moss, Phil Tagami, and Len Epstein started California Commercial Investments (CCI), a real estate brokerage and consulting company, and California Capital Group (CCG), a real estate management company. We are committed to serve our clients needs, including purchasing or selling commercial property, managing income-producing property, locating and negotiating for commercial space, or other "custom" real estate services.

We work closely with our clients to help them define their wants and needs. Through interviews and questionnaires, we are able to determine our client's long-range and short-range goals.

When we manage a property, our goal is to maximize income and value while maintaining the stability of the property. We seek to retain existing tenants and diligently pursue new tenants. We initiate and monitor preventive and on-going maintenance programs. Deferring maintenance increases the eventual cost of repair and also decreases the likelihood of attracting new tenants.

When we purchase or sell a property, we learn everything we can about the neighborhood and about the property. This knowledge helps us target appropriate purchasers. We create a sales package emphasizing those aspects of the property which would be attractive to that prospective purchaser. After studying comparable sales in that area, we work with the owner to properly price the property. We know that if priced too high, the property will not sell and, if priced too low, the owner will not receive full value.

Before attempting to find a location for our clients seeking commercial space, we are careful to take the time to learn more about our client's needs. We discuss his plans regarding future growth, his budget, the need for accessibility, the "company image," and more. Only then do we arrange a tour of prospective properties. When our client finally selects the location which meets his needs, we then help our client by negotiating the most favorable terms possible.

Our growth and success has been achieved by ethically and conscientiously serving our clients in every possible way. And we understand that the only way to continue our growth and our success is through our continued dedication to excellence.

Asset Management/Property Management

California Commercial Investments (CCI), a real estate brokerage company, and California Capital Group (CCG), a real estate management company, lease and manage income-producing properties for clients. We take great pride in our ability to retain current tenants, find new tenants, and maintain the physical asset. In a struggling Oakland and East Bay market, our properties average over 90% occupancy.

Our goal for each property is to maximize income, value, and stability. We understand that the "secret" to success is tenant retention. We take special care to keep each tenant as happy as possible.

Our current management portfolio includes over 400,000 square feet of office and retail space. Our staff of maintenance and janitorial personnel attend to each property five days per week. We believe that attention to the needs of each tenant and to the needs of each property are of primary importance. If a hallway needs painting, we do it. If a tenant's radiator leaks, we make sure the repair is done immediately.

We continue to treat each property as if our job depended upon it (and it does). We treat each tenant as if that tenant will be the reference for a prospective tenant. We greatly value our reputation and believe that "word of mouth" is crucial to success. We take our job as property/asset manager very seriously and we do whatever is necessary and ethical to maximize the property's income and the property's value.

Selling and Leasing Properties for our Clients

California Commercial Investments understands that each property owner has very important concerns regarding the sale or rental of office or retail space. Before we list a property for sale or lease, we interview the owner. We take great care to learn the owner's interests and needs. Is the owner interested in "as is" only? Is the owner interested in renting only to large, full-floor users? Will the owner accept tenants with marginal credit history? Will the owner finance?

We also take great care to understand the property and the neighborhood. What are the property's most impressive features? What other tenants are in the building? In the area? Is the property already equipped with wiring for high-tech users? Is the property equipped with a vacuum pump for dentists? We believe that we must prepare before we begin to actively market.

To help reach the other brokerage community, we are a member of the Oakland Board of Realtors and advertise in the Commercial Multiple Listing Service (CMLS). We also advertise properties in local newspapers and in trade journals. We use colorful signage on the properties. And we organize open-houses and tours for prospective tenants.

Additionally, each day we contact other real estate agents, and examine all Bay Area properties which are currently listed or have recently been listed for lease. We keep extensive files. We study census data to help us determine economic forecasts for various geographic areas. We also work with local governments to help us identify prospects and to identify projects and programs which affect property values.

California Commercial Investments treats each client with utmost respect. We value our client's trust in us. We appreciate the opportunity to serve and will do whatever we can to serve our client's needs. We understand that the only way to satisfy our clients is through hard work and a continued dedication to excellence.

Purchasing Properties for our Clients

California Commercial Investments understands that each client has unique reasons for investing in income-producing properties. We recognize that a particular property might be a great investment for one client and unacceptable for another. For that reason, we meet with our clients, at length, before we attempt to find the right investment property for their needs. We determine our client's investment goals and our client's financial strength. We determine whether our client wishes to invest with others or a sole owner.

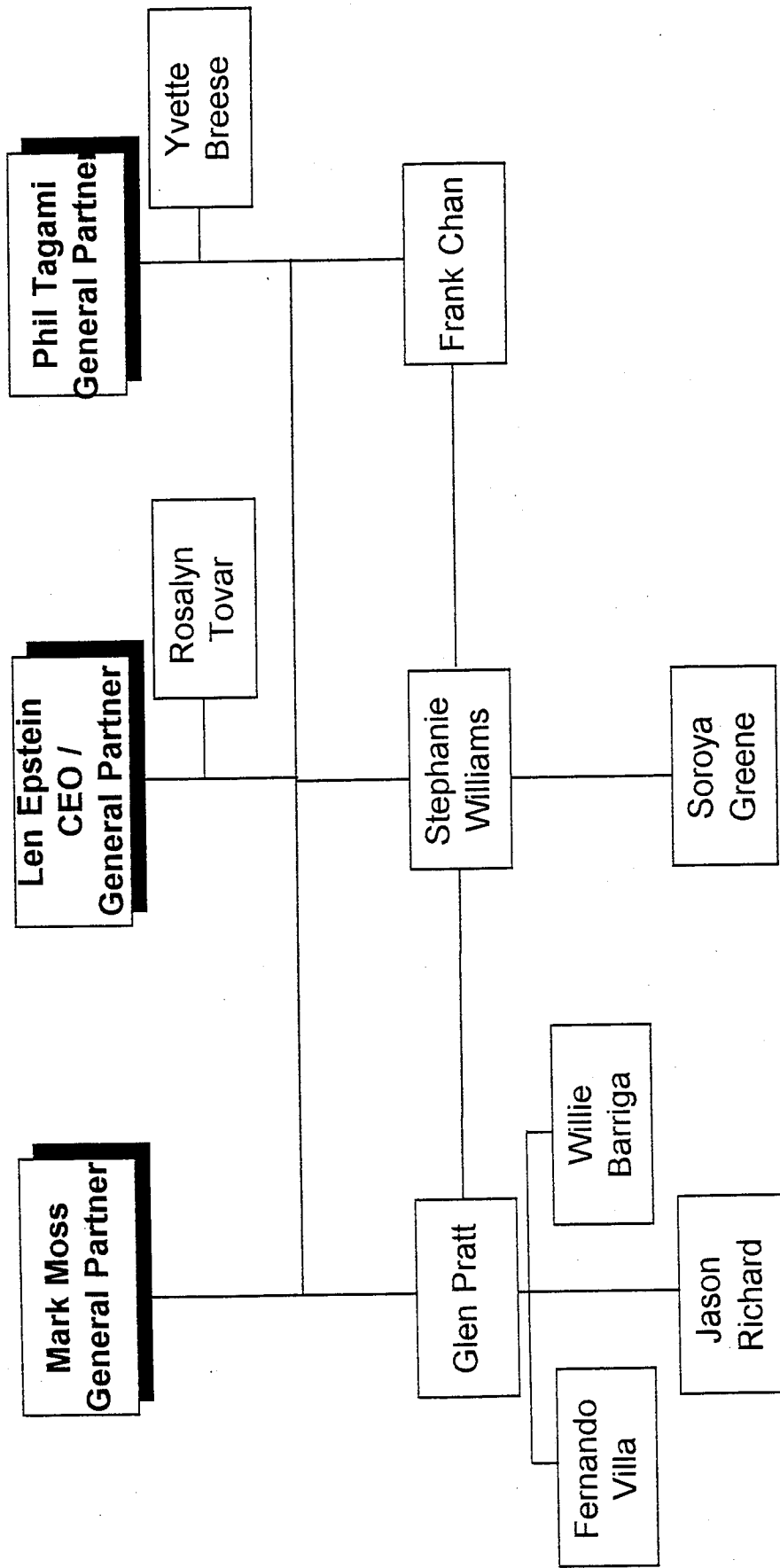
Additionally, each day we contact property owners, contact other real estate agents, and examine all Bay Area properties which are currently listed or have recently been listed for sale. We keep extensive files which help us find the right property for our clients. We study census data to help us determine economic forecasts for various geographic areas. We also work with local governments to identify projects and programs which affect property values.

We may examine over one hundred properties before we find the right one. Once we have identified properties which fit our client's criteria, we arrange for on-site visits and inspections. We then discuss the properties with our clients and help determine an appropriate course of action. If our client determines that the property meets his needs, we prepare a purchase offer.

Even after identifying a property and submitting an offer, the purchasing process is often long and complicated. We work with our clients throughout the entire process. We help our clients present an offer and help in subsequent negotiations. We will open escrow, arrange inspections, coordinate due diligence, help with loan applications, and help prepare transition-of-ownership plans. Our job is not complete until ownership is formally transferred.

California Commercial Investments treats each client with utmost respect. We appreciate the opportunity and will do whatever we can to serve our client's needs. We understand that the only way to satisfy our clients is through hard work and a continued dedication to excellence.

California Commercial Investments



STATEMENT OF QUALIFICATIONS

Personal Profile

Leonard I. Epstein, CEO / General Partner

In 1992, Len Epstein and his partners, Phil Tagami and Mark Moss, began California Commercial Investments. Mr. Epstein is currently a licensed real estate broker in the state of California.

Prior to forming California Commercial Investments, Mr. Epstein was the owner of one of the largest health chain clubs in California (1980 - 1989). His company grew from five clubs in 1980 to sixteen clubs in 1986. Annual sales grew from \$600,000 in 1980 to over \$5,000,000 in 1986. In 1989, he sold the chain to devote his efforts to real estate development and consulting. His consulting clients include: Family Fitness, Gold's Gym, 24-Hour Nautilus, Lady Nautilus, Howard Johnson's, Columbia Cosmetics, El Cerrito Primary Care, AmHealth, Vesper Society, Lloyd Wise Oldsmobile, and more.

Mr. Epstein was also a co-owner of a retail pizza chain with twelve stores in California and Hawaii (1980 - 1983). Annual sales grew from \$100,000 in 1981 to over \$3,000,000 in 1983. In 1983, he sold his interest in the pizza stores to devote his time to his growing health club businesses.

His real estate development experience (1983 - 1992) includes purchasing and developing shopping center properties in El Cerrito, San Leandro, and Rocklin. He also developed and built townhouses and single-family residences in Alameda and Contra Costa counties. Mr. Epstein has also purchased and developed commercial and mixed-use properties in San Francisco and Florida.

Len and his company own office buildings throughout Northern California. His company controls over 500,000 square feet of commercial space with more than one hundred tenants.

STATEMENT OF QUALIFICATIONS

Personal Profile

Mark A. Moss, Managing General Partner

In 1992, Mark Moss and his partners, Phil Tagami and Len Epstein, began California Commercial Investments. Mr. Moss is currently a licensed real estate broker in the state of California.

Mr. Moss was the owner, founder, and CFO of one of California's largest distributors of data communications hardware and software, Data Systems Sales, from 1986 to 1991. The corporation grew from sales of \$180,000 in 1986 to sales in excess of \$3M in 1991.

Mr. Moss began as a technical assistant for Dynatech Data Systems in 1974 and became a National Sales Manager in 1986. He was responsible for the hiring and training of a team of salespersons throughout the USA on all aspects of over one thousand data communication products manufactured by Dynatech. He was honored as "Salesperson of the Year" in 1984 and 1985.

His educational background includes a PhD Program in Mathematics at Virginia Commonwealth from 1974 - 1976. He holds a Bachelor of Science in Management Information Systems from William & Mary, Magna Cum Laude, 1974.

Mr. Moss now owns and manages office buildings throughout Northern California. His company controls over 500,000 square feet of commercial space with more than one hundred tenants.

STATEMENT OF QUALIFICATIONS

Personal Profile

Phillip H. Tagami, Managing General Partner

In 1992, Phil Tagami and his partners, Len Epstein and Mark Moss, began California Commercial Investments. Phil and his partners own office buildings throughout Northern California. His company controls over 500,000 square feet of commercial space with more than two hundred tenants. Mr. Tagami currently serves as the general partner in California Capital Group. His functions include real estate brokerage, development, land use consulting, and inspection and analysis services for new acquisitions. Consulting clients include:

A & K Railroad Products	Bar-K Mortgage Bankers
Aldar Investments	Graysand Partners
Hahn Enterprises	Lloyd A. Wise Companies
Wolfriver Holding Corp.	Signature Theaters
California Dept. of Corrections	Silicon Valley Diversified
Federated Department Stores	Source Capital
Foster Media, Inc.	State Senator Barbara Lee
Assemblyman Don Perata	Burlington Coat Factory
East Bay Asian Local Development Corporation	
University of Creation Spirituality	

From 1987 - 1992, Mr. Tagami was the General Manager/Director of Operations at Berger Enterprises. He managed a staff of over 90 persons in all aspects of real estate property management development, repairs and maintenance, and hospitality divisions. He managed over 900 units of residential income-producing property and 150,000 square feet of commercial retail/office space. He also managed the renovation of several income producing properties, including the Lake Merritt Hotel, a historic landmark building.

Mr. Tagami is also active in a number of civic and governmental activities in Oakland. Some of Mr. Tagami's many current affiliations include:

- Board of Directors, Oakland Sharing the Vision
- Member, Oakland Metropolitan Chamber of Commerce
- Member, Oakland's General Plan Congress

Phillip H. Tagami
Personal Profile Continued

Past affiliations include:

President/Chairman, Oakland Public Library Foundation Board of Directors
Commissioner, Oakland Planning Commission
Commissioner, Oakland Landmarks Preservation Review Board
Commissioner, Environmental Advisory Commission
Founder/President, Gold Coast Property Owners Association
Founder/President, Adams Point Merchants Association
Delegate, 1993 All-America Cities Awards
Member, CBD Mixed Use Sub-Committee
Member, Oakland Economic Action Forum
Member, Mayor's Economic Emergency Task Force
Member, Department of the Navy Restoration Advisory Board
Member, Oakland Commerce Corporation Business Response Team

California Commercial Investments currently Manages and/or Leases

	Building name and address	Square Feet	Manage/Lease
1.	Latham Square Office Building 1611 Telegraph Avenue, Oakland	110,000	M L
2.	Lakeshore Building 2930 Lakeshore, Oakland	18,000	M L
3.	Summit Medical Building 411 - 30th Street, Oakland	33,000	M L
4.	Central Medical Building 401 - 29th Street, Oakland	24,000	M L
5.	600 Grand Avenue, Oakland (Gold's Gym)	42,000	M L
6.	Financial Center Building 405 - 14th Street, Oakland	77,000	M L
7.	Fredrickson Building 1755 Broadway, Oakland	52,000	L
8.	1611 Clay Street, Oakland	11,500	M L
9.	2001 Broadway, Oakland	50,000	L
10.	Swan's Market Hall, Oakland	30,000	L
11.	1600 Broadway, Oakland	48,000	L
12.	389 - 30th Street, Oakland	3,000	L
13.	2976 Summit, Oakland	3,000	L
Total SF		501,000	

Properties previously Managed/Developed by California Commercial Investments principals:

Development

1.	600 Grand Avenue, Oakland	Seismic Retrofit	\$3,200,000
2.	1625 Clay Street, Oakland	Seismic Retrofit	\$750,000
3.	10690 San Pablo, El Cerrito	Complete restoration	\$350,000
4.	234 Perkins Street, Oakland	Housing Development	\$650,000
5.	10550 E. 14th Street, Oakland	4.75 acre re-devlp.	TBD
6.	Lake Merritt Hotel	Historic Restoration	\$1,000,000
7.	405 - 14th Street, Oakland	Historic Restoration	\$1,000,000
Total			\$6,950,000

Industrial

1.	1501 Jackson Street, Oakland	8,500 sq ft
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Hotel/Resort

1.	Lake Merritt Hotel, Oakland	52 rooms and restaurant
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Commercial/Retail properties previously Managed/Developed by California Commercial Investments principals includes:

1.	10690 San Pablo, El Cerrito	10,000 sq ft
2.	Rocklin Shopping Center, Rocklin	9,000 sq ft
3.	9544 Hesperian Boulevard, San Leandro	10,000 sq ft
4.	Haymont Village Shopping Center, Hayward	41,000 sq ft
5.	Springhill Shopping Center, Vallejo	35,000 sq ft
Total		105,000 sq ft

Residential properties previously Managed/Developed by California Commercial Investments principals includes:

1.	144 Monte Cresta, Oakland	10 units
2.	750 Warfield, Oakland	42 units
3.	Miramar Plaza, Sunnyvale	74 units
4.	480 Crescent Street, Oakland	27 units
5.	35-43 Monte Vista, Oakland	22 units
6.	1505-11 Jackson Street, Oakland	57 units
7.	1260-1290 Hopkins Street, Berkeley	82 units
8.	Laguna Palms, Concord	47 units
9.	Sacramento Terrace, Berkeley	27 units
10.	6511-15 Telegraph, Berkeley	24 units
11.	847-53 Vermont, Oakland	19 units
12.	354 Vernon, Oakland	24 units
13.	Sierra Glen, Citrus Heights	168 units
14.	Bayfair Manor, San Leandro	46 units
15.	Bay Park, Newark	84 units
16.	90 Lund Avenue, Hayward	52 units
17.	2333 Channing Way, Berkeley	24 units
18.	1905 E. 19th Street, Oakland	10 units
19.	90th Avenue, Oakland	33 units
20.	Chetwood Crest Mobile Home Park	86 spaces
21.	613 Baker Street, San Francisco	8 units

Total	966 units
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