

A RETROSPECTIVE APPRAISAL OF

**The Leased Fee Estate in Air Rights
Over 5th Street in the
Downtown Plaza
Sacramento, California**

PREPARED FOR

Mr. Richard Sanders
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5730 24th Street, Bldg. 4
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PREPARED BY

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December 9, 2013

Mr. Richard Sanders
Real Property Agent
City of Sacramento
Facilities & Real Property Management
5730 24th Street, Bldg. 4
Sacramento, California 95822-3604

Re: A Retrospective Appraisal of the Leased Fee Estate in
Air Rights over 5th Street in the Downtown Plaza
Sacramento, California

Dear Mr. Sanders:

At your request, we have prepared a Summary Appraisal Report providing an opinion of the Retrospective Market Value of the Leased Fee Estate in Air rights over 5th Street in the Downtown Plaza. The client and intended user is the City of Sacramento. The intended use is to facilitate the acquisition of the property rights by the City of Sacramento from the Redevelopment Agency Successor Agency.

The property inspection and all necessary investigation and analysis were made by the appraiser. This appraisal is for the sole use of the client and intended user and only for the specified use, and we are not responsible for unauthorized use of the report. This Letter of Transmittal must only be used in conjunction with the entire report.

The property interest appraised consists of a Leased Fee Estate in Air Rights over 5th Street in the Downtown Plaza, more fully described in the attached appraisal report. The Market Value opinion is Retrospective as the date of value precedes the date of inspection, which is December 6, 2013.

Based on the investigation and analysis, described in the attached report, it is our opinion that the Retrospective Market Value of the Leased Fee Estate in Air Rights over 5th Street in the Downtown Plaza, and subject to the attached General and Extraordinary Assumptions and Limiting Conditions, and Hypothetical Conditions, as of June 20, 2011, was: **\$240,000**

Respectfully submitted,

Terry S. Larson, MAI
Certified General Real Estate Appraiser
California #AG007041, exp. 11/30/2014

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Preliminary Report
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Resume

SUBJECT PHOTOGRAPHS

First Floor Improvements in Airspace



Second Floor Improvements in Airspace

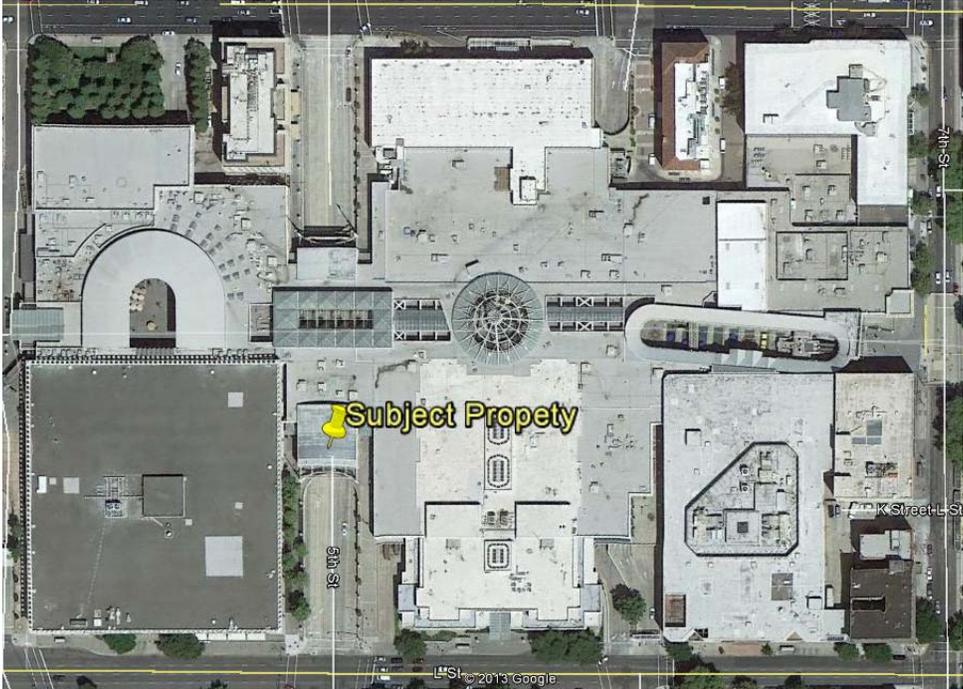


SUBJECT PHOTOGRAPHS

Exterior View of Airspace over the 5th Street



Downtown Plaza Site



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Location:	Air Rights over 5 th Street in the Downtown Plaza, Sacramento, CA
Property Type:	Shopping Center
Zoning:	C3 – Central Business District
General Plan:	Central Business District
Highest and Best Use:	Shopping Center
Client:	City of Sacramento
Intended User:	City of Sacramento
Intended Use:	Facilitate the acquisition of the property rights by the City of Sacramento
Purpose of Appraisal:	Provide an Opinion of Value
Type of Value:	Retrospective Market Value
Value Premise:	As Is
Property Interest Appraised:	Leased Fee Estate in Air Rights
Appraisal Report:	Summary
Date of Property Inspection:	December 6, 2013
Date of Value:	June 20, 2011
Conclusion of Market Value:	\$240,000
Appraiser:	Terry S. Larson, MAI Certified General Real Estate Appraiser California #AG007041, exp. 11/30/2014

CERTIFICATION

We certify that, to the best of our knowledge and belief:

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



Terry S. Larson, MAI
Certified General Real Estate Appraiser
California #AG007041, exp. 11/30/2014

GENERAL ASSUMPTIONS

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

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

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

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
3. Possession of this report, or a copy thereof, does not carry with it the right of publication.
4. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
5. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.
6. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected) shall be used for any purposes by anyone but the client and intended users specified in the report without the previous written consent of the Appraiser; nor shall it be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser. Any other party who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

EXTRAORDINARY ASSUMPTIONS

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

1. The Market Value Opinion expressed in this appraisal is Retrospective, as the date of value precedes the date of inspection. We assume for this appraisal that the Subject Property was in the same condition on the date of value as on the date of inspection.

HYPOTHETICAL CONDITIONS

This appraisal has been made with the following Hypothetical Conditions. A Hypothetical Condition is defined as: "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis". The use of the Hypothetical Conditions might have affected the assignment results.

1. None.

DEFINITIONS

Market Value

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

- Buyer and seller are typically motivated;*
- Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- A reasonable time is allowed for exposure in the open market;*
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and*
- The price represents the normal consideration for the property sold unaffected by creative financing or sale concessions granted by anyone associated with the sale."¹*

Retrospective Value Opinion

"A value opinion effective as of a specified historical date."²

Fee Simple Estate

"Absolute ownership unencumbered by any other interest of estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."³

Leased Fee Estate

"A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)."⁴

Leasehold Estate

"The tenant's possessory interest created by a lease."⁵

As-Is Market Value

"The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."⁶

Cash Equivalency

"An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash."⁷

Easement

"The right to use another's land for a stated purpose."⁸

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 122

² The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 171

³ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 78

⁴ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 111

⁵ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 111

⁶ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 12

⁷ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 30

⁸ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 63

Highest and Best Use

“The reasonably probable & legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, & results in the highest value. The four criteria the highest and best use must meet are: 1) legally permissible, 2) physical possibility, 3) financial feasibility, and 4) maximum productivity.”⁹

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property appraised consists of the Leased Fee Estate in Air Rights over 5th Street in the Downtown Plaza in Sacramento. The Downtown Plaza is located between J and L Streets, and between 4th and 7th Streets. Ownership of the Plaza is vested in JMA Ventures. Per the Preliminary Report, ownership of the subject Air Rights is vested in: The Redevelopment Agency of the City of Sacramento

However, it is our understanding that the property has transferred from the Redevelopment Agency of the City of Sacramento to the Redevelopment Agency Successor Agency.

OWNERSHIP HISTORY

The subject property has been under the ownership of the Redevelopment Agency for many years until it recently transferred to the Redevelopment Agency Successor Agency. This was an administrative transfer in conjunction with dissolving Redevelopment Agencies statewide and does not represent a market transaction. We are aware of no market transactions affecting the property in the last 5 years and the property is not currently available for sale.

SCOPE OF WORK

This Summary Appraisal Report includes the following Scope of Work.

1. Review documentation provided to understand the purpose of the appraisal, the client, intended user, intended use, type of value, and value premise.
2. Identify the appraisal problem and appropriate approaches to value necessary to provide credible results.
3. Physically inspect the property and the immediate neighborhood.
4. Research local and regional factors that impact the property and value.
5. Review and analyze all pertinent data to determine the subject's Highest and Best Use.
6. Select, review and drive-by of all pertinent sale and rental comparables.
7. Generally, in the appraisal of real property, the Sales Comparison, Income Capitalization, and Cost Approaches to value are used to appraise the property. In this case, the Leased Fee Estate is being appraised and the value is derived by the contractual rent and purchase price in the Lease and Option to Purchase Agreement. The Income Approach to value is the only viable valuation method, as the value is based on the income stream in the lease. Sales of similar leased properties are difficult to find and the Cost Approach is not reliable. Therefore, neither of these two approaches was developed.

⁹ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 93

8. The Leased Fee Estate is appraised subject to the terms and conditions of the Lease and Option to Purchase Agreement.
9. Existing subleases and financing, if any, are not considered.
10. Goodwill and separation of value between leasehold (tenant) and leased fee (landlord) are beyond the scope of this assignment.
11. It is beyond the scope of this assignment to allocate the value of the property between the owners or to allocate the value between the land and improvements.
12. Prepare and review report for compliance with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), and client guidelines.
13. The property inspection and all necessary investigation and analysis were made by the appraiser.
14. This appraisal is for the sole use of the client and intended user and only for the specified use, and we are not responsible for unauthorized use of the report.

PURPOSE OF APPRAISAL, TYPE OF VALUE AND INTEREST APPRAISED

The purpose of the appraisal is to provide an opinion of the Retrospective Market Value of the Leased Fee Estate in Air Rights over 5th Street in the Downtown Plaza.

CLIENT, INTENDED USER AND INTENDED USE

The client and intended user is the City of Sacramento. The intended use is to facilitate the acquisition of the property rights by the City of Sacramento from the Redevelopment Agency Successor Agency.

COMPETENCY RULE

The appraisers possess both the knowledge and ability to appraise the Subject Property, have appraised numerous properties of a similar type, and the property is within the Smith & Associates defined service area. Qualifications are in the Addenda.

EFFECTIVE DATE OF VALUE

The effective date of value is June 20, 2011. This is a Retrospective appraisal as the date of value precedes the date of inspection. The date of inspection is December 6, 2013.

NATIONAL AND STATE ECONOMIC CONDITIONS

Although the date of inspection of the Subject Property is December 6, 2013, the date of value is June 20, 2011, as this is a Retrospective appraisal. Therefore, economic conditions as of that point in time must be considered, so 2011 information is presented.

The UCLA Anderson Forecast for California is the most widely followed and oft-cited in the state and was unique in predicting both the seriousness of the early-1990s downturn and the strength of the state economy's rebound since 1993. More recently, the Forecast was credited as the first major U.S. economic forecasting group to declare the recession of 2001. Below is their most recent report, published on March 9, 2011

"In its first quarterly report of 2011, UCLA Anderson Forecast is cautiously sanguine regarding the national economy, as real Gross Domestic Product (GDP) continues to grow at a steady pace and employment continues to increase. That said, the recovery in the U.S. economy is still slow – and the recession cut jobs so deeply – that growth will be insufficient to surpass the employment peak reached in early 2008 within the boundaries of the current forecast, which runs through the end of 2013. The California forecast is slightly weaker in the near term that it was in December with the unemployment rate predicted to be substantially above the U.S. rate at the end of 2013.

The National Forecast

In a report titled "On the Mend," UCLA Anderson Forecast Senior Economist David Shulman says, "The U.S. economy is getting better. Slowly, in fits and starts, real GDP is growing and employment is increasing." With that, the Forecast calls for real GDP growth of 3.8% in the current quarter, with 3% growth expected for the duration of the forecast's 2013 horizon. The Forecast also calls for payroll employment increases of 1.9 million in 2011, 2.6 million in 2012 and 3.0 million in 2013. But, as above, these increases in employment will not bring the U.S. back to the employment peak of first quarter 2008.

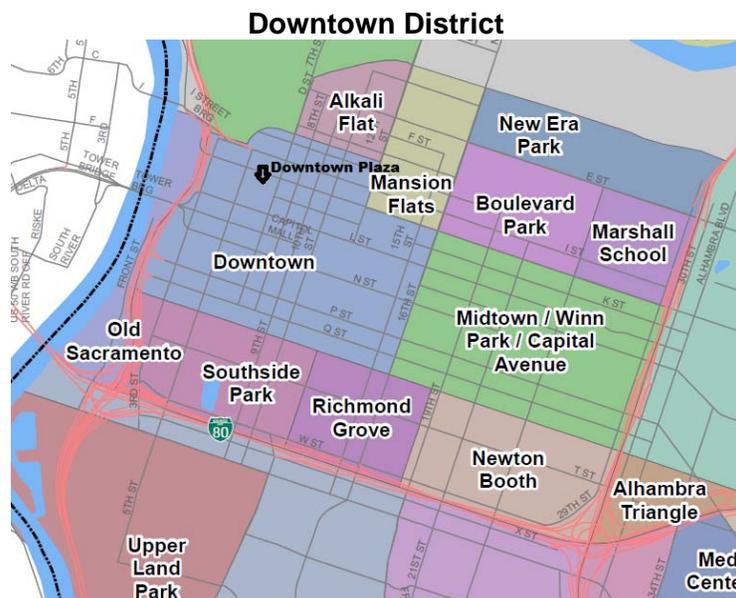
According to Shulman, the economy is being propelled by strong increases in corporate spending and software and that the impetus for this spending is coming from extraordinarily low interest rates, a rapidly recovering stock market and investment incentives coming out of Washington D.C. "Indeed," Shulman writes, "independent of policy, investment is being spurred by technological advances in wireless and cloud computing along with new natural gas drilling and technologies that are reshaping the nation's energy map. As a result, the real business investment share of GDP will increase from 12.8% in 2010 to 15.4% in 2013." Exports and the automobile sector are also spurring the recovery, the latter a rebounding as pent-up demand spurs new car sales. Housing (unlike autos, houses wear out slowly and don't need replacing as often) and state and local government lag other growing sectors. The forecast calls for only modest growth in housing starts this year, though an improving employment sector will push housing starts to 1.5 million (up from 586,000 in 2010) in 2013. Shulman also notes there is a "whiff of inflation in the air" as commodity prices rise and that interest rates are expected to rise – both factors that could slow the national economic recovery. "Because inflation will be higher than what the Fed now thinks the Fed will end its zero interest rate policy in early 2012, and 10 year Treasury Bond yields will soon normalize at rates above 4%," Shulman states.

The California Forecast

California's forecast, authored by Senior Economist Jerry Nickelsburg, reflects the mixed signals emanating from the State's economic data. Job creation in California remains sluggish. Nevertheless, California's unemployment rate is predicted to be substantially above the U.S. rate at the end of 2013. The forecast actually calls for slower growth than was expected in the December report and that near term slow growth means the unemployment rate in California will remain at 10.5% next year. The latter part of the forecast (though 2013) calls for health care, professional and business services, exports, and technology-related manufacturing sectors to generate more robust growth. "Job creation," Nickelsburg writes, "though more rapid in late 2011 and in 2012 and 2013, will not be fast enough to push the unemployment rate below double digits until the start of 2013."

The drivers of the recovery in California will be education, health care, exports and technology, as well as residential construction. The expectation for 2011 is a growth in employment of 1.1%. The bulk of this growth will obtain in the latter part of the year. The end of year growth will be slightly faster than the U.S. as increases in U.S. consumption levels will be magnified in California's logistics industry and increases in exports to the growing economies of Asia will disproportionately affect California. Employment growth is expected to speed up in 2012 and 2013 as the recovery takes hold. Real personal income growth is forecast to be 1.3% in 2011 and 3.7% and 4.1% in 2012 and 2013 respectively. The unemployment rate has been stuck between 12% and 13% throughout this year. Employment growth in 2011 and 2012 will only push unemployment down marginally and we do not expect it to reach 9.7% until the 1st quarter of 2013 and we expect the unemployment rate to remain elevated at 8.9% through 2013.

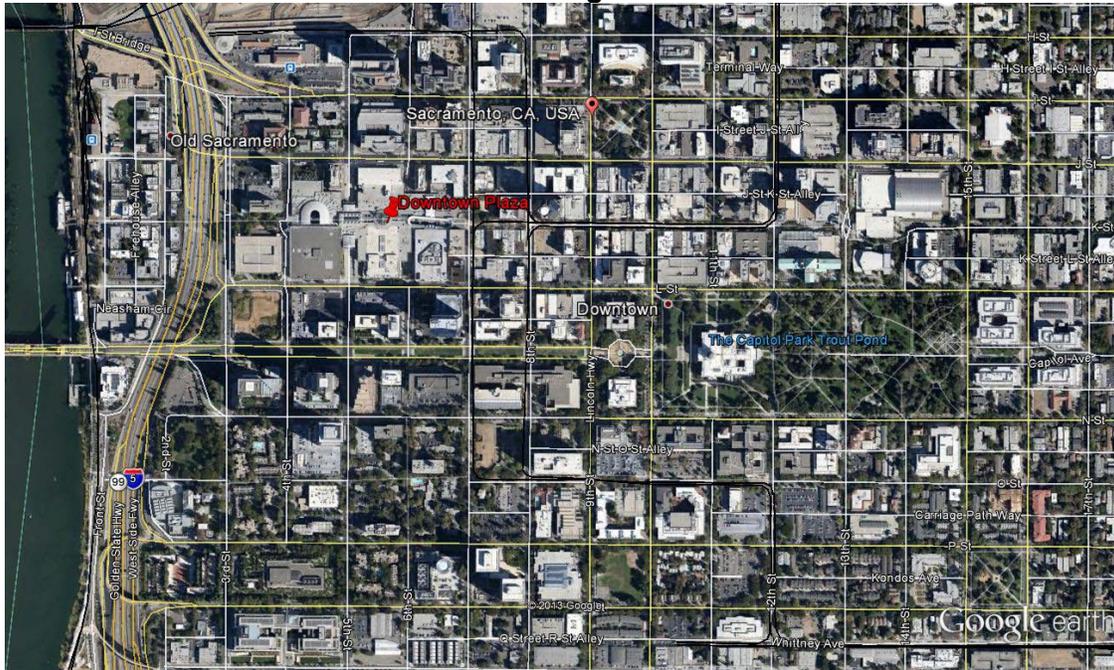
AREA AND NEIGHBORHOOD ANALYSIS



The Subject Property is located within the City of Sacramento in the Downtown District. The Downtown area is home to the State Capitol Building, departmental centers of government (state, local and federal), and the federal and county courthouses. Proximity to downtown and ease of access are often factors that contribute to related and support businesses locating in the subject neighborhood.

Downtown Sacramento has grown and changed remarkably over the past 20 years, burgeoning into a 24-hour urban center that offers fine dining, unique boutique shopping, hotels, entertainment, events and cultural festivities. On any given night, you can enjoy a theater performance, a fine dining experience at one of the more than 150 restaurants, or dance the night away at one of the newly renovated lounges. Downtown is the central hub and heartbeat of Sacramento, where its daytime population includes more than 100,000 people. Downtown Sacramento also features great waterfront access and nearby historic district, Old Sacramento, which generates 2.2 million visitors annually.

Downtown Neighborhood



The center of the Downtown District is the Capitol Mall and the State Capitol Building. Capitol Mall Drive provides direct and convenient access from highways 5, 99, 50 and 80 to Downtown and the Capitol Mall. The Downtown Plaza, where the Subject Property is located, is only one block north of the Capitol Mall Drive. Capitol Mall Drive is two and three lanes in each direction with a landscaped center divider and lined with trees on each side to provide a picturesque drive to the Capitol Building. This boulevard is lined on both sides with high-rise office buildings, many of which are occupied by government agencies and financial institutions.

The Downtown District is serviced by a light rail system that provides transportation from outlying suburban areas into downtown. The light rail runs north/south through downtown, along both 7th and 8th Streets, and extends from there both north and south to outlying neighborhoods. 7th Street line runs adjacent to the Downtown Plaza where the subject is located. The light rail system connects with surface street bus service throughout downtown. Bus service is available from all outlying areas with scheduling specifically designed to meet the needs of the Downtown commuter. These public transportation systems are designed to reduce private automobile traffic through the central part of the city, thereby reducing environmental problems related to heavy traffic.

In summary, the Subject Property is favorably located within the Downtown District, has good access from the nearby highway system, is close to the Capitol Building and various state and federal agencies, and is served by light rail and the local bus system. No negative locational factors were identified.

PROPOSED ENTERTAINMENT AND SPORTS CENTER (ESC)

As of the date of value on June 20, 2011 the Entertainment and Sports Center (ESC) was not being considered so its impact on the Subject Property would not have existed. However, on the date this report was written the proposed ESC was common knowledge. While this information should not be considered for the Retrospective appraisal of the Subject Property, it is presented here for informational purposes only.

The City of Sacramento proposes to build a new Entertainment and Sports Center (ESC) within the existing Downtown Plaza in Downtown Sacramento. The goal is to provide a new long-term home for the NBA Sacramento Kings basketball team and also provide redevelopment and revitalization into the downtown market. While it is still in the planning stages with no formal approvals, the City is making progress and all parties appear to be committed to the project. The following discussion is from the City of Sacramento Web Page and is intended to provide a general overview regarding the ESC. The ESC is, at this time, is only a proposal.

Background

In January 2013, reports surfaced that a Seattle-based group was pursuing the acquisition of the controlling interest in the Sacramento Kings, with the purpose of relocating the team to Seattle for the 2013-14 basketball season. Also in January, Sacramento Mayor Kevin Johnson attempted to identify potential qualified buyers to prepare a competitive offer to purchase the team and commit to keeping the team in Sacramento long-term. In February, the City Council passed a Resolution in Support of Keeping the Sacramento Kings in the City of Sacramento and the Pursuit of a New Entertainment and Sports Center in Downtown Sacramento. In March, City Staff presented a preliminary term sheet between the City and an investment group for the potential development of an Entertainment and Sports Center in Downtown Sacramento and City Council approved it. In May, the previous ownership group of the Sacramento Kings sold the team to Sacramento Basketball Holdings, LLC. Two weeks later, the NBA Board of Governors unanimously approved the sale to Sacramento Basketball Holdings, LLC.

The preliminary term sheet sets forth the basic terms of proposed agreements between the parties. The term sheet conveys the location, financing, ownership, design, development, construction, operation, use, and occupancy of a new, first class, state-of-the art, multi-purpose Entertainment and Sports Center (ESC), that will serve as the home of the NBA's Sacramento Kings. The term sheet also spells out agreements about family shows, concerts, sporting events, community oriented events, and numerous other events.

At its February 2013 City Council meeting, the Council approved a set of principles that the ESC must adhere to. These principles include, but are not limited to, the following:

- A downtown ESC will provide the greatest community benefit to the City. The City's return on investment, whether in the form of revenues or future development, infrastructure or amenities, must be commensurate with the level of public investment. The City and team owners will agree on a location that best meets the interests and goals of the City and stakeholders.
- In exchange for the City's financial contributions there must be a secure, long-term commitment to keep the Kings in Sacramento.
- Consistent with the 2012 financing plan and terms, the City will consider investing the net value of its parking, land and other assets. Best practices for the monetization of the parking assets will be utilized to provide the greatest value to the City, its businesses and customers, with the shortest possible term while providing the greatest support for the development of the ESC. Any losses to the General Fund that result from parking monetization must be backfilled by new and reliable revenues. In consideration of the City's financial contribution, the City will own the new ESC.

The City of Sacramento received the development application package for the proposed downtown ESC in November 2013. This application package represents a request by the project applicant for the necessary approvals to construct an arena and other surrounding land uses in the future. The application is a standard part of the development process to receive input from various City departments and agencies on the portions of the project that are relevant to them. Additionally, owners adjacent to the property, businesses and neighborhood associations will receive a notice and information about the application.

As part of the application process, the City will be doing its due-diligence to ensure that the project meets all zoning, site planning and design requirements for the proposed downtown arena site. The project timeline is as follows:

Project Initiation	May 2013
Selection of Design and Pre-Construction	August 2013
Entitlement Application	November 2013
Release of Draft EIR	November 2013
Council Hearings	April 2014
Demolition Start	Summer 2014
Construction Start	Fall 2014
Completion	September 2016
Grand Opening	October 2016

Entertainment and Sports Center - Quick Facts*

What is the Entertainment and Sports Center (ESC)? The ESC is a proposed indoor multi-use facility that will accommodate sporting events and entertainment events such as professional and collegiate sports, concerts, ice shows, indoor rodeo and motor sports, trade shows, large graduations, and other indoor entertainment shows.

What will Sacramento and the region gain by investing in the ESC? As seen in many cities, well-designed and properly located entertainment and sports centers increase the vitality of downtown areas. Sales-tax revenues increase when patrons attend events. In addition, other businesses want to be located in the vicinity to take advantage of the facility's draw. And property-tax revenues will increase as values of adjoining properties increase. The City anticipates the ESC will create new revenues to enhance city services. The ESC will create thousands of jobs during construction and retain and create hundreds of permanent jobs.

What is the estimated cost of the ESC and what is the City's contribution? The estimated cost of the ESC is \$448 million. The City contribution is approximately \$258 million. The balance, including any cost overruns, will be paid by the owners of the Kings.

Will the City increase taxes or use taxes to pay for the ESC? No. The City will not be paying for the ESC with new taxes or using tax dollars from the general fund. The City will be paying its share primarily by borrowing money through the sale of municipal bonds. Cities commonly sell bonds to borrow money for large projects.

The City is also contributing land it owns. A detailed listing of all potential City land contributions is in the March 26, 2013 Council staff report, which can be found at www.cityofsacramento.org/arena.

Is the City selling its parking operation to raise money for the ESC? No, the City is not selling its parking lots, garages, or street parking operation. Instead the City is transferring them to a new City-created entity similar to a parking authority. Bonds will be issued paid for by the revenues from the parking garages.

Who will own the ESC? The ESC will be owned by the City of Sacramento. The City will lease the ESC to the Sacramento Kings ownership group.

When will the ESC be completed and open for events? The City expects the ESC will be completed by October 2016 in time for the 2016/17 NBA season.

What is the development schedule for the ESC? The City is working with Sacramento Basketball Holdings (the owners of the Kings), on the environmental review, traffic studies, facility design, and property acquisition. These activities will be completed before construction starts in the summer of 2014.

Who will design the ESC and redesign new development in and around the Downtown Plaza? The Kings' owners have issued a Request for Proposals (RFP) for an architect and engineering team. Selections for the design and development of adjacent hotels, restaurants, and stores will happen in the future. The City and Kings' owners will solicit input from the community on the design.

Where will the ESC be located? The ESC will be located in the Downtown Plaza site. The exact location of the ESC is still being determined, but most likely it will be between the 5th and 7th Streets and J and L Streets.

What will happen to Downtown Plaza? A portion of the Plaza between 7th Street and east of 5th Street will be demolished and rebuilt. The Macy's women's store and development west of 5th Street will remain.

How much parking is available for the new downtown ESC? And where is the parking located?
More than 21,000 parking spaces exist within ½ mile of the Downtown Plaza. Both on-street and off-street parking will be available through city, county, and private garages and lots. For comparison, there are approximately 7,000 parking spaces at Sleep Train Arena. In downtown Sacramento, ½ mile is equal to six blocks. A benefit of locating the arena Downtown is that Regional transit has five light rail stations in the vicinity of the proposed ESC, with the closest at 7th and K Streets. The Sacramento Valley Station, offering train, bus, and taxi service, is located at 4th and I Streets.

Conclusion

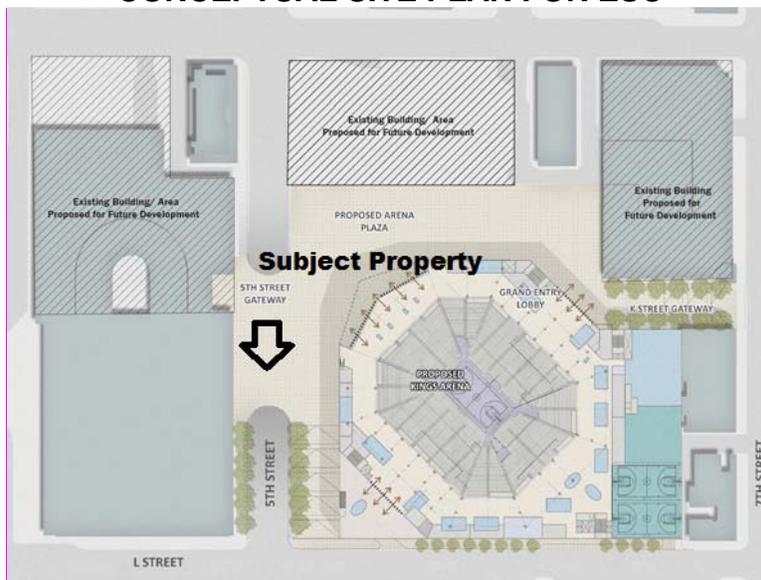
The following two exhibits show the existing Downtown Plaza layout and the Conceptual Site Plan for the Proposed ESC. The subject air rights are shown in Yellow and Black on the Existing Downtown Plaza Site and in the Conceptual Site Plan for the ESC.

Again, as stated previously, our understanding of the proposed ESC is presented here for informational purposes only but it is not recognized in forming our opinion of value as this knowledge would not have been known on the date of value.

EXISTING DOWNTOWN PLAZA SITE



CONCEPTUAL SITE PLAN FOR ESC



MARKET CONDITIONS

Although this is a Retrospective appraisal for June 20, 2011, commercial brokerage reports of market trends are current for 2012, as historical reports were not available. However, these reports not only discuss current market conditions, but also report historical trends as well. Both historical and current trends are presented here.

Retail Market –The following Sacramento Retail Market Overview is provided by Terranomics Retail Services from their Third Quarter 2013 Sacramento Valley Retail Report.

Vacancy/Absorption

As of the close of Q3 2013, the vacancy rate for shopping centers in the Sacramento region stood at 12.2%. This marks a considerable reduction from the 12.7% rate that was in play just three months ago and the 13th consecutive quarter in which vacancy has either stayed the same or declined. While the trendline has been solid in terms of heading downwards, more so than in many other marketplaces, the fact is that a vacancy rate of 12.2% still represents a trade area with challenges. Recovery is taking place, but it is continuing to take place at a painfully slow pace. The market absorbed 355,000 square feet of space in Q3 2013 and year-to-date local occupancy growth has improved by nearly 531,000 square feet.

In mid-2011, vacancy was closer to 13% after trending downward from as high as 14% in 2010. While 629,000 square feet of space was absorbed in 2011, this is after just 86,000 square feet in 2010, and a negative 1,187,000 square feet in 2009.

Rental Rates

We are currently tracking Q3 2012 average asking rent of \$16.56 per square foot (on an annual triple net basis) for shopping center space (all types and classes) throughout the Sacramento region. However, this is a relatively misleading benchmark. It only reflects known asking rents in the marketplace and we are increasingly seeing a trend of Class A and B+ centers opting not to disclose their rates on casual or research-oriented queries. As a result, this metric has been skewed downward and doesn't truly reflect the bifurcation in the marketplace that has taken place. The asking rate for quality inline space in Class A/B+ and new development has generally ranged between \$30.00 and \$36.00 per square foot. However, rates for most Class B space and virtually all of the region's Class C centers continue to flatline in the \$18.00 to \$24.00 range for the most part. That being said, we know of some landlords willing to settle for as low as \$6.00 per square foot for challenged Class C space.

Average asking rental rates were only marginally better in mid-2011 at around \$17 per square foot triple net. Rents have been on a steady downward trend from a high of around \$23 per square foot in 2008.

Conclusion

The best that can be said is that the retail market appears to be *slowly* recovering. The current Terranomics report shows a strong market point of just under 8% vacancy in 2008 with average rents at around \$23 per square foot. Vacancy climbed to a high of over 14% in 2010 and has continued a general but slow path downward to the current 12.2% rate for Q3 2012. As vacancy climbed, rental rates continue to decline to the current level of \$16.56 in Q3 2012.

A full recovery for retail in the Sacramento market is still years away from reaching 2008 levels.

Office Market - The following Sacramento Office Market Overview is provided by Colliers International from their Third Quarter 2013 Greater Sacramento Office Market Report.

Vacancy

3rd Quarter 2013 overall vacancy continued to decline, ending the three-month period at 15.3%, 40 basis points lower than 2nd Quarter 2013 of 15.7%. Mid-2011 vacancy was higher at around 17.5%. Vacancy has consistently declined since 2nd Quarter 2011. This trend is expected to continue over the next four quarters to reach an estimated 13.9% by 3rd Quarter 2014.

Absorption

Total absorption continued its healthy trend through 3rd Quarter 2013 and reported 467,448 square feet of positive absorption. This is the tenth straight quarter of positive absorption. 2nd Quarter 2011 was a static period of nearly flat or no absorption, while the two previous quarters were negative 200,000 and 400,000 square feet. Overall estimates for the next four quarters remain positive, estimating almost 1.4 million square feet will be absorbed by 3rd Quarter 2014.

Rental Rates

Lease rates remained consistent from 1st Quarter 2013 through 3rd Quarter 2013 at \$1.65 per square foot, full service. Additionally, these office lease rates are only slightly lower than their mid-2011 levels. This is the longest period of non-declining asking lease rates since the 1st Quarter of 2008.

Conclusion

The office, like the retail market, is continuing to gain strength with declining vacancies and increasing absorption of vacant space, although rental rates are relatively flat.

PROPERTY DESCRIPTION

The subject property for this appraisal consists of "air rights" or "air space" over 5th Street and within the Downtown Plaza. The Preliminary Report identifies the ownership interest as a Fee as to Parcel One and an Easement as to Parcels Two, Three, Four and Five. Our client explained to us that Parcels One and Two represent the Subject Property "air rights" being appraised. Parcels Three, Four and Five in the Preliminary Report are for other properties that are not being appraised. A full copy of the Preliminary Report is included in the Addenda.

PARCEL ONE:

ALL THAT CERTAIN PROPERTY AND SPACE CONTAINED WITHIN PARCEL NO. 1, AS SAID PARCEL IS SHOWN ON THAT CERTAIN AMENDED PARCEL MAP ENTITLED "PORTION OF BLOCK BOUNDED BY 5TH STREET, 6TH STREET, "K" STREET AND "L" STREET AND PORTION OF 5TH STREET, AS SAID BLOCKS AND STREETS ARE SHOWN ON THAT CERTAIN RECORD OF SURVEY ENTITLED "CERTAIN BLOCKS IN AREA BOUNDED BY 'J' AND 'N' STREETS, 2ND AND 8TH STREETS, CITY OF SACRAMENTO", RECORDED IN BOOK 18 OF SURVEYS, MAP NO. 2, SACRAMENTO COUNTY RECORDS, SAID AMENDED PARCEL MAP BEING RECORDED June 19, 1967, IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1 OF PARCEL MAPS, AT PAGE 55.

ASSESSOR'S PARCEL NUMBER: 006-0087-061-0000

PARCEL TWO:

AN EASEMENT AND RIGHT OF WAY, BUT NOT THE EXCLUSIVE RIGHT, THROUGH ALL THAT CERTAIN PROPERTY AND SPACE CONTAINED WITHIN PARCEL NO. 2, AS SAID PARCEL IS SHOWN ON SAID AMENDED PARCEL MAP BOOK 1 AT PAGE 55, SO AS TO UTILIZE SAID SPACE FOR STRUCTURAL CONNECTIONS AND ANCHORAGE OF NEW STRUCTURES TO EXISTING STRUCTURES AND FOR THE USE OF THE DECK AS THE FLOOR SYSTEMS OF ANY NEW STRUCTURES AND FOR THE PLACEMENT OF UTILITIES AND ANY APPURTENANCES APPERTAINING THERETO.

According to Parcels 1 and 2 from the above cited Parcel Map, the subject property measures 135.667 feet by 78.667 feet for a total area of 10,673 square feet.

Parcel One is owned in fee and is the horizontal plane above 5th Street that actually forms the floor of the 5th Street overpass and floor of the Plaza. A structure has been built on this plane that is two stories high and allows for two stories of commercial retail occupancy. Parcel Two is an easement that extends below the horizontal plane and allows for the structural supports of the building improvements and utilities. 5th Street is a public commercial street that passes under the Subject Property “air space” and under the Downtown Plaza.

We were only able to do an exterior inspection of the improvements constructed in the “air space”. The structure appears to be “typical” of commercial retail use in the Plaza and at one time was occupied by Bank of America. The entire first floor and some of the second floor is now vacant. A portion of the second floor is currently occupied for retail use.

The Market Value Opinion expressed in this appraisal is Retrospective, as the date of value precedes the date of inspection. We assume for this appraisal that the Subject Property was in the same condition on the date of value as on the date of inspection.

Legal Description

We were provided with a Preliminary Report from Fidelity National Title Company, dated August 20, 2013, which contains the full legal description of the property. A copy is in the Addenda. The ownership and description of the subject property was identified previously in this section.

Easements and Encumbrances

The Preliminary Report identifies easements and other recorded documents. The report also includes a number of other parcels in the Downtown Plaza that are not part of this appraisal. We were unable to identify what easements and recorded documents affect the subject property. However, since the ultimate conclusion of value is based on the income from the existing contract rent, the recorded easements and documents do not affect the appraisal results.

Off-Site Improvements and Utilities

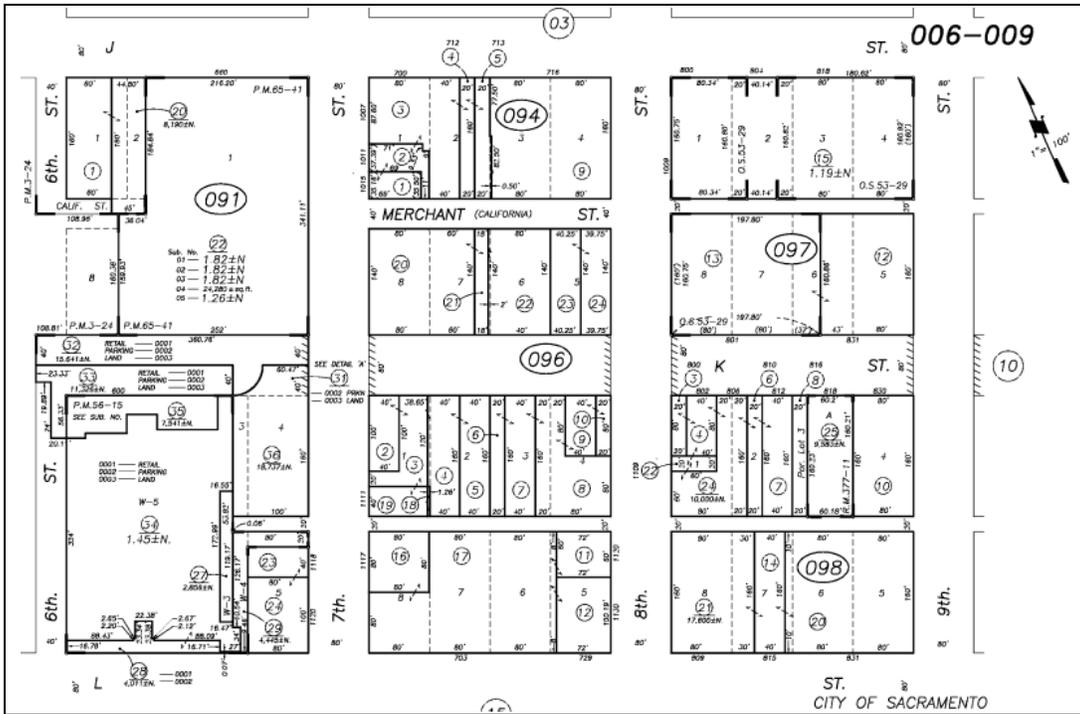
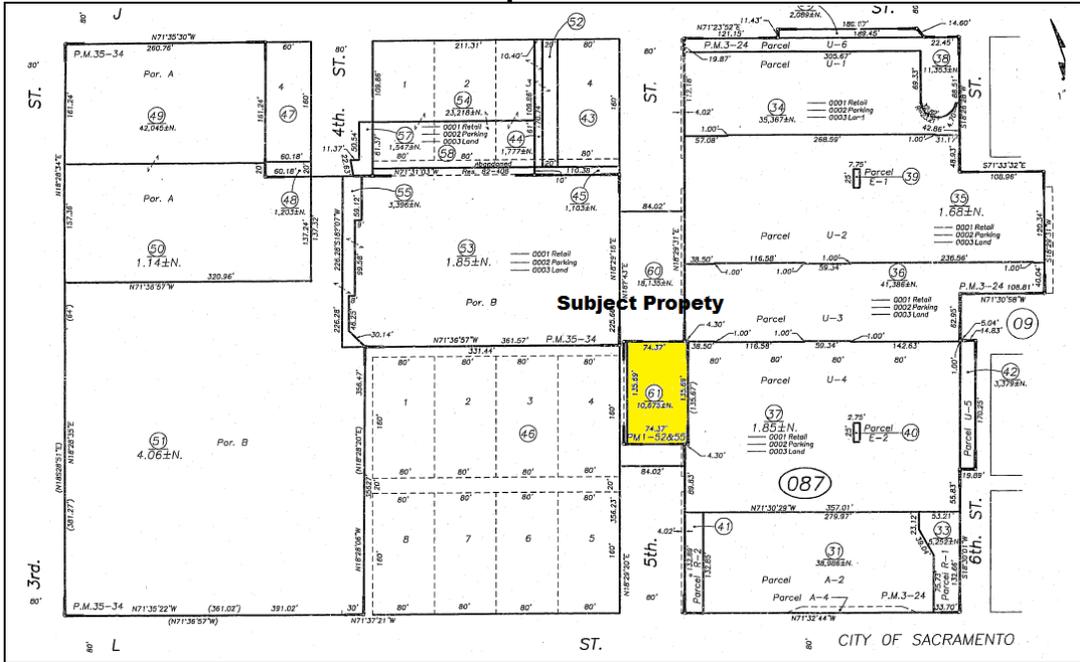
Off-site improvements consist of asphalt paved, city maintained, streets with concrete curbs, gutters, sidewalks and streetlights. Utilities available include natural gas, electric service, water, storm and sanitary sewer and telephone. This is typical of the general area.

The property is not located in an Alquist Priolo Special Study Earthquake Zone. We were not provided with an Environmental Site Assessment and assume the site is clean. We were not provided with a Soils Report and assume the soils are stable with no adverse impacts. There are no wetlands on the site. The site is not an agricultural preserve.

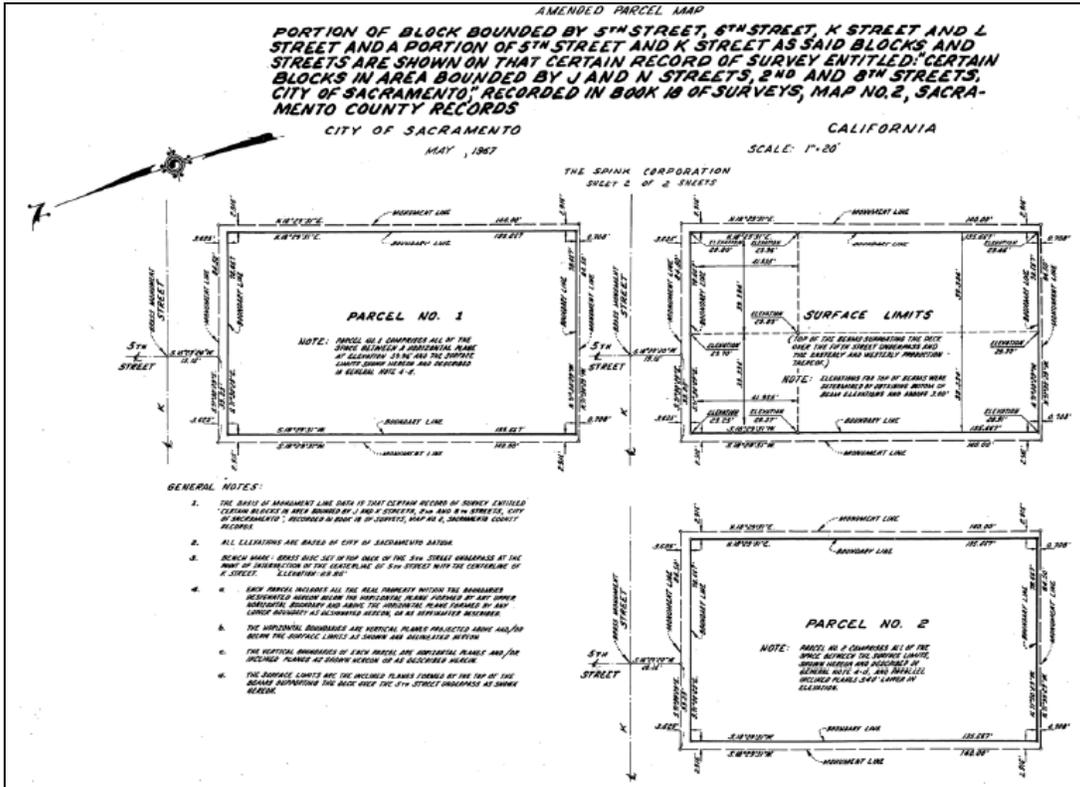
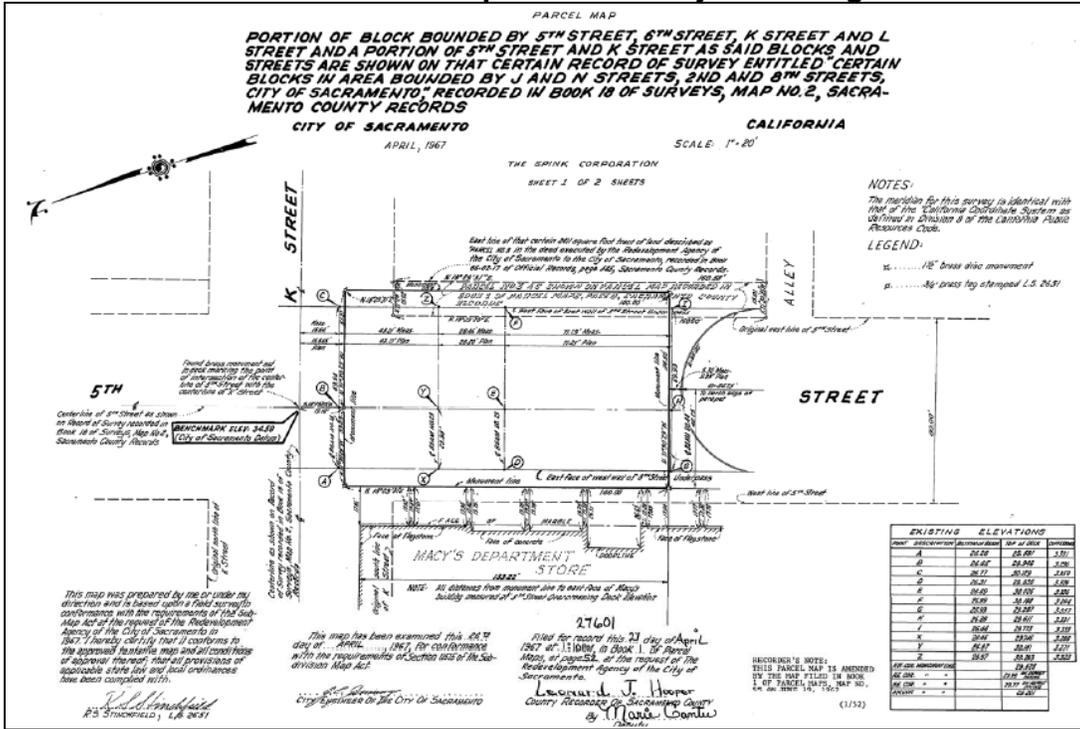
Conclusion

The subject property consists of “air rights” or “air space” over 5th Street and within the Downtown Plaza. A two story commercial retail structure has been built over 5th Street and the current commercial retail use of the property is anticipated to continue into the foreseeable future. A portion of the second floor is occupied as retail space but much of the structure is vacant.

Assessor's Parcel Maps for the Downtown Plaza



Recorded Parcel Maps for the Subject Air Rights



GENERAL PLAN AND ZONING

The General Plan for the Downtown Plaza is Central Business District - CBD. This district permits high density commercial and residential developments. The Zoning District is C-3 – Central Business District. The purpose of the C-3 zone is to provide for the most intense residential, retail, commercial, and office developments in the city. The zoning and General Plan are compatible with each other, the current use, and the neighborhood in general.

HIGHEST AND BEST USE

Highest and Best Use As Though Vacant

Legally Permissible and Physically Possible

The Commercial Zoning and General Plan designations are compatible and appropriate for the overall Plaza site given its size and location. While the subject property is called “air space” and is located above and over 5th Street, it has been improved with a functioning two-story, commercial retail property. Further, it is located within and is a part of the Downtown Plaza. Clearly, as vacant, the highest and best use of the air space is for development of a commercial retail property within the Plaza.

Financially Feasible and Maximally Productive

Given the ability to construct a commercial retail property in the “air space”, the financially feasible, maximally productive, and the highest and best use As Vacant is the current use.

Highest and Best Use As Improved

For the same reasons as mentioned above, the Highest and Best Use of the “air space” As Improved is concluded to be its current use.

APPRAISAL METHODOLOGY

Generally, in the appraisal of real property, the Sales Comparison, Income Capitalization, and Cost Approaches to value are used to appraise the property. In this case, the Leased Fee Estate is being appraised and the value is derived by the contractual rent and purchase price in the Lease and Option to Purchase Agreement. The Income Approach to value is the only viable valuation method, as the value is based on the income stream in the lease. Sales of similar leased properties are difficult to find and the Cost Approach is not reliable. Therefore, neither of these two approaches was developed.

The Leased Fee Estate in the "air rights" is created by the Lease and Option to Purchase Agreement recorded August 31, 1967. The Leased Fee Estate is the fee owner's interest in the property, subject to the lease and purchase option. Because the lease and purchase option have a fixed income and purchase price to the leased fee position, the question is not what the rent is, but what someone would be willing to pay for this income stream. The basic terms of the agreement are as follows and the entire recorded document is included in the Addenda.

Lease and Option to Purchase Summary

Lessor	Redevelopment Agency of the City of Sacramento
Lessee	Tishman Sacramento, Inc.
Commence	08/01/1967
End	07/31/1997
Term	30 years
Options	3 – 10 years each 08/01/1997 - 07/31/2007 08/01/2007 - 07/31/2017 (Current Period) 08/01/2017 - 07/31/2027
Date of Value	06/20/2011
Remaining Term	Total Term - 193 months, or 16 years and 1 month Current Option Period Only – 73 months
Monthly Rent	\$1,467.40, in advance (\$17,608.80 annual) Flat for entire term, including options
Option to Purchase	\$293,480, at any time during term
Size of Air Space	10,673 Square Feet
Rent per Sq. Ft.	\$0.1375 per square foot of air space
Purchase Price per Sq. Ft.	\$27.50 per square foot of air space
Subject to Construction	Lease & Purchase Option subject to sublease agreement with Bank of America for a building and improvements to be constructed for use as a commercial bank or such use as specified in Section 4, subparagraph (a)(1) – Completed

Section 4, Land Uses	Commercial Bank and/or similar financial institutional use and for normal uses pertinent and incidental thereto, and for no other purposes without the approval of the City of Sacramento, and in conformity with the uses specified in the Redevelopment Plan, except with written approval from the Lessor
Ownership of Improvements	Lessee owns improvements during the term of the lease
Operating Expenses	Lessee responsible for insurance, utilities, maintenance, and real estate taxes

It seems reasonable that the most anyone would be willing to pay for the Leased Fee Estate in the "air rights" is the \$293,480 purchase option amount, as this is the amount the tenant could purchase the property for at any time. In other words, no one would be willing to pay more than this amount since the tenant could exercise the purchase option and buy it from them for this same amount. If someone paid more, and the tenant exercised the purchase option, the buyer would lose the difference. In fact, it is reasonable to conclude that a buyer would pay less to protect themselves from the tenant exercising the purchase option.

The lessee is only obligated to make rental payments for the duration of the current option period, and has no obligation to exercise either the final lease option or the purchase option. This would suggest valuing only the income from the remaining lease period. However, the odds of the tenant continuing to pay contract rent, exercising the final rental option, and even exercising the purchase option are quite high for the following reasons:

- The rent equates to only \$.1375 per square foot of air right space
- This is cut in half if you consider the two story retail structure that was built
- This is very low compared to finished retail space rent
- There is potential of a significant positive cash flow from renting the finished retail space
- The two story structure is complete and the owner of the air rights controls the structure
- The option purchase price is only \$27.50 per square foot of air right space
- This is cut in half if you consider the two story retail structure that was built
- This is very low compared to finished retail space sale prices

Given the above facts, it certainly seems reasonable that the lessee would continue leasing the air rights and eventually exercise both the lease and purchase options. The negatives that might preclude this, and need to be considered, include the slow retail market as of the date of value, high retail vacancies, and the difficulty obtaining and keeping tenants at the Plaza. Remember that as of the date of value the proposed Entertainment and Sports Center was not being considered so it would not have factored into a purchase decision.

Even considering the negative characteristics of the retail market, the benefits of the low lease rate and option purchase price appear to be significant enough to entice the lessee into staying at the property and exercising both the lease and purchase options. Based on this conclusion, how would a buyer of the Leased Fee Estate in the "air rights" value this interest?

As discussed previously, no one would pay more than the \$293,480 purchase option amount. In fact, it is reasonable to conclude that a buyer would pay less to protect themselves from the tenant exercising the purchase option: i.e., a buyer would discount the purchase option price of \$293,480. That way, if the lessee does exercise the purchase option the investor will receive the initial investment (purchase price) back in addition to a normal return on investment.

Direct Discount

A discount of say 20% seems reasonable. Discounting the purchase price option by say 20% equates to a **\$234,784** investment price (\$293,480 – 20%). This is a \$58,696 discount from the purchase option amount. At this price a buyer would receive a 7.5% annual return (\$17,608.80 annual rent ÷ \$234,784 investment price) as long as the tenant continues to make rent payments prior to exercising the purchase option. Once the lessee exercises the purchase option for \$293,480, the buyer would receive a 25% return on investment (\$293,480 purchase option price ÷ \$234,784 investment price).

Discounted Cash Flow

Another way to consider the investment is to use a discounted cash flow analysis (DCF) by looking at the entire remaining term of the lease and the purchase option at the end of the lease. Using an 8% discount rate, the indicated market value is **\$245,227**.

<u>Value of Entire Lease Term</u>	
<u>Monthly Rent</u>	\$1,467.40
Months Remaining	193
Discount Rate	8.0%
Present Value Factor	109.1169
<i>Present Value of Rent</i>	<i>\$160,118</i>
<u>Purchase Option</u>	\$293,480
Years Remaining	16.083
Discount Rate	8.0%
Present Value Factor	0.2900
<i>Present Value of Option Price</i>	<i>\$85,109</i>
Present Value of Rent & Purchase Option	\$245,227
Market Value	

Given these two scenarios, it is reasonable to conclude to **\$240,000** for the Market Value of the Leased Fee Estate in the “air rights” created by the Lease and Option to Purchase Agreement.

FINAL VALUE CONCLUSION

Based on the investigation and analysis, described in the attached report, it is our opinion that the Retrospective Market Value of the Leased Fee Estate in Air Rights in the Downtown Plaza, and subject to the attached General and Extraordinary Assumptions and Limiting Conditions, and Hypothetical Conditions, as of June 20, 2011, was: **\$240,000**

ADDENDA



Fidelity National Title Company

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 herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.

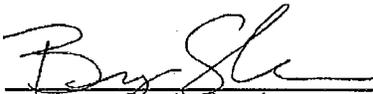
The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. 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 herein and the exceptions and exclusions set forth in Attachment One 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

ISSUING OFFICE: 11050 Olson Dr., Suite 200 • Rancho Cordova, CA 95670

FOR SETTLEMENT INQUIRIES, CONTACT: Fidelity National Title Company - Sacramento Commercial & Industrial
8950 Cal Center Drive, Bldg. 3, Suite 100 • Sacramento, CA 95826
916 364-4070 • FAX 916 364-4093

PRELIMINARY REPORT

Amended

Title Officer: Chuck Strong
Escrow Officer: Paul Avila
Escrow No.: 13-**5015177-PA**

Title No.: 13-**5015177-A-CS**
Locate No.: CAFNT0934-0934-0010-0005015177

TO: City of Sacramento
5730 24th St., Bldg 4
Sacramento, CA 95822

ATTN: Bill Sinclair
YOUR REFERENCE: Downtown Plaza Airspace

PROPERTY ADDRESS: Assessor's Parcel No.: 006-0087-061-0000, Sacramento, California

EFFECTIVE DATE: August 20, 2013, 07:30 A.M.

The form of policy or policies of title insurance contemplated by this report is:

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

A FEE as to Parcel(s) One;
AN EASEMENT more fully described below as to Parcel(s) Two, Three, Four and Five

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

The Redevelopment Agency of the City of Sacramento, a body corporate and politic of the State of California

3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

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

CL\CL 09/05/2013

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL ONE:

ALL THAT CERTAIN PROPERTY AND SPACE CONTAINED WITHIN PARCEL NO. 1, AS SAID PARCEL IS SHOWN ON THAT CERTAIN AMENDED PARCEL MAP ENTITLED "PORTION OF BLOCK BOUNDED BY 5TH STREET, 6TH STREET, "K" STREET AND "L" STREET AND PORTION OF 5TH STREET, AS SAID BLOCKS AND STREETS ARE SHOWN ON THAT CERTAIN RECORD OF SURVEY ENTITLED "CERTAIN BLOCKS IN AREA BOUNDED BY 'J' AND 'N' STREETS, 2ND AND 8TH STREETS, CITY OF SACRAMENTO", RECORDED IN BOOK 18 OF SURVEYS, MAP NO. 2, SACRAMENTO COUNTY RECORDS, SAID AMENDED PARCEL MAP BEING RECORDED June 19, 1967, IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1 OF PARCEL MAPS, AT PAGE 55.

ASSESSOR'S PARCEL NUMBER: 006-0087-061-0000

PARCEL TWO:

AN EASEMENT AND RIGHT OF WAY, BUT NOT THE EXCLUSIVE RIGHT, THROUGH ALL THAT CERTAIN PROPERTY AND SPACE CONTAINED WITHIN PARCEL NO. 2, AS SAID PARCEL IS SHOWN ON SAID AMENDED PARCEL MAP BOOK 1 AT PAGE 55, SO AS TO UTILIZE SAID SPACE FOR STRUCTURAL CONNECTIONS AND ANCHORAGE OF NEW STRUCTURES TO EXISTING STRUCTURES AND FOR THE USE OF THE DECK AS THE FLOOR SYSTEMS OF ANY NEW STRUCTURES AND FOR THE PLACEMENT OF UTILITIES AND ANY APPURTENANCES APPERTAINING THERETO.

PARCEL THREE:

AN EASEMENT AND RIGHT OF WAY, BUT NOT EXCLUSIVE RIGHT, THROUGH, ALL THAT CERTAIN PROPERTY AND SPACE EXTENDING DOWNWARD FROM THE LOWEST PLANES OF SAID PARCEL SIX, DESCRIBED ABOVE, ALONG THE EASTERLY AND WESTERLY WALLS, PILE CAPS, PILES, FOUNDATIONS AND OTHER STRUCTURAL SUPPORTS FOR THE DECK OF SAID UNDERPASS STRUCTURE FOR THE SUPPORT OF ANY NEW STRUCTURE OR STRUCTURES.

PARCEL FOUR:

EASEMENTS FOR INGRESS, EGRESS, AUTOMOBILE PARKING, PEDESTRIAN USE, CONSTRUCTION, INSTALLATION, OPERATION AND MAINTENANCE OF SEPARATE AND COMMON UTILITY LINES, STRUCTURE SUPPORT, SIGNS AND OTHER USES, ALL AS MORE PARTICULARLY DESCRIBED AND GRANTED BY THAT CERTAIN DOCUMENT ENTITLED:

CROSS-EASEMENT AGREEMENT FOR DOWNTOWN PLAZA, BY AND AMONG DPA, L.P., A CALIFORNIA LIMITED PARTNERSHIP; MACY'S CALIFORNIA, INC., A DELAWARE CORPORATION, (DEBTOR-IN-POSSESSION); CARTER HAWLEY HALE STORES, INC., A DELAWARE CORPORATION; AND THE CITY OF SACRAMENTO, A BODY, CORPORATE AND POLITIC OF THE STATE OF CALIFORNIA, (TOGETHER WITH THE CONSENT JOINDERS AND/OR THE SUBORDINATION OF VARIOUS ENTITIES AND/OR MORTGAGEE'S AND LANDLORDS INTEREST) RECORDED October 15, 1993, IN BOOK 93-10-15 PAGE 2018, OFFICIAL RECORDS, SACRAMENTO COUNTY, CALIFORNIA IN, OVER AND UPON ALL THE REAL PROPERTY, AS MORE FULLY DESCRIBED AS FOLLOWS:

SUBPART A - LOT G:

ALL THAT PORTION OF PARCEL B, AS SHOWN ON THAT CERTAIN PARCEL MAP RECORDED IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 35 OF PARCEL MAPS, AT PAGE 34, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST SOUTHERLY CORNER OF SAID PARCEL B; THENCE FROM SAID POINT OF BEGINNING ALONG THE BOUNDARY OF SAID PARCEL B THE FOLLOWING SIX COURSES: (1) NORTH 71

DEG. 35'22" WEST 391.02 FEET, (2) NORTH 18 DEG. 28'35" EAST 445.27 FEET, (3) SOUTH 71 DEG. 37'09" EAST 320.96 FEET, (4) NORTH 18 DEG. 28'07" EAST 137.32 FEET, (5) SOUTH 71 DEG. 36'35" EAST 40.00 FEET, AND (6) SOUTH 71 DEG. 30'59" EAST 24.00 FEET; THENCE SOUTH 18 DEG. 28'07" WEST 59.12 FEET; THENCE NORTH 71 DEG. 31'53" WEST 9.00 FEET; THENCE SOUTH 18 DEG. 28'07" WEST 99.58 FEET; THENCE NORTH 71 DEG. 31'53" WEST 8.00 FEET; THENCE SOUTH 18 DEG. 28'07" WEST 46.25 FEET; THENCE SOUTH 26 DEG. 31'53" EAST 30.14 FEET; THENCE SOUTH 71 DEG. 37'08" EAST 1.69 FEET TO SAID BOUNDARY OF PARCEL B; THENCE ALONG SAID BOUNDARY SOUTH 18 DEG. 28'06" WEST 356.47 FEET TO THE POINT OF BEGINNING.

SUBPART B - LOT K:

PARCELS G, E-1, E-2, R-1, R-2, R-3 AND U-6, AS SAID PARCELS ARE SHOWN ON THAT CERTAIN PARCEL MAP ENTITLED "PORTION OF BLOCKS BOUNDED BY 5TH, 7TH, J AND L STREETS", RECORDED IN BOOK 3 OF PARCEL MAPS AT PAGE 24, RECORDS OF SACRAMENTO COUNTY.

TOGETHER WITH ALL THAT CERTAIN PARKING STRUCTURE AND IMPROVEMENTS RELATED THERETO (INCLUDING, WITHOUT LIMITATION, ALL PILES, PILE CAPS, FOUNDATIONS, FOOTINGS AND STRUCTURAL ELEMENTS THEREOF) LYING WITHIN AND BENEATH SAID PARCELS.

TOGETHER WITH AND SUBJECT TO ALL THOSE CERTAIN EASEMENTS, COVENANTS AND AGREEMENTS AS SET FORTH IN THE "AGREEMENT AND GRANTS OF EASEMENTS", RECORDED IN BOOK 71-03-16 AT PAGE 305 AT THE OFFICE OF THE COUNTY RECORDER OF SACRAMENTO COUNTY.

PARCELS G-1 AND G-4, AS SHOWN ON THAT CERTAIN PARCEL MAP OF LOTS 1, 2, 6, 7 AND 8, THE WEST 3/4 OF LOT 3 AND THE NORTH 20.00 FEET OF LOT 5, OF THE BLOCK BOUNDED BY K STREET MALL, L STREET, 6TH AND 7TH STREETS IN THE CITY OF SACRAMENTO, STATE OF CALIFORNIA AS SAID MAP WAS FILED IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SACRAMENTO ON MARCH 21, 1980, BOOK 56 OF PARCEL MAPS, MAP NO. 15.

PARCELS 2 AND 3, AS SHOWN ON THE MAP ENTITLED "A PORTION OF THE BLOCK BOUNDED BY J, K, 6TH AND 7TH STREETS AS SHOWN ON 18 R.S.2" FILED FOR RECORD IN BOOK 65 OF PARCEL MAPS, AT PAGE 41, RECORDS OF SACRAMENTO COUNTY.

SUBPART C - FIFTH STREET BRIDGE STRUCTURE AND PORTION OF SIXTH STREET:

FIFTH STREET BRIDGE STRUCTURE: ALL THAT CERTAIN SPACE AND THOSE IMPROVEMENTS CONTAINED WITHIN:

(i) PARCEL NO. 2, AS SAID PARCEL IS SHOWN ON THAT CERTAIN AMENDED PARCEL MAP ENTITLED "PORTION OF BLOCK BOUNDED BY 5TH STREET, 6TH STREET, "K" STREET AND "L" STREET AND PORTION OF 5TH STREET, AS SAID BLOCKS AND STREETS ARE SHOWN ON THAT CERTAIN RECORD OF SURVEY ENTITLED "CERTAIN BLOCKS IN AREA BOUNDED BY "J" AND "N" STREETS, 2ND AND 8TH STREETS, CITY OF SACRAMENTO", RECORDED IN BOOK 18 OF SURVEYS, MAP NO. 2, SACRAMENTO COUNTY RECORDS, SAID AMENDED PARCEL MAP BEING RECORDED June 19, 1967, IN THE OFFICE OF THE RECORDER OF SACRAMENTO COUNTY IN BOOK 1 OF PARCEL MAPS, AT PAGE 55.

(ii) THE EASTERLY AND WESTERLY WALLS, PILE CAPS, PILES, FOUNDATIONS AND ORTHER STRUCTURAL SUPPORTS FOR THE DECK OF THE UNDERPASS STRUCTURE CONTAINED WITHIN PARCEL NO. 2 DESCRIBED IN CLAUSE (i) ABOVE.

(iii) THE HORIZONTAL DIMENSIONS OF PARCEL NO. 8 DESCRIBED IN PART I - SUBPART A ABOVE OF THIS EXHIBIT A AND BOUNDED VERTICALLY BETWEEN A PLANE FORMED BY THE TOP OF THE BEAMS SUPPORTING THE DECK OF THE UNDERPASS AND PROPOSED EXTENSION THEREOF AND A PLANE 3.40 FEET BELOW AND CONTIGUOUS WITH THE AFOREMENTIONED PLANE; AND

(iv) THE EASTERLY AND WESTERLY WALLS, PILE CAPS, PILES, FOUNDATIONS AND OTHER STRUCTURAL SUPPORTS OF THE DECK OF THE UNDERPASS EXTENSION CONTAINED WITHIN THE AREA DESCRIBED IN CLAUSE (iii) ABOVE.

PORTION OF 6TH STREET:

THAT EASTERLY PORTION OF 6TH STREET BETWEEN L STREET AND THE FORMER K STREET IN THE CITY

OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTHERLY LINE OF L STREET, 80 FEET IN WIDTH, AND THE EASTERLY LINE OF 6TH STREET, 80 FEET IN WIDTH; THENCE FROM SAID POINT OF BEGINNING NORTH 71° 34' 30" WEST 40.00 FEET ALONG THE WESTERLY PROLONGATION OF SAID NORTHERLY LINE OF L STREET TO A POINT ON THE CENTERLINE OF SAID 6TH STREET, SAID CENTERLINE ALSO BEING THE EASTERLY BOUNDARY OF PARCEL R-1 OF THAT CERTAIN PARCEL MAP ENTITLED "PORTION OF BLOCKS BOUNDED BY 5TH, 7TH, J & L STREETS", RECORDED July 29, 1970 IN THE OFFICE OF THE SACRAMENTO COUNTY RECORDER IN BOOK 3 OF PARCEL MAPS, AT PAGE 24; THENCE NORTH 18° 29' 28" EAST 188.53 FEET ALONG SAID CENTERLINE OF 6TH STREET AND THE EASTERLY BOUNDARY OF SAID PARCEL R-1 TO THE SOUTHWEST CORNER OF PARCEL U-5 OF SAID PARCEL MAP; THENCE SOUTH 71° 30' 32" EAST 19.89 FEET ALONG THE SOUTHERLY BOUNDARY OF SAID PARCEL U-5; THENCE NORTH 18° 29' 28" EAST 96.27 FEET ALONG A PORTION OF THE EASTERLY BOUNDARY OF SAID PARCEL I-5; THENCE SOUTH 71° 30' 17" EAST 20.11 FEET TO A POINT ON THE EASTERLY LINE OF SAID 6TH STREET; THENCE SOUTH 18° 29' 28" WEST 284.75 FEET ALONG SAID EASTERLY LINE OF 6TH STREET TO THE POINT OF BEGINNING.

SUBPART D - LOT U:

THAT PORTION OF BLOCK BOUNDED BY J AND K STREETS, 4TH AND 5TH STREETS IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY TOGETHER WITH A PORTION OF PARCEL B AS SHOWN ON PLAT OF "PORTION OF BLOCK BOUNDED BY 3RD - 5TH, J & L STREETS" RECORDED IN BOOK 35 OF PARCEL MAPS, MAP NO. 34, RECORDS OF SAID COUNTY, ABOVE ELEVATION 0.00 AND BELOW THE PLANE FORMED BY THE TOP OF THE UPPER LEVEL CEILING SLAB OF THE SUBTERRANEAN PARKING STRUCTURE AT APPROXIMATELY ELEVATION 29.00 FEET, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST EASTERLY CORNER OF SAID PARCEL B, SAID POINT BEING ON THE WESTERLY LINE OF 5TH STREET AS SHOWN ON SAID MAP; THENCE NORTH 71° 30' 59" WEST 110.38 FEET ALONG A PORTION OF THE NORTHERLY LINE OF SAID PARCEL B TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 83-12-30 PAGE 2602 OF OFFICIAL RECORDS; THENCE NORTH 18° 28' 58" EAST 72.75 FEET ALONG THE LAST MENTIONED WESTERLY LINE; THENCE NORTH 71° 30' 24" WEST 227.28 FEET TO A POINT ON A LINE 24.00 FEET EAST OF AND PARALLEL WITH THE CENTERLINE OF 34TH STREET; THENCE SOUTH 18° 28' 07" WEST 50.54 FEET ALONG SAID PARALLEL LINE; THENCE NORTH 71° 31' 53" WEST 11.37 FEET; THENCE SOUTH 07° 59' 36" WEST 22.63 FEET TO A POINT ON SAID NORTHERLY LINE OF PARCEL B; THENCE SOUTH 71° 30' 59" EAST 7.26 FEET ALONG A PORTION OF SAID NORTHERLY LINE OF PARCEL B TO A POINT ON A LINE 24.00 FEET EAST OF AND PARALLEL WITH THE CENTERLINE OF 4TH STREET; THENCE SOUTH 18° 28' 07" WEST 59.12 FEET ALONG THE LAST MENTIONED PARALLEL LINE; THENCE NORTH 71° 31' 53" WEST 9.00 FEET TO A POINT ON A LINE EAST OF AND PARALLEL WITH THE CENTERLINE OF 4TH STREET; THENCE SOUTH 18° 28' 07" WEST 99.58 FEET ALONG THE LAST MENTIONED PARALLEL LINE; THENCE NORTH 71° 31' 53" WEST 8.00 FEET TO A POINT ON A LINE 7.00 FEET EAST OF AND PARALLEL WITH THE CENTERLINE OF 4TH STREET; THENCE SOUTH 18° 28' 07" WEST 46.25 FEET ALONG THE LAST MENTIONED PARALLEL LINE; THENCE SOUTH 26° 31' 53" EAST 30.14 FEET TO A POINT ON THE WESTERLY PROLONGATION OF THE NORTHERLY BOUNDARY OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 4450 PAGE 349 OF OFFICIAL RECORDS; THENCE SOUTH 71° 37' 08" EAST 333.26 FEET ALONG THE LAST MENTIONED WESTERLY PROLONGATION AND NORTHERLY BOUNDARY TO A POINT ON SAID WESTERLY LINE OF 5TH STREET, THENCE NORTH 18° 29' 17" EAST 225.66 FEET ALONG SAID WESTERLY LINE OF 5TH STREET TO THE POINT OF BEGINNING.

THE ABOVE DESCRIBED LAND IS INCLUDING THE RECIPROCAL RIGHT OF STRUCTURAL SUPPORT.

THE ABOVE REFERENCE ELEVATIONS ARE BASE UPON THE CITY OF SACRAMENTO BENCH MARK NO. 51E2-2, ELEVATION 29.283 FEET.

PARCEL FIVE:

A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN AND VEHICULAR ACCESS ACROSS THE DRIVEWAY, RAMP AND SIDEWALKS AS SET FORTH IN INSTRUMENT DATED November 26, 1991 ENTITLED "EASEMENT AGREEMENT" BY AND BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, A BODY, CORPORATE AND POLITIC, ("AGENCY"), AND DPA, L.P., A CALIFORNIA LIMITED PARTNERSHIP ("DEVELOPER"), RECORDED November 26, 1991, IN BOOK 91-11-26 PAGE 1073, OFFICIAL RECORDS,

OVER THE FOLLOWING DESCRIBED PROPERTY:

THAT PORTION OF LOTS 2 AND 3 IN THE BLOCK BOUNDED BY J AND K STREETS AND 4TH AND 5TH STREETS, IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL MAP OR PLAN OF SAID CITY, BELOW ELEVATION 37.00 FEET, DESCRIBED AS FOLLOWS:

COMMENCING AT THE MOST EASTERLY CORNER OF PARCEL B AS SHOWN ON PLAT OF "PORTION OF BLOCK BOUNDED BY 3RD - 5TH, J & L STREETS" RECORDED IN BOOK 35 OF PARCEL MAPS, MAP NO. 34, RECORDS OF SAID COUNTY; THENCE NORTH 71°30'59" WEST 110.38 FEET ALONG A PORTION OF THE NORTHERLY LINE OF SAID PARCEL B TO THE WESTERLY LINE OF THE LAND DESCRIBED IN THE DEED RECORDED IN BOOK 83-12-30 PAGE 2602 OF OFFICIAL RECORDS; THENCE NORTH 18°28'58" EAST 72.75 FEET ALONG SAID WESTERLY LINE; THENCE NORTH 71°30'24" WEST 15.62 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 71°30'24" WEST 46.00 FEET; THENCE NORTH 18°29'36" EAST 108.21 FEET TO THE SOUTHERLY LINE OF SAID J STREET; THENCE SOUTH 71°24'54" EAST 46.00 FEET ALONG SAID SOUTHERLY LINE TO A LINE PARALLEL WITH AND 46.00 FEET EASTERLY OF THAT CERTAIN COURSE DESCRIBED ABOVE AS "NORTH 18°29'36" EAST 108.21 FEET"; THENCE SOUTH 18°29'36" WEST 108.13 FEET ALONG SAID PARALLEL LINE TO THE TRUE POINT OF BEGINNING.

THE ABOVE REFERENCED ELEVATION IS BASED UPON THE CITY OF SACRAMENTO BENCH MARK NO. 51E2-2, ELEVATION 29.283 FEET.

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. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2013-2014.

2. **Any unpaid amounts** now owing for municipal services, of record or not, amounts can be ascertained by contacting the following:

- County of Sacramento at (916) 875-5555, and/or including :
- City of Sacramento at (916) 808-5454.
- City of Folsom at (916) 355-7200.
- City of Galt at (209) 366-7150.
- City of Elk Grove at (916) 478-3642
- City of Rancho Cordova at (916) 638-9000
- City of Isleton at (916) 777-7770
- City of Citrus Heights at (916) 725-2448, and for waste charges - Allied Waste at (916) 725-9060, and as required, fax request to (916) 463-0297
- Sacramento Suburban Water District at (916) 972-7171

3. **A pending assessment** for the District shown below. When notice of the assessment is recorded with the County Recorder the assessment shall become a lien on said land.

District: City of Sacramento
Disclosed by: Map Filing Page
Recorded: September 19, 2012, Book 20120919, Page 0089, of Official Records

4. **A pending assessment** for the District shown below. When notice of the assessment is recorded with the County Recorder the assessment shall become a lien on said land.

District: City of Sacramento
Disclosed by: Map Filing Page
Recorded: October 3, 2012, Book 20121003, Page 0418, of Official Records

5. **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.

6. **The fact that the land** lies within the boundaries, Capitol Mall Extension Project No. 3, A portion of Redevelopment Area No. One, as described in the instrument recorded June 20, 1960, in Book 4072, Page 680, Official Records and the Plan thereof recorded June 1, 1964, in Book 4976, Page 461, Official Records and the following amendments thereof:

- A) Amendment recorded May 26, 1967, in Book 670526, Page 685, Official Records.
- B) Amendment recorded June 2, 1971, in Book 710602, Page 461 and Recorded July 15, 1971, in Book 710715, Page 259, Official Records.
- C) Amendment recorded July 25, 1972, in Book 720725, Page 250, Official Records.
- D) Amendment recorded July 29, 1986, in Book 860729, Page 1633, Official Records.
- E) Amendment recorded July 29, 1986, in Book 860729, Page 1731, Official Records.

"Property Rehabilitation Standards (as revised and amended) for Satisfactory Rehabilitation of Properties" adopted by Redevelopment Agency of The City of Sacramento Resolution No. 1139, April 26, 1967, recorded in Book 730215, Page 394, Official Records, subject to the conditions, restrictions, provisions and limitations therein provided.

7. **Easement(s)** for the purpose(s) shown below and rights incidental thereto, as set forth in Lease and Option to Purchase

Purpose: Public pedestrian
 Recorded: August 31, 1967, in Book 670831, Page 1196, Official Records.
 Affects: Said land

8. **An unrecorded lease** with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document

Entitled: Lease and Option to Purchase
 Lessor: City of Sacramento
 Lessee: Tishman Sacramento Inc.
 Recorded: August 31, 1967, Book 6708-31, Page 1196, of Official Records

First Amendment to Lease and Option to Purchase dated December 4, 1987, by and between the Agency and Copelands' Partnership II, a Memorandum of which was recorded December 4, 1987 in Book 8712-04, Page 2043, Official Records.

Assignment and Assumption of Lease dated December 27, 1991, by and between Copelands, as Assignor, and DPA, L.P., as Assignee, recorded December 27, 1991 in Book 9112-27, Pages 773 and 774, Official Records.

Second Amendment to Lease and Option to Purchase, dated December 27, 1991, executed by and between the Redevelopment Agency of the City of Sacramento, as Lessor and DPA, L.P., as Lessee, recorded January 15, 1992 in Book 920115, Page 127, Official Records.

Assignment and Assumption of Ground Lease, dated August 14, 2012, by and between Downtwon Plaza LLC, a Delaware limited liability company, Assignor to Downtown Plaza Sacramento, LLC, a Delaware limited liability company, Assignee, recorded August 14, 2012 in Book 20120814, Page 1604, Official Records,

9. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document:

Purpose: Utilities, pile caps, piles, foundations and other structural supports
Recorded: December 2, 1968 in Book 681202, Page 174 of Official Records.

And recorded: January 20, 1969, in Book 690120, Page 500 of Official Records.

Affects: Said land

Purpose: Public pedestrian ingress and egress, public garage, sewer water and gas pipes, aerial or underground power, telephone and other communication facilities, utilities, public right of way

Affects: Said land

Recorded: October 17, 1991, in Book 911017, Page 527 of Official Records.

Affects: Said land

10. Covenants, conditions and restrictions in the declaration of restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Recorded: November 18, 1987, Book 871118, Page 1475, of Official Records

Affects: Said land

- 11. Matters** contained in that certain document entitled "Regulatory Agreement Containing Covenants Running with the Land Including Covenants Against Discrimination in Perpetuity" dated November 26, 1991, executed by The Redevelopment Agency of the City of Sacramento and DPA, L.P., a California limited partnership recorded November 26, 1991, Book 911126, Page 1072, of Official Records.

Reference is hereby made to said document for full particulars.

- 12. Matters** contained in that certain document entitled "Construction, Operation and Maintenance Agreement" dated November 30, 1992, executed by and between DPA, L.P., a California limited partnership, Macy's California, Inc., a Delaware corporation and Carter Hawley Hale Stores, Inc., a Delaware corporation recorded October 15, 1993, Book 931015, Page 2019, of Official Records.

Reference is hereby made to said document for full particulars.

- 13. Matters** contained in that certain document entitled "Parking Operation and Maintenance Agreement" dated November 30, 1992, executed by and between DPA, L.P., a California limited partnership, The City of Sacramento, Macy's California Inc., a Delaware corporation, Debtor-in-Possession and Carter Hawley Hale Stores, Inc., a Delaware corporation recorded October 15, 1993, Book 931015, Page 2020, of Official Records.

Reference is hereby made to said document for full particulars.

- 14. The Effect of a Deed:**

From: Downtown Plaza LLC, a Delaware limited liability company
To: Downtown Plaza Sacramento, LLC, a Delaware limited liability company
Dated: August 14, 2012
Recorded: August 14, 2012, Book 20120814, Page 1601, of Official Records

Affects: All Improvements located on Parcel One

- 15. No open Deeds of Trust: CONFIRM BEFORE CLOSING**

- 16. Any rights of the parties in possession** of a portion of, or all of, said land, which rights are not disclosed by the public record.

This Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage. The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

- 17. 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.

18. 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. Property taxes for the fiscal year shown below are PAID. For proration purposes the amounts are:

Tax Identification No.: 006-0087-061-0000
Fiscal Year: 2012 - 2013
1st Installment: \$7,225.57
2nd Installment: \$7,225.57
Code Area: 03000
Bill No.: 12225249

The lien of the assessment shown below, which assessment is or will be collected with, and included in, the property taxes shown above.

Assessment: Downtown Sacto MGMT Dist. #95-04
Amount: \$1,225.06

Assessment: SAFCA consolidate Capital Assmt.
Amount: \$776.16

Note 2. The Company is not aware of any matters which would cause it to decline to attach the CLTA Endorsement Form 116 indicating that there is located on said land Commercial known as Assessor's Parcel No.: 006-0087-061-0000, Sacramento, California to an Extended Coverage Loan Policy.

Note 3. The name(s) of the buyer(s) furnished with this application for Title Insurance is/are:

City of Sacramento

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

Note 4. There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.

Note 5. **The application** for title insurance was placed by reference to only a street address or tax identification number.

Based on our records, we believe that the description in this report covers the parcel requested, however, if the legal description is incorrect a new report must be prepared.

If the legal description is incorrect, in order to prevent delays, the seller/buyer/borrower must provide the Company and/or the settlement agent with the correct legal description intended to be the subject of this transaction.

Note 6. If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.

Note 7. Wiring instructions for Fidelity National Title Company, Sacramento, CA, are as follows:

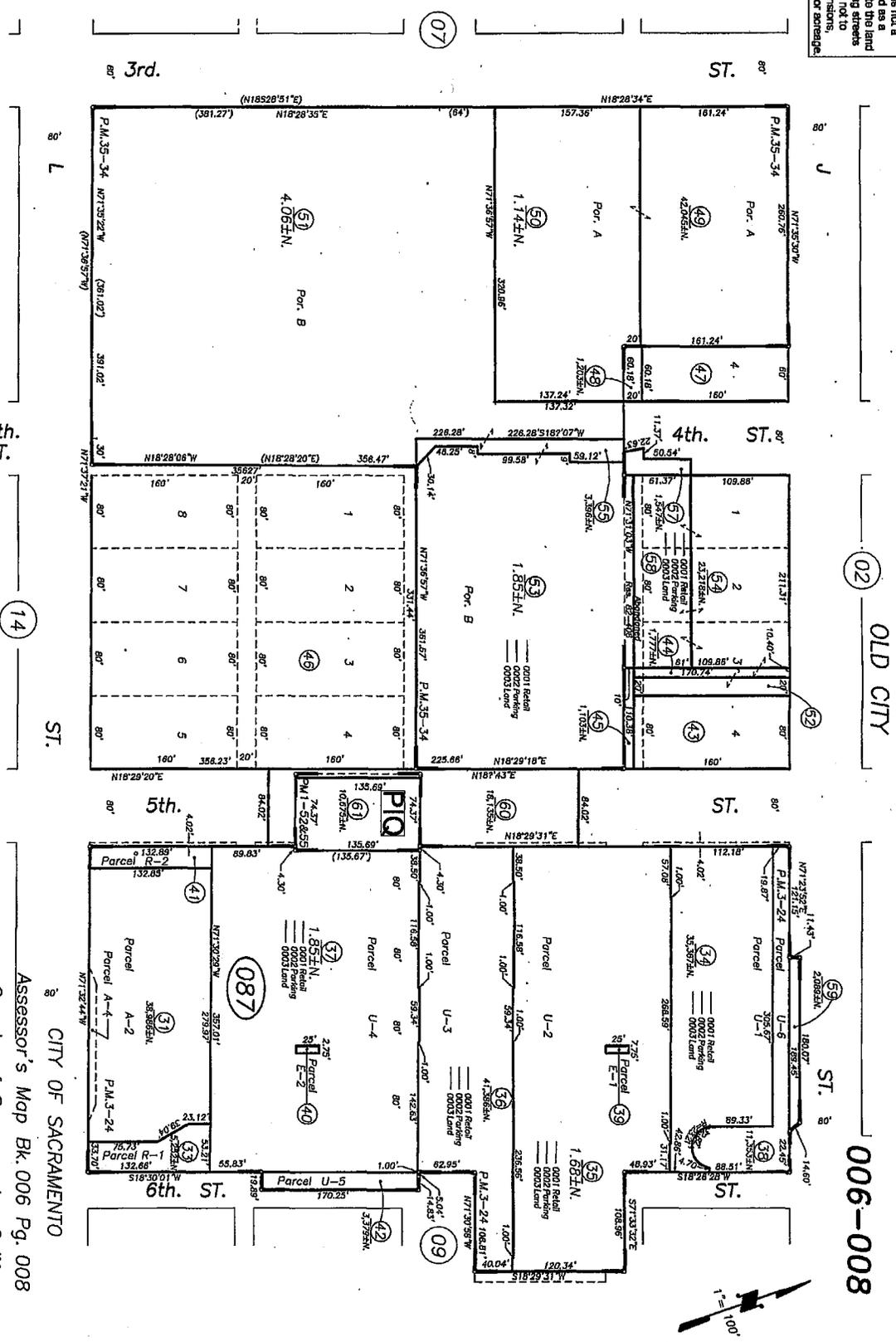
Receiving Bank:	Citibank (West), F.S.B. 1116 Alhambra Blvd. Sacramento, CA 95816
ABA Routing No.:	321171184
Credit Account Name:	Fidelity National Title Company - Sacramento Commercial & Industrial 8950 Cal Center Drive, Bldg. 3, Suite 100, Sacramento, CA 95826
Credit Account No.:	202125712
Escrow No.:	13- 5015177 -PA

These wiring instructions are for this specific transaction involving the Title Department of the Rancho Cordova office of Fidelity National Title Company . These instructions therefore should not be used in other transactions without first verifying the information with our accounting department. It is imperative that the wire text be exactly as indicated. Any extraneous information may cause unnecessary delays in confirming the receipt of funds.

Note 8. Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirements cannot be met, please call the company at the number provided in this report.

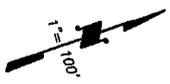
END OF NOTES

Important: This plat is not a survey. It is intended as a convenience to locate the land in relation to adjoining streets and other lands and not to determine bearings or distances.



02 OLD CITY

006-008



CITY OF SACRAMENTO
 Assessor's Map Bk. 006 Pg. 008
 County of Sacramento, Calif.

Redevelopment Agency
1006 4th Street
Sacramento, California
Attn: James K. Burns

250498 MLD
5

OFFICIAL RECORDS 7671
SACRAMENTO COUNTY, CALIF.

#38.00

No. A.P. Number

AUG 31 11 18 AM 1967 60892

Title Insurance and Trust Company EASE AND OPTION TO PURCHASE

Edward J. Hoover
COUNTY RECORDER

The REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a

body corporate and politic of the State of California, herein called the "Lessor", acting to carry out a redevelopment plan under the Community Redevelopment Law of California, leases to TISHMAN SACRAMENTO INC., herein called "Lessee", certain rights to real property situated in the City of Sacramento, County of Sacramento, State of California, and more specifically those certain air rights described as follows:

DESCRIPTION OF AIR RIGHTS FOR

STRUCTURE ON PLATFORM OVER FIFTH STREET UNDERPASS

All that certain property and space contained within Parcel No. 1, as said Parcel is shown on that certain Amended Parcel Map entitled "Portion of Block Bounded by 5th Street, 6th Street, K Street and L Street and Portion of 5th Street and K Street as Said Blocks and Streets are shown On That Certain Record of Survey Entitled 'Certain Blocks in Area Bounded by J and N Streets, 2nd and 8th Streets, City of Sacramento', Recorded in Book 18 of Surveys, Map No. 2, Sacramento County Records", said Amended Parcel Map being recorded in the office of the Recorder of Sacramento County in Book 1 of Parcel Maps, at Page 55.

TOGETHER WITH an easement and right of way, but not the exclusive right, through all that certain property and space contained within Parcel No. 2, as said parcel is shown on said Amended Parcel Map, so as to utilize said space for structural connections

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AUG 31 1967

and anchorage of new structures to existing structures and for the use of the deck as the floor system of any new structure or structures and for the placement of utilities and any appurtenances appertaining thereto.

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TOGETHER WITH an easement and right of way, but not the exclusive right, through all that certain property and space extending downward from the lowest planes of said Parcel No. 2 along the easterly and westerly walls, pile caps, piles, foundations and other structural supports for the deck of said Underpass structure for the support of any new structure or structures.

SUBJECT TO an easement for public pedestrian use over, across and upon that portion of the space constituting the deck of the underpass structure between the exterior of the outside walls of the structure to be situated within the air rights above described, and the perimeter boundaries of such air space.

The above described air rights are hereafter referred to as the "Leased Property". This lease is subject to all of the conditions, covenants, and restrictions set forth or referred to herein and is further subject to all of the provisions of the Redevelopment Plan for Capitol Mall Area, Project Area No. 2-A and Capitol Mall Extension, Project No. 3 (including all amendments thereto) hereafter called collectively the "Redevelopment Plans", copies of which were recorded in the office of the County Recorder, Sacramento County, California, on February 19, 1959, in Book 3706 of Official Records, page 307, and on June 1, 1964, in Book 4976 of Official Records, Page 461, respectively.

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The Redevelopment Plans together with all amendments thereto, are hereby incorporated herein, and by reference made a part hereof.

General Terms for Lease of Property

SECTION 1

(a) This Lease shall commence on August 1, 1967, and continue for an initial lease term period of thirty (30) years from such date, with three successive ten (10) year options in the Lessee to renew at the same rent, and also subject to an option to purchase, at any time, the above described air rights, for a sum certain as hereafter set forth.

(b) Rental. For the initial thirty year period, and for any successive ten year period, should the options to renew be exercised by Lessee, Lessee shall pay to Lessor a monthly rental of One Thousand Four Hundred Sixty-Seven and 40/100 Dollars (\$1,467.40) during each and every month of the lease term. Such monthly rental shall be payable in advance on the first day of each month, during the lease term and any renewal period.

(c) Lessee may exercise its option to renew the Lease at the same rent for three additional ten year terms by giving written notice thereof to Lessor not less than six months in advance of the expiration date of the initial term, or any ten-year renewal term, as the case may be.

(d) Lessee shall have the right to purchase the Leased Property at any time during the term hereof at a purchase price of Two Hundred Ninety-Three Thousand, Four Hundred Eighty Dollars (\$293,480). Lessee's exercise of its option to purchase the Leased

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Property shall be in writing, served upon Lessor as hereafter provided.

(e) This Lease and Option to Purchase is subject to execution of a Sublease Agreement between the Lessee and the Bank of America (hereinafter sometimes referred to as the "Sublessee") providing for a building and improvements to be constructed in said air space for the Sublessee, and leased for use solely as a commercial bank or such other use as specified in Section 4, subparagraph (a)(i). Lessee's obligations to the Lessor under this Lease shall be assumed by the Sublessee in its Sublease. In the event Lessee and Sublessee shall fail for any reason whatsoever to enter into a sublease within ten (10) days following the date hereof, then this Lease shall be of no further force and effect and neither party hereto shall have any further obligations to the other hereunder.

(f) Ownership of Buildings and Improvements During Lease.

So long as Lessee shall not be in breach or default of any terms or conditions of this Lease, title to the buildings and improvements constructed by Lessee on the Leased Property shall not vest in the Lessor by reason of its ownership of title to the Leased Property, but title to such buildings and improvements shall remain in the Lessee during the lease term hereunder, except upon sooner termination thereof as hereinafter provided.

(g) Condemnation. If any public body or authority or corporation, public or private, having the power of eminent domain, shall commence proceedings to acquire title to all or any portion of the Leased Property or the Building or Improvements thereon by

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the right to eminent domain or by private purchase in lieu thereof, then Lessor shall sell to Lessee, and Lessee shall purchase from Lessor the Leased Property for the purchase price specified and in the manner provided for, in Section 9 of this Lease and Option to Purchase. The Lease shall terminate as of the date when title to the Leased Property passes to Lessee.

Lessor shall give written notice to Lessee as soon as practicable following the commencement of any such proceedings to acquire title to all or any portion of the Leased Property, so as to facilitate the passage of title to the Leased Property to Lessee within sixty (60) days after the commencement of such proceedings. Rental, taxes and other charges shall be prorated as of the date of conveyance of title to Lessee.

Lessor shall not share in any compensation or damages which may be awarded or recoverable on account of the taking of the Leased Premises, or any of the Improvements placed thereon, it being the intention of the parties that Lessor's compensation shall be limited solely and exclusively to the purchase price of the air space as hereinabove set forth. Lessor agrees to execute any documents which may be necessary to carry out the provisions of this subsection (g).

(h) Insurance Coverage. The Lessee shall carry adequate

- (1) comprehensive public liability, comprehensive general liability, or owners', landlords' and tenants' public liability insurance,
- (2) manufacturers' and contractors' public liability insurance, and
- (3) workmen's compensation coverage (statutory or voluntary).

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The Lessee will, at its own expense, keep in force and effect at all time during the term of this Lease and any extension thereof, a policy or policies of comprehensive general liability insurance in or with a responsible insurance company or companies qualified to do business in the State of California, with minimum limits as follows:

(i) During the course of construction: Not less than \$500,000 for injury to one person and not less than \$3,000,000 for injury to more than one person in any one accident or occurrence, \$500,000 for injury to property;

(ii) During the remainder of the lease term: Not less than \$300,000 for injury to one person and not less than \$500,000 for injury to more than one person in any one accident or occurrence, \$100,000 for injury to property.

Such insurance policies shall cover the entire Leased Property and all roadways and sidewalks adjacent thereto and the operations of the Lessee or the Sublessee therein, which shall name and protect the Lessor and the City of Sacramento as additional assured against all loss or damage or responsibility whatsoever arising out of injuries to persons or damage to property caused or claimed to have been caused by the condition of the Leased Property or adjacent or abutting areas, or the acts or omissions of the Lessee, the Sublessee, their employees, agents, and independent contractors and subcontractors, and any of them. The cost of such insurance shall be the responsibility and obligation of Lessee, and Lessee will file with Lessor a certificate or certificates by said insurance company or companies to the effect that the insurance coverage required hereunder has been obtained by the Lessee, or its Sublessee, that the same is in full force and effect.

All such insurance policies and renewals thereof shall be submitted to the Lessor for its approval and a duly executed certificate shall be filed with the Lessor. All insurance agreements shall provide that they cannot be canceled or terminated until after at least fifteen (15) days' prior notice has been given to the Lessor to the effect that such insurance agreements are to be canceled or terminated at a particular time.

No acceptance or approval of any insurance agreement or agreements by the Lessor shall relieve or release or be construed to relieve or release the Lessee from any liability, duty or obligation assumed by, or imposed upon it by the provisions of this Lease.

Notwithstanding any law to the contrary, any loss or damage by fire or other casualty of or to the bank structure on the Leased Property, or to any portion thereof, at any time shall not operate to terminate this Lease or to relieve or discharge the Lessee from the payment of the Rent, or as increased rent in respect thereto, pursuant to this Lease, as the same may become due and payable as provided in this Lease or from the performance and fulfillment of any of the Lessee's obligations, pursuant to this Lease.

At all times the Lessee and/or the Sublessee shall defend, save and hold the Lessor and the City of Sacramento and their officers, employees and agents free and harmless from any and all claims of any kind whatsoever (including but not limited to damage to the Fifth Street Underpass Structure or other property owned or used by the public or the City of Sacramento) arising out of or

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during any construction of improvements within said Leased Property; provided, however, that Lessor assumes the risk of any structural damage to the Fifth Street Underpass Structure caused by or resulting from the placement of improvements on the Fifth Street Underpass Structure in accordance with plans and specifications approved by Lessor.

(i) Lessee's Obligations with Respect to the Underpass Structure. At all times the Lessee and/or the Sublessee shall assume all risk of damage or injury to any improvements constructed on the Leased Property, including any and all risks which in any way may be attributable to settlement, movement or other cause located in or associated with the Fifth Street Underpass Structure or resulting in any way from the placement and location of the improvements upon the Structure over the Fifth Street Underpass.

Preparation of Air Space for Redevelopment

SECTION 2

(a) The Lessor shall, promptly after the execution hereof; and without expense to the Lessee, prepare the Leased Property for purposes of the Redevelopment thereof by the Lessee. Such preparation shall consist only of:

(i) The necessary removal of surfacing materials to the level of the concrete decking of the Underpass structure;

(ii) The necessary removal by the Lessor or by appropriate public bodies or utility companies of all utility lines, facilities, and related equipment within the Leased Property.

(b) The Lessor, without expense to the Lessee and without

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public assessment against the Property, and prior to or after the completion of the Improvements as hereinafter defined, shall provide for, or secure:

(i) The paving and improving, in accordance with the technical specifications and standards of the City of Sacramento, of such street lighting and sidewalks in public rights-of-way around the Improvements to be erected by Lessee.

(ii) Such temporary or permanent easements as shall reasonably be required by Lessee in order to install temporary and permanent utilities for the Improvements to be erected by Lessee, it being understood that the responsibility for such installation shall not be the obligation of Lessor.

(c) The parties hereto understand that the Leased Property will be assessed and taxed in the same manner as privately-owned property (in accordance with Section 33673 of the Health and Safety Code of the State of California), and it is hereby agreed (a) that the Lessee shall pay taxes upon the assessed value of a fee simple interest in the Leased Property and not merely upon the assessed value of Lessee's leasehold interest in the Leased Property, and (b) that if for any reason the taxes paid by the Lessee on the Leased Property in any year during the term of this Lease shall be less than the taxes which would have been payable upon the assessed value of the Leased Property if it were assessed and taxed in the same manner as privately-owned property, the Lessee shall pay such difference to Lessor or its designee.

Construction of Improvements

SECTION 3

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(a) Lessee covenants and agrees for itself, and its successors, and assigns to or of the Property, that:

(i) The construction of the Improvements shall be in conformity with the Redevelopment Plan, this Lease, the already approved plans and specifications, and all applicable state and local laws and regulations.

(ii) Building standards are restricted to Type 1 construction in accordance with the definition thereof contained in the Uniform Building Code, 1964 edition.

(iii) The Lessee, and such successors and assigns, shall promptly begin and diligently prosecute to completion the redevelopment of the property through the construction of the Improvements thereon, and such construction shall in any event be begun within seven (7) days from the date of the beginning of the Lease term, and be completed within 172 days from such date.

It is intended and agreed that such agreements and covenants shall, in any event, and without regard to technical classification or designation, legal or otherwise, and except only as otherwise specifically provided in this Lease itself, be to the fullest extent permitted by law and equity, binding for the benefit of the community and the Lessor and enforceable to the extent provided herein by the Lessor and the City of Sacramento, against the Lessee and its successors and assigns to or of the Leased Property or any part thereof or any interest therein and said agreements and covenants may be waived or amended by the Lessor on behalf of the community, the City of Sacramento, and the Lessor.

(b) The Lessee, for itself and its successors and assigns, in the construction of the Improvements in accordance with the provision of this Lease, agrees that it will avoid any encroachment on adjacent properties, and should the Lessee cause damage, of any nature to any of the adjoining properties and improvement thereon, Lessee shall then repair and make good any and all such damage.

(c) Promptly after completion of the Improvements on the Leased Property in accordance with the provisions of the Lease, Lessor will furnish Lessee with an appropriate instrument so certifying. Such certification by the Lessor shall be a conclusive determination of satisfaction and termination of the agreements and covenants in this Lease with respect to the obligation of Lessee, and its successors and assigns, to construct the Improvements, and the dates for the beginning and completion thereof. (The term "completion of the Improvements" as used in this Lease, shall be deemed to be the date of the filing for record of a notice of completion with the Office of the County Recorder of Sacramento County, California. The Lessee shall, contemporaneously with any such filing, furnish the Lessor with a copy of such notice.)

(d) All certifications provided for in this Section shall be in such form as will enable them to be recorded with the County Recorder of Sacramento County, California.

(e) In the event of any partial or total destruction of the Improvements, the Lessee shall commence reconstruction thereof, subject to approval of the plans by the Lessor, within a reasonable period of time and in any event within 90 days after written notice

from Lessor to so start construction; provided, however, in the event such partial or total destruction of the Improvements is attributable to settlement, movement or other cause located in or associated with the Fifth Street Underpass Structure, then Lessee shall commence such reconstruction of the Improvements upon completion of the repairs to, or reconstruction of, the Fifth Street Underpass Structure.

(f) The Lessee will protect and hold the Lessor and the Air Space Rights harmless from any and all liens of whatsoever kind or nature which may be levied or imposed for labor performed or materials furnished in connection with the erection of the Improvements placed in the air space. No construction or improvements by Lessee shall be commenced on the Leased Premises until it shall have provided Lessor and the City of Sacramento with a faithful performance bond and a labor and material bond both in the amount of 100% of the cost of the work to be done and substantially in the form required of contractors under the Government Code of the State of California.

(g) The Lessee, for itself, and its successors and assigns, in the construction of the Improvements in accordance with the provisions of this Lease, agrees:

(i) The Lessee will not discriminate against any employee or applicant for employment because of race, creed, color or national origin. The Lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color or

national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lessor setting forth the provisions of this nondiscrimination clause.

(ii) The Lessee will, in all solicitations or advertisements for employees placed by or on behalf of the Lessee, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(iii) The Lessee will send to each labor union or representative of workers with which the Lessee has a collective bargaining agreement or other contract or understanding, a notice, to be provided, advising labor union or workers' representative of the Lessee's commitments under Section 202 of the Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(iv) The Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

(v) The Lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor,

or the Secretary of Housing and Urban Development pursuant thereto, and will permit access to the Lessee's books, records and accounts by the Lessor, the Secretary of Housing and Urban Development and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(vi) In the event of the Lessee's noncompliance with the nondiscrimination clauses of this Section, or with any of the said rules, regulations or orders, this Lease may be canceled, terminated or suspended in whole or in part and the Lessee may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order 11246 of September 24, 1965, or by rule, regulation or order of the Secretary of Labor or as otherwise provided by law.

(vii) The Lessee will include the provisions of paragraphs (i) through (vi) of this section in every contract or purchase order, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each such contractor, subcontractor, or vendor, as the case may be. The Lessee will take such action with respect to any construction contract, subcontract, or purchase order as the Lessor or Department

of Housing and Urban Development may direct as a means of enforcing such provisions, including sanctions for noncompliance: provided however, that in the event the Lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Agency or the Department of Housing and Urban Development, the Lessee may request the United States to enter into such litigation to protect the interests of the United States.

Land Uses

SECTION 4

(a) Lessee covenants and agrees for itself, and its successors and assigns to or of the leasehold interest or any part thereof that Lessee, and such successors and assigns, shall:

(i) Use the air space only for purposes of a commercial bank building and/or similar or associated private financial type institutional use and for normal uses pertinent and incidental thereto, and for no other purposes without the approval of the City of Sacramento, and in conformity with the uses specified in the Redevelopment Plan; and make no changes in the Improvements which are to be provided pursuant to this Lease after completion of the construction thereof, which would constitute a major change in said Improvements or in the utilization of the air space rights, except with the written approval of the Lessor, and make no changes in the Improvements which are not in conformity with the Redevelopment Plan. This clause shall be and remain in effect throughout the terms of the Lease, including any renewal terms.

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(ii) Not effect or execute any agreement, lease, sublease, conveyance, or other instrument whereby the Property or any part thereof is restricted upon the basis of race, religion, color or national origin in the lease, or occupancy thereof.

In addition, the Lessee herein covenants by and for itself, its successors 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, creed, national origin, or ancestry in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the Lessee itself or any person claiming under or through it, 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 premises herein conveyed. The foregoing covenants shall run with the land.

(b) Lessee acknowledges that it is acquiring its leasehold interest subject to a declaration of restrictions substantially in the form attached hereto, marked Exhibit A and by reference made a part hereof. Lessee covenants and agrees for itself, and its successors and assigns to comply with all of the terms, conditions and covenants of such declaration of restrictions.

(c) It is intended and agreed that the agreements and covenants provided in this section shall in any event, and without regard to technical classification or designation, legal or otherwise specifically provided in this Lease, be, to the fullest extent

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permitted by law and equity, binding for the benefit and in favor of, and enforceable by, Lessor, its successors and assigns, the City of Sacramento, any successor in interest to the Lessee of the leasehold interest or any part thereof, and the owner of any other land (or of any interest in such land) in the Project Area which is subject to the land use requirements and restrictions of the Redevelopment Plans, and the United States (in the case of the covenant provided in clause (a)(ii) of this Section 4) against the Lessee, its successors and assigns to or of the leasehold interest or any part thereof or any interest therein, and any party in possession or occupancy of the Leased Property or any part thereof. It is further intended and agreed that the agreement and covenant provided in clause (a)(i) shall remain in effect during the term of the Lease and any renewal terms, (at which time such agreements and covenants shall terminate) and that provided in clause (a)(ii), shall remain in effect without limitations as to time; provided, that such agreements and covenants shall be binding on Lessee itself, each successor in interest or assign, and each party in possession or occupancy, respectively, only for such period as it shall have an interest in or possession or occupancy of the leasehold interest or part thereof.

(d) In amplification, and not in restriction, of the provisions of the preceding subsection, it is intended and agreed that Lessor shall be deemed a beneficiary of the agreements and covenants provided in subsection (a) of this section, and the United States shall be deemed a beneficiary of the covenant provided in

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clause (a)(ii) of this Section 4, both for and in their or its own right and also for the purposes of protecting the interests of the community and the other parties, public or private, in whose favor or for whose benefit such agreements and covenants have been provided. Such agreements and covenants shall run in favor of Lessor and the United States for the entire period during which such agreements and covenants shall be in force and effect, without regard to whether Lessor or the United States has at any time been, remains, or is an owner of any land or interest therein to, or in favor of, which such agreements and covenants relate. Lessor shall have the right, in the event of any breach of any such agreement or covenants, and the United States shall have the right in the event of any breach of the covenant provided in clause (a)(ii) of this Section 4, to exercise all the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant, to which it or any other beneficiaries of such agreement or covenant may be entitled.

Anti-Speculation and Assignment Provisions

SECTION 5

(a) The Lessee represents and agrees that its lease of the property is, and will be used, for the purpose of redevelopment of the Leased Property and not for speculation in land holding.

The Lessee further recognizes that, in view of:

- (1) the importance of the redevelopment of the Leased Property to the general welfare of the community;

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- (2) the substantial subsidy and other public aids that have been made available by law and by the Federal and local Governments for the purpose of making such redevelopment possible; and
- (3) the fact that a transfer of the stock in the Lessee or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in the ownership or distribution of such stock or with respect to the identity of the parties in control of the Lessee or the degree thereof, is for practical purposes a transfer or disposition of the lease then in the possession of the Lessee,

the qualifications and identity of the Lessee and its stockholders, are of particular concern to the community and the Lessor. The Lessee further recognizes that it is because of such qualifications and identity, that the Lessor is entering into this Lease with the Lessee and, in so doing, is further willing to accept and rely on the obligation of the Lessee for the faithful performance of all undertakings and covenants hereby by it to be performed.

(b) For the foregoing reasons, the Lessee represents and agrees for itself, its stockholders, and any successor in interest of itself and its stockholders:

(1) That prior to completion of the Improvements as certified by the Lessor, there shall be no transfer by any party owning ten (10) per cent or more of the stock in the Lessee, which term shall be deemed for the purposes of this and related provisions to include successors in interest, of such stock or any part thereof

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or interest therein, nor shall any such owner suffer any such transfer to be made, without the approval of the Lessor, nor shall there, without such approval, be or be suffered to be by the Lessee or by any owner of stock therein, any other similarly significant change in the ownership of such stock or in the relative distribution thereof, or with respect to the identity of the parties in control of the Lessee or the degree thereof, by any other method or means, whether by increased capitalization, merger with any corporation, corporate or other amendments, issuance of additional or new stock or classification of stock, or otherwise. With respect to these provisions, the Lessee and the parties signing this Lease on behalf of the Lessee represent that they have the authority of all of its existing stockholders to agree to these provisions on their behalf and to bind them with respect thereto.

(ii) That except only by way of security for, and only for, the purpose of obtaining financing necessary to enable the Lessee or successor in interest to perform its obligation with respect to making the Improvements under this Lease, the Lessee has not made or created, and that it will not, prior to the proper completion of the Improvements as certified by the Lessor, make or create, or suffer to be made or created, any total or partial assignment, conveyance, or lease, or any trust or power, or transfer in any other mode or form of or with respect to this Lease, or any part thereof or any interest therein, or any contract or agreement to do any of the same, without the prior written approval of the Lessor. The Lessor shall be entitled to require as conditions to any such approval that:

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- (1) Any proposed transferee shall have the qualifications and financial responsibility, as determined by the Lessor, necessary and adequate to fulfill the obligations undertaken in this Lease by the Lessee;
- (2) Any proposed transferee, by instrument in writing, shall, for itself and its successors and assigns, and expressly for the benefit of the Lessor, have expressly assumed all of the obligations of the Lessee under this Lease and agreed to be subject to all the conditions and restrictions to which the Lessee is subject;

Provided, that the fact that any transferee shall, whatever the reason, not have assumed such obligations or so agreed, shall not, unless and only to the extent otherwise specifically provided in this Lease or agreed to in writing by the Lessor, relieve or except such transferee or successor of or from such obligations, conditions, or restrictions, or deprive or limit the Lessor of or with respect to any rights or remedies or controls with respect to the leasehold interest or the construction of the Improvements; it being the intent of this, together with other provisions of this Lease, that to the fullest extent permitted by law and equity and excepting only in the manner and to the extent specifically provided otherwise in this Lease, no transfer of, or change with respect to the leasehold

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of the Leased Property or any part thereof or any interest therein, however consummated or occurring, and whether voluntary or involuntary, shall operate, legally or practically, to deprive or limit the Lessor of or with respect to any rights or remedies or controls provided in or resulting from this Lease, and the construction of the Improvements that the Lessor would have had, had there been no such transfer;

Provided, further that nothing contained herein shall limit or prohibit Lessee from subletting the Leased Property, together with the Improvements to be constructed thereon, to a banking institution for use as a commercial bank building.

- (3) The sublease between Lessee and the Bank of America, NT&SA, has been submitted to the Lessor for review.
- (4) The consideration payable for the transfer by the transferee or on its behalf shall not exceed an amount representing the actual cost, including carrying charges, to the Lessee of the Leased Property, or allocable to the part thereof or interest therein transferred, and the Improvements, if any theretofore made thereon by it; it being the intent of this provision to preclude assignment of this Lease, or any parts thereof for profit prior to the completion of the Improvements and to provide that in the event any such assignment or transfer is made and is not canceled,

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the Lessor shall be entitled to increase the rental price to the Lessee of the Leased Property provided in Section 1 of this Lease by the amount that the consideration payable for the assignment or transfer is in excess of the amount so authorized in this paragraph, and such consideration shall, to the extent it is in excess of the amount so authorized, belong and be paid to the Lessor immediately upon receipt thereof by Lessee.

- (5) The Lessee and its transferee shall comply with such other conditions as the Lessor may find desirable in order to achieve and safeguard the purposes of the Community Redevelopment Law of the State of California, the Redevelopment Plans, and this Lease:

Provided, that in the absence of specific written agreement by the Lessor to the contrary, no such transfer or approval by the Lessor thereof shall be deemed to relieve the Lessee or any other party bound in any way by this Lease or otherwise with respect to the construction of Improvements from any of its obligations with respect thereof.

(c) In order to assist in the effectuation of the purposes of this Section and the statutory objectives generally, the Lessee agrees that during the period between execution of this Lease and completion of Improvements as certified by the Lessor:

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(i) The Lessee will promptly notify the Lessor of any and all changes whatsoever in the ownership of stock, legal or beneficial, or of any other act or transaction involving or resulting in any change in the ownership of such stock or in the relative distribution thereof, or with respect to the identity of the parties in control of the Lessee or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information; and

(ii) The Lessee shall, at such time or times as the Lessor may request, furnish the Lessor with a complete statement, subscribed and sworn to by the Secretary of the Lessee, setting forth all of the stockholders of the Lessee and the extent of their respective holdings, and in the event any other parties have a beneficial interest in such stock their names and the extent of such interest, all as determined or indicated by the records of the Lessee, by specific inquiry made by the Secretary of all parties who on the basis of such records own ten (10) per cent or more of the stock in the Lessee, and by such other knowledge or information as the Secretary shall have. Such lists, data, and information shall in any event be furnished the Lessor within thirty (30) days subsequent to the execution of the Lease, and annually thereafter on the anniversary of the date of the Lease.

Remedies

SECTION 6

(a) In the event of any default in or breach of any of the terms or conditions of this Lease, by either party thereto

or any successor to either party, such party or successor shall, upon written notice from the other, proceed immediately to cure or remedy such default or breach, and, in any event, within sixty (60) days after receipt of such notice. In case such action is not taken, or diligently pursued, or the default or breach shall not be cured or remedied within a reasonable time, the aggrieved party may institute such proceedings as may be necessary or desirable in its opinion to cure or remedy such default or breach, including, but not limited to proceedings to compel specific performance by the party in default or breach of its obligations, and except as otherwise expressly herein provided, in the event of any breach by Lessee of any of the terms, covenants and conditions of this Lease, the Lessor shall have the right to re-enter and take possession of the Property and to terminate the Lease, by due and lawful process in accordance with the applicable provisions of the Code of Civil Procedure and the Civil Code of the State of California.

(b) Termination for Nonpayment of Rent. If the Lessee shall fail to pay the Rent when due, the Lessor may serve upon the Lessee written notice of such failure, stating the amount of such Rent and the date on which such amount became due, together with interest thereon at the rate of seven percent (7%) per annum from the date when the same was due and payable to and including the date on which the same is paid. If such payment is not made within thirty (30) days after the service of such written notice, the same shall constitute a breach of the Lessee's covenant contained in Section 1 of this Agreement. The Lessor shall then have

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the right, by written notice to the Lessee, to declare this Lease terminated, and shall have the right to re-enter and take immediate possession of the air space and Improvements.

Defaults

SECTION 7

(a) In the event that prior to completion of the Improvements as certified by the Lessor:

(i) The Lessee (or successor in interest) shall default in or violate its obligations with respect to the construction of the Improvements, including the nature and the dates for the beginning and completion thereof, or shall abandon or substantially suspend construction work, and any such default or violation, abandonment, or suspension shall not be cured, ended, or remedied within three (3) months after written demand by the Lessor so to do; or

(ii) The Lessee or successor in interest shall fail to pay real estate taxes or assessments on the Leased Property or any part thereof when due, or shall place thereon any encumbrance or lien unauthorized by this Lease, or shall suffer any levy or attachment to be made, or any materialmen's or mechanics' lien or any other unauthorized encumbrance or lien to attach, save and except liens or claims contested in good faith by the Lessee with respect to which the Lessee will furnish a good and sufficient surety bond for the benefit of the Lessor or deposit with the Lessor cash in an amount equal to the amount claimed to be due by said lien holder or claimant, and such taxes or assessments shall not have been paid, or the encumbrance or lien removed or discharged,

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or provision satisfactory to the Lessor made for such payment, removal, or discharge, within thirty (30) days after written demand by the Lessor so to do; or

(iii) There is, in violation of this Lease, any transfer of the leasehold interest in and to the Leased Property or any part thereof, or any change in the ownership or distribution of the stock of the Lessee, or with respect to the identity of the parties in control of the Lessee or the degree thereof, and such violation shall not be cured within thirty (30) days after written demand by the Lessor to the Lessee; then the Lessor shall have the right to re-enter and take possession of the Leased Property and to terminate the Lease, it being the intent of the provision, together with other provisions of this Lease, that the Lease of the Leased Property to the Lessee shall be made upon, a condition subsequent to the effect that in the event of any default, failure, violation or other action or inaction by the Lessee, specified in clauses (i), (ii), (iii) of this Subsection (a), failure on the part of the Lessee to remedy, end, or abrogate such default, failure, violation, or other action or inaction, within the period and in the manner stated in said clauses, the Lessor at its option may declare a termination of the Lease and re-enter and take possession of the Property; and all rights, and interest of the Lessee and of any assigns or successors in interest, in the Property, shall revert to the Lessor; provided, that, such condition subsequent and any re-vesting of the leasehold interest as a result thereof in the Lessor shall always be subject to and limited by, and shall not defeat, render invalid, or limit in any way (i) the lien of

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any mortgage authorized by this Lease and executed for the sole purpose of obtaining funds to construct the Improvements, and (ii) any rights or interest provided in this Lease for the protection of the holders of such mortgages; and

(b) The rights and remedies of the parties to this Lease, whether provided by law or by this Lease, shall be cumulative, and the exercise by either party of any one or more of such remedies shall not preclude the exercise by it, at the same or different times, of any other remedies for the same default or breach, or of any of its remedies for any other default or breach by the other party. No waiver made by either party with respect to the performance, or manner or time thereof, or any obligation of the other party or any condition to its own obligation under this Lease shall be considered a waiver of any rights of the party making the waiver with respect to the particular obligation of the other party or condition to its own obligation beyond those expressly waived and to the extent thereof, or a waiver in any respect in regard to any other rights of the party making the waiver or any other obligations of the other party.

Unforeseen Delays

SECTION 8

For the purposes of any of the provisions of this Lease, neither the Lessor nor the Lessee, as the case may be, nor any successor in interest, shall be considered in breach of or default in its obligations with respect to the preparation of the Leased Property for redevelopment, or the beginning and completion of

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construction of the Improvements, or progress in respect thereto, in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not restricted to, acts of God, or of the public enemy, acts of the Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather or delays of subcontractors due to such causes; it being the purpose and intent of this provision that in the event of the occurrence of any such enforced delay, the time or times for performance of the obligations of the Lessor with respect to the preparation of the Property for redevelopment or of the Lessee with respect to construction of Improvements, as the case may be, shall be extended for the period of the enforced delay: provided that the party seeking the benefit of the provisions of this section shall, within fifteen (15) days after the beginning of any such enforced delay, have first notified the other party thereof in writing, and of the cause or causes thereof and requested an extension for the period of the enforced delay.

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Option to Purchase

SECTION 9

(a) Provided Lessee shall not be in default in the performance of any of its obligations hereunder, it shall be privileged to purchase the Leased Property at any time following completion of construction of Improvements and during the lease term, including any renewal term, at a purchase price of \$293,480.00. ✓

(b) Lessee shall exercise its option to purchase the Leased Property by giving written notice thereof to Lessor at least three (3) months prior to the date of purchase, and such notice shall specify the date of transfer of title to the air rights to Lessee.

(c) As soon as practicable following the giving of the notice of exercise of the Option to Purchase, Lessee and Lessor shall establish an escrow with a title company designated by Lessee, and shall execute all documents and instructions necessary to consummate the transfer of title to Lessee.

(d) Prior to closing Lessee shall deposit with the designated title company the full purchase price in cash, and Lessor shall deposit a grant deed, conveying title to the Lessee or its designated nominee, free and clear of all liens and encumbrances save and excepting only encumbrances placed or permitted to be placed against the Leased Property by Lessee, and current real property taxes, not then delinquent.

(e) Lessor shall pay for the Revenue Stamps and the premium on the Standard California Land Title Association Policy of title insurance. The cost of any special endorsements desired by Lessee shall be paid for by Lessee. The rental payable under this Lease shall be prorated as of the date of closing.

Conflict of Interest

SECTION 10

No member, official, or employee of the Lessor shall have any personal interest, direct or indirect, in this Lease, nor shall any such member, official or employee participate in any

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decision relating to this Lease which affects his personal interests or the interests of any corporation, partnership, or association in which he is, directly or indirectly, interested.

Notices

SECTION 11.

A notice, demand or other communication under this Lease by either party to the other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested or delivered personally, and

(a) in the case of a notice, demand or other communication to the Lessee, is addressed as follows:

A. J. Bolsky, Asst. Vice-President
Tishman Realty & Construction Co., Inc.
615 South Flower Street, Suite 810
Los Angeles, California 90017

(b) In the case of a notice, demand or other communication to the Local Public Agency (Lessor), is addressed as follows:

Redevelopment Agency of the City of Sacramento
1006 Fourth Street, Room 200
Sacramento, California 95814

Miscellaneous Provisions

SECTION 12

(a) (i) Utility Charges. The Lessee will pay, before becoming delinquent, all water, electricity, gas and other utility charges, sewer rates, garbage rates and other similar charges to which the Leased Property or Improvements or the Lessor or Lessee in respect thereof, may, during said term, be assessed or become liable.

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(ii) Improvements Required by Law. The Lessee will at its own expense, during the whole of said term, make, build, maintain, and repair all sidewalks, which may be required by law to be maintained and repaired upon, on, adjoining or in connection with or for the use of the Leased Property or any part thereof.

(iii) Repairs and Maintenance. The Lessee will, at its own expense, from time to time and at all times during said term, well and substantially repair and maintain, all Improvements, including plumbing and other fixtures, on the Leased Property, in good order and condition, with the exception of reasonable wear and tear and damage from casualty not required hereunder to be insured against.

(iv) Inspection. The Lessee will permit the Lessor and its agents at all reasonable times during said term to enter the Leased Property for the purpose of posting notice of non-responsibility and examining the state of repair and condition thereof. Within sixty (60) days after notice given by the Lessor or its agents, the Lessee will repair and make good all defects required by the terms of the Lease to be repaired and made good by Lessee. If Lessee shall refuse or neglect to commence such repairs and complete the same within such period, the Lessor may make such repairs or cause the same to be made, and shall submit to the Lessee a statement of all expenses incurred in the making of such repairs.

(v) Observance of Laws. The Lessee will during the whole of said term keep the Leased Property in a strictly

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clean and sanitary condition and observe and perform all laws, ordinances, rules and regulations whether now or hereafter made by any governmental authority for the time being applicable to said Property or the use thereof, and will indemnify the Lessor against all actions, suits, claims and damages by whomsoever brought or made by reason of the non-observance or nonperformance of said laws, ordinance, rules, and regulations or of this covenant.

(b) Surrender of Leased Property. Upon the termination of the Lease, it shall be lawful for the Lessor to re-enter and repossess the Leased Property and the Improvements thereon, and the Lessee, in such event, does hereby waive any demand for possession thereof and agrees to surrender and deliver the Leased Property and the Improvements thereon peaceably to the Lessor immediately upon such termination in good order, condition and repair except for reasonable wear and tear.

Titles

SECTION 13

Any titles of the several parts and sections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of its provisions.

Counterparts

SECTION 14

This Agreement is executed in four (4) counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Lessor has caused this Lease to be duly executed in its behalf by Frank B. Durkee, its Chairman, and Robert B. Bradford, its Executive Director, this 11th day of August, 1967, and its seal to be hereunto affixed; and the Lessee has caused this Lease to be duly executed in its behalf by its duly authorized officers, to-wit:

ROBERT V. TISHMAN its PRESIDENT, and
ALAN V. TISHMAN its VICE PRESIDENT, this
25th day of JULY, 1967, and its seal affixed hereto.

LESSOR,

REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO

By Frank B. Durkee
Chairman

By Robert Bradford
Executive Director

LESSEE,

TISHMAN SACRAMENTO, INC.

By Robert V. Tishman Pres.

By Alan V. Tishman OR

ATTEST:

W. P. [Signature]
Brian R. Van Camp

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STATE OF NEW YORK
COUNTY OF NEW YORK

ss BOOK 67-08-31 PAGE 1230

On July 25, 1967, before me, a Notary Public in and for said County and State, personally appeared ROBERT V. TISHMAN and ALAN V. TISHMAN, known to me to be the President and Vice-President respectively, of the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

Jacque Meete

Notary Public in and for said
County and State

My commission expires:

GOLDIE MEGWIN
Notary Public, State of New York
No. 51-7913300
Qualified in New York County
Commission Expires March 30, 1969

60822

DESCRIPTION OF INSTRUMENT OR OTHER FILE

STATE OF CALIFORNIA
County of Sacramento } ss.
On this 11th day of August
hundred and sixty seven, before me, Gloria G. Shepherd
in the year one thousand nine
a Notary Public, State of California, duly commissioned and sworn, personally appeared
Frank B. Durkee and Robert B. Bradford
known to me to be the Chairman and Executive Director, respectively
of the corporation described in and that executed the within instrument, and also known to me to be
the persons who executed the within instrument on behalf of the corporation therein named, and
acknowledged to me that such corporation executed the same. Lease and Option to
Purchase - Bank of America

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the
County of Sacramento the day and year in this certificate
first above written.

GLORIA G. SHEPHERD
NOTARY PUBLIC
SACRAMENTO COUNTY, CALIFORNIA
Country's Form No. 29 - (Revised 1-30-66) (Not for Corporation).
(C. C. Secs. 1190-1190.1) (Printed 1-30-66) 61-117

Gloria G. Shepherd
Gloria G. Shepherd,
Notary Public, State of California.
My Commission Expires February 14, 1971

7671-23

EXHIBIT "A"

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
1006 Fourth Street, Sacramento, California

DECLARATION OF RESTRICTIONS
Conditions, Covenants, Restrictions and Easements
Affecting the Property of the
Redevelopment Agency of the City of Sacramento,
a public body, corporate and politic.

THIS DECLARATION, made this _____ day of July, 1967,
by the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, herein-
after called the "Agency".

WITNESSETH:

WHEREAS, the Agency is the owner of a certain parcel
of property and space (hereinafter called "property" or "real
property") comprising a redevelopment site in the Redevelopment
Area in the City of Sacramento, County of Sacramento, covered,
in part, by the Redevelopment Plan adopted by the Agency by Reso-
lution No. 410, dated April 11, 1960, and approved by the City
Council of the City of Sacramento, County of Sacramento, by Ordi-
nance No. 2208, Fourth Series, adopted on the 16th day of June,
1960, and as amended by Ordinance No. 2423, Fourth Series, adopted
on the 1st day of November, 1962, the project contemplated by said
Redevelopment Plan being officially designated as the Capitol Mall
Extension, Project No. 3, and also covered, in part, by the Rede-
velopment Plan adopted by the Agency by Resolution No. 90, dated
August 31, 1955, and approved by the City Council of the City of

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Sacramento, County of Sacramento, by Ordinance No. 1936, Fourth Series, adopted on the 13th day of September, 1955, as amended, the project contemplated by said Redevelopment Plan being officially designated as the Capitol Mall Project Area No. 2-A;

WHEREAS, the Community Redevelopment Law provides that adequate safeguards shall be imposed so that the work of redevelopment will be carried out pursuant to the Plan and provides for the retention of controls and the establishment of restrictions and covenants running with the lands sold or leased for private use; and

WHEREAS, for the purpose of providing adequate safeguards that the work of redevelopment will be carried out pursuant to the Redevelopment Plans and to insure the best use and the most appropriate development and improvement of each building site thereof; to protect the owners of building sites against improper use of surrounding building sites; to protect against depreciation in value of property in the Project Area; to preserve insofar as practicable the aesthetic development of the Project Area; to guard against the erection of poorly designed or proportioned structures; to insure the highest and best development of said property; to encourage and secure the erection of attractive structures thereon, with appropriate location of such structures on building sites; to prevent inharmonious improvement of building sites; to secure and maintain proper and safe setbacks from streets; to provide free space between structures; and in general

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to provide an adequate plan for safeguarding the work of redevelopment in maintaining a high quality of improvements on said property, thereby enhancing the value of investments made by purchasers of building sites therein, the Agency is desirous of subjecting the real property hereinafter described to the restrictions, covenants, reservations, easements, liens and charges hereinafter set forth, each and all of which is and are for the benefit of said property, and for each owner thereof, and for the benefit of the land in Project No. 3 and Project No. 2-A, and for each owner thereof, and shall inure to the benefit of said property, and for each owner thereof, and pass with said property and each and every parcel thereof, and shall apply to and bind the successors in interest and any owner thereof.

NOW, THEREFORE, the Redevelopment Agency of the City of Sacramento hereby declares that the real property described and referred to in Paragraph 1 hereof, is and shall be held, transferred, sold and conveyed subject to the conditions, restrictions, covenants, reservations, easements, liens and charges hereinafter set forth.

1. Property Subject to this Declaration. The real property which is, and shall be, held and shall be conveyed, transferred and sold subject to the conditions, restrictions, covenants, reservations, easements, liens and charges with respect to the various portions thereof set forth in the various paragraphs and subparagraphs of this Declaration, is located in the

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City of Sacramento, County of Sacramento, State of California,
and is more particularly described as follows:

All that certain property and space contained within Parcel No. 1, as said Parcel is shown on that certain Parcel Map entitled "Portion of Block Bounded By 5th Street, 6th Street, K Street and L Street and Portion of 5th Street and K Street as Said Blocks and Streets are shown On That Certain Record of Survey Entitled 'Certain Blocks in Area Bounded by J and N Streets, 2nd and 8th Streets, City of Sacramento', Recorded in Book 18 of Surveys, Map No. 2, Sacramento County Records", said Parcel Map being recorded in the office of the Recorder of Sacramento County in Book 1 of Parcel Maps, at Page 52.

TOGETHER WITH an easement and right of way, but not the exclusive right, through all that certain property and space contained within Parcel No. 2, as said parcel is shown on said Parcel Map, so as to utilize said space for structural connections and anchorage of new structures to existing structures and for the use of the deck as the floor system of any new structure or structures and for the placement of utilities and any appurtenances appertaining thereto.

TOGETHER WITH an easement and right of way, but not the exclusive right, through all that certain property and space extending downward from the lowest planes of said Parcel No. 2 along the easterly and westerly walls, pile caps, piles, foundations and other structural supports for the deck of said Underpass

structure for the support of any new structure or structures.

2. Resubdivision. No resubdivision shall be permitted.

3. Land Use. The property covered hereby is restricted to a commercial bank building; and/or similar or associated private financial type institutional use, subject to the approval of the Agency.

4. Easements for Utilities. Easements for the installation and maintenance of utilities serving the Property are reserved as described in the legal description set forth in Section 1 hereof.

5. Physical Standards and Requirements.

(a) Area Control. The total gross floor area of the building shall not exceed 15,000 gross square feet on a main (mall or plaza level) and a mezzanine level.

(b) Setbacks. There are no setbacks required.

(c) Parking. Parking requirements will be satisfied by adjacent off-site public parking facilities.

(d) Truck Service.

(1) Minimum armored car service will be permitted over a public-pedestrian-emergency vehicle way adjacent to and east of the Property.

(ii) Other truck service shall be promoted

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from the common lower level truck service facilities located east of and below the said property and space.

(e) Signs. All exterior signs shall be approved by the Agency.

(f) Drainage. Storm drainage for all hard surfaced areas, including driveways, parking and service areas, terraces, plazas, marquees and roofs shall be drained to storm sewers. No drainage shall flow across public sidewalks. All non-polluted waste water, such as waste air-conditioning water, shall be drained to the storm drainage system. Sanitary sewer drainage must be connected to City sanitary sewer line.

(g) Landscaping. Landscaping shall be provided in connection with the adjacent public pedestrian ways and plazas.

(h) Construction. All buildings constructed in the area covered by this Declaration of Restrictions shall be constructed in accordance with building codes of the City of Sacramento.

6. Review of Plans. Prior to the commencement of construction of any buildings or other improvements upon any parcel of property covered hereby, architectural plans, site plans and specifications for the construction of buildings, signs, landscaping and other improvements shall be submitted to the Agency for review and approval. Such plans and specifications shall be in sufficient detail to enable the Agency to determine their compliance

with these Restrictions and to insure the proper development of the area in accordance with the intention of the Redevelopment Plans. The Agency shall examine these plans and specifications and they shall be deemed approved unless the Agency shall give written notice of its rejection of such plans and specifications within thirty (30) days after their submission. Such written rejection shall specify, in detail, the reasons therefor. The provisions of this paragraph shall also apply to any amended or corrected plans.

If the plans and specifications are approved by the Agency or if no action is taken by the Agency within thirty (30) days after submission, no further filing with the Agency or approval by the Agency shall be required.

7. Nondiscrimination. There shall be no discrimination against or segregation of any persons or group of persons on account of race, creed, color, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, and tenure or enjoyment of the property subject hereto, nor shall any grantee of the property covered hereby or any person or persons claiming under or through him 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, sub-lessees, or vendees in the premises conveyed.

8. Term. These covenants are to run with the land and shall be binding on all parties and all persons claiming under

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them. All the property described in Section 1 hereof, and all parts thereof, which shall be sold or conveyed, held, used and leased shall be subject to these restrictions which are hereby declared to be for the benefit of all said property and each and every owner thereof and shall pass with said property and each and every parcel thereof and are applied to and bind the respective successors in interest of the Agency. Covenants and conditions contained herein shall run for a period of thirty (30) years from June 16, 1960, except the covenants and conditions contained in Paragraph 7 hereof, shall run in perpetuity. All other covenants and provisions contained herein may be extended for successive periods of ten (10) years by an instrument agreeing to such extension or extensions filed by a majority of the owners of the parcels of property covered hereby and then recorded in the office of the County Recorder of Sacramento County, State of California.

9. Enforcement. In the event of any breach of any of the covenants contained herein, the Agency shall endeavor immediately to remedy such breach by conference, conciliation and persuasion. In the event of failure so to remedy such breach or in advance thereof, if in the opinion of the Agency circumstances so warrant, said breach shall be enjoined or abated by appropriate proceedings brought by the Agency.

The Agency may institute or prosecute in the name of the owners of property covered by this Declaration or Restrictions any suit which such Agency may consider advisable in order to compel and obtain a decree for specific performance of any obligation

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of any owner to develop and maintain the property in conformity with plans and specifications as approved by the Agency. Any owner or owners, singly or collectively, of any of the real property covered by these Restrictions are made, may at any time prosecute any proceedings in law or in equity in the case of any violation or attempt to violate any of the covenants contained herein. The provisions contained herein shall be construed as covenants running with the land and not as conditions which might result in forfeiture of title.

10. Foreclosure and Enforcement of Liens. The provisions of this Declaration of Restrictions do not limit the right of the obligees to foreclose or otherwise enforce any mortgage, Deed of Trust, or other encumbrance upon the property covered hereby or any portion thereof, or the right of any obligees to exercise any of its remedies for the enforcement of any pledge or lien upon property covered hereby; Provided, however, that in the event of any foreclosure, under any such mortgage, Deed of Trust, or other lien or encumbrance, or a sale pursuant to any power of sale included in any such mortgage or Deed of Trust the purchaser or purchasers and their successors and assigns and the property shall be, and shall continue to be subject to all of the conditions, restrictions, and covenants contained herein.

11. Amendment. If at any time the Redevelopment Plans are amended in any manner as is now or hereafter permitted by law, this Declaration of Restrictions may be amended accordingly.

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12. Dissolution. In the event the Agency shall be abolished or its designation changed by or pursuant to law, its powers, rights and functions under this Declaration of Restrictions may be transferred by or pursuant to law to any other governmental officer or agency; provided, that in the event of such abolition of the Agency without specific provision of law for such transfer of powers, duties, rights and functions, then the City of Sacramento, County of Sacramento, State of California, shall succeed to the same.

13. City Codes and Redevelopment Plan. Nothing contained herein shall be construed as permitting the violation of any requirement of the ordinances or other laws or rules of the City of Sacramento, or any of the provisions of the Redevelopment Plans for Project No. 3 or Project No. 2-A, it being the intent hereof to impose additional restrictions over and above the requirement of any such ordinances, rules, or provisions of the Redevelopment Plans for Project No. 3 and Project No. 2-A.

14. Other Property of the Declarant. The restrictions, covenants and conditions contained herein apply only to the real property described in Paragraph 1 hereof and do not apply to any other land which the Agency now owns, or may hereafter acquire.

15. Separability of Provisions. If any of the provisions of this Declaration of Restrictions shall be held invalid by any court of law, the validity of the remainder of this Declaration of Restrictions, and the applicability of such provisions to

any other owner or owners of parcels of land shall not be affected thereby.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Sacramento has caused these presents to be executed as of the day and year above written.

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

Frank B. Durkee
Chairman

By Robert Bradford
Secretary

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STATE OF CALIFORNIA,
County of Sacramento } ss.
On this 11th day of August in the year one thousand nine hundred and sixty seven, before me, Gloria G. Shepherd a Notary Public, State of California, duly commissioned and sworn, personally appeared Frank B. Durkee and Robert B. Bradford known to me to be the Chairman and Executive Director, respectively of the corporation described in and that executed the within instrument, and also known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same. Declaration of Restraints - Bank of America (Not to Issue and of Cash to Purchase)

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the County of Sacramento the day and year in this certificate first above written.

 **GLORIA G. SHEPHERD**
NOTARY PUBLIC
SACRAMENTO COUNTY, CALIFORNIA

Gloria G. Shepherd
Gloria G. Shepherd, Notary Public, State of California.
My Commission Expires February 14, 1971

Cowdery's Form No. 28 - (Acknowledgment - Corporation).
(C. C. Secs. 1190-1190.1) (Printed 1-30-65) 61-0417

Terry S. Larson, MAI - Partner

California Certified General Real Estate Appraiser No. AG007041

QUALIFICATIONS

Terry Larson has been a professional real estate appraiser and consultant in Northern California since 1981. He concentrates his work in the San Francisco Bay Area and Sacramento Regions, but has also performed national assignments in over twenty states.

Terry began his career with American Appraisal Associates, the largest full service valuation firm in the world, providing valuation services for real estate, personal property, and intangible business assets. As manager of the Northern California Real Estate Valuation Group, his staff and territory covered California and assignments across the country.

Upon joining Smith & Associates in 1997, Terry expanded the firm's territory into Santa Clara, San Mateo, San Francisco and Marin Counties and built a group of appraisers that emphasize litigation support, eminent domain, partial interest valuations and special purpose properties, including airport appraisals. With over \$2 billion in annual valuations, Smith & Associates has three offices to serve client needs; Danville in the East Bay, San Mateo in Silicon Valley and Folsom in the Sacramento Region.

Terry regularly provides litigation support services for property analysis and valuation, deposition and expert witness testimony, arbitration & mediation services in disputes regarding real estate values and fair rental rates, and related matters.

CLIENTS

Banks and other lenders, developers, attorneys, private property owners, government agencies including cities and counties, the State of California, and the Federal Government. For a client list see our web page at www.SmithAssociatesInc.com.

EXPERT WITNESS TESTIMONY

Testified in dozens of cases including eminent domain representing agencies and private property owners, fire damage, diminution in value, contract fraud, land slide and breach of fiduciary responsibilities in real estate transactions.

Qualified Expert Witness in Superior Court for Santa Clara, Contra Costa, Marin and Sacramento Counties. Testified at San Mateo County Tax Board regarding the Redwood Shores Special Assessment District with an estimated value of \$1 billion. Testified in Santa Clara County Criminal Court as a percipient witness in a real estate fraud case.

SPEAKING ENGAGEMENTS

Southwest Chapter of the American Association of Airport Executives
Appraisals and Lease Negotiations, January 2011

Santa Clara County Brokers Association
Role of the Real Estate Appraiser, June 2008

Appraisal Institute Spring Litigation Conference
Subsurface Easements, May 2013

Terry S. Larson, MAI - Partner

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PROPERTY TYPES APPRAISED

Commercial	Retail, Office, Apartments, Hotels, & Restaurants.
Industrial	Warehouse, Industrial, R&D, Mini-Storage, Manufacturing Plants, Truck Facilities, Cross Docks, & Corporate Campuses.
Vacant Land	Industrial, Commercial, Agricultural, Residential & Mitigation.
Specialty	Golf Courses, Mixed-Use Projects, Food Processing, Jet Hangars, Fixed Base Operations, Sr. Housing, RV Parks, Right-of-Way, Easements, Detrimental Conditions, Partial Interests, Eminent Domain, Residential Subdivisions, Arbitration, Mediation & Appraisal Reviews.

WORK HISTORY

1997 – Present	Partner	Smith & Associates, Inc.
1996 - 1997	Commercial Realtor	Cornish & Carey, Investment Services Group
1988 - 1996	Senior Appraiser	Hulberg & Associates, Inc.
1981 - 1988	Appraisal Manager	American Appraisal Associates, Inc.

EDUCATION

Bachelor of Science, School of Business Finance, University of Oregon, 1980

Appraisal Institute Courses:

Real Estate Appraisal Principles; Basic Valuation Procedures; Capitalization Theory and Techniques; Standards of Professional Practice; Case Studies in Real Estate Valuation; Valuation Analysis and Report Writing; Uniform Standards of Professional Appraisal Practice (USPAP); Case Studies in California Eminent Domain; Federal and State Laws and Regulations; The Appraisers Workfile; Appraisals for Estate Tax Purposes; Valuations of Partial Interests; Fractional Interest and Business; California's Condemnation Process; Appraisal of Nursing Facilities; Right of Way Acquisitions; Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book).

International Right of Way Association Courses:

Appraisal of Partial Acquisitions; Eminent Domain Law, Basics for Right of Way; Issues in Eminent Domain Valuation; Telecommunications and Rights of Way.

PROFESSIONAL AFFILIATIONS

State of California Certified General Real Estate Appraiser, License No. AG007041
Member of the Appraisal Institute, MAI No. 11046
Member of the International Right of Way Association, Member No. 2508