

Attachment #4

Summit-Tamalpais 1st Appeal



Abbie Ridenour
Executive Director

3020 Hilltop Mall Rd.
San Pablo, CA 94086

summitps.org
@summitps

October 18, 2018

Summit Public Schools
780 Broadway
Redwood City, CA 94063

Re: The Charter School Facility Grant Program (SB 740);
Summit Public Schools - Tamalpais (CDS#07617960133637)
Notification of Request for Proper Grant Award Amount

Dear Ms. Johantgen,

Summit Public Schools ("Summit"), a recipient of the Charter School Facility Grant Program (SB740), respectfully requests that the California School Finance Authority ("CSFA") provide Summit Public Schools - Tamalpais ("Summit - Tamalpais") with an increased grant award amount based on eligible reimbursable rent and lease costs for the 2017- 2018 school year in accordance with Education Code 47614.5. This is our letter of formal appeal.

Summit seeks a grant award increase of \$96,812, to account for the difference between the \$97,751 of allowed lease costs recently indicated, and the actual rent and lease costs for 2017 - 2018 year, \$226, 833, based on the following: (1) Summit was previously notified by the CSFA that its allowable lease costs would be dramatically higher for 2017-2018, (2) the statutory changes capping allowable rent and lease costs were enacted just a few days prior to the end of the 2017-2018 fiscal year having the effect of impairing the obligations of Summit's contracts entered in reliance on the previous CSFA grants and funding determination rubric, (3) the reduction in Summit's allowed rent and lease costs does not reflect the increased square footage Summit occupied in 2017- 2018 as enrollment expanded, and (4) the change in regulations/implementation of SB740 disproportionately impacts growing charter schools.

In May 2016, Summit - Tamalpais sent CSFA a copy of the original lease it entered for 2016 - 2017, which specified that the school would add a grade level each year and pay corresponding increases in lease costs that align with square footage usage as well as Summit's ability to pay. That lease has never been modified or changed.

At the beginning of the 2017 - 2018 school year, Summit - Tamalpais grew from one grade to two, with the monthly rent increasing from \$9,583 per month to \$19,750 per month. The \$19,750 reflected the lease-defined minimum base rent of \$17,250, plus a per-student premium of \$2,500 for exceeding Summit's minimum per-student enrollment





(\$416.67 for every 5 students enrolled over 207; 30 additional students for 17/18, equating to $6 \times \$416.67 = \$2,500$).

Summary

In line with CSFA's apportionment schedule, on November 3, 2017, Summit received an email from CSFA detailing the first disbursement amount. The recognized lease costs were listed as \$198,500, a figure derived from the minimum monthly rent detailed in the lease. On March 1, 2018, Summit received another email from CSFA detailing its second disbursement, and again, the recognized lease costs were listed as \$198,500.

The actual lease costs for the year totaled \$226,833, due to additional enrolled students. As you know, the difference in recognized lease costs is typically accounted for during the True-Up process, which typically occurs before the third disbursement of grant money is released by CSFA. This CSFA practice can be found in the Education Code 47614.5 (c)(4)(B), which provides that "this apportionment [second apportionment] shall be 75 percent of the charter school's estimated annual entitlement, as adjusted for any revisions in cost, enrollment, and other data relevant to computing the charter school's annual entitlement..."

Following Summit's second apportionment, and during the True-Up process practiced in previous years, Summit sent CSFA a detailed final accounting of all lease charges incurred during the 2017 - 2018 school year, which totaled \$226,833. The email was received and acknowledged by CSFA on the same day.

Subsequently, CSFA sent Summit an email on September 19, 2018, detailing the upcoming third and final disbursement of funds for Summit - Tamalpais. Per the email, Summit - Tamalpais' recognized lease costs had been lowered from \$198,500 to \$97,751. This information was provided to Summit after the end of the fiscal year and after the audit of the 2017-2018 fiscal year.

Guiding Principles

Education Code 47614.5 provides that "the Charter School Facility Grant Program is ... intended to provide assistance with facilities rent and lease costs for pupils in charter schools." Unless funds are not available, "charter schools shall receive an amount equivalent to one of the following, whichever is less:

- A. Seventy-five percent of annual facilities rent and lease costs for the charter school.
- B. For the 2017-18 fiscal year, an amount equal to one thousand one hundred seventeen dollars (\$1,117) per unit of average daily attendance, as certified at the second principal apportionment.

In reliance on CSFA's grant and funding formula, Summit entered into a lease agreement for the 2016 - 2017 school year that allowed for the addition of grade levels and square footage usage consistent with the school's growth. Summit's 2017 - 2018



annual rent and lease costs total \$226,833. Applying the formula, the expected grant award amount apportioned should be roughly \$170,125 in rent subsidy.

2017-2018 SB 740 Analysis	Lease Costs	SB 740 Subsidy
Original Lease Annual Amount	\$198,500	\$148,875
Actual Lease Costs	\$226,833	\$170,125
Revised Lease Allowed	\$97,751	\$73,313
Negative Subsidy Impact		-\$96,812

While Summit acknowledges that the statutory changes capping allowable rent and lease costs were enacted likely due to the oversubscription, the revised regulations were not adopted until two months after the school year and budget year in question had ended, leaving the school no ability to prepare or adjust the budget for the unanticipated shortfall. The result having a negative financial impact for the 2017 -2018 year of roughly \$96,812.

The Education Code makes clear that the grant program is subject to available funding; however, CSFA previously notified Summit that even though the program was oversubscribed, Summit's allowable lease costs would be dramatically higher for 2017-2018 school year. Furthermore, CSFA has had Summit - Tamalpais' lease on file since May 2016, which outlined the rent agreement for future years in detail. Though not required by the regulations, and as a gesture of goodwill, Summit is providing a current market rent study from a certified appraiser which shows that Summit's lease costs remain well below market rate for the facility.

Adding to the unexpected financial costs that Summit - Tamalpais now has to bear, the recent changes in the implementation of SB740 adversely and disproportionately impact other growing charter schools as well. While the need for CSFA to verify market lease amounts is understandable, applying the same year-over-year rent increase standards to growing schools as fully enrolled schools presents a crippling financial and retroactive hardship for schools such as Summit - Tamalpais. Non-growing charter schools are not having to shoulder this burden. Additionally, the retroactive impact on the budget for 2017 - 2018 and future budgets will take valuable resources away from students. Outside of budget impact, this disproportionate impact on Summit - Tamalpais and other growing charter schools may negatively impact the relationship between charters and charter authorizers and may impair future charter renewals.

Conclusion

Summit - Tamalpais respectfully requests that the CSFA provide Summit with an increased grant award amount of \$96,812 based eligible reimbursable rent and lease costs for the 2017- 2018 school year. Summit also requests that the recent regulations guiding the Charter School Facility Grant Program be revised to provide fairness and equity to all growing charter schools.



Summit - Tamalpais look forward to hearing from you soon.

Sincerely,


Abbie Ridenour

Executive Director

Summit - Tamalpais

Attachments:

- Appraisal report for Summit - Tamalpais facility;
- Facility Lease;
- Email communications between CSFA and Summit regarding Summit - Tamalpais' rent costs and SB740 disbursements; and
- Chart showing calculations for expected versus proposed disbursements



Valbridge
PROPERTY ADVISORS

Appraisal Report

Summit Tamalpais Public School
3020 Hilltop Mall Road
Richmond, Contra Costa County, California 94806

Report Date: October 10, 2018



FOR:

Summit Public Schools
Clint Sholl
780 Broadway Street
Redwood City, California 94063

Valbridge Property Advisors

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October 10, 2018

Jeremy S. Bargy, MAI
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Clint Sholl
Summit Public Schools
780 Broadway Street
Redwood City, California 94063

RE: Appraisal Report
Summit Tamalpais Public School
3020 Hilltop Mall Road
Richmond, Contra Costa County, California 94806

Dear Mr. Sholl:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The property is improved with two school buildings and a gymnasium containing 134,919 square feet. The two buildings (Buildings A and B) are each approximately 61,419 square feet and the gymnasium is approximately 12,081 square feet. The buildings were constructed in 2014/2015 and are in overall good-to-excellent condition. The site consists of one parcel containing approximately 8.38-acres, or 365,120 square feet. The subject property, as referenced above, is further identified as Assessor's Parcel Number (APN) 405-303-015-3 (portion of).

The subject of this appraisal is for a portion of APN 405-303-015-3; Building A only, which shares access to the gymnasium and outside artificial turf playing field. Building A is approximately 61,419 square feet in size.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Clint Sholl and the intended users of this report are Summit Public Schools and California School Finance Authority for Charter Schools and no others. The intended use is for the Facility Grant Program eligibility and no other use. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

Value Conclusions

Component	As Is
Value Type	Fair Market Rent
Property Rights Appraised	Fee Simple
Effective Date of Value	October 5, 2018
Monthly Market Rent Conclusion	\$128,980
Per Square Feet	\$2.10/S.F.

Respectfully submitted,
Valbridge Property Advisors



Jeremy S. Bargy, MAI
Senior Appraiser
California Certified License #AG036071



Stephen D. Kuhnhoff, MAI, ASA
Managing Director
California Certified License #AG001791

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Summary of Salient Facts

Property Identification

Property Type	School
Property Address	3020 Hilltop Mall Road Richmond, Contra Costa County, California 94806
Tax Parcel Number	405-303-015-3 (portion of)
Property Owner	Hilltop Community Ventures, LLC

Site

Zoning	(CM-5)
FEMA Flood Map No.	06013C0227F
Flood Zone	X
Primary Usable Land Area - Acres	6.244 acres
Primary Usable Land Area - SF	365,120 sf

Existing Improvements

Property Use	School, University
Total Gross Building Area (GBA)	134,919 sf
Total Net Rentable Area (NRA)	134,919 sf
Rentable Area of Subject (Summit Tamalpais)	61,419 sf
Total Number of Buildings on Site	3
Number of Stories	2
Year Built	2015
Condition	Good to Excellent
Construction Class	C - Concrete Tilt-Up
Construction Quality	Good
Floor Area Ratio (FAR)	0.37
Surface Parking	114 spaces
Parking Ratio	0.84 spaces

Valuation Opinions

Highest & Best Use - As Vacant	Commercial development/School development with CUP
Highest & Best Use - As Improved	Existing improvements
Reasonable Exposure Time	6 to 12 months
Reasonable Marketing Time	6 to 12 months

Value Conclusions

Component	As Is
Value Type	Fair Market Rent
Property Rights Appraised	Fee Simple
Effective Date of Value	October 5, 2018
Monthly Market Rent Conclusion	\$128,980
Per Square Feet	\$2.10/S.F.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- None

Hypothetical Conditions:

- None

Aerial and Front Views

AERIAL VIEW



FRONT VIEW



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Introduction

Client and Intended Users of the Appraisal

The client in this assignment is Clint Sholl and the intended users of this report are Summit Public Schools and California School Finance Authority for Charter Schools and no others.

Intended Use of the Appraisal

The intended use of this report is for the Facility Grant Program eligibility and no other use.

Real Estate Identification

The subject property is located at 3020 Hilltop Mall Road, Richmond, Contra Costa County, California 94806. The subject property is further identified by Assessor Parcel Number 405-303-015-3 (portion of).

Legal Description

We were not provided with a legal description for the subject property.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a school property.

Use of Real Estate as Reflected in this Appraisal

Same as above.

Ownership of the Property

According to NDCdata, title to the subject property is vested in Hilltop Community Ventures, LLC.

History of the Property

To the best our understanding, ownership of the subject property has not changed within the past three years.

Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale.

Type and Definition of Value

The purpose of the appraisal is to estimate fair market rent for the subject. "Market rent," as used in this appraisal, is defined as "The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). ." (Source: The Dictionary of Real Estate Appraisal, Sixth Edition, pp 140)

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Fair Market Rent of the Fee Simple Interest	October 5, 2018

We completed an appraisal inspection of the subject property on October 5, 2018.

Date of Report

The date of this report is October 10, 2018, which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- None

Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions

- None

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified by a parcel number, plat map, and address.
- Economic Characteristics - Economic characteristics of the subject property were identified by a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified by our tour of the property and documents submitted for our review.

Extent to Which the Property Was Inspected

We inspected the subject on October 5, 2018. The improvements were not measured during the course of the inspection.

Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable lease transactions.

Type and Extent of Analysis Applied (Valuation Methodology)

The scope of this assignment is to provide our opinion of "fair market rent" for the subject. The subject consists of a school building. As such, to estimate market rent for the subject we researched and analyzed recent leases of industrial and office properties in the subject's market area, we also researched and considered school leases. Overall, we analyzed and considered market data with similar uses, location and/or with similar physical characteristics as the subject.

Appraisal Conformity and Report Type

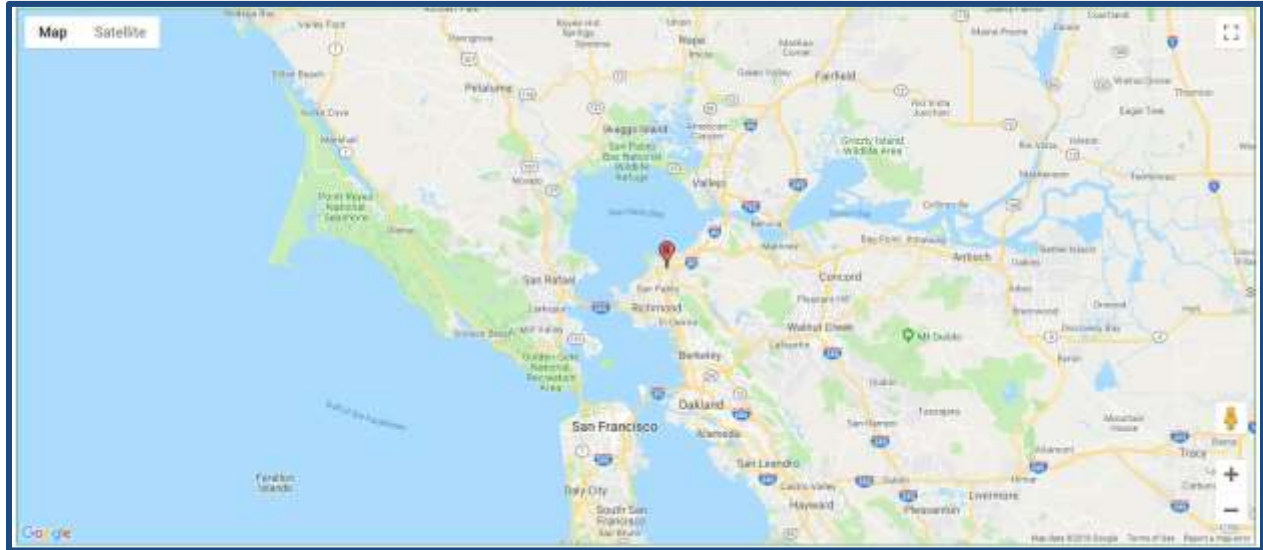
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.72 million as of January 1, 2018. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

Population

Contra Costa County is the third most populous of the nine counties comprising the San Francisco Bay Region with an estimated 1,149,363 residents as of January 1, 2018, according to estimates from the State of California Department of Finance, an increase of 0.9% over the previous year.

According to the Site to Do Business projections, presented below, the county's population is expected to increase 1.1% between 2018 and 2023, while Richmond will increase approximately 0.9% over the same period.

Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
California	33,871,648	37,253,956	1.0%	39,806,791	41,456,909	0.8%
Contra Costa County	948,816	1,049,025	1.1%	1,143,447	1,203,755	1.1%
Richmond City	99,538	103,847	0.4%	111,298	116,452	0.9%

Source: Site-to-Do-Business (STDB Online)

Transportation

With five major highways cutting through the County, the Bay Area Rapid Transit (BART) and Amtrak's Capitol Corridor connections, and the port of Richmond, California's fourth busiest port, Contra Costa County is also a critical regional transportation artery.

Air service in the area is provided by Oakland International Airport, which lies within Alameda County. The Oakland International Airport provides the East Bay Area region with air cargo, mail, and passenger services for businesses and individuals. In 2014, there were a total of 10,336,788 passengers that passed through the Oakland Airport, an increase of 6.1% over the number of passengers in 2013. The San Francisco International Airport (located 13 miles south of San Francisco) is also available to Contra Costa County travelers and handled more than 47.19 million passengers in 2014.

The highway transportation system is well developed and improving. However, the steady growth of jobs in the Silicon Valley over the past few years, coupled with residential growth in the south and east portions of the county, has caused an increasing problem of traffic congestion. Unquestionably, traffic is one of the main negative aspects of the county. Although many routes are at gridlock during peak commute hours, routes are being extended or expanded and public transportation is being improved. Although the jobs/housing balance is becoming a geographic issue, commute tolerance is at an all-time high, as residents are required to accept longer commute times.

Employment

Traditionally, Contra Costa County has had one of the highest rates of workforce participation in the country. The workforce tends to be relatively young and highly educated. The East Bay was one of California's fast-growing economic regions before the recession began, and once the region works through the effects of the downturn, it is expected to be one of the state's growth markets once again.

Employment by Industry - Contra Costa County

Industry	2018 Estimate	Percent of Employment
Agriculture/Mining	3,919	0.7%
Construction	39,750	7.1%
Manufacturing	35,831	6.4%
Wholesale trade	12,877	2.3%
Retail trade	55,426	9.9%
Transportation/Utilities	29,112	5.2%
Information	15,116	2.7%
Finance/Insurance/Real Estate Services	50,387	9.0%
Services	295,043	52.7%
Public Administration	22,394	4.0%
Total	559,854	100.0%

Source: Site-to-Do-Business (STDB Online)

Unemployment

The unemployment rate in Contra Costa County is currently less than the rates of the state and nation. The County unemployment rate was 3.3% as of August 2018. The State of California was at 4.4% while the Nation was at 3.8% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

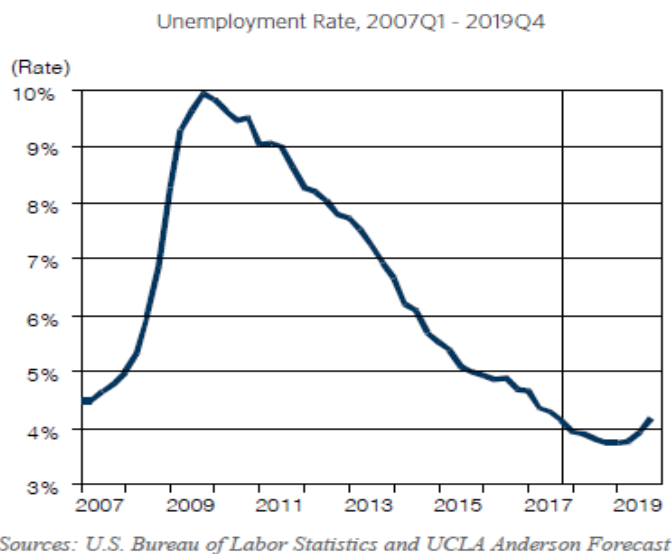
Unemployment Rates

Area	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	2018 YTD
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.8%
California	11.0%	9.6%	8.0%	6.6%	5.6%	5.1%	4.2%	4.4%
Contra Costa County	9.3%	8.0%	6.5%	5.2%	4.4%	4.0%	3.2%	3.3%

Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted

The information below was obtained from the "UCLA Anderson Forecast for the Nation: December 2017 Report," presented by the UCLA Anderson School of Management.

The forecast for 2018 is sunny, while 2019 will be cloudy according to the Anderson School of Management. The national GDP is growing at a strong rate and is expected to continue to do so through the second quarter of 2018, but then as the unemployment rate drops below 4% and employment growth slows due to a shortage of labor, growth will drop back to the 2% growth rate seen previously. By the end of 2019, the cloudy prediction is for a growth rate of 1.5% or possibly lower.



Monetary Policy In the Post-Yellen Era

The Janet Yellen era came to an end with Jerome Powell's appointment, however his views on monetary policy are very similar to hers on monetary policy and not many changes are expected on that front. That said, on regulatory policy, Powell is anticipated to be more open than Yellen when it comes to reconsidering the 2009-2012 financial crisis regulations. Therefore, it is anticipated that the gradual interest rate normalization policy that started in December and continued with a 25 basis point increase to the current 1.75% rate in March, will continue

with two more increases in 2018 and then well into 2019. By the end of 2019, the federal funds rate will likely approximate 3%.

Powell's Fed will also continue the policy of gradually shrinking the Fed's balance sheet, which began in October – quantitative easing that expanded the balance sheet from \$800 billion to over four trillion dollars over several years, now with a target of tightening back to \$2.5-\$3.0 trillion.

Inflation

It appears that the second quarter slowdown in inflation was transitory and inflation will continue in excess of 2% at a steady pace for the foreseeable future. The primary source for the rising inflation rate will be a significant rebound in wage growth, which after creeping along around 2%, is forecast to accelerate to approximately 4% by late 2018 on a year-over-year basis.

Real consumption spending is maintaining its strength experienced in 2016 by increasing 2.7% and 2.8% in 2017 and 2018, respectively. However, as auto sales slow in 2019 consumption growth will slip back to 2.2%. However, it is forecast by the Anderson report that as long as stock and house prices remain elevated, the consumer, or at least the high-end consumer, will remain in good shape. In the case of the lower end consumer they are encouraged by Wal*Mart reporting a strong 2.7% increase in year-over-year same store sales in their latest quarter.

Global Economy

In response to a recovering global economy, real exports are recovering from the near zero growth of 2015 and 2016. Real exports are estimated to increase by 3.2% this year and 4.5% and 4.1% in 2018 and 2019, respectively.

The real risk to our export forecast and for that matter the entire forecast is political. In less than a year, President Trump has dismantled the Trans Pacific Partnership (TPP) trade treaty and the global climate accord. The North American Free Trade Treaty (NAFTA) could be next. Leaving NAFTA is not so simple because it would undo countless supply chains among the three countries (U.S., Canada and Mexico) involved, and the gross trade volumes among the three NAFTA partners amounts to over one trillion dollars per year. Especially hard hit would be the U.S. automobile industry where parts cross borders several times in the manufacturing of a single automobile. In the view of the Anderson Report, should the U.S. leave NAFTA, the growth outlook would deteriorate and the chance of a recession in late 2018 or 2019 would significantly increase.

The California Forecast

In the September 2017 quarterly UCLA Anderson forecast essay UCLA Anderson Forecast Director and Senior Economist Jerry Nickelsburg stated that the forecast for California's unemployment is for continued growth, but that is likely due to the federal administration's difficulty getting legislation through Congress and a result of more job seekers brought into the market, rather than more jobs being available. The tightening of immigration rules is expected to have a significant effect in California, however due to protections already in place, not as big an effect as they might have otherwise had. California is expected to grow at a rate slightly faster than the US as a whole, and be at a 4.5% unemployment rate by the end of 2019.

Median Household Income

The median household income in Contra Costa County in 2018 was well above the state and national averages.

Total median household income for the region is presented in the following table. Overall, the subject compares unfavorably to the county, state and the country.

Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
California	\$69,051	\$81,023	3.5%
Contra Costa County	\$91,102	\$105,880	3.2%
Richmond City	\$57,431	\$66,652	3.2%

Source: Site-to-Do-Business (STDB Online)

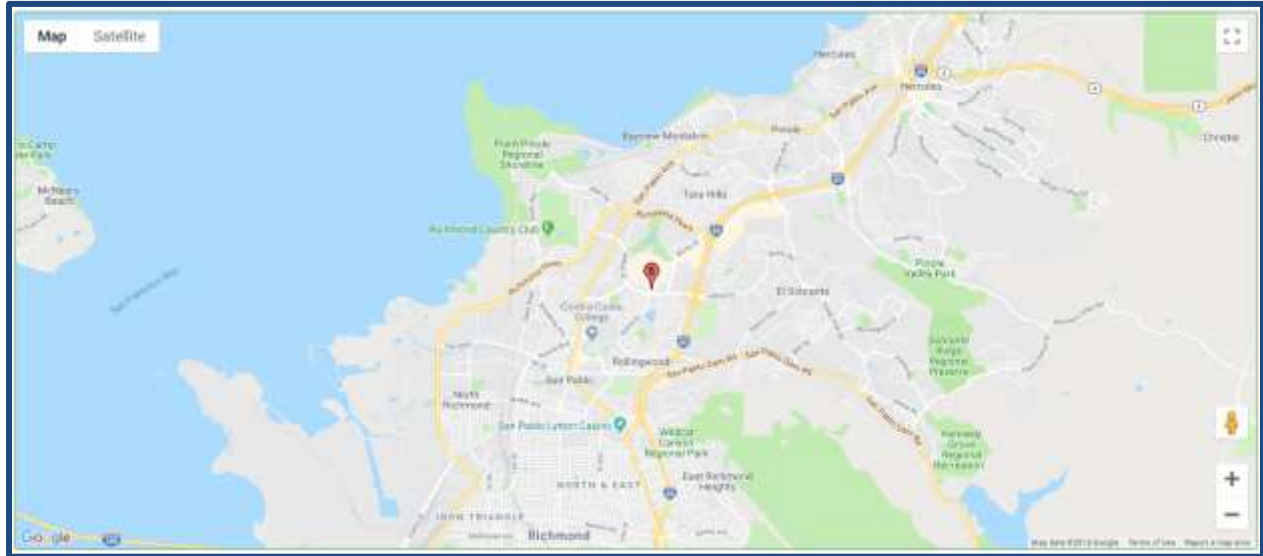
Conclusions

Overall, local economies are showing positive gains in employment, new residential construction, and rising housing prices. Desirable physical features and a well-diversified economy have historically attracted both businesses and residents to Contra Costa County. Furthermore, the unemployment rate in Contra Costa County has dropped considerably over the past several years, and the median household income compares favorably to that of the state and nation.

Traffic congestion continues to be a problem in the entire San Francisco Bay Region, including Contra Costa County. Nevertheless, local residents remain among the most affluent in the country. The intrinsic desirability of the region, a diverse economic base, historically strong long-term job and population growth, and a dwindling supply of vacant land provide strong support for commercial real estate values and their potential for long-term appreciation.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



The City of Richmond is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north). Oakland is 20 minutes away by freeway, and Central Marin County is a 15-minute drive across the Richmond-San Rafael Bridge. The population within a 30-mile radius of Richmond is over 3.7 million.

Today, Richmond covers 56 square miles. The economy is undergoing a major transition from its former heavy industrial character, to high-tech and light industrial companies. Richmond is a growing maritime, industrial, and residential community with Point Richmond being designated a historical landmark. Recent redevelopment in downtown Richmond has also been a positive force in transforming the city.

Richmond is a central transportation hub in the San Francisco Bay Area, with two Interstate Highways (Interstates 80 and 580), two railroads (Santa Fe and Southern Pacific), a deep water shipping port, several AC Transit public bus lines, and USA-wide passenger rail service from the combined Bay Area Rapid Transit (BART) local commuter rail system and AMTRAK station located in Richmond. The Port of Richmond contains seven City-owned terminals, 5 dry-docks, and 11 privately owned terminals. Oakland International Airport is located 18 miles away; San Francisco International is located within 28 miles, providing Richmond with air passenger and freight service.

Major employers in Richmond include: Chevron USA, Kaiser Permanente (medical), Berlex Laboratories, Safeway Stores, Macy's Department Store, MSC Pinole Pointe Steel, and Bio-Rad Laboratories.

At the southern end of the city is the Port of Richmond. A number of shipping companies operate within the port, and include BHP International Marina Transport, STAR Shipping, Tokai Shipping, SK

Shipping and Gear Bulk Shipping, as well as the previously mentioned Richmond-San Francisco Ferry Service.

Although the surrounding Marina Bay Area in southern Richmond has historically been used for heavy industry, distribution and port activities, it has been in transition to more intensive, modern uses since the late 1980's. A 362-acre, mixed-use waterfront project has, since that time, been developed by the City of Richmond, Penterra Company, along with other developers. With substantially higher prices in nearby Berkeley, Emeryville and Marin; Richmond has benefitted from being a more affordable alternative for residents and businesses alike.

The City of Richmond can be broken up into four areas, North Richmond, Central Richmond, East Richmond and South Richmond:

- *North Richmond* is the area north of Barrett Avenue and west of Interstate 80. A large portion of this area is residential which is primarily located on the east side. The west side is predominantly industrial. Commercial uses exist along major corridors and shopping centers at major intersections.
- *Central Richmond* is the area between Barrett Avenue, Highway 580 to the south and Interstate 80 to the east. This area has a combination of older residential, commercial and city central uses. The downtown Richmond area is roughly bordered by Barrett Avenue to the north, and Macdonald Avenue to the south, 6th street to the west, 23rd Street to the east. The area once featured major department stores and other chains such as J.C. Penney, S. H. Kress & Co., and Sears before Hilltop Mall was built in the 1970s. The area is currently undergoing a revitalization effort by the city, which has included the Richmond Shopping Center and the Richmond Transit Village—coined Metro Walk by the developers, which includes the Richmond BART and Amtrak station.
- *South Richmond* is the area south of Highway 580. This area includes mostly older residential and industrial uses near the freeway and newer residential and R&D buildings interspersed with older heavy manufacturing near the waterfront.
- *East Richmond* is the area east of Interstate 80 and is predominantly residential. This area abuts El Cerrito to the south.

Neighborhood Location and Boundaries

The subject is located in the Hilltop neighborhood of North Richmond. The neighborhood is generally bound by Interstate 80 to the east, Richmond Parkway to the north, and Hilltop Drive to the south.

The subject is located within very close proximity to Hilltop Mall which is a mall (just north of the subject) constructed in 1976 and containing over 1.0 million square feet of retail space. The mall contains several anchors and national retailers, consistent with other typical regional malls. There are also a variety of other retail centers and car dealerships near the on-off ramps of Interstate 80 which are also north of the subject.

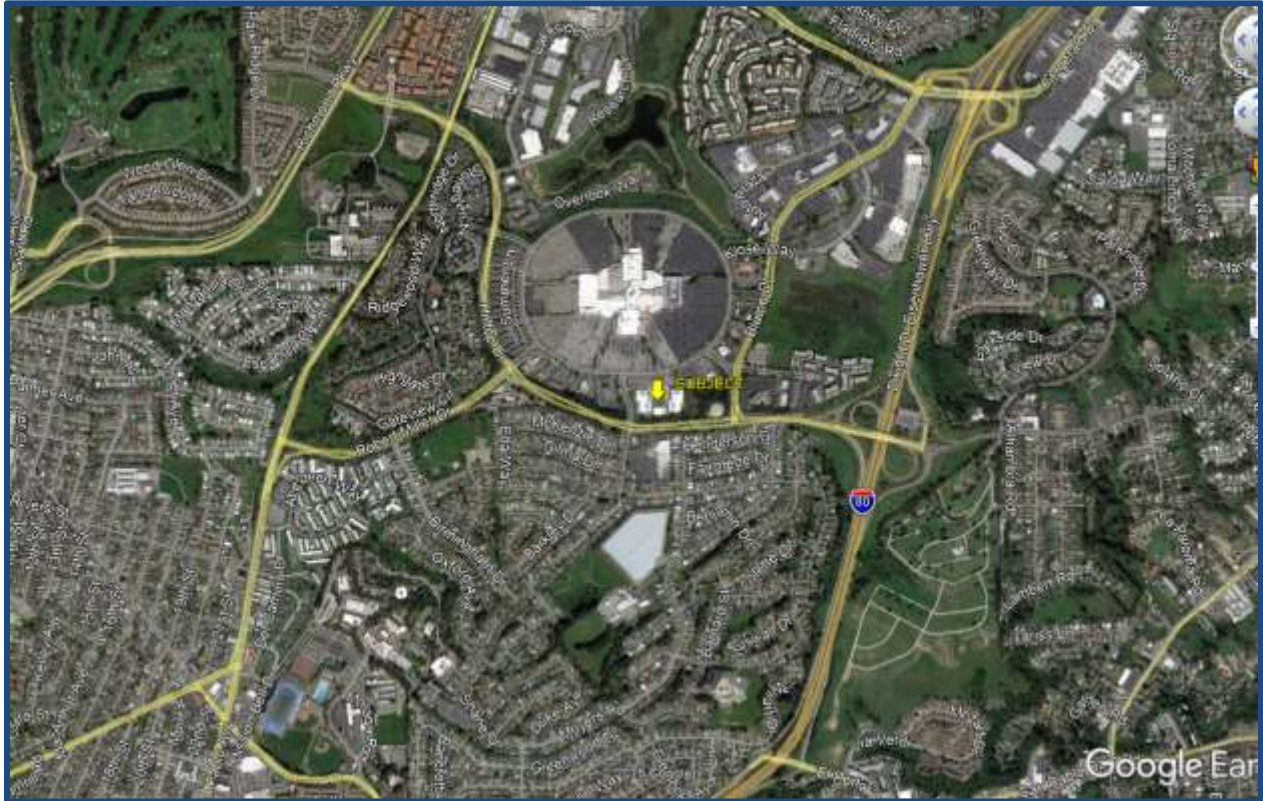
The area south of the subject, south of Hilltop Drive, is dominated by residential neighborhoods. We note that there are also a variety of schools in the area including Highland Elementary School south of the subject, La Cheim School to the southwest, and Making Waves Charter School which is north along Lakeside Drive.

Making Waves Charter School is currently being expanded, which shows the growing demand for schools in the area. The Making Waves Academy Expansion project includes the expansion of an existing middle and high school campus on Lakeside Drive in Richmond from 6.45 acres to 20.25 acres. The school will increase student enrollment in grades 5 through 12 from approximately 800 to a maximum of 2,050, and increase the number of staff from 70 to 300. In addition to renovations to the existing three classroom buildings, the project would demolish approximately 165,387 square feet of existing one- and two-story commercial buildings on six parcels and construct three new classroom buildings and two new gymnasiums. The project would also include outdoor physical recreation areas (i.e., playing and sports fields, play structures and ball courts, recess yards) and associated parking and infrastructure improvements. The expanded school is projected to be fully constructed and operational by the end of 2019.

Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject include Richmond Parkway and San Pablo Avenue. The subject is located just north of Hilltop Road which provides access to Interstate 80 within very close proximity east of the subject. Overall, access to the area is considered good.

An aerial photograph of the subject immediate area is presented below.



Demographics

The following table depicts the area demographics in Richmond within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
Population Summary			
2000 Population	13,310	96,095	198,339
2010 Population	16,826	100,823	206,901
2018 Population	17,634	107,041	220,828
2023 Population Estimate	18,256	111,546	230,657
Annual % Change (2018 - 2023)	0.7%	0.8%	0.9%
Housing Unit Summary			
2000 Housing Units	4,806	32,773	68,296
% Owner Occupied	54.7%	59.4%	60.2%
% Renter Occupied	41.9%	37.9%	36.7%
2010 Housing Units	6,453	36,184	74,774
% Owner Occupied	48.3%	53.4%	55.3%
% Renter Occupied	44.6%	39.3%	37.3%
2018 Housing Units	6,583	37,435	77,894
% Owner Occupied	47.7%	52.5%	54.3%
% Renter Occupied	46.9%	41.8%	39.7%
2023 Housing Units	6,739	38,713	80,848
% Owner Occupied	50.2%	55.7%	57.2%
% Renter Occupied	45.1%	39.0%	36.9%
Annual % Change (2018 - 2023)	0.5%	0.7%	0.7%
Income Summary			
2018 Median Household Income	\$70,405	\$64,550	\$66,684
2023 Median Household Income Estimate	\$83,538	\$76,874	\$78,162
Annual % Change	3.5%	3.6%	3.2%
2018 Per Capita Income	\$32,293	\$28,891	\$30,726
2023 Per Capita Income Estimate	\$38,418	\$34,329	\$36,118
Annual % Change	3.5%	3.5%	3.3%

Source: Site-to-Do-Business (STDB Online)

Conclusions

This subject is located in Richmond within an area dominated by commercial and residential land uses. Properties in the immediate area were built from the 1970's and are generally in average to good condition. The subject's immediate neighborhood is considered to be in the mature stage of its life cycle. The subject is located within close proximity to supporting residential neighborhoods, commercial establishments, and transportation networks. Overall, for a school, the location is considered to be appealing.

Site Description

The subject site is summarized as follows:

Site Characteristics

Location:	3020 Hilltop Mall Road, Richmond
Gross Land Area:	8.38 Acres or 365,120 SF
Usable Land Area:	6.24 Acres or 272,000 SF
	The difference between gross and usable area is attributed to an approximation of sloped site area.
Usable Land %:	74.5%
Shape:	Irregular
Topography:	Generally level
Drainage:	Assumed adequate
Grade:	Level
Utilities:	All typical utilities are available to the site.
Off-Site Improvements:	Hilltop Mall Road is a fully improved asphalt-paved roadway with concrete curbs, gutters, sidewalks, and streetlights.
Interior or Corner:	Corner
Signalized Intersection:	No
Excess Land:	None
Surplus Land:	None

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Hilltop Mall Road	Shane Drive
Frontage (Linear Ft.):	270	530
Number of Curb Cuts:	1	1

Flood Zone Data

Flood Map Panel/Number:	06013C0227F
Flood Map Date:	06-16-2009
Flood Zone:	X; an area determined to be outside the 100 and 500-year floodplains. Mandatory flood insurance purchase requirements do not apply.
Site Area in Flood:	0.00%

Other Site Conditions

Soil Type:	We were not provided any soils, geotechnical, or environmental reports. Appraisers are not experts with regard to soils, geotechnical, or environmental issues. For purposes of this
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	appraisal, we assume that a current report would reveal no soils, geotechnical, or environmental conditions that would impact the value and marketability of the property. We make no warranties or representations as to soil toxicity matters.
Environmental Issues:	A Phase I Environmental Site Assessment was not provided to the appraisers for review. As real estate appraisers, we are not qualified to determine if the soil or ground water is contaminated or if there are onsite or offsite sources of contamination. For the purpose of this appraisal, it is assumed the site is environmentally clean.
Easements/Encroachments:	We had asked for but were not provided with Preliminary Title Report for the property. As such, this appraisal must assume that there are no easements, restrictions, liens, defects, and/or encumbrances that may affect the marketability and/or value of the property. Should any exist and be presented to us, we reserve the right to amend our appraisal report.
Earthquake Zone:	The subject property is not located within Alquist-Priolo Special Study Zone for active earthquake faults. However, much of California including the San Francisco Bay Area are subject to various degrees of seismic risk.

Site Ratings

Access:	Average
Visibility:	Average

Zoning Designation

Zoning Jurisdiction:	City of Richmond
Zoning Classification:	CM-5,
General Plan Designation:	Medium Intensity Mixed-Use
Permitted Uses:	A variety of mixed-uses
Zoning Comments:	The CM-5 district is intended for mid and high-rise mixed-use development at major activity centers to serve the community and residents and businesses in the San Francisco Bay Area. Office, retail, entertainment and residential uses are allowed. Standards for physical form will create an urban character as envisioned in the General Plan with streets with minimal setbacks, wide sidewalks and public spaces that cater to pedestrians and transit riders.

Analysis/Comments on Site

The subject site consists of one parcel containing approximately 8.38-acres, or 365,120 square feet. The property is generally irregular in shape and level at street grade. However, a southern portion of the site (and Shane Drive) elevates uphill to the south. The site is located on the southeast corner of Hilltop Mall Road and Shane Drive in Richmond. Overall visibility and access are considered average

for the area. The site is zoned CM-5 Commercial Mixed-Use, Activity and the General Plan Designation is Medium Intensity Mixed-Use; overall a variety of mixed uses are legally permissible including residential, commercial, and institutional and community uses including government buildings and schools with a conditional use permit.

The site is improved with two school buildings and a gymnasium which are occupied by two schools that share the gymnasium, outdoor artificial turf playing field, and site common areas such as parking. The subject of this appraisal is for Building A only, which includes shared use of the gymnasium, artificial turf playing field, and parking. .

We are unaware of and assume that the property does not have any on-site contamination, clouds on title; or any other factor that would affect the utility, marketability and/or value of the subject property. Overall, the site is suited well for a variety of commercial uses, including its existing school use.

TAX/PLAT MAP



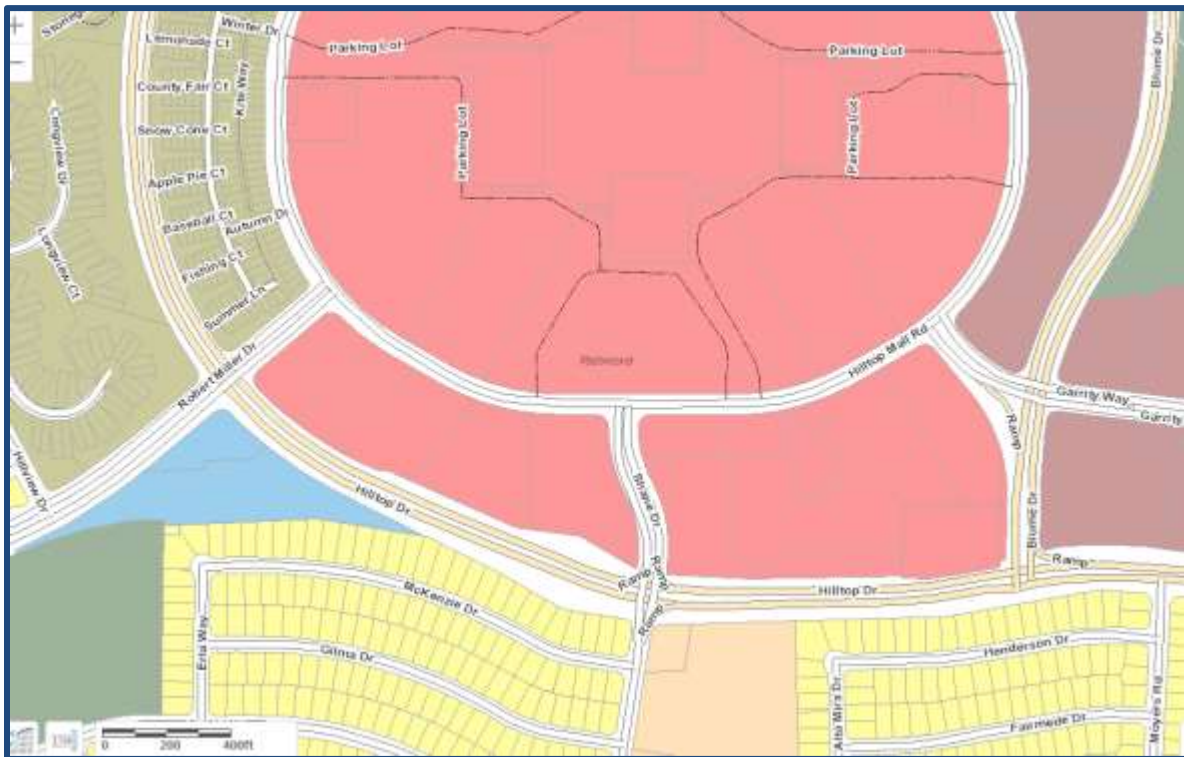
FLOOD MAP



ZONING/GENERAL PLAN MAPS



CM-5 Commercial Mixed-Use, Activity Center



Medium Intensity Mixed-Use (Gateway and/or Community)

Improvements Description

The property is improved with two school buildings and a gymnasium containing 134,919 square feet. The two buildings (Buildings A and B) are each approximately 61,419 square feet and the gymnasium is approximately 12,081 square feet. The buildings were constructed in 2014/2015 and are in overall good-to-excellent condition. The site consists of one parcel containing approximately 8.38-acres, or 365,120 square feet.

The subject of this appraisal is for Building A only, which shares access to the gymnasium and outside artificial turn playing field. Building A is approximately 61,419 square feet in size.

Improvement Characteristics

Property Type:	School
Tenancy:	Multi-Tenant (Two Schools)
Number of Buildings:	3
Number of Stories	2
Construction Class:	C - Concrete Tilt-Up per Marshall Valuation Service
Construction Quality:	Good
Gross Building Area (GBA):	134,919 SF (based on public records)
Net Rentable Area (NRA):	134,919 SF

Ratios & Parking

Land-to-Building Ratio:	2.02 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	0.37 (based on GBA)
Parking Spaces:	114
Parking Ratio:	0.8 (per 1,000 sf of GBA)

Age / Life

Year Built:	2015
Condition:	Good to Excellent
Actual Age:	3 years
Effective Age:	3 years
Typical Building Life:	50 years
Remaining Economic Life:	47 years

Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Concrete tilt-up
Exterior Walls:	Concrete/stucco
Roof Material:	Built-up composition

Mechanical Systems

Electrical:	Assumed adequate
Plumbing:	Adequate for existing uses
Heating:	HVAC
Air Conditioning:	HVAC
Fire Protection/Sprinklers:	Yes / 100% sprinkler protected
Number of Elevators:	1 in each building

Site Improvements

Primary Site Improvements:	The site is improved with two school buildings and a gymnasium. The remainder of the site is improved with an asphalt paved parking lot, an artificial turf outside playing field, and asphalt paved outdoor basketball courts.
Landscaping:	Good

Legal, Conforming Status

Legally Permitted Use:	Yes
Conformity Conclusion:	We assume that the subject has a use permit which allows the existing use.

Deferred Maintenance

There is no deferred maintenance.

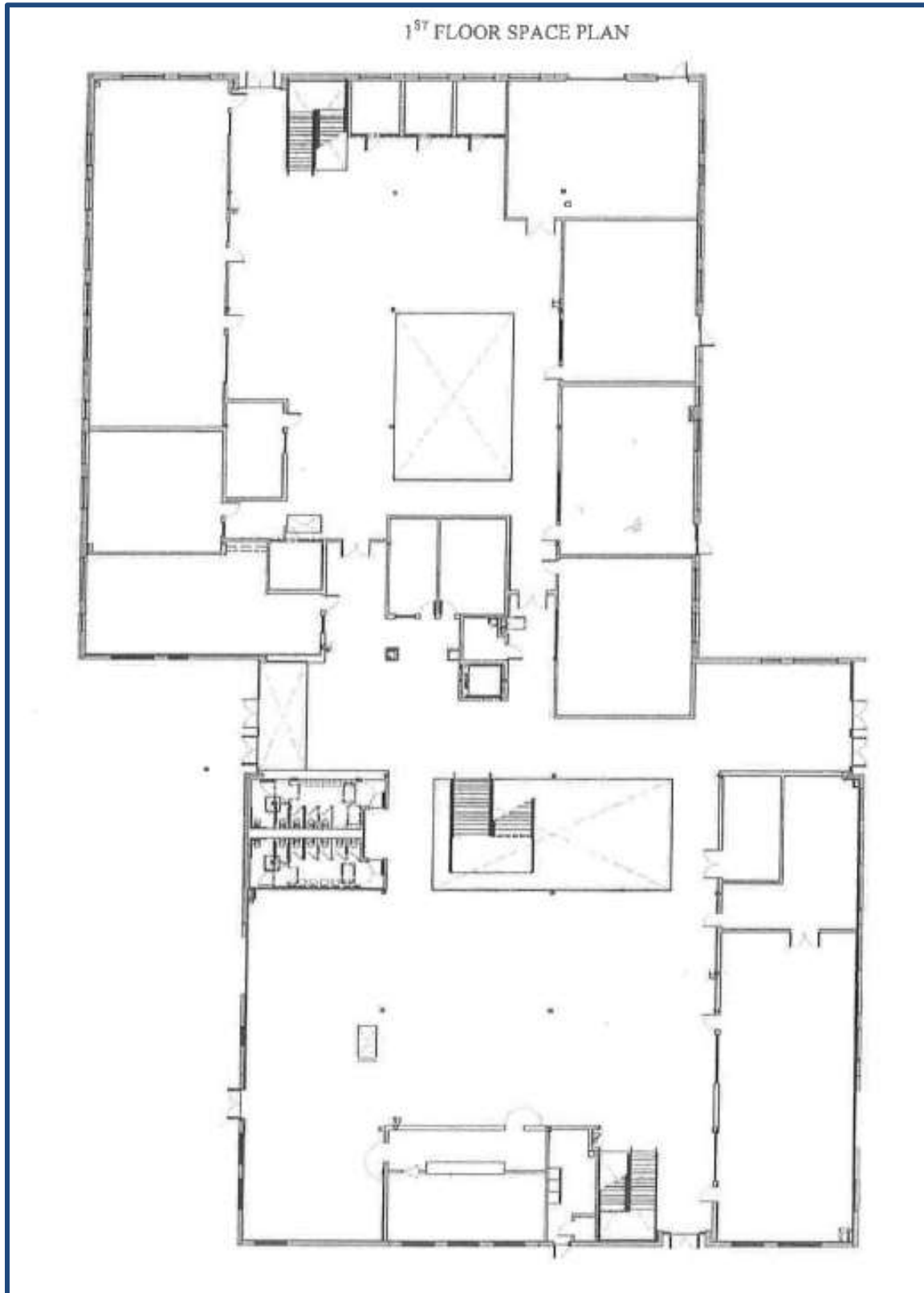
Analysis/Comments on Improvements

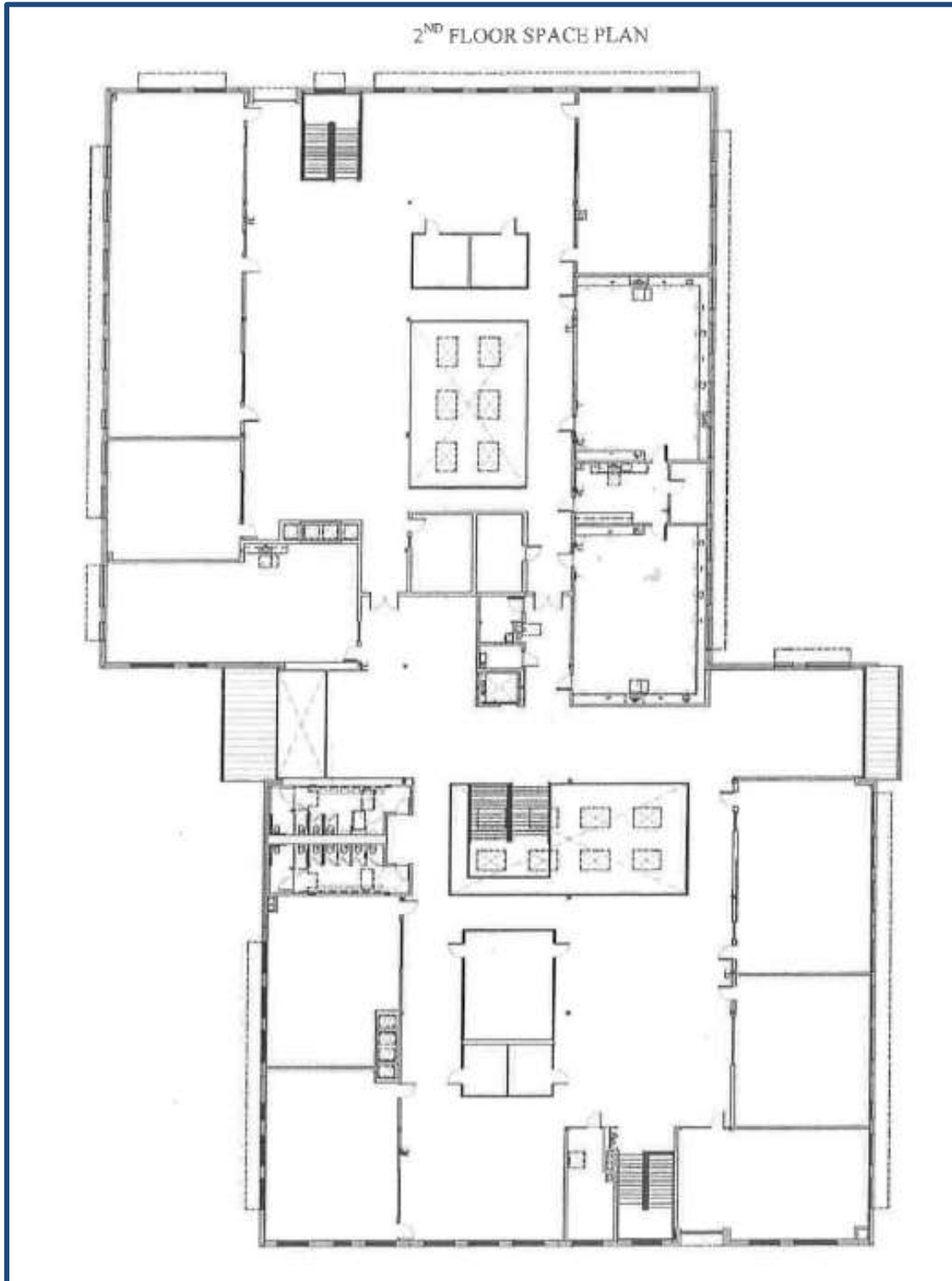
The property is improved with two school buildings and a gymnasium containing 134,919 square feet. The two buildings (Buildings A and B) are each approximately 61,419 square feet and the gymnasium is approximately 12,081 square feet. The buildings are of good-quality concrete tilt-up construction with stucco exteriors covering concrete panels, reinforced steel with steel upper-level floor plates, and extensive glass-line windows. The buildings were constructed in 2014/2015 and are in overall good-to-excellent condition.

The subject of this appraisal is for Building A only, which shares access to the gymnasium and outside artificial turn playing field. Building A is approximately 61,419 square feet in size. The interiors are demised as follows. The first floor contains a front administration area, two multi-fixture restrooms, six classrooms, a teacher's lounge, and a large cafeteria with food prep room containing sinks and metal kitchen fixtures. There are three interior stairwells and an elevator providing access to the second floor. The second floor contains nine classrooms, two multi-fixture restrooms, and two large lab rooms. Some of the classrooms have sliding dividing walls which can make for additional rooms. The labs have gas fixtures, sinks, and safety features such as emergency eye wash station, a shower, and a chemical storage room with fume hood.

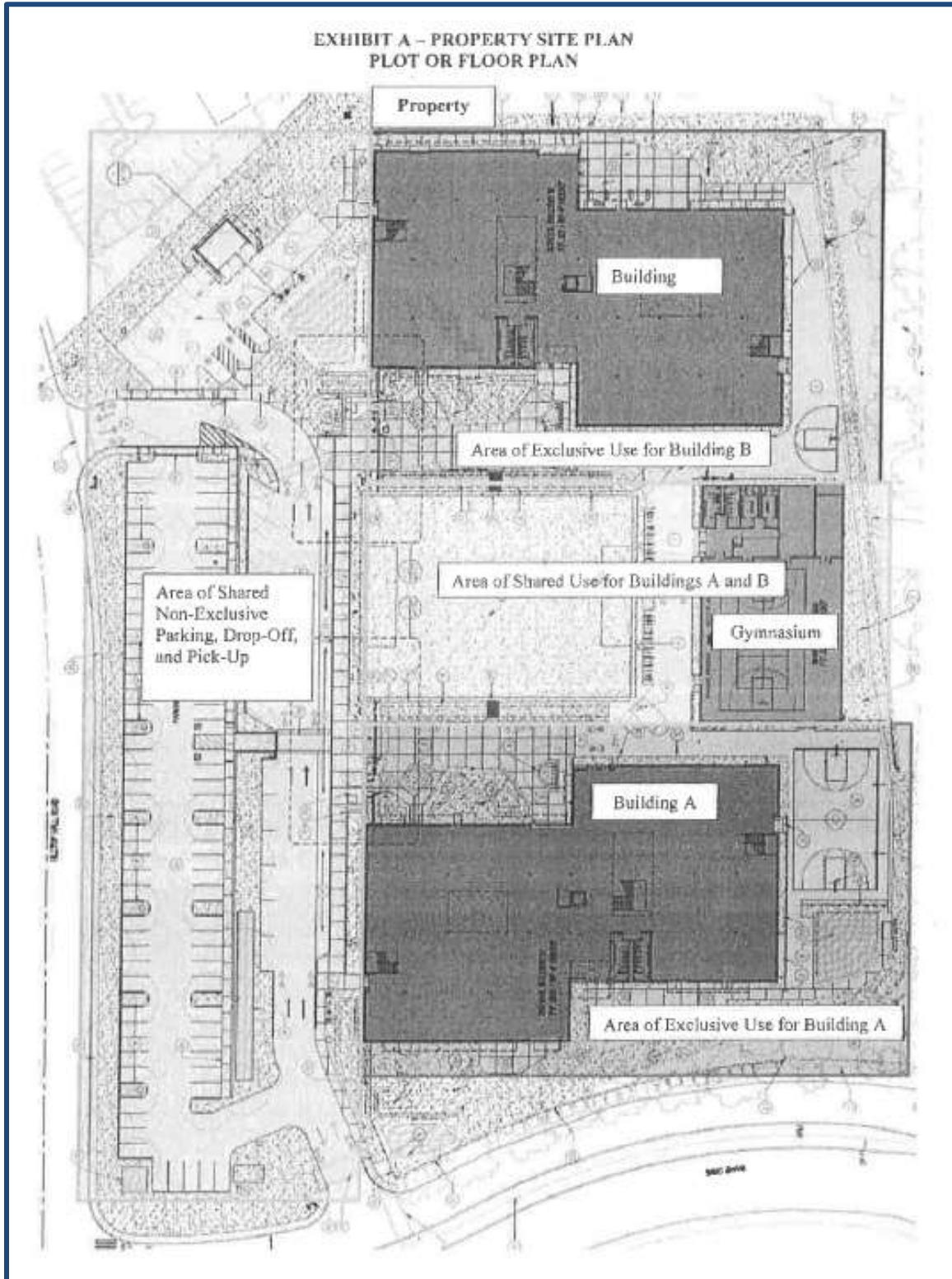
Overall, functional utility is rating average-good as the property caters well to its existing use and can also be utilized well for other commercial and institutional/community type uses, and the property conforms well to the neighborhood and adjacent land uses.

FLOOR PLANS





SITE PLAN



Subject Photos



View of Hilltop Mall Road



Front view of property



Exterior view



Interior view

Additional photos are included in the Addenda

Assessment and Tax Data

Assessment Methodology

The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Contra Costa County and is subject to both general taxes and direct assessments.

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes including direct assessments are shown in the following table:

Tax Schedule

Tax Year	Parcel Number	Assessor's Appraised Value - Land	Assessor's Appraised Value - Imp.	Assessed Value	Effective Tax Rate	Special Assessments	Tax Expense
2018	405-303-015-3	\$3,555,321	\$22,888,800	\$26,444,121	1.399100%	\$11,744	\$11,103
Total		\$3,555,321	\$22,888,800	\$26,444,121		\$11,744	\$11,103

General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject property is 1.3991%.

Current and Future Taxes

Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2 percent per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

Conclusions

The subject is a non-profit school. As such, a majority of the subject's taxes are exempt.

Market Analysis

Bay Area School Market

There is good demand and very limited supply for school property in the Bay Area. The general area is populated with wealthy, well-educated workers who value high quality educational opportunities for their children. There are relatively few sites suitable for use as schools and properties that do come to market typically generate considerable interest. These factors bode well for the subject property.

Larger educational facilities are typically owner-occupied and sell very infrequently. However, there are examples of major campuses being developed from the ground up in the Bay Area. The projects listed below and on the following page demonstrate demand for educational facilities from institutional users.

- For the past three years, Making Waves Academy, a charter school in Richmond, is assembling land for expansion. In its less than 10 years of operation, the school has outgrown its existing facility (800 school capacity), steadily increasing by 100+ students each academic year, since 2007. The school operates with a waiting list of 150-200 students for its fifth class, the only class that has opening each year. Making Waves has acquired over 20 acres of land in the past two years, in the vicinity of the existing school facility, and is planning to double the size of the campus, for a post construction facility of 230,000+ square feet on 34 acres.
- The City of Menlo Park in 2012 sold a 2.7-acre school campus in the Belle Haven neighborhood to the private Beechwood School, which had been leasing the site for more than three years. The school, which has been operating out of portable buildings for more than 20 years, is developing a permanent campus on the property expected to cost between \$6 and \$8 million.
- Santa Clara Unified School District and the City of San Jose were selected as the preferred bidder for the entire 81-acre site that makes up the former Agnew's Developmental Center in Santa Clara. The intended use includes a high school, a kindergarten through eighth-grade school, and the existing park.
- Harker School, one of the largest private schools in the South Bay, in January 2013 purchased the 8-acre former county children's center in San Jose. The school intended to refit the 75,000 square feet of building improvements, initially for a preschool. Harker planned to reposition the property as an elementary school that would house 600 students and 400 employees. Additional buildings would be constructed on the site including a 17,000-square-foot multi-purpose room, swimming pool and pool house. The purchase price was over \$25 million, and there was at least one other school user who also bid for the property.
- Palo Alto Unified School District purchased a 2.7-acre site improved with an 18,964-square-foot preschool building in late 2011 for future expansion. This is the first time the school district has purchased property in the past 40 years for expansion. While it had no immediate plans for the property, the property was purchased because the site had just

received approvals for residential development, while the district is experiencing increasing student enrollment.

- In 2016, Downtown College Prep purchased a former Southern Lumber site in San Jose, where two charter schools are currently in the planning works.

In addition, several international schools are currently in the process of establishing themselves in the Bay Area. In 2016, a French “coding” school acquired a 100,000 square foot classroom building and an 84,000 square foot dormitory in Fremont, the former DeVry University property, for a new school. The school is looking for additional locations in the Bay Area. A Chinese school acquired the Heald College Campus building in Fremont, in 2015, for its first Silicon Valley location.

According to local market participants, there is good demand for school property in the Bay Area, relative to the limited supply. That is, when these properties are put on the market, they are typically not difficult to sell or lease. Market participants tend to agree, however, that demand is the strongest for facilities under 50,000 square feet or facilities that can accommodate 500 students or less. Demand for larger facilities is sparse, however, facilities that have the flexibility to be leased to two or more entities are still able to attract both investors and owner users.

Sale prices in the Bay area range between \$160 and \$550+ per square foot, depending on size, location, and site coverage. Specialized facilities, with school improvements already in place, or with strong tenants tend to sell towards the upper end of the range. Properties at the low end of the range are typical for office properties that require re-building or conversion to school use. In these cases, the cost of improvements could be higher than the purchase price per square foot.

Lease rates are typically in the \$1.45-to-\$2.85+-per-square-foot range, NNN, where the tenant pays all operating expenses. Leases at the lower end of the range are for somewhat dated school properties while rents at the upper end of the market are for new facilities within prestigious school districts, or within areas where property values are typically high.

Market Participant Opinions

Over the course of our research for this appraisal report, and other appraisals our firm has completed of school appraisals, we had the opportunity to interview several market participants, including buyers, sellers, brokers, facility managers, superintendents and other professionals familiar with the commercial real estate and the school market. Through these interviews, we were able to qualitatively ascertain the condition of the local market above and beyond the generally available statistics.

According to these local market participants, there is good demand for school property in the Bay Area, relative to the limited supply. That is, when these properties are put on the market, they are typically not difficult to sell. Most of the sales are to owner-user or partial owner-user buyers. The main points made by those participants are as follows:

1. Schools, as well as other special use properties (like churches and daycares) are valuable because of their conditional use permit. This is due to the fact that these properties are in operation through a conditional use permit which would facilitate another school to operate in the same property, as it can transfer over. Therefore, there is intrinsic value associated

with many school properties, as it might take up to two years for a new conditional use permit to be approved for a prospective tenant.

2. Religious education institutions are currently aggressively looking for school property, both schools and land. In addition, demand is currently great from vocational schools, which are growing as a concept recently.
3. Demand is higher for school properties that are 30,000 square foot or less. Prices for these types of properties are well in excess of \$300 per square foot in the Bay Area. But the market for larger facilities is much smaller. A new facility selling below replacement cost will definitely meet with demand.
4. In the Bay Area there is recently demand for school space from private schools catering to international students, such as European and Asian education groups.
5. Due to the lack of school facility product many school users have expanded their search parameters to include office or industrial properties that have the potential to be converted to school or day care use.
6. Many of the churches, schools or other specialized property types are currently sold for redevelopment, since land prices for residential development have skyrocketed. Almost every time a school district land comes in the market for sale, the highest bidder is a developer who intends to demolish the school improvements and build homes. This is driving public use land prices up and moving such uses away from residential areas, into industrial or service commercial districts.
7. Despite the above comment, there are brokers who have indicated that they had listed school properties as redevelopment opportunities, but based on the high demand for schools, they were sold for continuation of the school use, not for their land value.
8. Ideal sites for public or charter elementary schools are sites ranging between 8-11 acres while high schools typically require 28-40 acres in size. This acreage is typically sufficient to accommodate the type and number of athletic facilities, playgrounds and open space that is necessary for school facilities.
9. School interior improvements are typically high, ranging between \$130 and \$250 per square foot. It is often easier for a school user to demolish and rebuild, rather than convert an office building to a school use.
10. Marketing times for specialized property types are typically much longer, as it takes time to find the suitable buyer, especially for a large school property.
11. According to several, FF&E does not contribute much, if any value, in the sale of a school. It was reported that if the FF&E is more than 5-years old, it would most likely not have any value at all. It was also noted that buyers of schools often do their own renovations and furnish with all new FF&E. We are aware of schools that have sold where the FF&E was actually thrown away.

Because of the difficulty to find school facilities, many users are looking into office or even industrial space for conversion to school use. Oftentimes, schools are forced to wait for a year or more, until a conditional use permit is approved in order to occupy the space. Once the permit is received, there is significant construction time and money, in the range of \$130-\$260 per square foot, to make these properties suitable to the requirements of school users, such as thicker walls, larger hallways etc.

The foregoing analysis demonstrates that there is significant demand from the academic community for additional educational facilities. At the same time the supply of available properties suitable for school use is limited. This is because schools represent conditional uses in most industrial or office zones and the process of getting a conditional use approval is long and uncertain.

On the supply side, zoning regulations are a big limiting factor on future school development. In early February 2017, an appellate court squashed efforts by the Santa Clara Board of Education to ignore local zoning regulations while approving to locate charter schools where it wants. The ruling comes in a case filed against Rocketship Education and the Santa Clara County Office of Education, which had contended that it had the same authority that school districts have to override zoning ordinances when deciding where to place campuses. A three-judge panel, upholding a district-court decision, ruled in January that county school boards lack that same authority as school districts. Based on this ruling, school authorizers at the county level do not have the same authority as school districts to support schools seeking to build their own facility. Rocketship planned to build a K-5 charter school on an open parcel of land it had purchased and where the city already had indicated it would build a park. The Santa Clara County Board of Education, which had approved Rocketship's plans, sought to override the city's zoning on the parcel.

Finally, much of the land owned by various unified school districts or churches in the past is now selling for residential development, especially when it is zoned for medium to higher density development.

Conclusion

Based on our research it is evident that there is good demand for school property types in the Bay Area; that supply is relatively limited; and when these properties are put on the market, they are typically not difficult to sell. Considering the specialized property type and location of the subject, we believe the short and long-term outlooks for the subject are positive.

Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned CM-5 which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development. Overall, a variety of mixed uses are allowed. The property also has a conditional use permit allowing the existing school use.

Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development. Physically, the site can be developed with a variety of uses.

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation.

As a qualitative measurement, there are various school/day care developments and school expansions occurring in the Bay Area and in Richmond. In addition, vacancy is low and income levels, rental rates, and property values are at all-time highs. As such, it is evident that demand is high enough to justify construction costs and developers' profit for a school development.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, as well as the conditional use permit, the maximally productive use "as if vacant" is for school development which maximizes the site's potential.

Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for commercial development/school development with a conditional use permit (CUP).

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land.

Retaining the improvements as they exist meets the tests for physical possibility, legal permissibility and financial feasibility. The improvements are in good to excellent condition and any alternative use of the existing improvements is unlikely to be economically feasible. The market value of the property as improved exceeds the combination of vacant site value plus cost of demolition of the improvements. Therefore demolition and redevelopment of the site is not maximally productive.

Conclusion of Highest and Best Use As Improved

The highest and best use of the subject property, as improved, is the existing improvements.

Excess/Surplus Land

There is no surplus or excess land.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is an owner-user.

Market Rent Analysis

Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on those offering the greatest similarity in terms of location, size and market appeal.

The subject consists of a school building containing 61,419 square feet located on a larger site with another school.

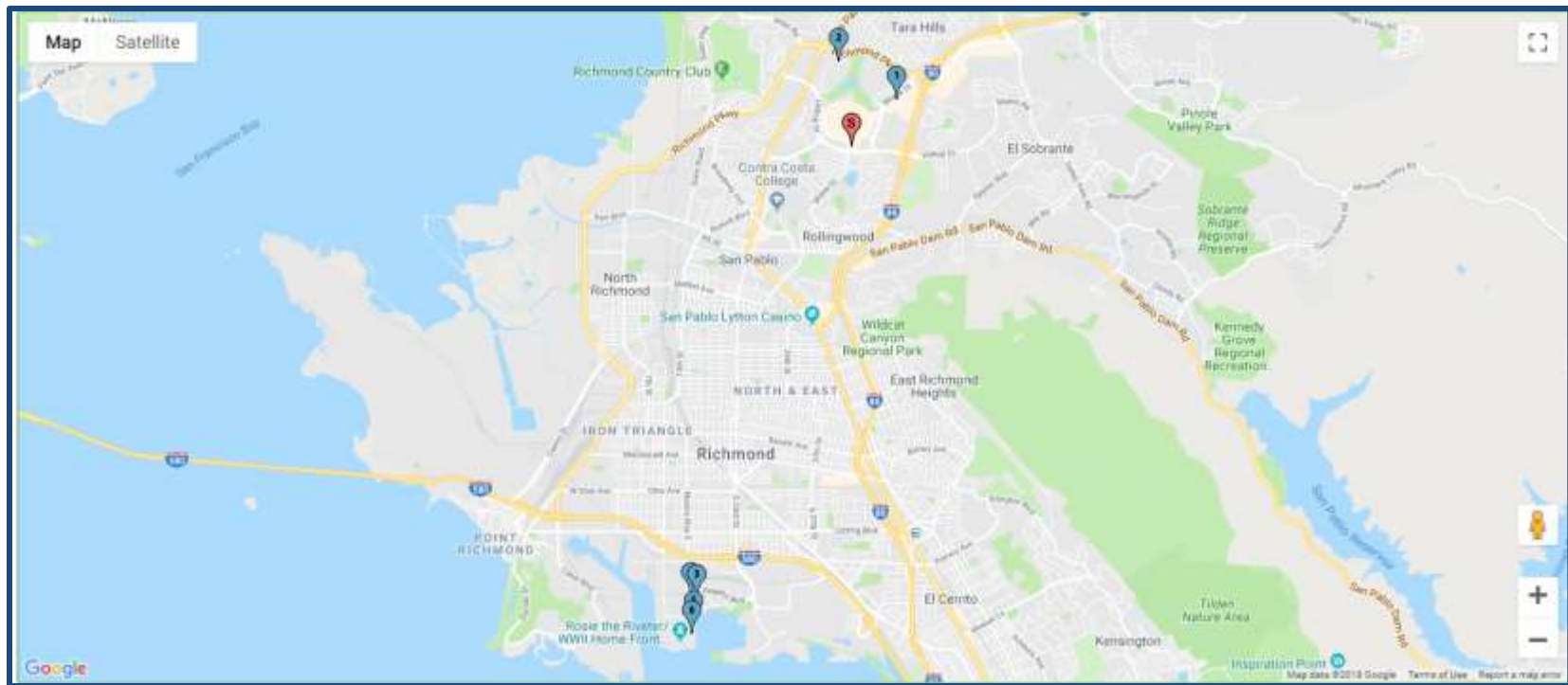
To estimate a reasonable indication of market rent for the subject we have researched and analyzed leases of properties which bracket the subject, in terms of location, uses, and interior improvements. We have also included a "non-market" (essentially pocket-to-pocket) lease of a school in Richmond and older leases of very similar properties (office buildings located in Richmond which were converted into schools). To provide additional support, we have included school lease data of properties located in the Bay Area.

Of the data analyzed, we have used six rent comparables (and additional school lease data) to derive an appropriate market rent for the subject, as these comparables/data bracket the subject well and are considered to be good indicators of market rent for the subject. Following is a table summarizing each rent comparable and a map illustrating the location of each comparable in relation to the subject. Details of each comparable follow the location map.

Rent Comparable Summary

Comp. No.	Date of Survey / Lease	Comp. Type	Property Name	Location		Year Built	Rental Rate / SF	Lease Structure
1	Listing	Lease	Hilltop Office Park	3260 Blume Drive	Richmond, California	1985	\$2.15	Full Service
2	July-18	Lease	Making Waves Academy	4123 and 4131 Lakeside Drive and 2900 Technology Court	Richmond, California	1985/2012	\$1.11	NNN
3	April-17	Lease	1101-1131 Regatta Boulevard	1101-1131 Regatta Boulevard	Richmond, California	1988	\$1.07	NNN
4	May-17	Lease	1050-1090 Marina Way, S.	1050-1090 Marina Way, S.	Richmond, California	1987	\$1.20	NNN
5	May-16	Lease	Office Building	1402 Marina Way South	Richmond, California	1991	\$1.50	NNN
6	May-15	Lease	Office Building	1450 Marina Way South	Richmond, California	1999	\$1.45	NNN

RENT COMPARABLE LOCATION MAP



RENT COMPARABLE 1



Property Identification

Property/Rent ID	119197/12746
Property Type	Office Building
Property Name	Hilltop Office Park
Address	3260 Blume Drive
City, State Zip	Richmond, California 94806
County	Contra Costa
Tax ID	405-290-061-2

Transaction Data

Lessor	Blume Drive Associates	Lease Type	Full Service
Lessee	TBD		
Tenant SF	4,361	Rental Rates	
Lease Status	Listing	Initial Rent/SF	\$2.15
Commencement	TBD		

Property Description

Gross Building SF	78,610	Pkg/1,000 SF GBA	3.2
Net Rentable SF	78,610	Pkg/1,000 SF NRA	3.2
Year Built	1985	Gross Acres	5.63
Tenancy	Multi-Tenant	Usable Acres	5.63
Building Quality	Average	Flr. Area Ratio (FAR)	0.32
Building Condition	Average	Land to Bldg Ratio	3.12
Stories	5	Visibility	Average to good
Office Ratio	0.0%	Corner/Interior	Interior
Parking Spaces	250		

Remarks

This is a multi-tenant office building located in Richmond right off of Interstate 80 and within close proximity to Hilltop Mall. The improvements consist of a five-story multi-tenant office building containing 78,610 square feet constructed in 1985 and in overall average condition. The underlying site contains 245,286 square feet, indicating a floor area ratio (FAR) of 32%. There are 250 onsite parking spaces with a parking ratio of 3.2 spaces per 1,000 square foot of gross building area.

There are seven units listed for lease within Hilltop Plaza totaling 13,739 square feet resulting in an overall vacancy rate of 17%. The units are listed for \$2.15 per square foot, full service. We are aware of units leased in 2016 for \$1.95 per square foot, full service, in their "as is" condition with no TI's or concessions given. The multi-tenant building is estimated to have a load factor near 15%.

RENT COMPARABLE 2



Property Identification

Property/Rent ID	132739/12816
Property Type	School, University
Property Name	Making Waves Academy
Address	4123 and 4131 Lakeside Drive and 2900 Technology Court
City, State Zip	Richmond, California 94806
County	Contra Costa
Tax ID	405-371-034-1 and 035-8

Transaction Data

Lessor	Making Waves Foundation, Inc	Term (mos.)	0
Lessee	Making Waves Academy	Lease Type	NNN
Tenant SF	99,279	Concessions Detail	Below Market
Lease Status	Executed	Rental Rates	
Lease Signed	July 1, 2018	Initial Rent/SF	\$1.11
Commencement	July 1, 2018		

Property Description

Gross Building SF	99,279	Gross Acres	6.45
Net Rentable SF	99,279	Usable Acres	6.45
Year Built	1985/2012	Flr. Area Ratio (FAR)	0.35
Tenancy	Single-Tenant	Land to Bldg Ratio	2.83
Building Quality	Average	Access	Good
Building Condition	Good	Visibility	Good
Stories	1	Corner/Interior	Corner
Sprinklers	Yes		

Remarks

The property consists of two parcels containing 6.45-acres. The parcels are improved with three school buildings containing 99,279 square feet. Two one-story buildings were originally constructed in 1985 as industrial/flex buildings, and then completely renovated and repurposed into school buildings in 2010. It was reported that the total cost of conversion was \$16,095,807, or \$278 per square foot of building area. The third two-story school building was constructed in 2012. The buildings contain classrooms, private offices, restrooms, interior hallways with lockers, a library and staff lounge, large multi-purpose room with kitchen. The improvements are in overall good condition. The property is 100% used as a public non-profit middle and high school commonly known as Making Waves Academy.

The property along with five eastern parcels are part of a large expansion made by Making Waves Academy. The proposed Making Waves Academy Expansion project would include the expansion of an existing middle and high school campus on Lakeside Drive in Richmond from 6.45 acres to 20.25 acres. The school would increase student enrollment in grades 5 through 12 from approximately 800 to a maximum of 2,050, and increase the number of staff from 70 to 300. In addition to renovations to the existing three classroom buildings, the project would demolish approximately 165,387 square feet of existing one- and two-story commercial buildings on six parcels and construct three new classroom buildings and two new gymnasiums. The project would also include outdoor physical recreation areas (i.e., playing and sports fields, play structures and ball courts, recess yards) and associated parking and infrastructure improvements. The expanded school is projected to be fully constructed and operational by the end of 2019.

Making Waves Foundation provides the financial, intellectual and material resources to support Making Waves Academy. The two entities are related and thus this is considered a pocket-to-pocket "non-market" lease. The Foundation collects community donations and other funding to support their operations. Market rent for this property is estimated to be in the \$2.00 per square foot range. The rental rate indicated by this lease is considered a "floor measure" of any comparable properties.

RENT COMPARABLE 3



Property Identification

Property/Rent ID	128019/10785
Property Type	Industrial/flex
Property Name	1101-1131 Regatta Boulevard
Address	1101-1131 Regatta Boulevard
City, State Zip	Richmond, California 94801
County	Contra Costa
Tax ID	560-690-050-3

Transaction Data

Lessor	Marin County Employees Retirement Association	Tenant Imp./SF	\$0.00
Lessee	Monticelli Painting	TI's/SF over Base	\$0.00
Tenant SF	14,820	Concessions/SF	\$0.00
Entire Bldg Lease	Yes	Concessions Detail	None
Lease Status	Executed	Rent Escalation	3.0% increase per year
Commencement	April 1, 2017	Rental Rates	
Expiration	March 31, 2024	Initial Rent/SF	\$1.07
Term (mos.)	84		
Lease Type	NNN		

Property Description

Gross Building SF	14,820	Building Condition	Average
Net Rentable SF	14,820	Stories	1
Year Built	1988	Office Ratio	7.6%
Investment Class	C	Clear Height (ft)	16.00
Tenancy	Single-Tenant	Dock-High Doors	2
Occupancy Type	Industrial	Drive-In Doors	4
Building Quality	Average	Rail Access	No

Water/Port Access No
Gross Acres 1.02
Usable Acres 1.02
Flr. Area Ratio (FAR) 0.33

Land to Bldg Ratio 3.00
Access Average
Visibility Average
Corner/Interior Mid-Block

Remarks

This is a single-tenant industrial flex building located on Regatta Boulevard in Richmond. The improvements consist of a single-story building containing 14,820 square feet and constructed in 1988. The building has a 16' clear height, 1 dock high door, 2 grade level doors, and consists of approximately 33% warehouse space and 66% improved space with older office improvements including a kitchen and breakroom. The underlying site contains 44,431 square feet indicating a floor area ratio of 33%. The property has ample parking.

This is a lease for 14,820 square feet of industrial warehouse space. The lease was signed in March 2017 and commences in April 2017 for an 84 month lease term. The initial rental rate is \$1.07 per square foot per month, triple net. Escalations were 3.0% per year. The tenant didn't receive any free rent or tenant improvements.

RENT COMPARABLE 4



Property Identification

Property/Rent ID	128018/10784
Property Type	Industrial/flex
Property Name	1050-1090 Marina Way, S.
Address	1050-1090 Marina Way, S.
City, State Zip	Richmond, California 94804
County	Contra Costa
Tax ID	560-531-002-7

Transaction Data

Lessor	Stockbridge	Lease Type	NNN
Lessee	Nuthouse Granola Company	Tenant Imp./SF	\$3.00
Tenant SF	10,962	TI's/SF over Base	\$3.00
Entire Bldg Lease	No	Concessions/SF	\$.00
Lease Status	Executed	Concessions Detail	None
Lease Signed	February 7, 2017	Rent Escalation	3.0% increase per year
Commencement	May 1, 2017	Rental Rates	
Expiration	April 30, 2027	Initial Rent/SF	\$1.20
Term (mos.)	120		

Property Description

Gross Building SF	26,556	Building Condition	Average
Net Rentable SF	26,556	Stories	1
Year Built	1987	Office Ratio	6.1%
Investment Class	C	Clear Height (ft)	18.00
Tenancy	Multi-Tenant	Dock-High Doors	2
Occupancy Type	Industrial	Drive-In Doors	2
Building Quality	Average	Rail Access	No

Water/Port Access	No
Parking Spaces	53
Pkg/1,000 SF GBA	2.0
Pkg/1,000 SF NRA	2.0
Gross Acres	1.83
Usable Acres	1.83

Flr. Area Ratio (FAR)	0.33
Land to Bldg Ratio	3.00
Access	Average
Visibility	Average
Corner/Interior	Mid-Block

Remarks

This is a multi-tenant industrial building located on Marina Way in Richmond. The improvements consist of a single-story building containing 26,556 square feet and constructed in 1987. The building has an 18' clear height, 2 dock high doors, and 2 grade level doors. The underlying site contains 79,715 square feet indicating a floor area ratio of 33%. The on-site parking ratio is 2.00 spaces per 1,000 square feet of building area.

This is a lease for 10,962 square feet of industrial warehouse space. The lease was signed in February 2017 and commences in May 2017 for a 120 month lease term. The initial rental rate is \$1.20 per square foot per month, triple net. Escalations were 3.0% per year. The tenant didn't receive any free rent but did receive \$3.00 per square foot in tenant improvements.

RENT COMPARABLE 5



Property Identification

Property/Rent ID	118573/6658
Property Type	Office
Property Name	Office Building
Address	1402 Marina Way South
City, State Zip	Richmond, California 94804
County	Contra Costa
Tax ID	560-181-060-8 (portion)

Transaction Data

Lessor	Marina Westshore Partners LLC	Term (mos.)	240
Lessee	Amethod Schools	Lease Type	NNN
Suite No.	1402	Renewal Options	Unknown
Tenant SF	40,320	Tenant Imp./SF	\$17.98
Entire Bldg Lease	Yes	Rent Escalation	3% annual increases
Lease Status	Executed	Property Occupancy	100.0%
Lease Signed	May 1, 2015	Rental Rates	
Commencement	May 1, 2016	Initial Rent/SF	\$1.50
Expiration	April 30, 2036		

Property Description

Gross Building SF	40,320	Building Condition	Good
Net Rentable SF	40,320	Stories	1
Year Built	1991	Units	1
Investment Class	B	Office Ratio	0.0%
Tenancy	Single-Tenant	Sprinklers	Fully sprinklered
Occupancy Type	Office	Parking Spaces	144
Building Quality	Good	Pkg/1,000 SF GBA	3.6

Pkg/1,000 SF NRA 3.6
Gross Acres 2.24
Usable Acres 2.24
Flr. Area Ratio (FAR) 0.41

Land to Bldg Ratio 2.42
Access Good
Visibility Average
Corner/Interior Corner

Remarks

This property consists of a single parcel improved with a flex R&D building located along the east side of Marina Way South in the Marina Bay district of Richmond south of Interstate 580. The site has a rectangular shape and an interior water front lot configuration with approximately 565 feet of frontage along Marina Way South and a depth of 375 feet.

The improvements consist of a single-tenant office building containing 40,320 square feet of building area. The building was constructed circa 1991 and is in overall good condition. The property is part of a larger parcel which is shared with the neighboring building (1400 Marina Way South). However, the site is in the process of being divided into two separate properties. Once divided, the property will consist of a 2.24-acre parcel with 144 parking spaces. The resulting FAR is 0.41 and parking ratio is 3.6 spaces per 1,000 square feet of building area.

Amethod Schools leased the entire building consisting of 40,320 square feet of office space. The starting rent was \$18.00 per square foot per year or \$1.50 per square foot per month, triple net, with 3% annual increases.

The interior of the building was leased as office. The tenant put in \$3.75 million (or \$93 per square feet) to convert the building into a school. The landlord provided the tenant with a tenant improvement (TI) allowance of \$725,000. After interior improvements were made, the building will be built-out as a school consisting of various classrooms, interior hallways and closets, offices, project areas, and restrooms.

RENT COMPARABLE 6



Property Identification

Property/Rent ID	118566/6656
Property Type	Office
Property Name	Office Building
Address	1450 Marina Way South
City, State Zip	Richmond, California 94804
County	Contra Costa
Tax ID	560-181-097-0

Transaction Data

Lessor	Marina Bay Partners LLC	Term (mos.)	180
Lessee	Amethod School	Lease Type	NNN
Suite No.	100	Tenant Imp./SF	\$8.75
Tenant SF	47,632	Rent Escalation	3% annual
Entire Bldg Lease	No	Property Occupancy	100.0%
Lease Status	Executed		
Lease Signed	May 1, 2015		
Commencement	May 1, 2015		
Expiration	April 30, 2030		

Rental Rates

Initial Rent/SF	\$1.45
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Property Description

Gross Building SF	96,261	Stories	2
Net Rentable SF	96,261	Units	2
Year Built	1999	Office Ratio	0.0%
Investment Class	B	Sprinklers	Fully sprinklered
Tenancy	Multi-Tenant	Parking Spaces	313
Occupancy Type	Office	Pkg/1,000 SF GBA	3.3
Building Quality	Average to Good	Pkg/1,000 SF NRA	3.3
Building Condition	Average to Good	Gross Acres	4.73

Usable Acres 4.73
Flr. Area Ratio (FAR) 0.47
Land to Bldg Ratio 2.14

Access Good
Visibility Good
Corner/Interior Interior

Remarks

This property consists of a single parcel improved with a two-story office building located near the southeastern tip of Ford Peninsula in Marina Bay in the City of Richmond. The site has an irregular shape and interior water fronting lot configuration.

The underlying site contains 206,125 gross square feet or 4.73 gross acres. The improvements were constructed circa 1999 and contain 96,261 square feet of building area. The floor area ratio is 47%. There are 313 onsite parking spaces for a ratio of 3.25 spaces per 1,000 square feet of building area. The property is zoned Industrial Business and the General Plan land use designation is High Intensity Mixed-Use.

Amethod School leased 47,632 square feet of office space for 15 years commencing in May 2015. The starting rent was \$17.45 per square foot per year, or \$1.45 per square foot per month, triple net, with 3% annual increases. Tenant improvements of \$8.75 per square foot were provided with the lease. The tenant pays utilities and janitorial directly as well as all repairs & maintenance and a 5% management fee.

Market Rent Analysis

When necessary, adjustments were made for differences in the various elements of comparison, including lease structure, market conditions, location, size and other relevant factors. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment is applied if inferior. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include: expense structure, concessions, tenant improvement allowances and conditions of lease. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

Expense Structure

The market rent estimate is based on a triple net lease structure. With the exception of Comparable 1, the rent comparables exhibited rental rates negotiated on the same basis and no expense structure adjustments were warranted. Comparable 1 was leased under a full service expense arrangement and a downward adjustment was required.

Rental Concessions

No rent comparables were reporting rental concessions upon the date of value. Therefore, no adjustments due to rental concessions were required.

Tenant Improvement Allowances

The subject is a new school. Some of the comparables were leased with a tenant improvement (TI) allowance. However, because we are also considering "interior improvements" as an element of comparison, this adjustment will consider the TI's given to the tenants. As such, no adjustments for TI's were necessary.

Conditions of Lease

Comparable 1 was given a downward adjustment for its "listing" status. Comparable 2 is a "non-market" lease from related arms-length parties. This is essentially a pocket-to-pocket lease with terms favorable to the tenant and a heavy upward adjustment was required and supported.

Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable rent transactions consummated during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for school properties have been improving. As such, we applied an adjustment to each comparable based on a factor of 5.00% per year.

Property Adjustments

Property Adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect differences in rental rates attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. Property adjustments are based on locational

and physical characteristics and are made after the application of transaction and market conditions adjustments.

Our reasoning for the adjustments made, which were based on our market research, best judgement, and experience in the appraisal of similar properties, is discussed below:

Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject property is located in the Hilltop area of Richmond, a relatively desirable area of Richmond. Comparables 1 and 2 are also located in the Hilltop neighborhood and no adjustments were required. Rents 3, 4, 5 and 6 are located within generally inferior older industrial submarkets of South Richmond and upward adjustments were applied.

Tenant Space Size

The size adjustment addresses variance in the rentable area of the comparables and that of the subject, as larger lease space typically commands a lower rental rate per unit than does a smaller space. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject building is 61,419 square feet in size. Comparables 1, 3, and 4 are smaller and downward adjustments were applied. Rents 2, 5 and 6 are also large buildings and adjustments were not considered necessary.

Age/Condition

The subject property was built in 2014/2015 and is in overall good to excellent condition. With the exception of Comparable 2, the comparables have inferior effective ages and upward adjustments were made. Comparable 2 is a recently completely renovated and newly constructed school property and no adjustment was made.

Construction Quality

The subject property and comparables are generally similar with regards to construction quality and adjustments for this factor were not justified.

Interior Improvements

As mentioned in the Market Overview, it is relatively expensive to buildout a school and interior improvements costs can range from \$100 to \$250+ per square feet of building area. We note that school interior improvements are more expensive/extensive in comparison to professional office interior improvements.

With the exception of Comparable 2, upward adjustments for interior improvements were made. Adjustments to Comparables 5 and 6 considered the TI's already given to the tenants.

Floor Area Ratio (FAR)

The subject property has an FAR of 0.37. The comparables have generally similar FAR's and no adjustments were made.

Load Factor

The subject has no load factor. With the exception of Comparable 1, adjustments for load factor were not required. Comparable 1 has a load factor of 15% and an upward adjustment was applied.

Summary of Adjustments

Presented below is a summary of the adjustments made to the rent comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

RENT COMPARABLE ADJUSTMENT GRID

		Rental # 1	Rental # 2	Rental # 3	Rental # 4	Rental # 5	Rental # 6
Comparable ID		12746	12816	10785	10784	6658	6656
Date of Value & Survey/Lease Date	October-18	July-18	July-18	April-17	May-17	May-16	May-15
Property Name	Summit Tamalpais Public School	Hilltop Office Park	Making Waves Academy	1101-1131 Regatta Boulevard	1050-1090 Marina Way, S.	Office Building	Office Building
Net Rentable Area	134,919 sf	78,610 sf	99,279 sf	14,820 sf	26,556 sf	40,320 sf	96,261 sf
Land Area (acres)	6.244	5.63099	6.45	1.01999	1.83001	2.24171	4.732
Monthly Rental Rate		\$2.15	\$1.11	\$1.07	\$1.20	\$1.50	\$1.45
Transactional Adjustments							
Expense Structure	<i>Triple Net</i>	<i>Full Service</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>	<i>NNN</i>
	<i>Monthly Expenses (PSF)</i>	<i>-\$0.75</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
Adjustment		-\$0.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rent Concessions		<i>TBD</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Tenant Imp. Allowance - Over Base Amount		\$0.00	Turn-Key	\$0.00	\$3.00	\$19.98	\$8.75
Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Lease Structure Adjustment		-\$0.75	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Effective Rental Rate		\$1.40	\$1.11	\$1.07	\$1.20	\$1.50	\$1.45
Conditions of Lease		<i>Listing</i>	<i>Below Market</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>
Adjustment		-\$0.10	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Rental Rate		\$1.30	\$2.11	\$1.07	\$1.20	\$1.50	\$1.45
Market Conditions Adjustments							
Elapsed Time from Date of Value		<i>0.00 years</i>	<i>0.26 years</i>	<i>1.51 years</i>	<i>1.43 years</i>	<i>2.43 years</i>	<i>3.43 years</i>
Market Trend Through	October-18	-	1.3%	7.6%	7.2%	12.2%	17.2%
Analyzed Rental Rate		\$1.30	\$2.14	\$1.15	\$1.29	\$1.68	\$1.70
Property Adjustments							
Location	3020 Hilltop Mall Road	3260 Blume Drive	4123 and 4131 Lakeside Drive and 2900 Technology Court	1101-1131 Regatta Boulevard	1050-1090 Marina Way, S.	1402 Marina Way South	1450 Marina Way South
	Sunnyvale, California	Richmond, California	Richmond, California	Richmond, California	Richmond, California	Richmond, California	Richmond, California
Adjustment		-	-	10.0%	10.0%	10.0%	10.0%
Tenant Space Size	61,419 sf	4,361 sf	99,279 sf	14,820 sf	10,962 sf	40,320 sf	47,632 sf
Adjustment		-10.0%	-	-5.0%	-5.0%	-	-
Age/Condition	Year Built 2015	1985	0.986580517	1988	1987	1991	1999
Condition	Good to Excellent	Average	Good	Average	Average	Good	Good
Adjustment		10.0%	-	10.0%	10.0%	5.0%	5.0%
Construction Quality	Good Class C - Concrete Tilt-Up	Average Class B - Fire Resistant, Reinforced Concrete Frame	Average Class C - Concrete Tilt-Up	Average Class C - Concrete Tilt-Up	Average Class C - Concrete Tilt-Up	Good Class C - Concrete Tilt-Up, S - Steel Frame	Average to Good Class S - Steel Frame
Adjustment		-	-	-	-	-	-
Interior Improvements/Use	School	Office	School	Industrial	Industrial	Office/School	Office/School
Adjustment		10.0%	-	25.0%	25.0%	5.0%	5.0%
Floor Area Ratio (FAR)	0.37	0.32	0.35	0.33	0.33	0.41	0.47
Adjustment		-	-	-	-	-	-
Load Factor	None	15%	None	None	None	None	None
Adjustment		15.0%	-	-	-	-	-
Net Physical Adjustment		25.0%	0.0%	40.0%	40.0%	20.0%	20.0%
Adjusted Monthly Rental Rate		\$1.63	\$2.14	\$1.61	\$1.80	\$2.02	\$2.04

Conclusions

From the market data available, we used six rent comparables, which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted rental rates:

Rent Comparable Statistics

Metric	Unadjusted	Adjusted
Minimum Rental Rate	\$1.07	\$1.61
Maximum Rental Rate	\$2.15	\$2.14
Median Rental Rate	\$1.33	\$1.91
Mean Rental Rate	\$1.41	\$1.87

After adjustments, the comparables range from \$1.61 to \$2.14 per square foot, triple net, with an average of \$1.87 and a median of \$1.91. We note that the "school comparables" (Rents 2, 5, and 6) represented a tighter range from \$2.02 to \$2.14 per square feet.

We have also included lease data of actual schools in the Bay Area which range from \$2.20 to \$2.50 per square feet. The rental rates presented by this data support a rate in the upper-end of the adjusted range presented by the comparables.

Additional Data/School Leases

February-18	Lease	Former Elementary School	1500 Yosemite Drive	Milpitas, California	1966	23,100	0.05	School	\$2.20	NNN
June-16	Lease	Former Elementary School	1500 Partridge Avenue	Sunnyvale, California	1957	34,000	0.25	School	\$2.50	NNN
April-10	Lease	National Hispanic University/School	14271 Story Road	San Jose, California	2004	67,000	0.14	School	\$2.34	NNN

Overall, based on the data and analysis presented, we conclude that \$2.10 per square foot, triple net, towards the upper-end of the range presented by the comparables, is considered to be a reasonable estimate of market rent for the subject property.

This market rental rate conclusion is based on a "triple net" expense arrangement where the tenant is ultimately responsible for all operating expenses; is considers a typical annual increase of 3% or based on CPI; and is based on a lease term of at least 10-years which would include options.

Value Conclusions

Component	As Is
Value Type	Fair Market Rent
Property Rights Appraised	Fee Simple
Effective Date of Value	October 5, 2018
Monthly Market Rent Conclusion	\$128,980
Per Square Feet	\$2.10/S.F.

Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 6 to 12 months and 6 to 12 months, respectively, are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Hulberg & Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Jeremy S. Bargy, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I 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. The undersigned has not performed 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.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Jeremy S. Bargy, MAI has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Jeremy S. Bargy, MAI
Senior Appraiser
California Certified License #AG036071

Certification – Stephen D. Kuhnhoff, MAI, ASA

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I 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 performed no services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My 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 value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Stephen D. Kuhnhoff, MAI, ASA has not personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute and the American Society of Appraisers.



Stephen D. Kuhnhoff, MAI, ASA
Managing Director
California Certified License #AG001791

Addenda

Subject Photos

Glossary

Qualifications

- Jeremy S. Bargy, MAI - Senior Appraiser
- Stephen D. Kuhnhoff, MAI, ASA - Managing Director

Information on Valbridge Property Advisors

Office Locations

Subject Photographs



Shared outdoor playing field



Shared gymnasium



Interior stairwell



Cafeteria food prep room



Classroom



Lab classroom

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

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. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption

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. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Fee Simple Estate

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

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) 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. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

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 special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory)

Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., $OER = 1 - NIR$ (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

Qualifications

Qualifications of Jeremy S. Bargy, MAI
Senior Appraiser
Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General Real Estate
Appraiser
State of California

Education

Master of Business Administration
(MBA), Finance
California State University East Bay

Contact Details

925-327-1660 x 7210 (P)
925-659-1026 (direct)
408-279-3428 (f)
jbargy@valbridge.com (e)

Valbridge Property Advisors I
Northern California
3160 Crow Canyon Place, #245
San Ramon, CA 94583

www.valbridge.com

Membership/Affiliations

Appraisal Institute – MAI Designation

Appraisal Institute & Related Courses

Appraisal Institute:

- Advanced Concepts & Case Studies
- Advanced Income Approach
- Advanced Sales Comparison and Cost Approaches
- General Market Analysis and Highest & Best Use
- Uniform Standards of Professional Appraisal Practice (USPAP)
- Business Practices and Ethics
- Laws and Regulations
- Complex Litigation Case Studies

Awards

President's Award – Valbridge Property Advisors (2013)
Stauss Scholarship (2012)

Experience

Senior Appraiser

Valbridge Property Advisor I Northern California (2014-Present)

Associate Appraiser

Hulberg & Associates, Inc. (2004-2014) (joined to create Valbridge in 2013)

Specializations

Commercial: Restaurants, store-front retail, freestanding retail, professional office, medical office, mixed-use (retail/office), shopping centers (all sizes), automotive repair shops, service commercial, and vacant land.

Industrial: Industrial (light & heavy), manufacturing/ warehouse, condominiums, research and development (R&D), and vacant land.

Residential: Apartments (all sizes), mixed-use properties (residential/ commercial), and vacant land.

Special Purpose: Religious facilities, schools, health clubs, car dealerships, gas stations and car wash facilities (going concern valuations), leasehold interests, tax appeals, and appraisal reviews.

Mr. Bargy is qualified as an expert witness and has provided court testimony.

Qualifications of Stephen D. Kuhnhoff, MAI, ASA
Managing Director
Valbridge Property Advisors | Northern California



Independent Valuations for a Variable World

State Certifications

Certified General
State of California

Education

Bachelor of Arts and
Secondary Education
Credential
Mathematics
Sonoma State University

Contact Details

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Membership/Affiliations

Member: Appraisal Institute MAI Designation
Senior Member: American Society of Appraisers (ASA)
designated in Machinery/Technical Valuation
and Real Property Urban

Experience

Managing Director

ValbridgePropertyAdvisors|Northern California (2013-Present)

Senior Vice President/Branch Manager

Hulberg & Associates, Inc. (1998-2013) (joined to create
Valbridge in 2013)

Senior Appraiser

Hulberg & Associates, Inc. (1987-1998)

Manager, Real Estate, Machinery & Equipment Appraisal

Arthur Andersen & Company (1984-1987)

Commercial Real Estate, Machinery & Equipment Appraiser

Marshall & Stevens, Inc. (1979-1984)

Appraisal/valuation and consulting assignments include:

Commercial: Retail shopping centers, medical and
professional office buildings, vacant land.

Industrial: Self storage, warehouses, manufacturing, R&D,
biotech, vacant land.

Residential: Single family, apartments, vacant land

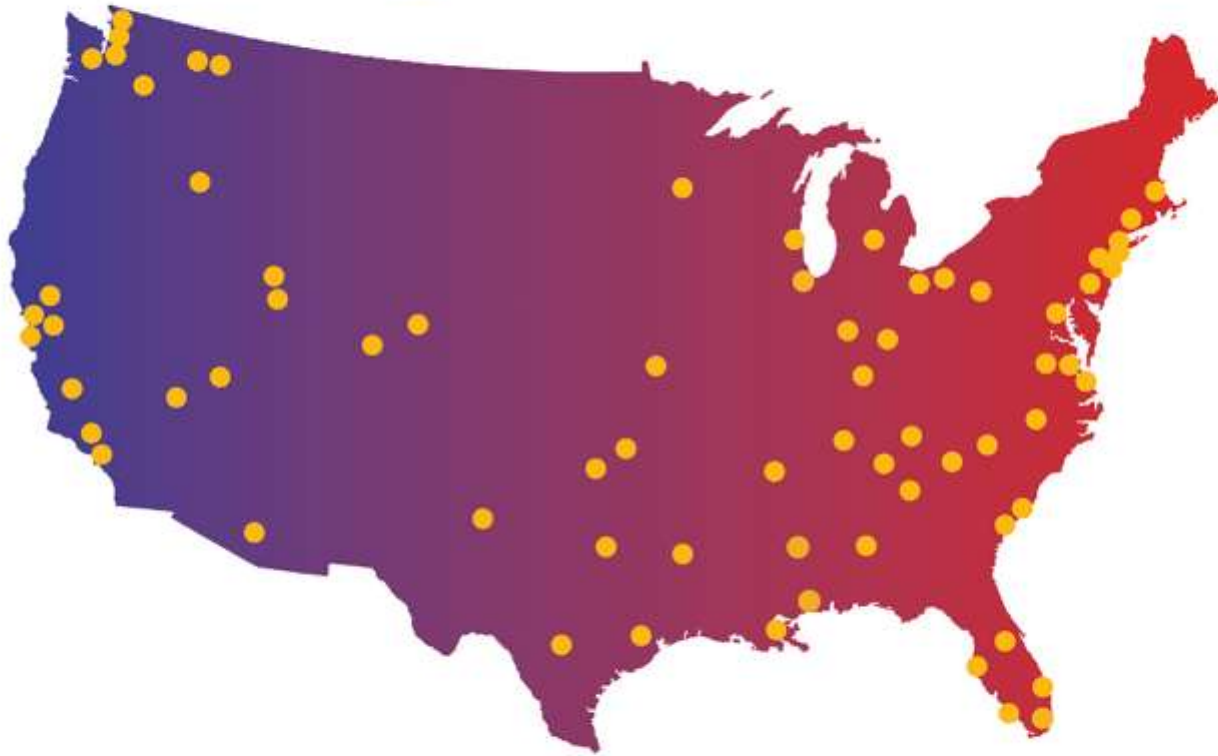
Special Purpose: Athletic clubs, hospitals, medical clinics,
assisted living, convalescent hospitals, nursing
homes, marinas, hotels, motels.

Other: Minority interest valuation, condemnation,
litigation support, arbitrations and review
appraisals.

Qualified as expert witness in Alameda, Contra Costa, Monterey, San Mateo, and Santa Clara Counties and in the State of Utah



Valbridge
PROPERTY ADVISORS



FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
 - Total number of MAI-designated appraisers (200+ on staff)
 - Total number of office locations (70+ across U.S.)
 - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

Valbridge

PROPERTY ADVISORS

ALABAMA

4732 Woodmere Boulevard
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334.277.5077

200 Cahaba Park Circle
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Birmingham, AL 35242
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ARIZONA

6061 E. Grant Road
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520.321.0000

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661.587.1010

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Suite 255
Fullerton, CA 92835
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2813 Coffee Road
Suite E-2
Modesto, CA 95355
209.569.0450

99 S. Lake Avenue
Suite 21
Pasadena, CA 91101
626.744.0428

3353 Bradshaw Road
Suite 213
Sacramento, CA 95827
916.361.2509

55 South Market Street
Suite 1210
San Jose, CA 95113
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3160 Crow Canyon Place
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925.327.1660

COLORADO

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Centennial, CO 80111
303.443.9600

5345 Arapahoe Avenue
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303.443.9600

23272 Two Rivers Road
Unit 101
Basalt, CO 81621
970.340.1016

1099 Main Avenue
Suite 311
Durango, CO 81301
970.340.1016

CONNECTICUT

6 Central Row
Third Floor
Hartford, CT 06103-2701
860.246.4606

17 Covecroft Drive
Norwalk, CT 06853
203.286.6520

FLORIDA

2240 Venetian Court
Naples, FL 34109
239.514.4646

8200 NW 41st Street
Suite 200
Doral, FL 33166
305.639.8029

603 Hillcrest Street
Orlando, FL 32803
407.839.3626

1100 16th Street N
St. Petersburg, FL 33705
727.894.1800

2711 Poinsettia Avenue
West Palm Beach, FL 33407
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GEORGIA

2675 Paces Ferry Road
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Atlanta, GA 30339
678.644.4853

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Boise, ID 83706
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1875 N. Lakewood Drive
Suite 100
Coeur d'Alene, ID 83814
208.292.2965

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566 W. Lake Street
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820 Fort Wayne Avenue
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10990 Quivira Road
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913.451.1451

KENTUCKY

9000 Wessex Place
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Louisville, KY 40222
502.585.3651

LOUISIANA

512 North Causeway Boulevard
Metairie, LA 70001
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MARYLAND

11100 Dovedale Court
Marriottsville, MD 21104
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260 Bear Hill Road
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MICHIGAN

1420 Washington Blvd.
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Detroit, MI 48226
313.986.3313

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Suite 390
Okemos, MI 48864
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228.604.1900

737 Highway 51
Suite 1C
Madison, MS 39110
601.853.0736

NEVADA

3034 S. Durango Drive
Suite 100
Las Vegas, NV 89117
702.242.9369

NEW JERSEY

2740 Route 10 West, Suite 204
Morris Plains, NJ 07950
973.970.9333

3500 Route 9 South, Suite 202
Howell, NJ 07731
732.807.3113

NEW YORK

424 West 33rd Street
Suite 630
New York, NY 10001
212.268.1113

NORTH CAROLINA

412 E. Chatham Street
Cary, NC 27511
919.859.2666

4530 Park Road, Suite 100
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OHIO

1655 W. Market Street
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Akron, OH 44313
330.899.9900

OHIO (Cont'd)

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Suite B
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1422 Euclid Avenue
Suite 1070
Cleveland, OH 44115
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6525 N. Meridian Avenue
Suite 309
Oklahoma City, OK 73116
405.603.1553

6666 South Sheridan Road
Suite 104
Tulsa, OK 74133
918.712.9992

PENNSYLVANIA

150 S. Warner Road
Suite 440
King of Prussia, PA 19406
215.545.1900

4701 Baptist Road
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Pittsburgh, PA 15227
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SOUTH CAROLINA

11 Cleveland Court
Greenville, SC 29607
864.233.6277

920 Bay Street
Suite 26
Beaufort, SC 29902
843.342.2302

1250 Fairmont Avenue
Mt. Pleasant, SC 29464
843.881.1266

TENNESSEE

112 Westwood Place
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Brentwood, TN 37027
615.369.0670

701 Broad Street
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213 Fox Road
Knoxville, TN 37922
865.522.2424

756 Ridge Lake Blvd
Suite 225
Memphis, TN 38120
901.753.6977

TEXAS

High Point Center
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Dallas, TX 75243
214.446.1611

974 Campbell Road
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713.467.5858

2731 81st Street
Lubbock, TX 79423
806.744.1188

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San Antonio, TX 78230
210.227.6229

UTAH

260 South 2500 West
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801.492.9328

1100 East 6600 South
Suite 201
Salt Lake City, UT 84121
801.262.3388

20 North Main
Suite 304
St. George, UT 84770
435.773.6300

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656 Independence Parkway
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Chesapeake, VA 23320
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4914 Fitzhugh Avenue
Suite 102
Richmond, VA 23230
804.672.4473

5107 Center Street
Unit 2B
Williamsburg, VA 23188
757.345.0010

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Bothell, WA 98011
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2927 Colby Avenue
Suite 100
Everett, WA 98201
425.259.2611

419 Berkeley Avenue
Suite A
Fircrest, WA 99466
253.274.0099

8378 W. Grandridge Boulevard
Suite 110-D
Kennewick, WA 99336
509.221.1540

506 Second Avenue
Suite 1001
Seattle, WA 98104
206.209.3016

324 N. Mullan Road
Spokane Valley, WA 99206
509.747.0999

WISCONSIN

12660 W. North Avenue
Brookfield, WI 53005
262.782.7990

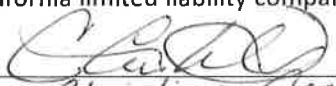
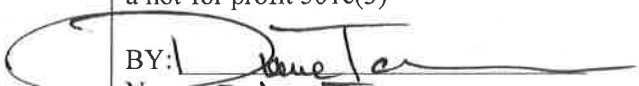
STANDARD MULTI-TENANT GROSS LEASE

THIS STANDARD MULTI-TENANT GROSS LEASE (the “**Lease**”) is entered and dated for reference purposes only as of the date provided in the Summary of Terms provided below, by and between “Landlord” and “Tenant” (as such terms are defined below).

1.0 SUMMARY OF TERMS													
1.1 DATE:	This Lease is dated for reference purposes only November 18, 2015												
1.2 PARTIES AND NOTICE ADDRESSES (Section 2.1)	<p>LANDLORD: Hilltop Community Ventures, LLC (“Landlord”) & Notice Address 5860 West Las Positas Boulevard, Suite 21 Pleasanton, CA 94588-8552</p> <p>TENANT: Summit Public Schools, (“Tenant”), a not-for-profit 501c(3) organization, operating as Summit Tamalpais & Notice Address 455 5th Avenue, Redwood City, CA 94063</p> <p>After the Commencement Date, Tenant’s address shall be the Premises</p>												
1.3 PREMISES (Section 2.1)	APPROXIMATE RENTABLE SQUARE FEET: 67,187.5 which shall be deemed the actual rentable footage in the Premises and not subject to measurement.												
1.4 BUILDING and PROPERTY (Section 2.1)	<p>The “Building” is the Building labeled and outlined as Building A in <u>Exhibit A</u> attached hereto) with a street address of 3020 Hilltop Mall Road, Richmond, California.</p> <p>The “Property” consists of all buildings and land outlined in <u>Exhibit A</u> attached hereto.</p>												
1.5(a) COMMENCEMENT DATE (Section 3.1)	August 1, 2016 (“ Commencement Date ”)												
(b) EXPIRATION DATE	July 31, 2021 (“ Expiration Date ”)												
1.6 TERM (Section 3.1)	Sixty (60) Months												
1.7 MINIMUM MONTHLY RENT (Section 5.1)	<p>The Minimum Monthly Rent shall be in the following applicable monthly amounts:</p> <table> <tr> <td><u>Time Period</u></td><td><u>Minimum Monthly Rent Amount</u></td></tr> <tr> <td>8/1/2016 – 7/31/2017</td><td>\$8,750.00</td></tr> <tr> <td>8/1/2017 – 7/31/2018</td><td>\$17,250.00</td></tr> <tr> <td>8/1/2018 – 7/31/2019</td><td>\$25,833.33</td></tr> <tr> <td>8/1/2019 – 7/31/2020</td><td>\$34,333.33</td></tr> <tr> <td>8/1/2020 – 7/31/2021</td><td>\$42,666.67</td></tr> </table>	<u>Time Period</u>	<u>Minimum Monthly Rent Amount</u>	8/1/2016 – 7/31/2017	\$8,750.00	8/1/2017 – 7/31/2018	\$17,250.00	8/1/2018 – 7/31/2019	\$25,833.33	8/1/2019 – 7/31/2020	\$34,333.33	8/1/2020 – 7/31/2021	\$42,666.67
<u>Time Period</u>	<u>Minimum Monthly Rent Amount</u>												
8/1/2016 – 7/31/2017	\$8,750.00												
8/1/2017 – 7/31/2018	\$17,250.00												
8/1/2018 – 7/31/2019	\$25,833.33												
8/1/2019 – 7/31/2020	\$34,333.33												
8/1/2020 – 7/31/2021	\$42,666.67												

(b) RENT ADJUSTMENT	The Minimum Monthly Rent is subject to increase as provided in Section 5.2.
(c) ADVANCE RENT	\$0.00
1.8 OPERATING EXPENSE PAYMENT/MONTH (Section 6.1)	\$0.00
1.9 SECURITY DEPOSIT (Section 22)	\$0.00
1.10 USE (Section 4.1)	Premises used solely for: Public School for grades 7 through 12.
1.11 TENANT'S PRO RATA % (Section 6.1)	<p>50.0000% (Ratio of rentable square footage in the Premises to the rentable area in the other classroom building at the Property designated as Building A in Exhibit A attached hereto).</p> <p>Based upon rentable area of 134,375 square feet in the 2 buildings identified as Building A and Building B in Exhibit A attached hereto, which total rentable square footage shall be deemed the actual square footage and not subject to measurement</p>
1.12 CONTENTS	<p>This lease consists of this Summary of Terms, the body of the lease and the following exhibits attached hereto and incorporated into the Lease.</p> <p>Exhibit A – Plot or Floor Plan for the Property</p> <p>Exhibit B – Work Letter</p> <p>Exhibit C – Rules and Regulations</p>

The foregoing Summary of Terms is hereby incorporated into and made a part of this Lease. Each reference in this Lease to any term of the Summary of Terms shall mean the respective information set forth above and shall be construed to incorporate all of the terms provided under the particular paragraph pertaining to such information. In the event of any conflict between the Summary of Terms and the Lease, the Summary of Terms shall control.

LANDLORD:	TENANT:
Hilltop Community Ventures, LLC a California limited liability company	Summit Public Schools a not-for profit 501c(3)
BY: 	BY: 
Name: <u>Christine Castillo</u>	Name: <u>Diane Tavenner</u>
Its: <u>Vice President</u>	Its: <u>CED</u>

2.0 PREMISES

2.1 **Description.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises (the Premises are defined in Section 1.3 and outlined in Exhibit A), together with the right, in common with other occupants of the Property (Section 1.4), to use the Common Area (Section 6.4.3). The Premises are located on the Property (outlined in Exhibit A). The Premises include 100% use of Building B and usage of the "Areas of Shared Use" as labeled in Exhibit A (herein referred to as the "**Shared Use Space**") half of the time with the other tenant or occupant of Building A outlined in Exhibit A. The Shared Use Space includes the 12,081 square foot gymnasium, the playfield, and all other outdoor areas as detailed in the area labelled "Area of Shared Use for Buildings A and B" on Exhibit A. Building A and the remaining half usage of the Shared Use Space will be leased to another party (the "**Other Tenant**"). Tenant and Other Tenant shall each have one half rights to use the Shared Use Space.

2.2 **Shared Use Space.** Tenant will cooperate with the Other Tenant to determine at what times they will be able to use specific portions of the Shared Use Space. Use of portions of the playfield or gymnasium by the Tenant and the Other Tenant at the same time is allowed so long as both the Tenant and Other Tenant agree to this type of use. If there is any dispute over the use of the Shared Use Space, Landlord will be the final arbiter in their sole and absolute discretion.

2.3 **Initial Tenant Improvements.** The initial Tenant Improvements (as defined in Exhibit B) on the Premises shall be completed in accordance with the terms and provisions of the Work Letter attached as Exhibit B. Landlord shall perform all Tenant Improvements in compliance with all applicable laws, including but not limited to the California Building Code and the Americans with Disabilities Act.

2.4 **Delivery.** Except with respect to any initial Tenant Improvements to be constructed by Landlord, if any, as may be described in Exhibit B, (a) Landlord shall deliver the Premises to Tenant in "AS IS" condition, (b) Tenant's taking possession of the Premises shall be deemed conclusive evidence that as of the date of taking possession, the Premises are in good order and satisfactory condition, and (c) no promise of Landlord to alter, remodel, repair or improve the Premises, the Building or the Property and no representation, express or implied, respecting any matter or thing relating to the Premises, Building, Property or this Lease (including, without limitation, the condition of the Premises, the Building or Property) has been made to Tenant by Landlord or its agents.

3.0 TERM

3.1 **Period; Commencement.** The Term of this Lease shall commence on the date specified in Section 1.5 (the "**Commencement Date**"), and shall be for the Term specified in Section 1.6, plus any partial month at the commencement of the term.

3.2 **Early Access.** Landlord grants Tenant the right to enter the Premises prior to the Commencement Date for the purpose of preparing the Premises for Tenant's permitted use. Tenant's entering the Premises shall be at Tenant's own risk. Tenant shall schedule its entry, installation and other work with Landlord so as not to interfere with Landlord's work, and Tenant shall comply with all reasonable requests from Landlord and/or Landlord's contractor during any such pre-term access. Under no circumstances shall Tenant interfere with Landlord's operations and/or construction work in the Premises during such early access, and Tenant shall be responsible for all costs, damages, injuries, and expenses (to Landlord, Landlord's contractor, any other tenants at the Property, and any other party) as a result of the early access by Tenant or its contractors, subcontractors, material suppliers, or anyone else under Tenant's control. Moreover, during the course of any such early access by Tenant, all terms and conditions of the Lease shall apply to the Premises (except for payment of Rent)), including without limitation, all of Tenant's insurance obligations and all of Tenant's indemnity obligations

(which shall also include, the indemnity of all work done by Tenant during such early access). Under no circumstances shall Tenant enter the Premises until all insurance required for the Premises pursuant to the terms of the Lease are in place. During such period of early access, Landlord shall have no responsibility for, and Tenant shall be fully responsible for, the security for Tenant's property, activities and operations thereon. It is expressly understood and agreed that the limited license granted by Landlord to Tenant hereunder shall not be deemed to be a grant of possession of the Premises, and the commencement date of Tenant's obligation to pay rent shall not change as a result of such early access.

4.0 USE

4.1 **Authorized.** The Premises may be used and occupied only for the purposes specified in Section 1.9 hereof, and for no other purpose or purposes.

4.2 **Compliance and Target Enrollment.** Tenant accepts the Premises subject to all applicable laws, ordinances, rules, regulations, orders, restrictions of record, and requirements in effect during the Term regulating the Premises, with which Tenant shall comply at its sole cost as they relate to Tenant's use of the Premises or to all improvements, alterations or installations made to the Premises by or for Tenant, or to the operation of Tenant's business. Landlord makes no warranty that Tenant's use of the Premises complies with the zoning applicable to the Premises.

It is important to Landlord that Tenant enrolls the number of students targeted. Tenant acknowledges and agrees to seek to enroll the "**Target Enrollment**" number of students annually per the following:

Time Periods	Total Target Enrollment
August 1, 2016 to July 31, 2017	105
August 1, 2017 to July 31, 2018	207
August 1, 2018 to July 31, 2019	310
August 1, 2019 to July 31, 2020	412
August 1, 2020 to July 31, 2021	512

In addition, Tenant acknowledges and agrees that Tenant will have no more than 700 students total enrolled in 7th through 12th grades and/or on the Property at any time.

Landlord makes the following statement in accordance with Section 1938 of the California Civil Code. The Premises and the Property have not undergone an inspection by a Certified Access Specialist to determine if the Premises meet all applicable construction related accessibility standards pursuant to Section 55.53 of the California Civil Code.

4.3 **Restricted Activities.** Tenant shall not cause or permit the escape, disposal or release of any biologically or chemically active or other hazardous substances or materials. Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances. The term "**hazardous substances and materials**" shall include, without limitation, those described in or regulated by any federal, state or local laws, regulations or authorities. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous substances or materials, then the reasonable costs thereof shall be paid by Tenant to Landlord upon demand as additional Rent (as defined in Section 5.1 below) if such requirement applies to the Premises and/or the Property and such release was caused or permitted by Tenant or any of its employees, consultants, contractors or agents. In addition, Tenant shall execute affidavits, certificates and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all events, Tenant shall defend, protect, indemnify and hold harmless Landlord and its officers, members, partners, employees, agents, and

representatives (collectively, the "**Landlord Parties**") in the manner provided in Section 11.1 of this Lease from any release of hazardous substances and/or materials on the Premises occurring while Tenant is in possession, or occurring upon the Common Area or elsewhere, if caused by Tenant or persons acting under Tenant. If at any time during or after the Term of this Lease, as it may be extended, Tenant becomes aware of any inquiry, investigation, or proceeding by any governmental agency related to hazardous materials on or about the Premises or the Property, Tenant shall within five (5) days after first learning of such inquiry, investigation or proceeding give Landlord written notice of same. This section shall survive the expiration or earlier termination of the Lease.

5.0 RENTS

5.1 Amount; Payment. Tenant shall pay to Landlord at the place designated in Section 1.2, or at such place as Landlord may otherwise designate, without deduction, offset, counterclaim, prior notice or demand, as Minimum Monthly Rent for the Premises, the amount specified in Section 1.7. All such Rent payments shall be payable in advance on the first day of each month during the Lease Term. All other costs and expenses that Tenant assumes or agrees to pay to Landlord under the Lease shall be deemed additional rent (which, together with the Minimum Monthly Rent, is sometimes referred to as the "**Rent**").

5.2 Adjustment. The total Minimum Monthly Rent during the term of the Lease shall be paid by Tenant each month in the following applicable amounts:

If Tenant enrolls more than the Target Enrollment number, as determined by the number of students enrolled as of the first Wednesday of October of each year, then the Minimum Monthly Rent will be adjusted up by \$416.67 for every 5 students above the respective Target Enrollment number. Minimum Monthly Rent will be adjusted once annually. The Minimum Monthly Rent will only be adjusted up in increments of 5 students above the Target Enrollment. For example:

- (i) If 7 students above the Target Enrollment are enrolled, the Minimum Monthly Rent would increase by \$416.67; and
- (ii) If 10 students above the Target Enrollment are enrolled, the Minimum Monthly Rent would increase by \$833.33.

The changes in Minimum Monthly Rent for increases over Target Enrollment will be effective as of August 1st of the year in which the increase occurs and will continue in that amount through July 31st of the following year. The November payment of Minimum Monthly Rent in the year of the increase shall include any addition rent owed for August, September, and October of that year resulting from this Section 5.2. Landlord and Tenant shall execute an amendment to this Lease to further reflect the increase in Minimum Monthly Rent, but the failure of any party to execute the amendment shall not relieve Tenant of the obligation to pay the increased Minimum Monthly Rent.

6.0 OPERATING EXPENSES

6.1 Payment. Tenant shall pay as additional rent Tenant's Pro Rata % of the Taxes (Section 6.2) for the Property from the date of occupancy or from the commencement of this Lease, whichever date shall first occur.

6.2 Taxes. Tenant shall pay its Pro Rata share of all ad valorem real property taxes (Taxes) imposed by any authority having the power to tax or levy assessments on the Property and the reasonable cost of contesting any tax assessment. If it shall not be lawful for Tenant to reimburse Landlord for any of the taxes covered by this Section, the Minimum Monthly Rent payable to Landlord under the terms of this Lease shall be increased so as to net to Landlord the amount that would have been received by Landlord if such tax had not

been imposed. Tenant shall pay prior to delinquency all taxes assessed against and levied upon its trade fixtures, furnishings, equipment, and other personal property, and any increase in real property taxes resulting from any alterations, Tenant Improvements, or any other improvements placed in or on the Property. Tenant shall pay for Taxes on a monthly estimated basis through a statement provided by Landlord. Provided that Tenant is not in default, Tenant shall have no obligation to pay Taxes from the Commencement Date through June 30, 2016. Landlord will apply for a lessor's exemption of property tax benefits and Tenant shall support Landlord in this process.

6.3 Insurance.

6.3.1 Tenant's Obligation. Tenant shall maintain in full force and effect at all times during the term of the Lease, at its own expense, for the protection of Tenant and Landlord, as their interests may appear, (a) "all risk" or "special causes of loss" property insurance on Tenant's personal property located in, and any alterations to, the Premises in the amount of the replacement cost thereof, (b) commercial general liability insurance with limits of liability for bodily injury and property damage of not less than \$2,000,000 per occurrence and \$3,000,000 in the aggregate, insuring Landlord and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto, (c) worker's compensation insurance as required by any applicable law or regulation, (d) business interruption loss of income insurance with a limit of liability of not less than one hundred percent (100%) of Tenant's projected annual operating income less such charges and expenses that would not continue during untenability of the Premises, (e) coverage for any claims of misconduct, abuse or molestation, whether by endorsement to any existing liability insurance policy or by separate policy, in such amounts and with such deductibles approved in writing by Landlord, and (f) such other insurance that may be required of Tenant under any applicable federal or state law, rule or regulation in connection with the operation of a school at the Premises or as otherwise required by Landlord from time to time. The limits of said insurance shall not, however, limit the liability of Tenant hereunder.

6.3.2 Terms. All insurance policies required to be carried by Tenant hereunder shall conform to the following requirements: (a) each policy, at Landlord's request, shall carry a lender's loss payee endorsement in favor of Landlord's lender; (b) an executed copy of each insurance policy, including renewals (or a certificate thereof), as well as any required endorsements associated therewith, shall be delivered to Landlord; (c) each policy shall require that Landlord be notified in writing by the insurer at least thirty (30) days prior to any cancellation or expiration of such policy, or any reduction in the amounts of insurance carried; (d) each policy shall be primary, not contributing with any insurance which Landlord may carry; (e) all liability insurance shall state that Landlord is entitled to recovery for the negligence of Tenant even though Landlord is an additional insured; (f) the commercial general liability policy and insurance under Section 6.3.1(e) shall name Landlord as an additional insured, by endorsement, which endorsement shall provide equivalent coverage to the additional insured as the named insured under the policy; and (g) shall be issued by companies having a Best's financial category minimum rating of Class "A/VIII" or better in the most recent edition of Best's Insurance Report or as otherwise reasonably approved by Landlord in the event such rating system shall be modified or discontinued.

6.3.3 Waiver. Each of the parties hereto hereby releases the other, to the extent of the releasing party's property damage insurance coverage or the property damage insurance such party is required to carry pursuant to this Lease, from any and all liability for any loss of property or property damage covered by such insurance (or which is required to be insured pursuant to this Lease) which may be inflicted upon the property of such party even if such loss or damage shall be brought about by the fault or negligence of the other party, its agents or employees (whether or not the party suffering the loss or damage actually carries such insurance, recovers under any such insurance or self-insures the loss or damage). If any policy does not permit such a waiver, such party shall obtain an endorsement to its insurance policies permitting such waiver of subrogation.

6.4 Repairs and Maintenance; Common Areas; Building Management.

6.4.1 Landlord's Obligation. Landlord, at its sole expense, shall maintain, repair, and if necessary, replace the footings, foundations, structural steel columns and girders forming a part of the Premises, the Building, and the Common Area within a commercially reasonable period of time after receipt of written notice of the need for such repair.

Landlord, at its sole expense shall perform all necessary maintenance and repairs to:

- (i) The roof, walls and exterior portions of the Buildings;
- (ii) Utility lines, equipment and other utility facilities that serve the Building or that serve more than one tenant, but not the interior distribution of those utilities, but excluding any special equipment, facilities and trade fixtures installed by Tenant;
- (iii) HVAC systems, elevators, and life safety systems in the Premises (whether serving one or more tenants) and the Common Area; and
- (iv) All driveways, parking areas, sidewalks, and landscaped areas.

"**Common Area**" means all areas and facilities outside the Premises, within the Property, that are provided by Landlord for the use of tenants in the Property, including, without limitation, driveways, parking areas, sidewalks, and landscaped areas and the Shared Use Space. Landlord reserves the right to make alterations thereto from time to time.

6.4.2 Tenant's Obligation. Subject to any maintenance or repair obligations under this Lease that are specifically required to be performed by and paid for by Landlord without reimbursement by Tenant, Tenant shall be responsible for maintaining the Premises, including all improvements constructed thereon, in good order, condition and repair. Tenant shall promptly make all repairs necessary to maintain such condition, and Tenant shall be responsible for all costs of maintaining and repairing the Premises, including, without limitation, security and any other operating systems serving the Building or Premises except as provided in Section 6.4.1. Tenant and Other Tenant are each 1/2 responsible for the maintenance and repair obligation for the Shared Use Space. Tenant hereby waives the benefit of any applicable statutory provision that requires a landlord to maintain leased property. All repairs made by Tenant shall utilize materials and equipment which are comparable to those originally used in constructing the Property. Tenant shall perform, at its sole cost, repairs for any damage to the Premises or the Property caused by Tenant or its Agents. Tenant shall notify Landlord prior to making any material repairs to any portion of the Premises. All contracts entered into by Tenant for its repair obligations must be pre-approved by Landlord, which approval shall not be unreasonably withheld. Tenant, at its sole cost, shall keep all driveways, parking areas, sidewalks, and landscaped areas of the Premises in a clean and orderly condition. Tenant and Other Tenant are each 1/2 responsible for the cleaning of the Shared Areas within the Property. Tenant shall make arrangements with the Other Tenant or jointly contract with the Other Tenant for the repair and maintenance of the Shared Use Space. Landlord reserves the right in its sole and absolute discretion to elect to take over the repair and maintenance of the Shared Use Space after thirty (30) days prior notice to Tenant. If Landlord makes such election, Tenant shall pay for one-half of the costs for such repair and maintenance by Landlord, including an administrative charge of 10% of the total amount of the costs for such repair and maintenance, within ten (10) days after receipt of a billing from Landlord. Tenant accepts all existing phone and communications cables in their existing, "as is" condition, and Tenant shall be responsible at its sole cost for the installation, maintenance and repair of any phone, data or other communications cable from the Building phone room (or, for multiple-Building properties, from the demarcation point supplied by the local regulated public utility) to and within the Premises. Any alterations, installations or modifications of such cable shall be subject to the provisions of this Lease. Notwithstanding anything to the contrary contained herein, Tenant shall remove all data and other communications cable lines serving the Premises upon the expiration or earlier termination of this Lease, unless Landlord elects not to have Tenant do the same, which election Landlord may make by delivering written notice of the same to Tenant.

6.4.3 Landlord's Right to Repair on Tenant's Behalf. If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant ten (10) days' written notice to do such acts as

are reasonably required to so maintain the Premises. If Tenant fails promptly to commence such work and diligently prosecute it to completion, then Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work, in which case, and Tenant shall pay such amounts within ten (10) days after receiving an invoice for the same from Landlord. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work except that Landlord shall make reasonable efforts to avoid damage, unreasonable inconvenience, or unreasonable interference with the use of the Premises by Tenant in performing any such work.

6.5 Utilities. Tenant shall pay for water, gas, heat, sewer, power, telephone services and any other utility supplied to or consumed in or on the Premises and Tenant's Pro Rata % of the costs of such services and utilities to the Common Areas. Tenant shall insure that each utility provider transfers the applicable accounts into Tenant's name on or before the Commencement Date. Landlord shall not be responsible or liable for any interruption in utility service, nor shall such interruption affect the continuation or validity of this Lease. Tenant shall accept all phone and communications cable in their existing, "as is" condition as of the Commencement Date, and Tenant shall be responsible at its sole cost for the installation, maintenance and repair of any phone, data or other communications cable from the demarcation point supplied by the local regulated public utility to and within the Premises. Any alterations, installations or modifications of such cable shall be subject to the provisions of this Lease, including Sections 8 and 9. Landlord, at Landlord's option, may contract directly for any utilities that Tenant is responsible for payment of and bill Tenant back for their share of usage. Tenant shall be responsible for payment of 100% of the utilities for Building B, the gymnasium and other site utilities until such time as the Other Tenant's lease term for Building A commences. Upon commencement of the Other Tenant's lease term, Tenant shall be responsible for payment of all of the utilities to Building B, and Tenant and the Other Tenant shall each be responsible for payment of 50% of site utilities and utilities for the Shared Areas and Common Areas. Tenant agrees to cooperate with Landlord and provide information required by Landlord regarding Tenant's energy consumption at the Premises. This information may be required in order for Landlord to establish an account with the Energy Star Portfolio Manager website maintained by the EPA and Department of Energy.

7.0 SCHOOL PERFORMANCE

Landlord's mission is to provide the highest possible quality of public education options to West Contra Costa County children through leasing of the Premises to a high-quality school operator. To achieve this mission, Landlord has set seven goals for Tenant as detailed below. Each goal is followed by Performance Metric(s) that will identify Tenant's performance toward meeting each goal. Tenant agrees to incorporate the goals into their operational plans and will strive to meet or exceed the individual Performance Metrics listed below. If tenant fails to meet these Performance metrics, the Tenant will build a plan to meet the Performance Metrics, and if Tenant fails to meet performance metrics for a total of two years, Landlord may terminate the Lease at the end of the current academic school year, upon at least 30 days written notice. If Tenant is meeting or exceeding the vast majority of performance metrics and working demonstrably towards the remaining performance metrics, it is under Landlord's discretion to move forward with termination. Annual metrics shall be measured for each applicable school year (for example from September to August of the immediately following year).

In the event of such termination through no fault of Tenant or default by Tenant under this Lease, Tenant shall have no further obligations under this Lease from and after the date of such termination, except for obligations that accrue prior to the date of such termination. Tenant shall also have the right to an early termination of this Lease in the event that Tenant's charter, pursuant to which it operates such charter schools, is revoked by the applicable charter authorizing entity through no fault or failure by Tenant to comply with applicable laws and regulations for maintenance of such charter, and in the event of such permissible early termination by Tenant, Tenant shall have no further obligations under this Lease from and after the date of such termination, except for obligations that accrue prior to the date of such termination.

Goal I: Graduation and College Readiness:

- a. A high school graduation rate of at least 95%.
- b. A 4-year college acceptance rate of at least 95%.
- c. A steadily increasing 4-year college matriculation rate. Year one of operation will set the benchmark, and each subsequent year Tenant will increase the percent of students matriculating. Tenant must also:
 - i. Have a plan identifying key levers and actions to improve matriculation rate.
 - ii. Show annual progress on creating a systematic process to measure college persistence and completion.
- d. No more than 10% of students needing remediation for math and/or English, as based on various measures. Year one of operation will set the benchmark, and each subsequent year Tenant will decrease the number of students needing remediation by at least ten percentage points, until the goal is met.

Goal II: Growth in Student Performance:

- a. Ensure that student growth in academic performance is in the top quartile of all schools nationally, by using a well-respected and norm-referenced evaluation method, including spring-spring growth measures where possible.
- b. A California Measurement of Academic Performance and Progress ("CalMAPP") score commensurate with that of a high achieving school (e.g., equivalent to an Academic Performance Index ("API") score of 800 and a Similar Schools ranking in the top three deciles).

Goal III: Attendance and Retention:

- a. Total Average Daily Attendance ("ADA") of at least 95% of enrollment.
- b. Fall-to-fall student retention rate, based on California Basic Educational Data System ("CBEDS") reporting date, of at least 85%, by the third year of operation.

Goal IV: Commitment to Matching District Diversity

- a. Percent of students who qualify for Free and Reduced Lunch ("FRL") matches the local school district population, within ten percentage points, by the third year of operation.
- b. Student demographics, including ethnicity, English Language Learners and special education enrollment, matches the local school district, within ten percentage points, by the third year of operation

Goal V: Financial Sustainability on the Public Dollar

- a. Operating expenses will be fully funded through available public funding sources once Tenant is fully enrolled.

Goal VI: Staff Quality and Retention

- a. A credentialed teacher retention rate of 75% within the Tenant's management organization.
- b. Provide a best-in-class professional development program.

Goal VII: Community Participation and Partnership

- a. Tenant will invite local school district teachers and administrators to Tenant-led trainings or professional development on a bi-annual basis.
- b. Tenant will ensure involvement in community service and leadership programs in order for students to give back to the surrounding area.
- c. Tenant, in partnership with other organizations, will engage families in broader education issues in the local community, and request families participate periodically.

8.0 ALTERATIONS, ADDITIONS AND FIXTURES

8.1 Installation and Removal. Subject to Section 8, Tenant shall have the right to install its trade fixtures in the Premises during the term of this Lease; provided, however, that no such installation or removal thereof shall affect the structural portion of the Buildings and that Tenant shall repair any damage to the Premises or the Property caused by the installation, use or removal of any of Tenant's furniture, fixtures, equipment or other property. Notwithstanding the foregoing, Tenant shall not place a load upon the floor or

roof of the Premises which exceeds the load per square foot which such floor or roof was designed to carry, as determined by Landlord or Landlord's structural engineer. The cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand. Tenant shall not install business machines or mechanical equipment which causes noise or vibration to such a degree as to be objectionable to Landlord or the Other Tenant.

8.2 Tenant's Rights. Except for nonstructural changes which collectively during a school year do not exceed \$10,000, Tenant shall not make or permit to be made any alterations or improvements to the Premises without Landlord's prior written consent. Notwithstanding the foregoing, Tenant shall not make any structural changes or any changes to the exterior of the Premises without Landlord's written consent, which Landlord may withhold in its sole and absolute discretion. In making any alterations or improvements of any magnitude or cost whatsoever, Tenant shall comply with Section 8 and shall not disturb the Other Tenant. Further, Tenant at its sole cost shall comply with all laws, codes and regulations (including the Americans with Disabilities Act and all other accessibility laws and regulations) relating to any alterations or improvements, including obtaining any necessary permits, and, upon completion, shall provide Landlord with as-built plans (in "CAD" (computer assisted design) form) detailing such alterations and improvements, together with a certificate of occupancy or the comparable municipal approval (such as a signed-off building permit) issued upon completion and approval of alterations and improvements in the municipality. Tenant shall be responsible for the accuracy of the as-built plans, and shall have Tenant's contractor certify the accuracy of the same, in writing, which certification shall be delivered to Landlord at the same time the as-built CAD plans are delivered to Landlord. All alterations and improvements to the Premises which are made by Tenant shall be the property of Tenant until the expiration or earlier termination of this Lease; at that time all such alterations and improvements shall remain on the Premises and become the property of Landlord without payment therefor, unless Landlord gives written notice to Tenant to remove the same, in which event Tenant shall remove such alterations and improvements and repair any damage resulting therefrom. Tenant's removable trade fixtures shall remain Tenant's property, and shall be removed by Tenant from the Premises, at Tenant's sole cost, on or before the expiration or earlier termination of this Lease.

When seeking the Landlord's approval of any such changes, Tenant shall provide to Landlord, for Landlord's review and approval, City approved plans and specifications for such changes. In addition, Landlord may impose as a condition to the aforesaid consent to such changes such requirements as Landlord may deem necessary in its sole discretion, including without limitation thereto, performing the work itself, specifying the manner in which the work is to be done, selecting the contractor by whom the work is to be performed, and the times during which it is to be accomplished. Landlord may require, at Landlord's sole option, that Tenant's contractor provide to Landlord, at Tenant's expense, a performance bond in an amount equal to at least one and one-half (1-1/2) times the total estimated costs of any additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and materialmen's liens and to insure timely completion of the work.

Tenant shall defend, protect, indemnify and hold Landlord harmless against all liens, claims, actions, damages, liability, costs, attorneys' fees and other expenses incurred as a result of any additions, alterations or improvements performed by Tenant or any person claiming under Tenant, or incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

9.0 MECHANIC'S LIENS

9.1 Tenant's Obligations. Tenant shall give Landlord fifteen (15) days written notice prior to the commencement of work on the Premises so that Landlord may post notices of nonresponsibility. Such notice shall include a copy of Tenant's plans and specifications and any necessary permits for the work. Tenant shall keep the Premises and the Property free and clear of any liens arising out of work done by or for Tenant.

Should any such lien or notice of lien be filed, Tenant shall bond against or discharge the same within fifteen (15) days after such filing.

10.0 ENTRY BY LANDLORD

10.1 Landlord's Rights. Tenant shall permit Landlord, its lenders, and their respective employees agents, contractors and designees to enter the Premises at all reasonable times for the purpose of inspection, maintenance, making repairs, alterations or additions to any portion of the Buildings or the Property, conducting environmental audits (including review of Tenant's records relating to hazardous materials), serving or posting notices as well as to exhibit the Premises for sale, mortgage or lease, and, during the last year prior to the expiration of this Lease, placing "For Lease" signs, without any rebate of Rent and without any liability to Tenant for any loss of occupation or quiet enjoyment thereby occasioned. Without limiting the foregoing in any way, Landlord shall have the right to close temporarily, and make changes to, any portion of the Premises, Building, or Property if Landlord deems such action reasonably necessary or desirable to make improvements, alterations or repairs, except that Landlord's closure of any portion of the Premises, Building or Property shall not unreasonably interfere with Tenant's operation of its school program. This Section in no way affects the parties' maintenance obligations.

11.0 DAMAGE BY FIRE OR OTHER CASUALTY

11.1 Repair; Landlord's Right to Terminate. If the Premises or Building shall be damaged or destroyed by fire or other casualty, Tenant shall promptly notify Landlord, and Landlord, subject to any mortgagee's consent and to the conditions set forth in this Section 11, shall repair such damage and restore the Premises to substantially the same condition in which they were immediately prior to such damage or destruction; provided that Landlord receives sufficient insurance proceeds to pay for such restoration, and such restoration may be completed in accordance with applicable laws. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Tenant shall promptly contribute the shortage in proceeds (except as to the deductible under Landlord property damage insurance which is Landlord's responsibility, but Landlord shall not be responsible for the deductible under any earthquake insurance) as and when required to complete said repairs. Landlord shall have no obligation to pay for the shortage in insurance proceeds unless Tenant provides Landlord with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefore. If Landlord receives said funds or adequate assurance thereof within said 10 day period, Landlord shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Landlord may nevertheless elect by written notice to Tenant within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Landlord paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Tenant shall not be entitled to reimbursement of any funds contributed by Tenant to repair any such damage or destruction.

Notwithstanding anything to the contrary in the Lease, Landlord's restoration shall not include the repair, restoration or replacement of Tenant's fixtures, improvements performed by Tenant, alterations, furniture or any other of its property (collectively, "**Tenant's Property**"). Tenant shall be responsible for and shall promptly repair, restore and/or replace all of Tenant's Property at Tenant's expense. All statutory or common law rights of termination with respect to the destruction of leased Premises shall not be applicable to this Lease. If a casualty occurs during the last 12 months of the Term or any extension thereof, Landlord may cancel this Lease unless Tenant has the right to extend the term for at least three more years and does so within 30 days after the date of the casualty. If in Landlord's opinion the net insurance proceeds will not be adequate to complete such restoration, and Tenant has not provided payment for the shortage per this section, Landlord may terminate this Lease by giving Tenant written notice which specifies a termination date no less than ten (10) days after its transmission.

11.2 Rent Abatement. The Minimum Monthly Rent shall abate during any period when there is substantial interference with Tenant's use of the Premises (in proportion to the unusable area), commencing with the damage or destruction and ending upon substantial completion by Landlord of the repair or reconstruction of the Premises; provided, however, that the substantial interference with Tenant's use of the Premises was not caused wholly or in part by any act or omission of Tenant or its employees, agents, contractors, licensees or invitees ("**Agents**"). Tenant shall not be entitled to any compensation or damages from Landlord for loss of use of the Premises, damage to Tenant's personal property or any inconvenience occasioned by such damage, repair or restoration.

12.0 INDEMNIFICATION OF LANDLORD

12.1 Tenant's Obligations. Subject to Section 6.3.3 above, Tenant shall hold harmless, indemnify, protect, and defend Landlord against all claims, actions, damages, liability and expense (including, without limitation, fees of attorneys, investigators and experts) (collectively, "**Claims**") in connection with loss of life, personal injury or damage to property in or about the Premises or Property or arising out of the occupancy or use by Tenant of the Premises or occasioned wholly or in part by any act or omission of Tenant or its Agents, except to the extent such Claims arise from the gross negligence or willful misconduct of Landlord, or to the extent caused by the negligence of any other tenant at the Property. It is expressly agreed that Tenant shall have no defense or indemnity obligations hereunder for bodily injury, personal injury or property damage arising out of the negligence, acts or omissions of any other tenant permitted by Landlord to use or occupy the Property or share facilities or amenities afforded Tenant under the terms of this Lease.

Without limiting the foregoing, Tenant will forever release and hold Landlord and its employees, agents and contractors harmless from all Claims arising out of damage to Tenant's property, except to the extent such Claims arise as a result of Landlord's gross negligence or willful misconduct, or Landlord's failure to make repairs that Landlord is required to make under this Lease after the expiration of any cure period specified in the Lease to repair the same after having received written notice of the need for such repair. In no event shall Landlord be liable to Tenant for any indirect or consequential damages, including without limitation any claims for lost profits or business opportunities, arising from any cause whatsoever, including without limitation any negligence of Landlord.

13.0 CONDEMNATION

13.1 Permanent Taking. If (i) all of the Premises is taken by a condemnation, (ii) any part of the Premises is taken by a condemnation and the remainder thereof is insufficient for the reasonable operation therein of Tenant's business, or (iii) any of the Property is taken by a condemnation and, in Landlord's opinion, it would be impractical to restore the remainder thereof, then this Lease shall terminate and all obligations hereunder shall cease as of the date upon which possession is taken by the condemnor. If there is a condemnation and this Lease has not been terminated pursuant to this Section, the obligations of Landlord and Tenant shall be unaffected by such condemnation except that Rent shall abate in proportion to the area, if any, of the Premises covered by such condemnation. Statutory provisions with respect to termination upon a partial taking of leased premises shall not be applicable to this Lease.

13.2 Award. In the event of a condemnation affecting Tenant, Tenant shall have the right to make a separate claim against the condemnor to the extent that such claim does not reduce the sums otherwise payable by the condemnor to Landlord, but in no event shall Tenant have any claim for the leasehold value of its interest in this Lease. Except as aforesaid, Tenant hereby assigns to Landlord all other claims against the condemnor.

13.3 Temporary Taking. No temporary taking of the Premises or any part thereof shall terminate this Lease or give Tenant any right to any abatement of Rent. Any award made to Tenant by reason of such temporary taking shall belong entirely to Tenant and the Landlord shall not be entitled to share therein.

14.0 QUIET ENJOYMENT

14.1 Tenant's Rights. Landlord covenants that Tenant, upon performing the terms, conditions and covenants of this Lease shall have quiet and peaceful possession of the Premises as against any person claiming the same by, through or under Landlord, subject, however, to the exceptions, reservations and conditions of this Lease.

15.0 ASSIGNMENT AND SUBLETTING

15.1 Limitation. Tenant shall not transfer this Lease, voluntarily or by operation of law, without the prior written consent of Landlord in its sole and absolute discretion. For purposes of this Section 15, "**transfer**" shall include any sublease, assignment, license or concession agreement, change in ownership of Tenant, mortgage or hypothecation of this Lease or Tenant's interest therein or in all or a portion of the Premises. Notwithstanding the above, Landlord shall not consent to any transfer which provides for a rental or other payment based in whole or in part on the net income or profits derived by the user or occupant of the Premises from its use or occupancy of the Premises (other than an amount based on a fixed percentage or percentages of receipts or sales). A consent to one transfer shall not be deemed to be a consent to any subsequent transfer. Any transfer without Landlord's consent shall be void at the option of Landlord, and Landlord may exercise any or all of its rights under Section 18 hereof.

15.2 Offer to Landlord. Tenant acknowledges that the terms of this Lease, including Rent, have been based on the understanding that Tenant shall physically occupy the Premises for the entire Term. Therefore, upon Tenant's request to transfer all or a portion of the Premises, Landlord shall be entitled to sublease from Tenant for Landlord's own account the portion of the Premises proposed to be transferred by Tenant, upon the same terms as those proposed but otherwise upon the form of this Lease. If Landlord so subleases for its own account, Landlord shall have the further right to transfer such portion of the Premises to any person or entity, including without limitation other tenants at the Property and Tenant shall be relieved of any liability with respect to such portion of the Premises so subleased by Landlord until the term of such sublease expires or is terminated.

15.3 Conditions. Notwithstanding the above, the following shall apply to any proposed transfer:

(a) No transfer shall relieve Tenant of its obligation to pay Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any transfer.

(b) Any consideration received by Tenant as a result of a sublease or assignment which exceeds the total sums which Tenant is obligated to pay Landlord under this Lease, or the prorated portion thereof if only a portion of the Premises is transferred, shall be payable to Landlord as additional Rent under this Lease without affecting or reducing any other obligation of the Tenant hereunder.

(c) Each transfer to which Landlord has consented shall be by an instrument in writing in a form satisfactory to Landlord, and shall be executed by Tenant and the transferee. Tenant shall reimburse Landlord for Landlord's reasonable costs and attorneys' fees incurred in conjunction with the processing and documentation of any such requested transfer.

16.0 SUBORDINATION; ESTOPPEL CERTIFICATES

16.1 Subordination. This Lease shall, unless otherwise elected by Landlord's first mortgagee, lender, or ground lessor, be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security (collectively, a "**Security Instrument**") now or hereafter placed upon the Property and to any and all advances made on the security thereof and to all modifications, replacements and extensions thereof. Notwithstanding any such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed so long as Tenant is not in default and so long as Tenant shall pay the rent and observe and perform all the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. This Lease shall, at the election of Landlord's mortgagee, lender or ground lessor, be superior to any such Security Instrument. In any event, Tenant shall execute any documents required to effectuate the subordination of this Lease or any Security Instrument within ten (10) days after written request. Tenant shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed given in lieu of foreclosure; provided, however, that said successor-in-interest shall not be (i) bound by any payment of rent for more than thirty (30) days in advance, except prepayment in the nature of security for the performance by Tenant of its obligations under this Lease, (ii) liable for any act or omission of any previous landlord (including Landlord), (iii) subject to any offset, defense, recoupment or counterclaim that Tenant may have given to any previous landlord (including Landlord), or (iv) liable for any deposit that Tenant may have given to any previous landlord (including Landlord) that has not, as such, been transferred to said successor-in-interest. Within ten (10) days after receipt of request by said successor-in-interest, Tenant shall execute and deliver an instrument or instruments confirming such attornment, including a non-disturbance, attornment and subordination agreement in a form required by any such successor-in-interest.

16.2 Condition of Lease. Within ten (10) days after request therefor by Landlord, Tenant shall provide a written statement acknowledging the commencement and termination dates of this Lease, that it is in full force and effect, has not been modified (or if it has, stating such modifications), and providing any other pertinent information as Landlord reasonably requests.

16.3 Tenant's Failure. If Tenant fails to execute any of the above referenced documents within the time required, then Tenant hereby irrevocably appoints Landlord as Tenant's attorney in fact to execute such documents on Tenant's behalf, and all statements made in such documents shall be deemed true and binding upon Tenant. Tenant understands that its failure to execute such documents may cause Landlord serious financial damage by causing the failure of a financing or sale transaction. Failure to comply with this Section shall be a material breach of this Lease by Tenant except where Tenant is not able to perform its obligations under this Section as the result of the gross negligence or willful misconduct of Landlord, giving Landlord the right to recover damages in addition to the remedies set forth in Section 18.

16.4 Financial Statements. Tenant hereby agrees to deliver to landlord such financial and operating statements of Tenant as may be reasonably requested by Landlord for any purpose, including, but not limited to Landlord's efforts to finance, refinance or sell the Premises or any part thereof, or the Premises or any part thereof or the Property.

17.0 SURRENDER AND HOLDOVER

17.1 Condition at End of Term. Subject to the terms of Sections 8 and 11, at the expiration or earlier termination of the Term, Tenant shall promptly yield up, in the same condition, order and repair in which they are required to be kept during the Term, the Premises and all alterations thereto, and all fixtures and equipment servicing the Buildings, ordinary wear and tear excepted.

17.2 Holdover Terms. If Tenant, or any person claiming through Tenant, shall continue to occupy the Premises after the expiration or earlier termination of the Term or any renewal thereof, with Landlord's written consent, such occupancy shall be deemed to be under a month-to-month tenancy under the same terms set forth

in this Lease; except that the Minimum Monthly Rent during such continued occupancy shall be 150% of the then-monthly rent. Notwithstanding the above, any holding over by Tenant without Landlord's prior written consent shall constitute a default hereunder and shall be subject to all the remedies set forth in Section 18.

18.0 DEFAULT AND REMEDIES UPON DEFAULT

18.1 Events. The occurrence of any of the following shall constitute a default of this lease by Tenant:

(a) Any failure by Tenant to pay Rent or to make any other payment required to be made by Tenant hereunder when due; provided, however, that Landlord shall exercise no remedies provided in Sections 18.2 and 18.3 unless Tenant fails to cure such default within three days after Landlord gives Tenant written notice of such default;

(b) The abandonment of the Premises by Tenant, which shall be conclusively presumed if the Premises remain unoccupied for more than ten (10) consecutive days during the school year, excluding the normal and customary holiday and spring school breaks, or the removal of Tenant's property therefrom other than in the ordinary course of business;

(c) A failure by Tenant to observe and perform any other provision of this Lease, where such failure continues for fifteen (15) days after written notice thereof by Landlord to Tenant; provided, however, that if the default cannot reasonably be cured within fifteen (15) days, Tenant shall not be deemed to be in default if Tenant shall, within such fifteen (15) day period, commence to cure and thereafter diligently prosecute the same to completion;

(d) With respect to Tenant or any member of or partner in Tenant (collectively, "**Tenant Party**") as the case may be, either (1) the appointment of a receiver (except a receiver appointed at Landlord's request) to take possession of all or substantially all of the assets of a Tenant Party, or (2) a general assignment by a Tenant Party for the benefit of creditors, or (3) any action taken by a Tenant Party or by any other person against a Tenant Party under any insolvency or bankruptcy act. In such event, Landlord may, at its option, declare this Lease terminated and forfeited by Tenant in a written notice to Tenant, and Landlord shall be entitled to immediate possession of the Premises; or

(e) The failure of Tenant to maintain and keep in place all licenses and approvals required to operate a school at the Premises.

Tenant agrees that any notice given by Landlord pursuant to this Section which is served in compliance with Section 22 of this Lease shall be adequate notice for the purpose of Landlord's exercise of the remedies specified in Section 18.2 or any other remedies provided by law. Therefore, any statutory provision relating to the manner of giving notice shall not be applicable to this Lease.

18.2 Landlord's Rights. In the event of any default by Tenant, Landlord, in addition to all other remedies provided by law or in equity, shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such intention to terminate. If Landlord shall elect to so terminate this Lease, Landlord shall have the rights and remedies of a Landlord provided by Section 1951.2 of the Civil Code of the State of California, or any successor code sections. Upon such termination, in addition to any other rights and remedies to which Landlord may be entitled under applicable law or at equity, Landlord shall be entitled to recover from Tenant: (a) the worth at the time of award of the unpaid Rent which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after the date of termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and (d) any other amount necessary to compensate

Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom. The "worth at the time of award" as used in clauses (a) and (b) above shall be computed at the Default Rate (defined below). The "worth at the time of award" as used in clause (c) above shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%. If this Lease provides for any periods during the Term during which Tenant is not required to pay Base Rent or if Tenant otherwise receives a Rent concession, then upon the occurrence of an event of default, Tenant shall owe to Landlord the full amount of such Base Rent or value of such Rent concession, plus interest at the Applicable Interest Rate, calculated from the date that such Base Rent or Rent concession would have been payable.

If Landlord does not elect to terminate this Lease, Landlord shall have the remedy described in Section 1951.4 of the California Civil Code (Landlord may continue the Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations). In addition, if Landlord elects to continue the Lease in effect, Landlord may from time to time, without terminating this Lease, recover all Rent as it becomes due. In the alternative, Landlord may relet the Premises or any part thereof for such term and at such rent and upon such other terms and conditions as Landlord in its reasonable discretion may deem advisable with the right to make alterations and repairs to the Premises, and the Lease shall terminate if the entire Premises is relet. Any Rent received by Landlord from a reletting a portion of the Premises shall be applied to the payment of (a) any indebtedness other than Rent due hereunder; (b) the cost of such reletting; (c) the cost of any alterations and repairs to the Premises; (d) Rent due and unpaid hereunder; and (e) the residue, if any, shall be held by Landlord and applied in payment of future Rent as the same may become due and payable hereunder. If the Rent received from such reletting is less than the Rent payable by Tenant, then Tenant shall pay such deficiency to Landlord immediately upon demand therefore by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord as soon as ascertained, any expenses incurred by Landlord which are not covered by the Rent received from such reletting.

18.3 Late Charge & Interest. Tenant shall pay a onetime administrative fee for any Rent that is not paid within five (5) days after the date when due in an amount equal to the greater of \$100 or five percent (5%) of the amount due. In addition, all Rent that is not paid when due shall bear interest at the rate of ten percent (10%) per annum, or the maximum legal rate, whichever is less. Landlord and Tenant agree that the administrative fee and interest set forth in this Section 18.3 represents a reasonable estimate of Landlord's loss of the use of the money owed, and the costs and expenses incurred by Landlord as a result of the non-payment and is fair compensation to Landlord for the loss suffered from Tenant's nonpayment. Acceptance of any interest and/or late payment penalty shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease. Notwithstanding the foregoing, after the second late payment by Tenant, Landlord may require Tenant to make advance payments of Rent on a quarterly basis or by certified check.

18.4 Termination. No re-entry or taking possession of the Premises or any other action under this Section shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a Court of competent jurisdiction except as set forth in Section 18.2. Notwithstanding any reletting without termination by Landlord because of any default by Tenant, Landlord may at any time after such reletting elect to terminate this Lease for any such default.

18.5 No Waiver. No waiver by Landlord of any breach by Tenant shall be a waiver of any subsequent breach, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach. Efforts by Landlord to mitigate the damages caused by Tenant's default in this Lease shall not constitute a waiver of Landlord's right to recover damages hereunder.

18.6 Landlord's Cure of Tenant's Default. Should Tenant fail to perform any obligation imposed by this Lease, Landlord may perform or contract for the performance of Tenant's obligation after having given

Tenant reasonable notice of the failure(s) and a reasonable opportunity which in no case shall exceed ten (10) days to remedy the failure, and Tenant shall pay Landlord for all reasonable costs incurred in connection therewith. The exercise of one right or remedy by Landlord shall not in any way impair its right to any other right or remedy. Should Tenant consist of more than one person or entity, they shall be jointly and severally liable on this Lease.

18.7 Waiver. Tenant waives (for itself and all persons claiming under Tenant) any right of redemption or reinstatement of Tenant under any present or future case law or statutory provision (including Code of Civil Procedure Sections 473 and 1179 and Civil Code Section 3275) in the event Tenant is dispossessed from the Premises for any reason.

18.8 Accord and Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the amounts owed to Landlord in this Lease shall be deemed to be other than on account of the earliest due amounts owed, nor shall any endorsement or statement on any check or letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right in its sole discretion to apply any payment received from Tenant to any account or other payment of Tenant then not current and due or delinquent.

19.0 LIABILITY OF LANDLORD

19.1 Landlord's Right to Cure; Limitations on Liability. In the event of any actual or alleged failure, breach or default by Landlord hereunder pertaining to the Premises, the Building, or the Property, Tenant shall give Landlord written notice thereof and Landlord shall not be deemed in default unless it fails to diligently commence to cure such default within 15 days after its receipt of such notice. Landlord's (which term includes Landlord's partners, co-venturers, officers, directors, employees, agents (including any property manager for the Property), or representatives, all of whom have the authority to act on Landlord's behalf) liability to Tenant for any such default shall be limited to its ownership interest in the Property or the proceeds of a public sale of such interest pursuant to foreclosure of a judgment against Landlord, plus any insurance proceeds actually received by Landlord with reference to the Property and not expended on the Property or to pay claims covered by such proceeds. Landlord shall not be liable for any deficiency beyond its interest in the Property and the amount of such insurance proceeds.

19.2 Release or Transfer; Successor Liability. If Landlord shall transfer its interest in the Buildings or the Premises, then from and after the effective date of the transfer, Landlord shall be released from all obligations under this Lease, except those already accrued. If Landlord transfers the Security Deposit to the transferee, Landlord shall be discharged from any further liability in reference thereto. Tenant acknowledges that any successor to Landlord's interest in the Property, pursuant to sale or foreclosure under any deed of trust or mortgage shall not be bound by any agreement between Landlord and Tenant which has not been approved by the holder of such instrument, including without limitation any advance rents or security deposits paid by Tenant in excess of an amount equal to two month's Rent.

20.0 ATTORNEY FEES

20.1 Tenant's Obligations. The prevailing party in any dispute between Landlord and Tenant concerning any aspect of this Lease shall be entitled to recover from the losing party, costs of suit and reasonable attorney's fees.

21.0 INTERPRETATION

21.1 **Captions.** The captions in this Lease are for convenience only and are not a part of this Lease and do not in any way define, limit, describe or amplify the terms and provisions of this Lease or the scope or intent thereof.

21.2 **Entire Agreement.** This Lease represents the entire agreement between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises or the Property. No right, easements or licenses are acquired in the Property or any land adjacent to the Property by Tenant by implication or otherwise except as expressly set forth in the provisions of this Lease. Tenant agrees to make such changes to this Lease as are required by any mortgagee, provided such changes do not substantially affect Tenant's rights and obligations hereunder. This Lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun and the singular number shall include the masculine, feminine and neuter genders and the singular and plural number.

21.3 **Exhibits.** Each writing or plan referred to herein as being attached hereto as an Exhibit or otherwise designated herein as an Exhibit hereto is hereby made a part hereof.

21.4 **Severability; Governing Law.** If any provision of this Lease shall be declared unenforceable in any respect, such unenforceability shall not affect any other provision of this Lease, and each such provision shall be deemed to be modified, if possible, in such a manner as to render it enforceable and to preserve to the extent possible the intent of the parties as set forth herein. This Lease shall be construed and enforced in accordance with the laws of the State of California.

21.5 **Authority.** If Tenant is a corporation, partnership or any other form of business association or entity, each individual executing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said entity in accordance with its corporate bylaws, statement of partnership, certificate of limited partnership or other appropriate organizational documents, as the case may be, and that this Lease is binding upon said entity in accordance with its terms. At the time of execution of this Lease, Tenant shall provide Landlord with corporate resolutions or other appropriate written authorization, in a form acceptable to Landlord, authorizing the execution, delivery and performance of this Lease. The failure of Tenant to deliver the same to Landlord within five (5) days of Landlord's request therefor shall be deemed a default under this Lease. (If more than one party comprises Tenant, then the obligations of such parties hereunder shall be joint and several.)

21.6 **Rules and Regulations.** Landlord shall have the right to establish, modify and enforce reasonable rules and regulations ("**Rules and Regulations**") with respect to the Premises, the Building, and the Property and Tenant shall abide by the same. Notwithstanding the above, neither Tenant nor any of its employees, agents, or customers shall have any obligation to conform to, abide by, or take any other action with respect to any such Rule or Regulation which (a) purports to deprive Tenant of any material rights under this Lease; and/or (b) purports to impose on Tenant any material obligation that would be inconsistent with Tenant's rights under this Lease or would impose any material burden on Tenant or would prevent Tenant from using the Premises and Property for its intended use; and/or (c) is enforced in a discriminatory fashion by Landlord. Tenant acknowledges the Rules and Regulations expressly set forth in Exhibit C hereto do not deprive Tenant of any material rights under this Lease. Whenever the Rules and Regulations conflict with this Lease, this Lease shall control and be deemed the prevailing document for purposes of resolving the conflict.

22.0 NOTICES

22.1 **Methods.** Any notice or other communication under this Lease by either party to the other shall be in writing and shall be deemed received if delivered personally or by private messenger service or if sent by certified mail, return receipt requested, postage prepaid, and addressed to the parties at the addresses specified in Section 1.2 hereof, or to such other places as Landlord and Tenant may from time to time designate by written notice to the other party. Any such notice sent by registered or certified mail, return receipt requested,

shall be deemed to have been duly given and received seventy-two (72) hours after the same is so addressed and mailed with postage prepaid. Notices delivered by overnight service shall be deemed to have been given and received twenty-four (24) hours after delivery of the same, charges prepaid, to the U.S. Postal Service or private courier. If any notice is transmitted by facsimile transmission or similar means prior to 5:00 p.m. (PST) on a business day, the same shall be deemed served, received and delivered upon confirmation of transmission thereof. Any notice or other document sent by any other manner shall be effective only upon actual receipt thereof.

23.0 SECURITY DEPOSIT

23.1 Terms. Tenant shall pay Landlord a Security Deposit in the amount specified in Section 1.9, which shall remain the sole and separate property of Landlord until actually repaid to Tenant (or at Landlord's option the last assignee, if any, of Tenant's interest), said amount not being earned by Tenant until all conditions precedent for its payment to Tenant have been fulfilled. Landlord shall not be required to keep said deposit separate from his general accounts, or pay interest, or other increment for its use. If Tenant fails to pay Rent or other charges when due hereunder, or otherwise defaults with respect to any provision of this Lease, Tenant shall not have earned the right to repayment of the Security Deposit to the extent Landlord has used all or a portion thereof for the payment of any amount in default or to compensate Landlord for any loss or damage which it may suffer by reason of Tenant's default. If Landlord uses all or any portion of the Security Deposit as provided above, Tenant shall within ten (10) days after written demand therefor pay Landlord an amount equal to that portion of the Security Deposit used by Landlord. This Security Deposit is not to be characterized as Rent until so applied in respect of a default by Tenant.

Tenant acknowledges that Landlord has the right to apply all or any portion of the Security Deposit to any costs or damages resulting from any default by Tenant under the Lease, whether such costs or damages accrue prior to or after termination of the Lease. Therefore, Tenant hereby expressly waives the provisions of California Civil Code section 1950.7(c) and any other laws and rules of law in effect from time to time during the Term that limit Landlord's right to use or apply the Security Deposit to offset Landlord's damages after a lease termination due to Tenant's default or abandonment.

24.0 BROKERS

24.1 Indemnity. Tenant warrants and represents that it has not dealt with any real estate broker, agent or finder in connection with this Lease or its negotiation. Tenant shall indemnify and hold Landlord harmless from any cost, expense or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any real estate broker, agent or finder in connection with this Lease or its negotiation by reason of any act of Tenant.

25.0 SIGNAGE

25.1 Identification Sign. Tenant shall be entitled to an identification sign subject to approval of the City of Richmond and Landlord in their sole and absolute discretion. The cost of the sign, its installation, maintenance and removal expense, shall be at Tenant's sole expense. There is or may be a monument signage base for listing the names of tenants at the Property. To the extent such monument signage base exists or is installed by Landlord, Tenant shall have the non-exclusive right to install, at Tenant's expense, the lettering for its name on the monument sign with such lettering to be of a size and design and otherwise approved by the City of Richmond and Landlord. At the expiration or earlier termination of this Lease, Tenant shall, at its sole cost, cause its signage to be removed and shall restore the area upon which such signage was affixed to the condition existing prior to installation, normal wear and tear excepted.

26.0 PARKING

26.1 **Parking.** Tenant and Landlord hereby acknowledge and agree that Tenant shall be entitled free of charge to fifty five (55) (the “**Parking Allocation**”) non-exclusive parking spaces in the parking area located on the Property. If necessary, parking needed by Tenant which exceeds the Parking Allocation to which Tenant is entitled must occur off the Property. Tenant agrees not to overburden the parking facilities and to cooperate with Landlord and Other Tenant in the use of the parking facilities. Tenant agrees to manage the total number of students and staff located at the Premises so that the City of Richmond’s parking regulations are not violated. The following table details the City of Richmond’s Parking regulations:

Parking User	Number of Stalls Required
Middle School Staff	1 stall per 2 employees
High School Staff	1 stall per 3 employees
High School Students	9 stalls per 100 students*

Note: City of Richmond parking regulations require 1 stall per 10 high school students. They have granted a 10% reduction in the number of stalls required for high school students, or 9 stalls per 100 high school students.

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IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date provided in the Summary of Lease.

TENANT: SUMMIT PUBLIC SCHOOLS
a not-for-profit 501c(3) organization

By: 

Name: Diane Tavenner

Its: CEO

By: _____

Name: _____

Its: _____

LANDLORD: HILLTOP COMMUNITY VENTURES, LLC,
a California limited liability company

By: 

Name: Christine Castillo

Its: Vice President

EXHIBIT A – PROPERTY SITE PLAN
PLOT OR FLOOR PLAN

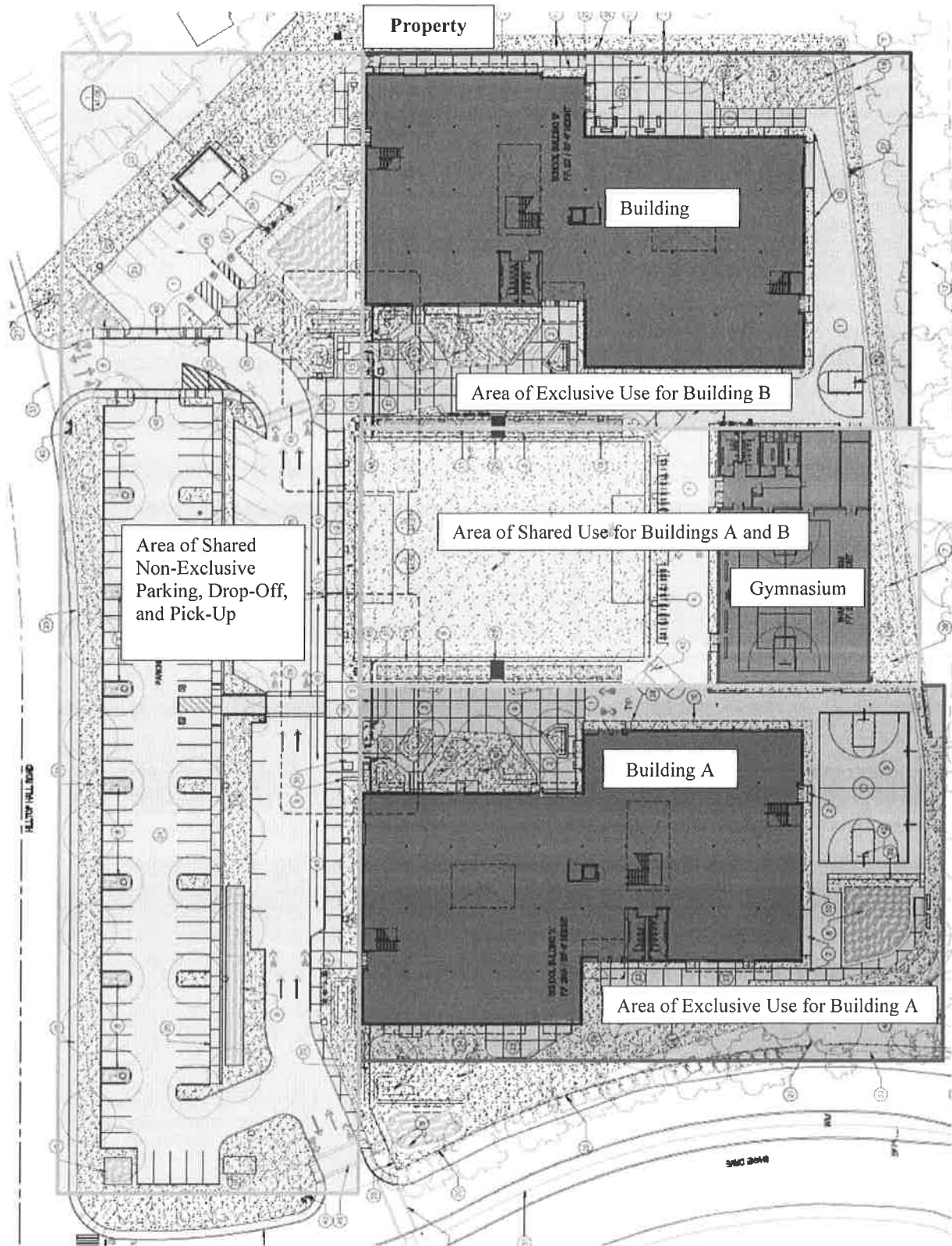


EXHIBIT B

WORK LETTER

This Exhibit B forms a part of the Lease between SUMMIT PUBLIC SCHOOLS, a not-for-profit 501c(3)(“**Tenant**”) as Tenant, and HILLTOP COMMUNITY VENTURES, LLC, a California limited liability company (“**Landlord**”) as Landlord. If there is any conflict between this Exhibit and the Lease, this Exhibit shall govern.

1. Defined Terms. All defined terms referred to in this Exhibit shall have the same meaning as defined in the Lease to which this Exhibit is a part, except where expressly defined to the contrary.

2. Additional Definitions. Each of the following terms shall have the following meaning:

“**Construction Plans**” - The complete plans and specifications for the construction of the Tenant Improvements consisting of all architectural, engineering, mechanical and electrical drawings and specifications which are required to obtain all building permits, licenses and certificates from the applicable governmental authority(ies) for the construction of the Tenant Improvements. The Construction Plans shall be prepared by duly licensed and/or registered architectural and/or engineering professionals selected by Landlord in its sole and absolute discretion, and in all respects shall be in substantial compliance with all applicable laws, rules, regulations, building codes for the city and county where the Building is located.

“**Force Majeure Delays**” - Any delay, other than a Tenant Delay, by Landlord in completing the Tenant Improvements by the Estimated Commencement Date set forth in the Lease by reason of (i) any strike, lockout or other labor trouble or industrial disturbance (whether or not on the part of the employees of either party hereto), (ii) governmental preemption of priorities or other controls in connection with a national or other public emergency, civil disturbance, riot, war, sabotage, blockade, embargo, inability to secure customary materials, supplies or labor through ordinary sources by reason of regulation or order of any government or regulatory body, or (iii) shortages of fuel, materials, supplies or labor, (iv) lightning, earthquake, fire, storm, tornado, flood, washout explosion, inclement weather or any other similar industry-wide or Building-wide cause beyond the reasonable control of Landlord, or (v) any other cause, whether similar or dissimilar to the above, beyond Landlord’s reasonable control. The time for performance of any obligation of Landlord to construct the Tenant Improvements under this Exhibit or the Lease shall be extended at Landlord’s election by the period of any delay caused by any of the foregoing events.

“**Space Plan**” - That certain Space Plan attached hereto as Exhibit B-1, which reflect the Tenant Improvements to be constructed by Landlord. Landlord and Tenant hereby approve of the Space Plan.

“**Substantial Completion.**” “**Substantially Complete.**” “**Substantially Completed**” - The terms Substantial Completion, Substantially Completed and Substantially Complete shall mean when Landlord has delivered to Tenant a written notice stating that the Tenant Improvements have been Substantially Completed in accordance with the Construction Plans, except “punch list” items which may be completed without materially impairing Tenant’s use of the Premises or a material portion thereof.

“**Tenant Delay**” - Any delay incurred by Landlord in completing the Tenant Improvements due to (i) a delay by Tenant, or by any person employed or engaged by Tenant, in approving or delivering to Landlord any plans, schedules or information, including, without limitation, the Construction Plans

beyond the applicable time period set forth in this Exhibit, if any; (ii) a delay in the performance of work in the Premises by Tenant or any person employed by Tenant; (iii) any changes requested by Tenant in or to previously approved work or in the Space Plan or Construction Plans; (iv) requests for materials and finishes which are not readily available, and/or delays in delivery of any materials specified by Tenant through change orders; (v) the failure of Tenant to pay as and when due under this Exhibits all costs and expenses to construct the Tenant Improvements to the extent Tenant is required to pay for such costs in this Exhibit; or (vi) interference with the construction of the Tenant Improvements.

Tenant Improvements” - The improvements to be installed by Landlord in the portion of the Premises substantially in accordance with construction details in Section 2 and the Space Plan attached hereto as Exhibit B-1. The type and quality of materials to be used by Landlord to construct the Tenant Improvements will be consistent with the Landlord’s standard building improvements for the Building, except as described to the contrary in the Space Plan (the “**Standard Specifications**”).

3. Construction of the Tenant Improvements.

3.1. Construction Details.

The following improvements will be completed to the Premises as further shown in Exhibit B-1:

- (a) Interior Improvements
 - i. Paint
 - ii. Electrical and Data Ring and String per plan attached as Exhibit B-2
 - iii. Fire and Life Safety Systems as required by the City of Richmond
 - iv. 3’0” x 8’0” solid wood or metal painted half glass doors with hollow metal painted frames
- (b) Class Rooms and office space
 - i. Carpet tile flooring standard
 - ii. Drop Ceiling
 - iii. Lay in 2’ by 2’ LED lighting
 - iv. On average, 80 square feet of interior glazing per class room
- (c) Art room and Maker’s Space
 - i. One utility sink
 - ii. Linoleum, marmoleum, or sealed concrete flooring
 - iii. Drop Ceiling
 - iv. Lay in 2’ by 2’ LED lighting
 - v. 80 square feet of interior glazing
- (d) STEAM Rooms
 - i. Linoleum, marmoleum, or sealed concrete flooring
 - ii. Drop Ceiling
 - iii. Lay in 2’ by 2’ LED lighting
 - iv. 80 square feet of interior glazing
- (e) STEM Rooms
 - i. VCT flooring
 - ii. Lay in 2’ x 2’ LED light fixtures
 - iii. Lower plastic laminate casework with phenolic countertops and sinks per plan.
- (f) Restrooms - complete – no new restrooms
- (g) Food Service and Servery
 - i. Wall between servery and food service with serving counter and pass through door.
 - ii. No equipment on servery side is provided
 - iii. Grease trap is not included
 - iv. No specialized fire or life safety systems

- v. Floor sink on server side is included
 - vi. Plumbing for Tenant supplied hand washing sink provided
 - vii. Dedicated exhaust provided
 - viii. Linoleum or marmoleum flooring
 - ix. Vinyl wrapped moisture resistant ceiling tile
 - x. Lay in 2 foot by 2 foot LED lighting
- (h) Open Areas
- i. Intermittent lay in drop ceiling clouds with lay in 2' by 2' LED fixtures
 - ii. Various canned LED down lights and accent LED fixtures
 - iii. Carpet tile flooring
 - iv. Rubber flooring on stairs and landings
 - v. Gymnasium - Complete – no additional work
- (i) Interior paint and flooring colors to be selected with Tenant input
- (j) Tenant is responsible for providing phone and/or data service throughout the Premises from the electrical room.
- (k) Tenant to supply all equipment not included in this list (technology equipment, kitchen equipment, etc.)

3.2 Construction Plans. Landlord shall cause to be prepared the Construction Plans for the Tenant Improvements that are consistent with and are logical evolutions of the Space Plan and the building standards. Landlord will provide a copy of the Construction Plans to Tenant for its approval which shall not be unreasonably withheld. Tenant shall notify Landlord in writing within five (5) days after receipt of Construction Plans or any preliminary plans that (i) Tenant approves of such plans; or (ii) Tenant disapproves the plans because they vary in design from the Space Plan approved by Landlord and Tenant in the particular instances specified by Tenant in such notice (including, without limitation, the specific changes requested by Tenant), but such disapproval shall constitute a Tenant Delay unless the plans materially deviate from the Space Plan or changes in such Space Plan that have been approved in writing by Landlord. The failure of Tenant to provide such written notice within said five (5) day period shall be deemed as approval by Tenant of such plans.

3.3 Construction. Landlord shall construct the Tenant Improvements substantially in accordance with the Construction Plans. The construction contract for constructing the Tenant Improvements and the contractor(s) to perform the work shall be approved and/or selected, as the case may be, by Landlord at its sole and absolute discretion without the consent of Tenant. The parties anticipate that the Tenant Improvements will be Substantially Completed by the estimated Commencement Date, subject to Tenant Delays and Force Majeure Delays.

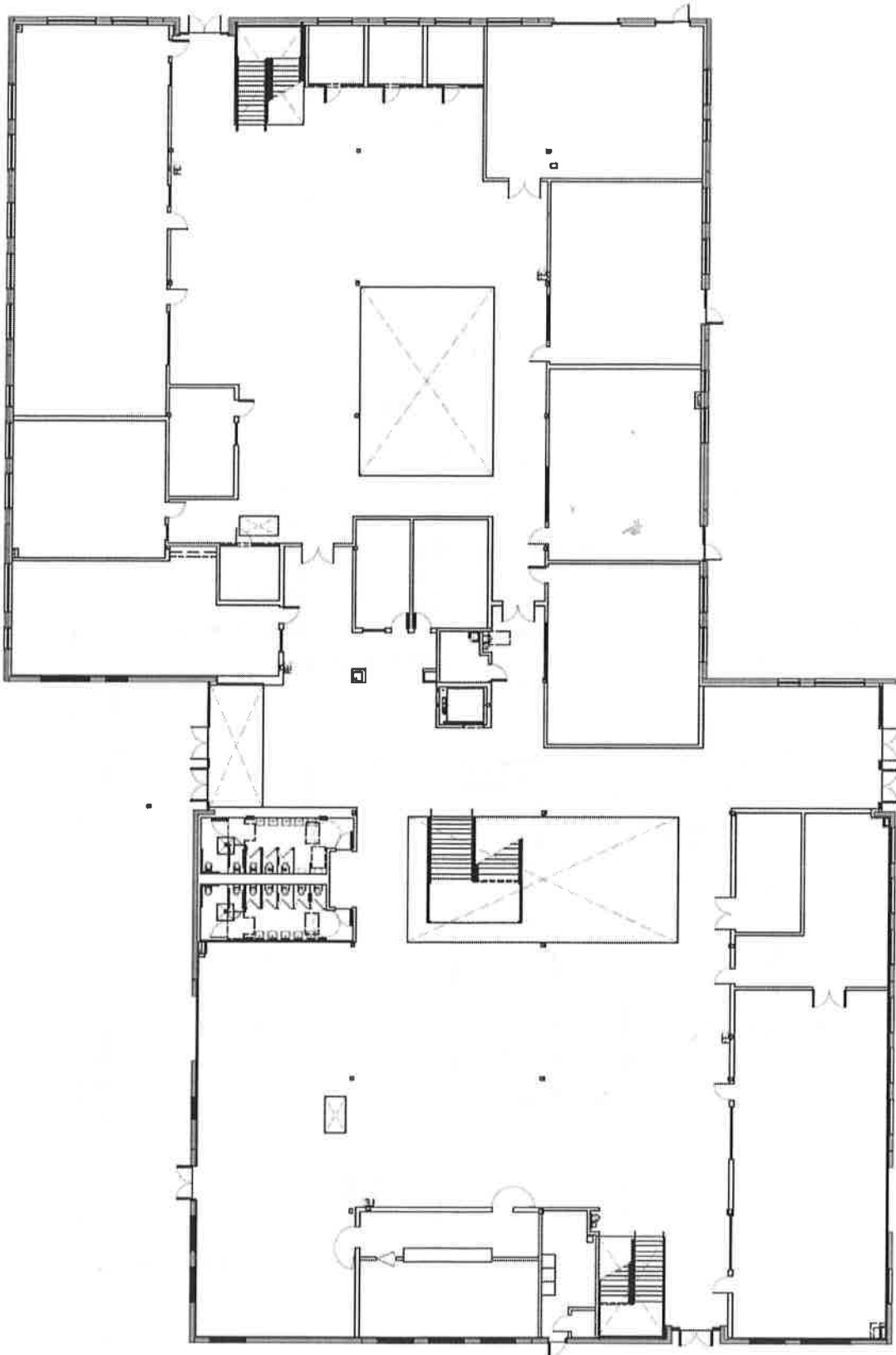
3.4 Tenant's Responsibility. Tenant shall be solely responsible for the suitability for the Tenant's needs and business of the design and function of the Tenant Improvements. Tenant shall also be responsible for procuring or installing in the Premises all trade fixtures, equipment, furniture, furnishings, telephone equipment or other personal property ("**Personal Property**") to be used in the Premises by Tenant, and the cost of such Personal Property shall be paid by Tenant. In addition, Tenant shall spend not less than \$300,000.00 for the third party costs to acquire and install furnishings and equipment in the so called "open learning areas" in the Premises (the "**Open Area Furnishings**"). The "open learning areas" are areas outside of the classrooms. Tenant shall provide a detailed list of the list materials, equipment and specifications for the Open Area Furnishings, which shall be subject to the reasonable approval of Landlord. Tenant shall also provide evidence of the actual third party costs paid by Tenant for the Open Area Furnishings. Tenant shall conform to the Building's wiring standards in installing any telephone equipment and shall be subject to any and all rules of the site during construction.

4. Payment of Construction Costs. Landlord shall pay for the costs to construct the Tenant Improvements based on the Space Plan in existence as of the date hereof. Any additional costs due to changes in the Tenant Improvements reflected in the Space Plan or in the Construction Plans requested by Tenant or as a result of any Tenant Delay shall be paid by Tenant as provided in section 5 below. Increases in cost and scope due to items not included in the construction details in Section 3.1 and the Space Plan in Exhibit B-1 or because of tenant's lab use and/or use of chemicals will be paid for by Tenant. The Premises will have a B Occupancy Class. Changes in occupancy class, upgraded construction materials, changes to the building systems, or addition of an eyewash station due to tenant's chemical usage are examples of costs that would be paid for by tenant. Such payment will be due within five (5) business days of Landlord's written notification to Tenant of the increase.

5. Changes in Work. Tenant shall not be permitted to make any change in the Tenant Improvements without the prior written approval of Landlord, which may be exercised, and made subject to such conditions as Landlord may require, in its sole and absolute discretion. Any change approved by Landlord that in Landlord's judgment results in a delay in constructing the Tenant Improvements shall be deemed a Tenant Delay, and shall extend the time period by which Landlord must Substantially Complete the Tenant Improvements, but shall not extend or postpone the date for payment of rent or for commencement of the term under this Lease. The cost of such changes and the additional costs as a result of any other Tenant Delay, including the cost to revise the Construction Plans, obtain any additional permits, construct any additional improvements required as a result thereof, the cost for materials and labor, the cost for any construction supervisory or administrative fee payable by Landlord to its property manager, and all other additional costs incurred by Landlord from resulting delays in completing the Tenant Improvements, shall be paid by Tenant to Landlord within five (5) days after Tenant's receipt of notice from Landlord. If Landlord does not receive such payment within said five (5) day period, Landlord shall have the right, in addition to any other rights or remedies available under the Lease, at law or in equity, to (i) discontinue all or any portion of the work until it receives said payment; (ii) proceed with the other work not affected by such change until such payment is received; (iii) proceed with the work contemplated with such change; or (iv) proceed with the work without making such change; in which case the commencement or completion of such work shall not be deemed a waiver of Tenant's obligation to pay for same or any additional costs or expenses incurred as a result thereof. Any delay caused as a result of such a change or request for a change shall constitute a Tenant Delay.

6. Tenant's Lease Default. Notwithstanding any provision to the contrary contained in the Lease, if an event of default by Tenant under the Lease, or a default by Tenant under this Exhibit, has occurred at any time on or before the Substantial Completion of the Tenant Improvements, then (i) in addition to all other rights and remedies granted to Landlord pursuant to the Lease, Landlord shall have the right to cease the construction of the Tenant Improvements (in which case, Tenant shall be responsible for any delay in the Substantial Completion of the Tenant Improvements caused by such work stoppage), and (ii) all other obligations of Landlord under the terms of this Exhibit shall be forgiven until such time as such default is cured pursuant to the terms of the Lease.

1ST FLOOR SPACE PLAN



2ND FLOOR SPACE PLAN

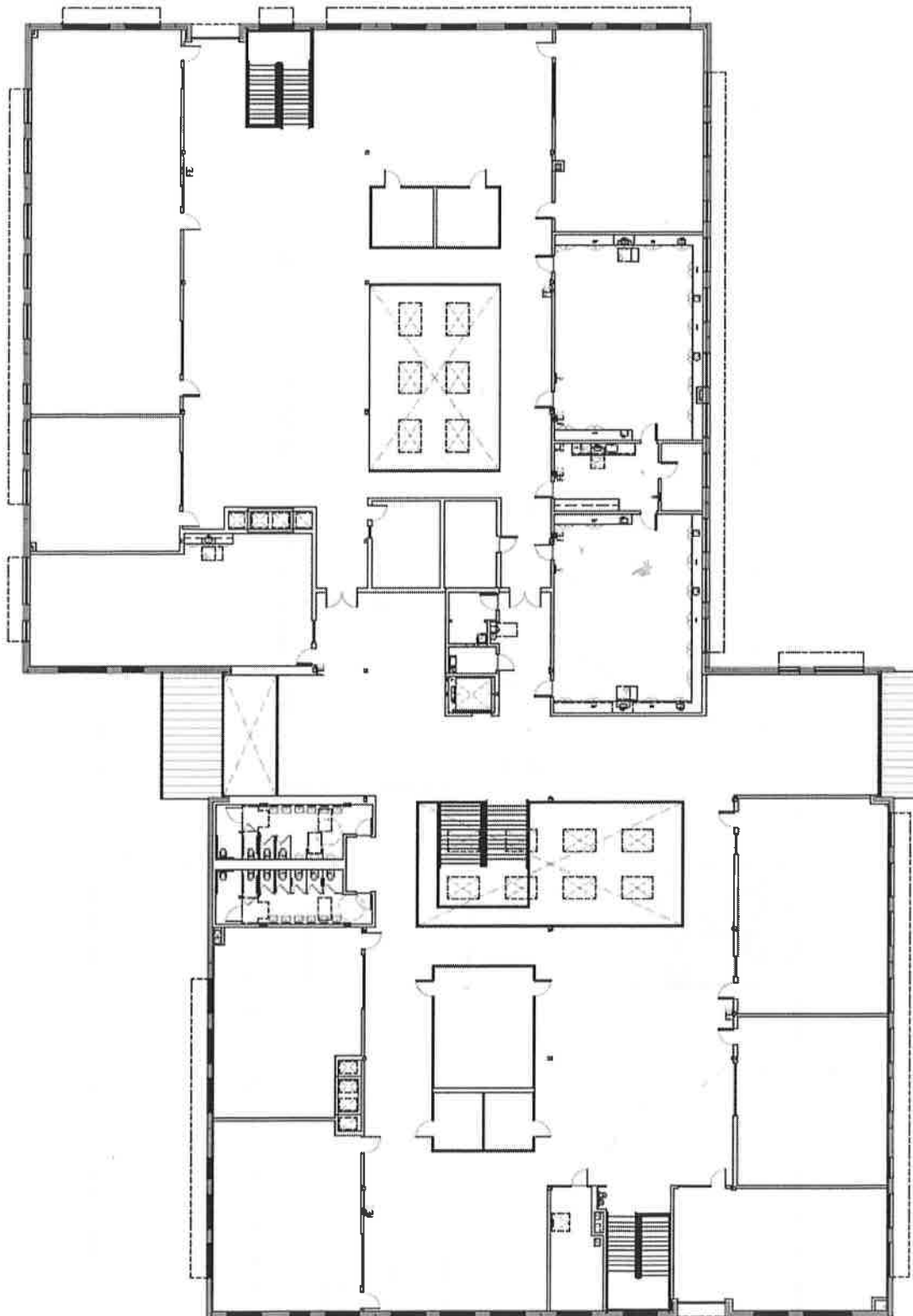


EXHIBIT C

RULES AND REGULATIONS

1. No awning, shade, sign, placard, picture, advertisement, name, or notice shall be inscribed, painted, installed or displayed on or outside the Buildings without written consent of Landlord. Landlord shall have the right to remove any such unapproved item without notice and at Lessee's expense. All approved signs or lettering on doors and facia shall be printed, painted, affixed or inscribed at the expense of Tenant by a person chosen by Landlord in accordance with the Standard Signage Policy. All requests for listing on the Building directory shall be submitted to the office of Landlord in writing and shall be subject to Landlord's approval, not to be unreasonably refused. Any change requested by Tenant of Landlord of the name or names posted on directory, after initial posting, will be charged to Tenant.
2. Tenant, its employees, agents, contractors and invitees shall comply with all parking regulations promulgated by Landlord from time to time for the orderly use of the vehicle parking areas, including without limitation the following: Parking shall be limited to automobiles, passenger or equivalent vans, motorcycles, light four wheeled pickup trucks, and (in designated areas) bicycles. No vehicles shall be left in the parking lot overnight. Parked vehicles shall not be used for vending or any other business or other activity while parked in the parking areas. Vehicles shall be parked only in striped parking spaces, except for loading and unloading, which shall occur solely in zones marked for such purpose, and be so conducted as to not unreasonably interfere with traffic flow within the Project or with loading and unloading areas of other tenants. Employee and tenant vehicles shall not be parked in spaces marked for visitor parking or other specific use. All vehicles entering or parking in the parking areas shall do so at owner's sole risk, and Landlord assumes no responsibility for any damage, destruction, vandalism or theft. Tenant shall cooperate with Landlord in any measures implemented by Landlord to control abuse of the parking areas, including without limitation access control programs, tenant and guest vehicle identification programs, and validated parking programs, provided that no such validated parking program shall result in Tenant being charged for spaces to which it has a right to free use under its Lease. Each vehicle owner shall promptly respond to any sounding vehicle alarm or horn, and failure to do so may result in temporary or permanent exclusion of such vehicle from the parking areas. Any vehicle which violates the parking regulations may be cited, towed at the expense of the owner, temporarily or permanently excluded from the parking areas, or subject to other lawful consequence.
3. Tenant shall not use any method of heating or air conditioning other than that supplied by Building's base system without the consent of Landlord.
4. At its expense, Tenant will install window coverings approved by Landlord. Tenant shall not place anything against or near glass partitions or doors or windows which may appear unsightly from outside the Buildings.
5. Tenant shall not use or keep in the Building or on the Property any kerosene, gasoline or flammable or combustible fluid or material other than those limited quantities necessary for educational science labs and the maintenance of office equipment and science lab equipment as needed to comply with the California Education Code. Tenant shall not use or permit to be used in the Buildings or on the Property any foul or noxious gas or substance, or permit or allow the Building or the Property to be occupied or used in a manner offensive or objectionable to Landlord by reason of noise, odors or vibrations nor bring or keep or permit to be brought or kept in the Building or on the Property any animal form, other than human, except seeing eye dogs when in the company of their masters.
6. Tenant shall not alter any lock or install any new locks or bolts on any door on the Property without the prior consent of Landlord. All re-keying of office doors, after occupancy, shall be at the

expense of Tenant. Tenant, upon termination of its tenancy, shall deliver to Landlord the keys of all locks for doors on the Property, and in the event of loss of any keys furnished by Landlord, shall pay Landlord therefor.

7. Canvassing, soliciting and distribution of handbills or any other written material, and peddling in the Project are prohibited, and Tenant shall cooperate to prevent same.

8. Landlord reserves the right to exclude or expel from the Property any person who, in Landlord's judgment, is intoxicated or under the influence of liquor or drugs or who is in violation of the Rules and Regulations of the Property.

9. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord or any governmental agency. No person shall go on the roof without Landlord's permission.

10. Tenant assumes any and all responsibility for protecting the all of the Property except those areas for the exclusive use of the Other Tenant from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Building closed. Landlord shall have no obligation to secure the Premises, Building or Property, and Tenant hereby releases Landlord, to the greatest extent allowed by law, from any responsibility for protecting the Premises, the Building, or the Property from theft, robbery and pilferage. If Tenant requires telegraphic, telephonic, burglar alarm or similar services, it shall first obtain, and comply with Landlord's instructions in their installation. Tenant shall make provision for prompt termination of any sounding alarm and failure to do so shall constitute grounds for Landlord to require that Tenant's alarm be modified as reasonably directed by Landlord or removed. Unless specifically permitted under its Lease, Tenant shall not install any radio or television antenna, loudspeaker or other devices on the roof or exterior walls of the Buildings. Tenant shall not interfere with radio or television broadcasting or reception from or in the Buildings or elsewhere.

11. Tenant shall not install, maintain or operate upon the Property any vending machine without the prior written consent of the Landlord, which cannot be unreasonably withheld.

12. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Buildings, to such a degree as to be objectionable to Landlord, shall be placed and maintained by Tenant at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration.

13. All goods, including material used to store goods, delivered to Tenant at the Property shall be immediately moved into the Building and shall not be left in parking or receiving areas overnight. Tenant shall not use or permit the use of any portion of the Property for outdoor storage without the prior written consent of Landlord.

14. Tenant shall store all its trash and garbage within the Building or in the designated areas of the Property established or consented to by Landlord. Tenant shall not allow refuse, garbage or trash to accumulate outside of the Buildings except on the day of scheduled scavenger pick-up services, and then only in areas designated for that purpose by the Landlord. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal within the Property. Tenant shall notify Landlord in advance of any unusually large amount of trash to be disposed of in the designated trash areas, including without limitation, trash associated with any permitted construction by Tenant on the Property, Tenant's moving in or out of the Buildings or delivery to Tenant at the Property of furniture, fixtures and equipment, and Tenant shall bear the expense of any special trash pickup necessary to remove such trash.

15. Prior to installations of equipment Tenant must receive written approval from Landlord. Landlord reserves the right to direct electricians as to where and how telephone and telegraph wires are to be located on the Property. Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Building, in any manner except as approved by Landlord. Tenant shall repair or be responsible for the cost of repair of any damage resulting from noncompliance with this rule.

16. Tractor trailers which must be unhooked or parked with dolly wheels beyond the concrete loading areas must use steel plates or wood blocks under the dolly wheels to prevent damage to the asphalt paving surfaces. No parking or storing of such trailers will be permitted in the auto parking areas of the Property or on streets adjacent thereto.

17. Forklifts which operate on asphalt paving areas shall not have solid rubber tires and shall only use tires that do not damage the asphalt.

18. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violations of this rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused same.

19. The sidewalks, parking lots, driveways and entrances shall be used only as a means of ingress and egress and shall remain unobstructed at all times. Loitering on any part of the Property or obstruction of any means of ingress or egress shall not be permitted.

20. Landlord may from time to time waive any one or more of these Rules and Regulations for the benefit of Tenant, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations nor prevent Landlord from thereafter enforcing any such Rules and Regulations.

21. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition to its occupancy of the Property.



2017-18 SB740 - Facility Costs
1 message

Davis, Ian <Ian.Davis@treasurer.ca.gov>
To: "csholl@summitps.org" <csholl@summitps.org>

Tue, Oct 31, 2017 at 3:17 PM

Good Afternoon,
The Authority is about to disburse the SB740 2017-18 Initial Apportionment.
Please review the below table, if there is an issue with the information please respond to SB740@treasurer.ca.gov no later than this Friday November 3, 2017.

Summit Public School- Tamalpais CDS 7517995133637	
Number of 2016-17 Facilities: 1	Lessor
5860 West Las Positas Blvd Richmond, CA 94806	Hilltop Community Ventures, LLC
2017-18 Rent/Lease Costs (7/1/17-6/30/18):	\$198,500.00
School's Mailing Address	1800 Elm Street El Cerrito, CA 94530

• SB740 Frequently Asked Questions (FAQ)
SB740 Team
916-651-7710
SB740@treasurer.ca.gov

Summit

Clint Sholl <csholl@summitps.org>

2017-18 SB740 Initial Disbursement

Davis, Ian <Ian.Davis@treasurer.ca.gov>
 To: "csholl@summitps.org" <csholl@summitps.org>

Thu, Mar 1, 2018 at 11:23 AM

Please notify the Authority of any errors within 7 days of receiving this notice

Good Afternoon,

The California School Finance Authority (Authority) has determined Summit Public School- Tamalpais's **Second Apportionment** under the **2017-18 Charter School Facility Grant Program (SB740 Program)**.

The 2017-18 Funding Round is oversubscribed. Pursuant to Education Code 47614.5 (b) each grantee's award will be funded on a pro rata basis. As indicated below, the pro rata share during the Initial and Second Apportionments will be 67.64% based on the cumulative total of each grantee's Maximum Award (ADA x \$1,117) and the 2017-18 appropriation for the Program of \$112 Million.

During the True-up, the pro rata share will be recalculated based on grantees' actual costs and the remaining balance owed to the grantee shall be disbursed. At this time the Authority projects the pro rata share for the entire award will be around 75-81%.

Grant Award Calculator:

School:		Summit Public School- Tamalpais
CDS Code:		07617960133637
Sites Seeking Reimbursement:		5860 West Las Positas Blvd Richmond, CA 94806
Mailing Address		1800 Elm Street El Cerrito, CA 94530
FRPM Eligibility	ELIGIBLE	
2016-17 FRPM Data for School Site:		64.96%
2016-17 FRPM Data for Public ES:	Highland Elementary	88.64%
SB740 2017-18 Facility's Lease Costs		\$198,500.00
75% of Annual Facility Costs:		\$0.00
Award per ADA (ADA x \$1,117)	113.02	\$126,243.34
Lesser of the Two		\$126,243.34
2017-18 Total Eligible Award		\$126,243.34
Pro Rata Share	67.6379%	\$85,388.38
Initial Apportionment of 50% (Lease Only)		\$42,694.00
Second Apportionment of 25% (Lease Only)		\$21,347.00

The Initial Apportionment of \$21,347.00 will be mailed to the following address and should arrive in 5-7 weeks:

Summit Public School- Tamalpais
 1800 Elm Street
 El Cerrito, CA 94530

Pursuant to SB740 Program Regulations Section 10170.10(b) the applicant may appeal staff's determination, by submitting a letter of appeal within 30 calendar days of this notice to the below address:

California School Finance Authority
 915 Capital Mall, Suite 500
 Sacramento CA, 95814

Program Regulations <http://www.treasurer.ca.gov/csfa/csfgp/regulations.pdf>

Should you have any questions or need additional information, contact the Authority at (916) 651-7710 or email SB740@treasurer.ca.gov

**2017-18 SB740 Initial Disbursement**

Osborne, Anne <Anne.Osborne@treasurer.ca.gov>
 To: "csholl@summitps.org" <csholl@summitps.org>

Fri, Nov 3, 2017 at 4:44 PM

Please notify the Authority of any errors within 7 days of receiving this notice

Good Afternoon,

The California School Finance Authority (Authority) has determined Summit Public School- Tamalpais's Initial Apportionment under the 2017-18 Charter School Facility Grant Program (SB740 Program).

The 2017-18 Funding Round is oversubscribed. Pursuant to Education Code 47614.5 (b) each grantee's award will be funded on a pro rata basis. As indicated below, the pro rata share during the Initial and Second Apportionments will be 67.64% based on the cumulative total of each grantee's Maximum Award (ADA x \$1,117) and the 2017-18 appropriation for the Program of \$112 Million.

During the True-up, the pro rata share will be recalculated based on grantees' actual costs and the remaining balance owed to the grantee shall be disbursed. At this time the Authority projects the pro rata share for the entire award will be around 75-81%.

Grant Award Calculator:

School:		Summit Public School- Tamalpais
CDS Code:		7617960133637
Sites Seeking Reimbursement:		5860 West Las Positas Blvd Richmond, CA 94806
Mailing Address		1800 Elm Street El Cerrito, CA 94530
FRPM Eligibility	ELIGIBLE	
2016-17 FRPM Data for School Site:		64.96%
2016-17 FRPM Data for Public ES:	Highland Elementary	68.64%
SB740 2017-18 Facility's Lease Costs		\$198,500.00
75% of Annual Facility Costs:		\$0.00
Award per ADA (ADA x \$1,117)	113.02	\$126,243.34
Lesser of the Two		\$126,243.34
2017-18 Total Eligible Award		\$126,243.34
Pro Rata Share	67.6379%	\$85,388.38
Initial Apportionment of 50% (Lease Only)		\$42,694.00

The Initial Apportionment of \$42,694.00 will be mailed to the following address and should arrive in 5-7 weeks:

Summit Public School- Tamalpais

1300 Elm Street
 El Cerrito, CA 94530

Pursuant to SB740 Program Regulations Section 10170.10(b) the applicant may appeal staff's determination, by submitting a letter of appeal within 30 calendar days of this notice to the below address.

California School Finance Authority
 915 Capital Mall, Suite 500
 Sacramento CA, 95814

Program Regulations <http://www.treasurer.ca.gov/cdfa/csfgr/regulations.pdf>

Should you have any questions or need additional information, contact the Authority at (916) 651-7710 or email SB740@treasurer.ca.gov

summit

Clint Sholl <csholl@summitps.org>

True Lease Costs for Summit Denali and Summit Tam

Clint Sholl <csholl@summitps.org>
To: SB740 <sb740@treasurer.ca.gov>
Cc: "Davis, Ian" <Ian.Davis@treasurer.ca.gov>

Wed, Aug 8, 2018 at 7:46 PM

Hello,

I spoke with Ian Davis on Friday of last week regarding our true lease costs for Summit Denali and Summit Tam schools as part of the true-up process. He said to send an email to this address this week to clarify what our actual lease costs for each school were.

Summit Tamalpais - CDS Code 07617960133637
Reimbursement for lease costs at 3020 Hilltop Mall Road (same as 16-17)

The disbursement calculation appears to be based off of the minimum rent amount defined in the lease, however per the terms outlined in the lease, our actual lease amount is determined by our student count, which means we were liable for more than the minimum amount.

The total amount we paid in rent for 17/18 school year is \$226,833.55.

I have attached an excel sheet that outlines each payment made by amount, date and what it was applied to. I have provided the same info in PDF form, as well. I can provide whatever additional proof of payment documentation you need.

Summit Denali - CDS Code 43104390128090
Reimbursement for lease costs at 539 E Weddell (Permanent building & Portable Rentals) & 1012 Linda Vista Dr.

The total amount we paid in rent for 17/18 school year was \$442,604.

I have attached an excel sheet that outlines each payment made by amount, date and what it was applied to. I have provided the same info in PDF form, as well. I can provide whatever additional proof of payment documentation you need.

Thank you,

Clint Sholl
Real Estate and Facilities

summit
PUBLIC
SCHOOLS

415.317.0789
csholl@summitps.org
www.summitps.org

2 attachments

 **1718 Tam & Denali Rent Payments for SB740.pdf**
659K

 **1718 Tam & Denali Rent Payments for SB740.xlsx**
15K

SUMMIT TAM LEASE COSTS FOR 2017/18

*Rent Payments to Hilltop
Community Ventures for
3020 Hilltop Mall Road Per*

<i>Lease</i>	<i>Explanation</i>
1-Jul-17	July Rent
1-Aug-17	August Rent
1-Aug-17	August Rent Adjustment
1-Sep-17	September Rent
1-Sep-17	September Rent Adjustment
1-Oct-17	October Rent
1-Oct-17	October Rent Adjustment
1-Nov-17	November Rent
1-Nov-17	November Rent Adjustment
1-Dec-17	December Rent
1-Jan-18	January Rent
1-Feb-18	February Rent
1-Mar-18	March Rent
1-Apr-18	April Rent
1-May-18	May Rent
1-Jun-18	June Rent
Total	\$226,834

We enrolled 30 more students at \$833.33 per student, per page 5 of the lease. We paid a rent adjustment for August through November and then reset the rent from December, going forward.

**2017-18 True-up Award Notice**

Davis, Ian <Ian.Davis@treasurer.ca.gov>
 To: "csholl@summitps.org" <csholl@summitps.org>

Wed, Sep 19, 2018 at 3:21 PM

Good Afternoon,

The California School Finance Authority (Authority) has determined Summit Public School- Tamalpais's **Final Apportionment** under the **2017-18 Charter School Facility Grant Program (SB740 Program)**.

Please notify the Authority of any errors no later than **7 days** of receiving this notice

2017-18 Grant Award Calculator & Award Notice:

School:		Summit Public School- Tamalpais
CDS Code:		07617960133637
FRPM Eligibility	Eligible	
2016-17 FRPM School Site: (2017-18 for New schools)		65%
2016-17 FRPM Public ES: (2017-18 for New schools)		
Eligible Sites	Lease Cap Basis	Reimbursable Lease Costs
5909 West Las Positas Blvd Richmond, CA 94806	COLA	\$97,751.50
COLA: Reimbursable facility rent or lease costs cannot exceed reimbursable prior year costs on file with the Authority as of 2016-17, subject to an adjustment of the annual K-12 cost of living adjustment, (1.56%) Appraisal: Rent or lease costs of New Facility Agreements must be at or below market rate, based on an independent Appraisal paid for by the Applicant.		
SB740 2017-18 Lease Costs		\$97,751.50
Other Facility Costs		\$-
Subtotal		\$97,751.50
75% of Annual Facility Costs:		\$73,313.63
Award per P-2 (ADA x \$1,117)	223.75	\$249,928.75
2017-18 Total Eligible Award Lesser of the Two		\$73,313.63
Initial Apportionment of 50% (Lease Only)		\$42,694.00
Second Apportionment of 75% (Lease Only)		\$21,347.00
Final Apportionment 100% (Lease & Other costs)		\$9,272.63

The final apportionment of \$9,272.63 will be mailed to the following address and should arrive in 5-7 weeks:

Summit Public School- Tamalpais
 1800 Elm Street
 El Cerrito, CA 94539

Pursuant to SB740 Program Regulations Section 10170.10(b) the applicant may appeal staff's determination, by submitting a letter of appeal within 30 calendar days of this notice to the below address.

California School Finance Authority
 915 Capital Mall, Suite 101
 Sacramento CA, 95814

Program Regulations <http://www.treasurer.ca.gov/csf/csfgrregulations.pdf>

Should you have any questions or need additional information, contact the Authority at (916) 651-7710 or email SB740@treasurer.ca.gov.

Summit Tamalpais		
2017-2018 SB 740 Analysis	Lease Costs	SB 740 Subsidy
Original Lease Annual Amount	\$198,500	\$148,875
Actual Lease Costs	\$226,833	\$170,125
Revised Lease Allowed	\$97,751	\$73,313
Negative Subsidy Impact		-\$96,812
This chart is also included in the letter of appeal		