

OFFERING MEMORANDUM



384

EMBARCADERO WEST

JACK LONDON SQUARE, OAKLAND, CALIFORNIA

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EQUITSTONE PARTNERS, INC.

Michael D. Harrison | Founder

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Disclaimer

Equistone Partners, Inc. (“Equistone”) has been engaged as exclusive financial advisor to Graham Street Realty, LLC (the “Company”) in connection with the Company’s solicitation of offers for purchase of an office property located at 384 Embarcadero West in Oakland, California (the “Property”). The solicitation and potential sale of the Property shall be governed by this Confidential Offering Memorandum, as it may be modified or supplemented (the “Offering Memorandum”) and the purchase agreement governing the sale of the Property (the “Purchase Agreement”). Prospective purchasers are advised that as part of the solicitation process, the Company will be evaluating a number of factors including the current financial qualifications of the prospective purchaser. Prospective Purchasers are further advised that the company expressly reserves the right in its sole and absolute discretion to evaluate the terms and conditions of any offer and to reject any offer without providing reason therefore. Further, the Company reserves the right to terminate the solicitation process at any time prior to final execution of the Purchase Agreement.

The information contained in this Offering Memorandum, including, without limitation, all photographs, maps and artwork contained herein, as well as any other information (whether written, electronic, or verbal) furnished by the Company or Equistone or their affiliates, or any of their respective officers, directors, shareholders, owners, employees, contractors, or agents (collectively, the “Information”) is confidential, and is furnished solely for the purpose of a review by a prospective purchaser of the Property, and is not to be used for any other purpose or made available to any other person without the express written consent of the Company or Equistone. The Information is based in part upon the Information supplied by the Company and in part upon the financial Information obtained by Equistone from sources it deems reasonably reliable. Summaries of any documents are not intended to be comprehensive or all-inclusive, but rather only outline some of the provisions contained therein and are qualified in their entirety by the actual document to which they relate.

While the Company and Equistone have no reason to believe that the Information provided herein, or in any other marketing or due diligence materials provided, contains any material inaccuracies, neither the Company, Equistone, nor their affiliates, nor any of their respective officers, directors, shareholders, owners, employees, contractors, or agents make any representations or warranties, expressed or implied, as to the accuracy or completeness of the Information, including, without limitation, Information as to the engineering or environmental matters or as to the future performances of the Property. Prospective purchasers should make their own projections and form their own conclusions without reliance upon the material contained herein and should conduct their own due diligence, including engineering and environmental inspections, to determine the condition of the Property and the existence of any potentially hazardous material located at the Property site or used in the construction or maintenance of the building(s) at the Property site.

A prospective purchaser’s sole and absolute and exclusive rights with respect to this prospective transaction, the Property, or the Information shall be limited to those expressly provided in the executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against the Company or Equistone or any of their affiliates or any of the respective officers, directors, shareholders, owners, employees, contractors or agents, for any damages, liability, or causes of action related to this solicitations process or the marketing or sale of the Property.

Prospective purchasers are not to construe the contents of this Offering Memorandum or any prior or subsequent communications from Equistone or the Company or their affiliates or any of the their respective officers, directors, shareholders, owners, employees, contractors or agents as legal, tax or other advice. Prior to submitting an offer, prospective purchasers should consult with their own legal counsel, as well as tax and other advisors, to determine the consequences of an investment in the Property and arrive at an independent evaluation of such investment. No brokerage commission or finder’s fee shall be payable to any party by the Company or by Equistone or any affiliates or agents thereof in connection with the sale of the Property unless otherwise agreed by the Company or Equistone in writing.

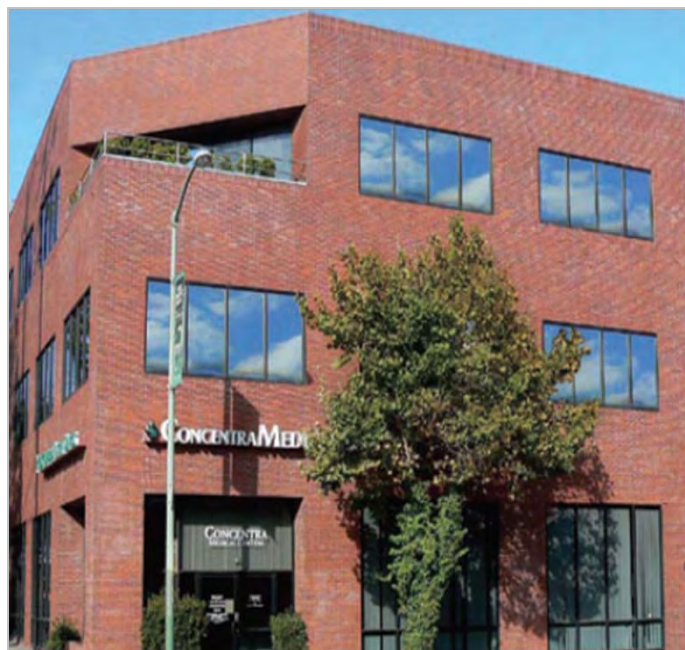
SECTION I – EXECUTIVE SUMMARY

SECTION I

EXECUTIVE SUMMARY

The Offering

Equistone Partners as exclusive financial advisor to Graham Street Realty (“GSR”) is pleased to present the opportunity to acquire 384 Embarcadero West, a 100% leased investment grade LEED Certified office building located in the vibrant Jack London Square District. The property features 15,204 square feet of office space, excellent visibility, and the best location in Oakland’s Jack London Square. The properties ideal location at the corner of Embarcadero and Franklin Street offers numerous transportation options, hotels, gourmet dining, popular recreational and cultural attractions and major shopping areas, including Ellis Partners’ new Jack London Market. 384 Embarcadero West is a direct beneficiary of the market’s upward trends and resiliency, as tenants continue securing space within the highest quality and best located assets. The property is directly adjacent to the free Broadway shuttle connecting Jack London Square, Downtown and Uptown Oakland with the City Center 12th Street BART Station. Jack London Square has gone through a renaissance over the past decade, over 1,000 new residents have moved into the area as a result of the development spurred by former Mayor Jerry Brown’s 10k initiative. New and adaptive reuse development has come to Jack London Square, followed by thriving businesses and restaurants.



Comprised of 66 buildings, totaling just over 1.5 million square feet, Jack London Square is the premier waterfront location in the East Bay. The property’s long and intermediate term leases provide a stable income for an investor, as well as positioning the building to take advantage of rent increases as the economy recovers.



Property Information

Sale Price:	\$5,400,000
Cap Rate:	6.47%
Cash on Cash (Year 1)	9.04%
Average Cash on Cash (Years 1-5)	7.81%
NOI (Year 1)	\$352,419
Gross Building Area:	17,425 SF
Net Rentable Area:	15,204 SF
Load Factor:	8.89%
Year Built:	Approx. 1950
Year Renovated:	Approx. 1980, 2009 <i>(Bathrooms and Lobby)</i>
No. of Floors:	3
Typical Floor Size:	+/- 5,150 SF
No. of Tenants:	3
Percent Leased:	100%

Investment Highlights

- **100% Leased Office Building:** 384 Embarcadero West is fully occupied by three diverse tenants:
 - **Concentra Inc.** is an investment grade tenant that occupies 65% of the property on a long term lease through 2018 with an option to renew for an additional five (5) years. Concentra is focused on improving America's health, one patient at a time. From more than 300 medical centers and more than 250 workplace clinics in 40 states, Concentra serves workers and families with occupational medicine, urgent care, physical therapy, and health and wellness services. Concentra serves America's workforce with a range of health solutions, provided to employers and employees where and when they need them. Their services help create an environment of health and wellness and reduce the overall costs of health care. Concentra offers claims processing, and medical advisory services that deliver consistent outcomes for the care and costs resulting from accidents involving first- and/or third-party injury coverage. For the year end 2009, revenues were \$751, 711, 000. Net income from continuing operations was \$12,726,000. Cash and cash equivalents at year end totaled \$89, 051,000. Audited financial statements by PricewaterhouseCoopers LLP are provided as part of the due diligence package for review.
 - **Brodsky Micklow Bull & Weiss LLP**, a maritime law practice with three offices on the West Coast, leases half of the 2nd floor (LED 2015).
 - **PureSense Environmental**, a venture backed technology company focusing on the agricultural industry (LED 2014), leases the other half of the 2nd floor.

More information on the tenants can be found starting on *page 31*.

- **Long Term Redevelopment Opportunity:** The site is surrounded by numerous recent multifamily, office and retail developments and is directly adjacent to a vacant parcel owned by a multifamily developer, Vanguard Properties, approved for two high rise apartment towers. Construction is estimated to commence in 2012. Prior to Concentra's occupancy on the ground floor, a long-term bank branch occupied the property. 384 Embarcadero West is the gateway to the Jack London Market project, the centerpiece of Jack London Square and the largest sustainable fresh market on the West Coast. As the submarket continues to grow with new development, retail tenancy, and pedestrian foot traffic, there is an opportunity to re-tenant the ground floor with a (NNN) bank branch in the future, further increasing the value of the property.
- **Rapidly Improving Market:** Directly across the street, the Jack London Market, featuring an 185,000 square foot project rivaling Seattle's Pike Place Market, is a marketplace for small businesses selling fruits, vegetables, meats, fish, cheeses and specialty products. The 400 million dollar project completed by Ellis Partners includes elegant new Class A office space and a planned 248 room 4-star urban resort hotel and conference center adjacent to the marina and waterfront. 384 Embarcadero West is surrounded by new development including Joive de Vivre's recently renovated Waterfront Hotel, Blue Bottle Coffee and the Ellington luxury condominium project. Vanguard Properties' apartment project is directly adjacent to the property and is approved for two high rise apartment towers. Construction is estimated to commence in 2012.
- **Recent Leasing Velocity:** Two large tenants have relocated to the area. First, Sungevity, a solar company, took 20,000 sf across the street from 384 Embarcadero West and then the law firm of Kazan, McClain, Abrams, Lyons, Greenwood & Harley leased 25,000 sf of space in the floors above the Jack London Market. Companies continue to tour the market and are continuing to be a draw to the Jack London waterfront.

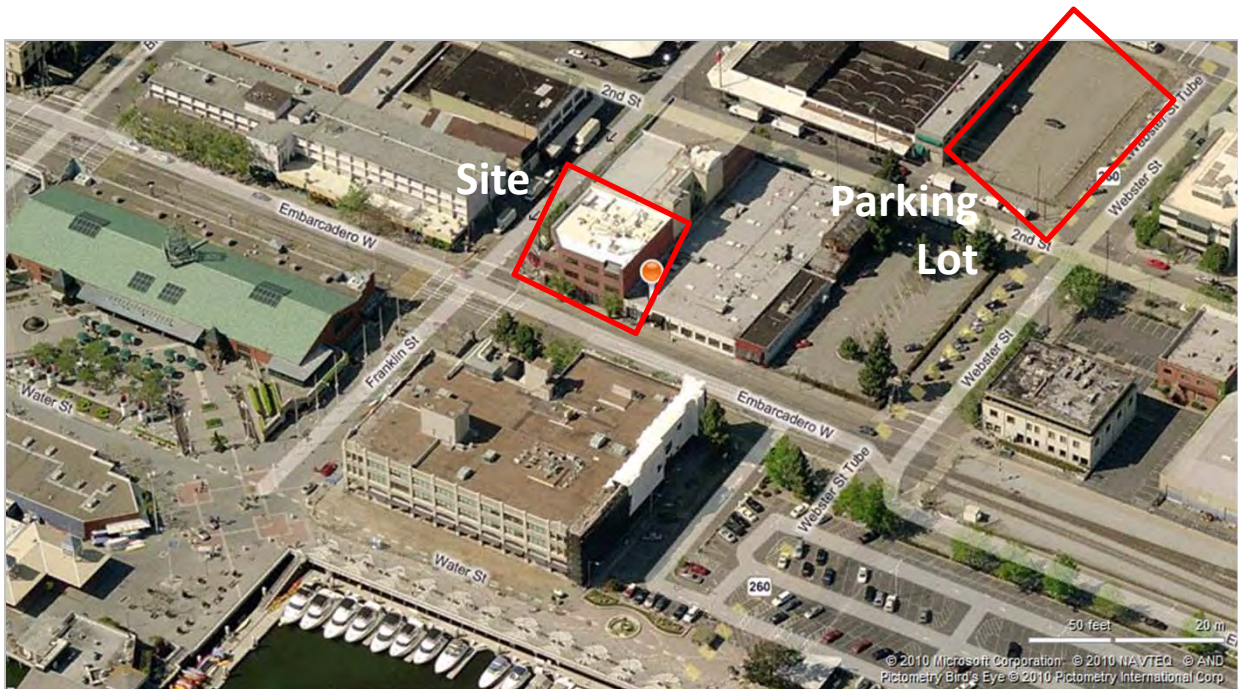
More information on the Jack London Market can be found on page 8.

Investment Highlights (cont'd)

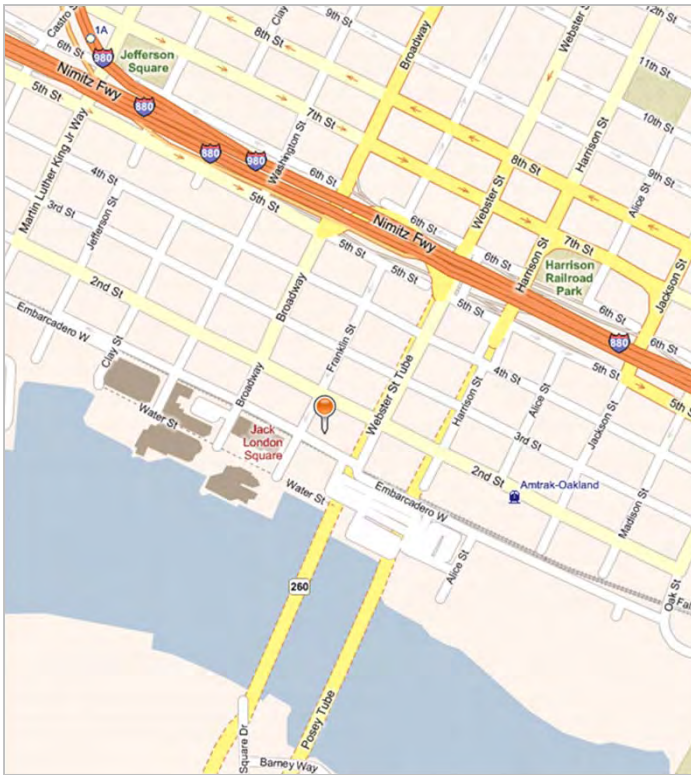
- **LEED Certification:** The building owner and property manager, with the help of various consultants and contractors, have worked diligently towards LEED certification for the last two years. Improvements include, but are not limited to: lighting retrofit through PG&E Smart Lights, green certified janitorial services, building automation system, recycled carpet, No-VOC paint, recycling programs, and low flow toilets. By the end of September 2010, the building is expected to be LEED EBOM certified by the USGBC.
- **Parking Lot:** A 100% interest in an income producing ground lease of a .46 acre parking lot is available separately for purchase providing additional income and upside potential. The lot provides parking to 384 Embarcadero West and an adjacent building, 140-160 Franklin Street. As the area continues to develop, opportunities to build on the lot and/or to maximize value will continue as well. The lot is not fully occupied and is marketed only to tenants within 140-160 Franklin Street and 384 Embarcadero West.
 - **Development Potential:** The parking lot is located in a very flexible C-45 Zone. C-45 is designated for Community Shopping & Commercial. Retail, residential, and office uses are permitted. The lot lies just outside the new and restrictive S-4 overlay zoning.

The C-45 Zone enjoys a generous Floor Area Ratio of 7.0 with no height limits. There is an FAR bonus of 10% per corner (2 corners) and a 50% FAR bonus for residential, also with no height limits. Any development over two stories will enjoy northerly and westward views of the City of San Francisco, the San Francisco Bay, and the iconic bridges. Easterly views will be of downtown Oakland skyscrapers and the East Bay Hills.

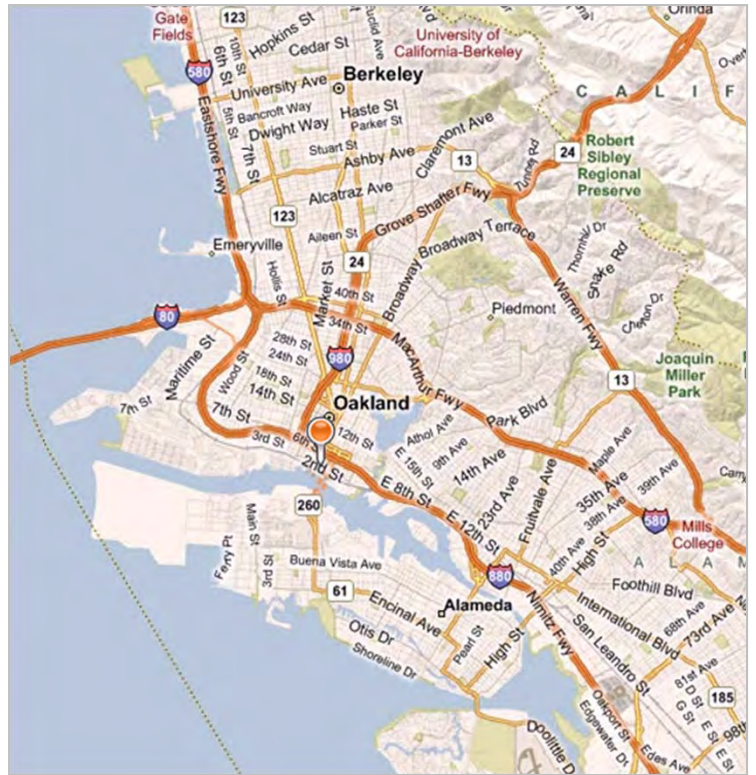
- **Ground Lease:** The owner of the land is the State of California. The lease is managed by California Department of Transportation. The current lease expires in 2029 with two, ten year options that can extend the lease until 2049.



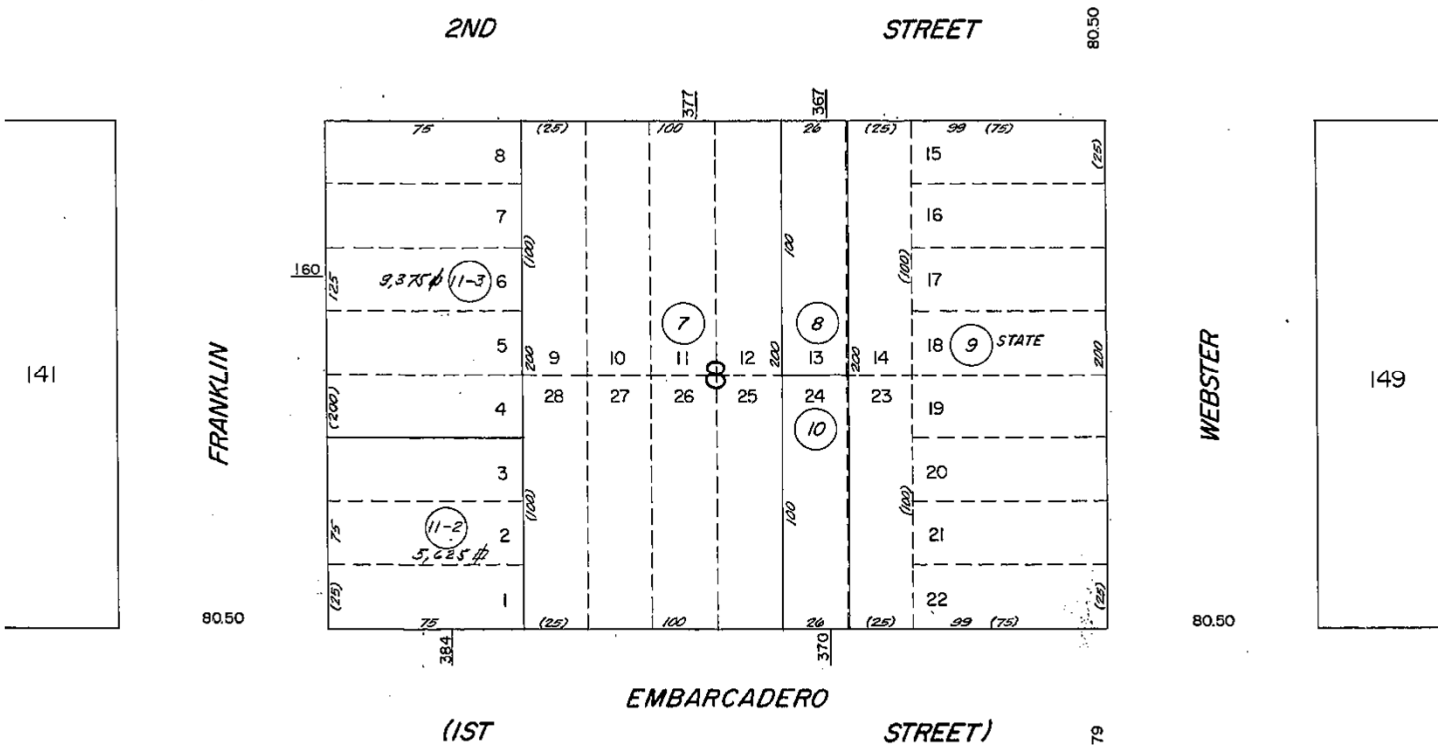
Local Map



Regional Map



Parcel Map



The Jack London Market

The centerpiece of Jack London Square is the exceptional Jack London Market - a distinctive six-story structure with breathtaking water views from every floor. The first two floors will be home to a daily market overflowing with the area's best fruits, vegetables, meat, seafood, coffee, baked goods, cheese and prepared foods.

The \$400 million dollar project combines culture, cuisine and commerce in a waterfront setting to further enhance this already popular regional destination project. Elegant new Class A office space with panoramic views blend with destination restaurants, major new retail, the newly renovated Waterfront Plaza boutique hotel, ample public gathering areas and the largest everyday fresh market on the West Coast.. Adding to the mix will be a new 248-room 4-star urban resort hotel and conference center adjacent to a sparkling marina; great for business and an ideal getaway for area residents.



The Jack London Market is the epicenter of one of the most dynamic and emerging art, food and cultural environments in the Bay Area. 384 Embarcadero West sits at the gateway to this great new addition to the rapidly transforming Jack London Square.

Offering Terms

384 Embarcadero West is being offered for sale at an asking price of \$5,400,000. All investors should base their offer on the "As-Is, Where Is" condition of the Property.

Price:	\$5,400,000
Net Rentable Area:	15,204 SF
Year 1 Stabilized Net Operating Income:	\$352,419
Cap Rate:	6.47% CAP Rate

Transaction Timetable and Procedure

The net operating income figure for 384 Embarcadero West assumes a fiscal year beginning January 1, 2011. A detailed cash flow and other financial information are contained in the Financial Analysis section of this Offering Memorandum.

**OFFERS WILL BE CONSIDERED AS THEY ARE SUBMITTED.
THE PARKING LOT IS AVAILABLE FOR SALE SEPARATELY.
A FULL PACKAGE IS AVAILABLE FOR REVIEW.**

*The Seller reserves the right to sell the Property at any time without prior notice.
The Property will be sold on an "As Is, Where Is" basis.*

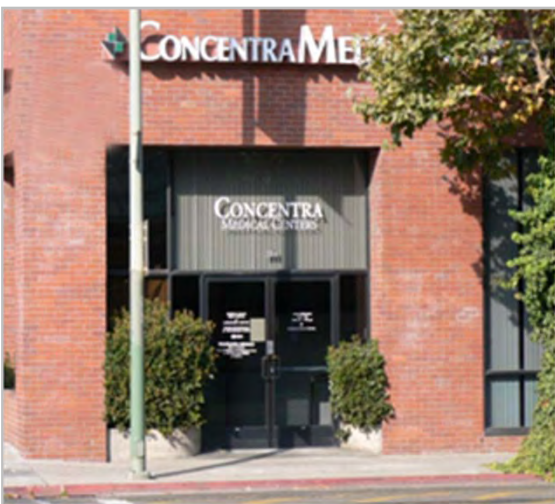
SECTION II – PROPERTY DESCRIPTION

SECTION II

PROPERTY DESCRIPTION

Site Description

Location:	384 Embarcadero West is ideally located in Oakland's Jack London Square district. The site is bound by 2 nd Street to the North, Webster Street to the East, Embarcadero West to the South and Franklin Street to the West. The Property has ground floor frontage on Embarcadero West and Franklin Street.
Assessor's Parcel Number:	001-0143-011-02
Site Area:	5,625 square feet (.1291 acres)
Zoning:	The property is designated C-45, Community Shopping Commercial Zone. The current uses are permitted.
Access:	Pedestrian access to the main lobby is via Embarcadero West. Concentra's medical center is also accessible via Embarcadero West.
Parking:	Surface parking is abundant in the area. The ownership currently controls a ground lot at the corner of 2 nd Street and Webster Street. Access is via a remote controlled gate on 2 nd Street. A license agreement between Concentra, PureSense, Brodsky, Micklow, Bull & Weiss and the ownership provides parking on the ground lot at a ratio of 2 spaces per 1,000 sf. The parking lot is available for sale separately. A full package is available for review.



Site Description (continued)

Lobby Renovation:

2009

Landlord completed full lobby renovation to LEED specifications including lighting, elevator cab, fire/life safety systems, and common area lobby finishes.

Access

Pedestrian access to the main lobby is via Embarcadero West. There are two additional street level entrances to the property on the corner of Embarcadero West and Franklin Street.

Foundation

The building foundations are assumed to be a concrete slab-on-grade supported by reinforced concrete perimeter and isolated pad footings.

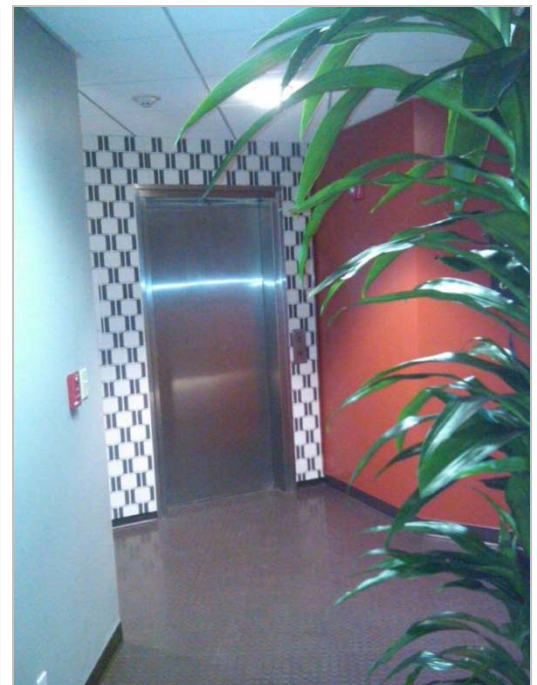
Structural Framing

The structural system of the building consists of poured-in-place concrete exterior walls at the first two floors with concrete columns at the first floor and wood columns at the second floor. The third floor consists of wood framing and wood exterior walls supporting a wood framed roof. Steel diagonal bracing is located at all three floors on the Embarcadero side of the building. The concrete exterior walls have been tied to the third floor level.



Improvements Description

Floors	3
Average Load Factor	8.89%
Exterior Walls	The exterior walls of the building are poured-in-place concrete at the first and second floors; wood framed at the third floor. Steel diagonal bracing is located at all three floors on the Embarcadero side of the building. The building exterior has a brick veneer on the two street facing sides of the building. The rear side of the building is painted concrete at the second floor level and painted stucco at the third floor level.
Roof	The roof has a low pitch wood framed roofing system with plywood decking that drains to internal roof drains with either internal or thru-wall over flow drains. The roof membrane consists of a built-up asphalt roofing system with a granulated capsheet surfacing. The building has a recessed balcony on the third floor at the Franklin Street/Embarcadero corner with a tile floor.
Windows	Single-pane tinted glass is set in fixed windows in bronzed-aluminum frames/aluminum storefront systems. Two small acrylic domed skylights are located on the roof.



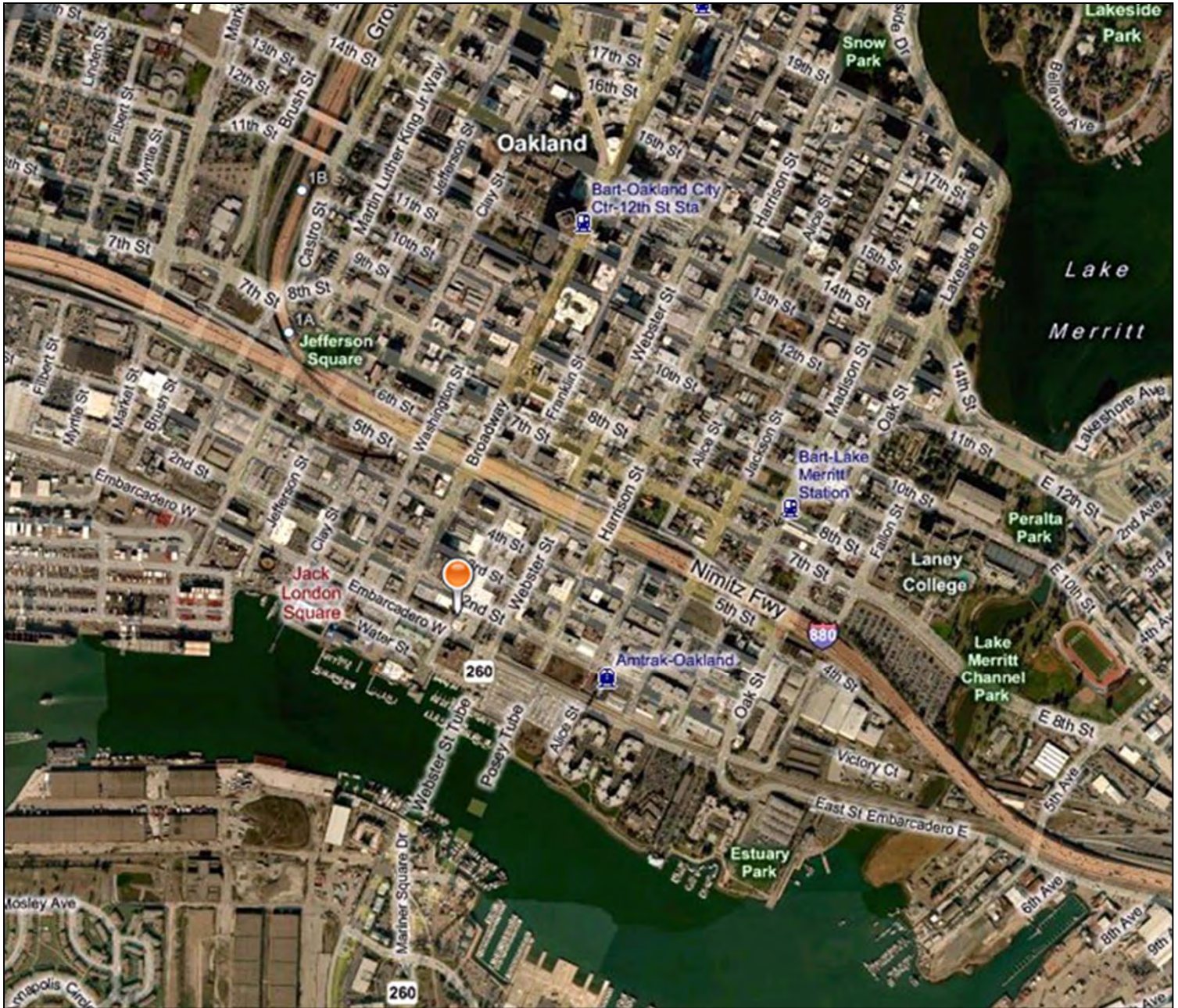
Interior Detail

Lobby Finishes	New glass storefront assembly, stained concrete flooring, new wall coverings, new gypsum board ceiling, new lighting configuration
Ceilings	Hallways and renovated suites have new Finline spline system with Olympia Micro acoustical ceiling tiles. Lobby and restrooms have new gypsum board ceilings.
Ceiling Height	Lobby (11' – 10"), suites and hallways vary
Lighting	New energy efficient lighting in lobby and hallways, including all emergency and exit lights
Restrooms	Separate men's and women's restrooms on each floor. Renovation of 2 nd floor restrooms completed in 2009.

Mechanical Detail

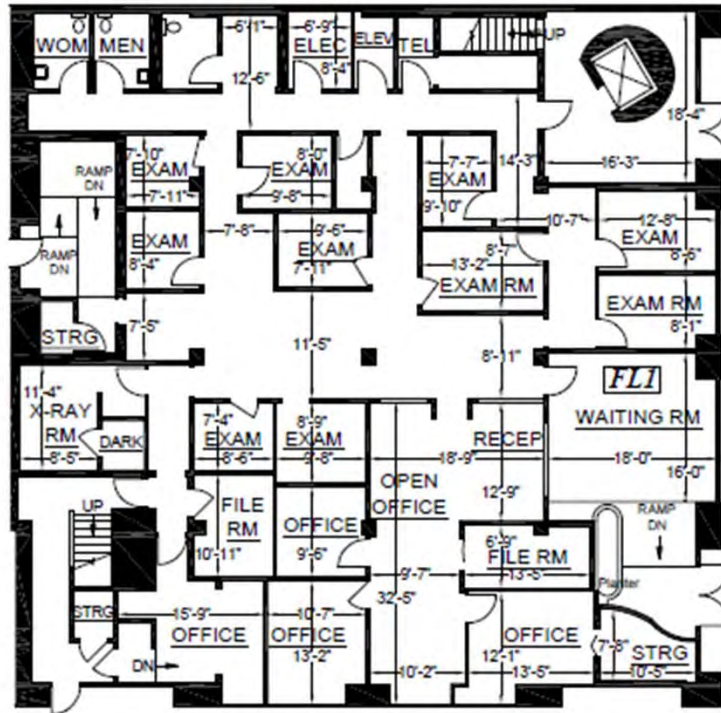
Heating and Cooling	Nine electric rooftop HVAC package units totaling approx. 38 tons.
Building Automation System	New front-end control system
Fire Protection/Life Safety	New fire alarm system
Plumbing System	Copper wire piping and cast-iron waste and vent piping connected to the municipal storm and sewer systems.
Electrical System	800 amps and 120/208-volt, three-phase, and four-wire. Primary service is provided from vault-mounted utility company transformers located below the city sidewalk, to the main switchboards at the first floor level of the buildings. The service feeds are routed to the building's main switchgear panel and then to step-down transformers provided for general power and lighting at each floor level.
Elevator	One 2,000-pound-capacity hydraulic passenger elevator. The elevator serves as a freight/passenger elevator and provides service from the first floor to the third floor.
Stairwells	Metal-framed egress stairs with concrete treads and metal railings.

Aerial Photo



Floor Plans

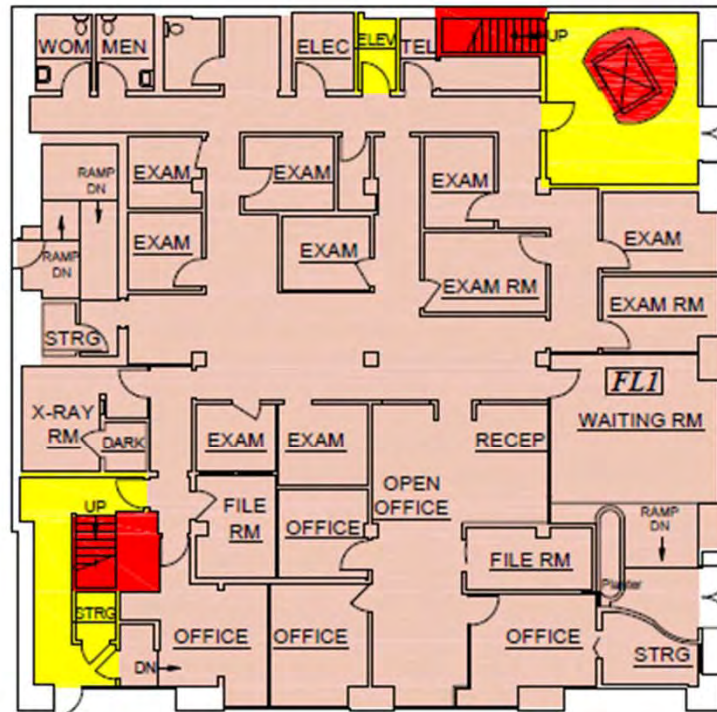
First Floor



BUILDING SUMMARY	SQ.FT.
Gross Building Area	17,425
Total Rentable	15,204
Total Usable	13,852
Total Floor Common	896
Total Building Common	456
Total Vertical	1,350

FLOOR SUMMARY	SQ.FT.
Total Rentable	4,783
Total Usable	4,639
Combined R/U	1,030
Floor Common	0
Building Common	456
Total Vertical	216

Suite #	Usable	Rentable
FL1	4,639.3	4,782.7

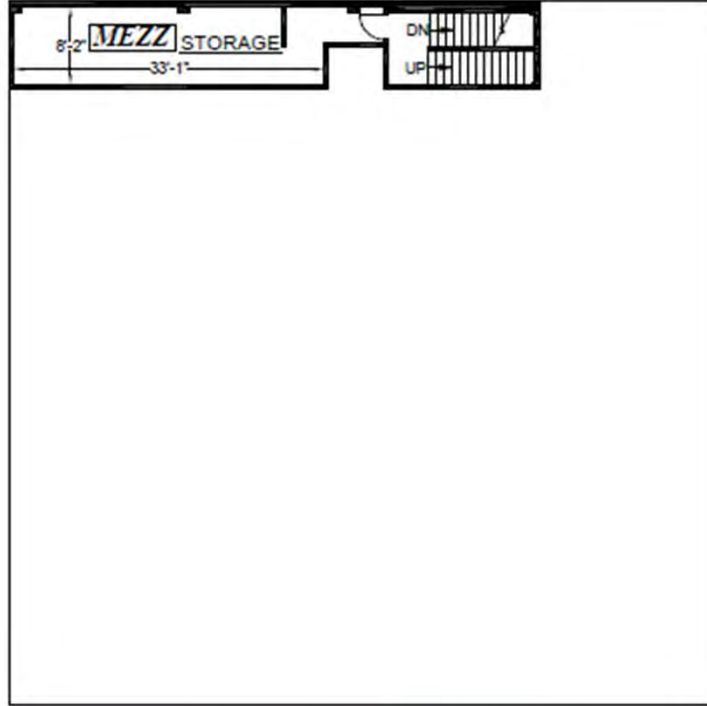


SCALE: 1/16" = 1' - 0"

AREAS COMPUTED IN ACCORDANCE WITH ANSI/BOMA (Z65.1) 1996 OFFICE STANDARD

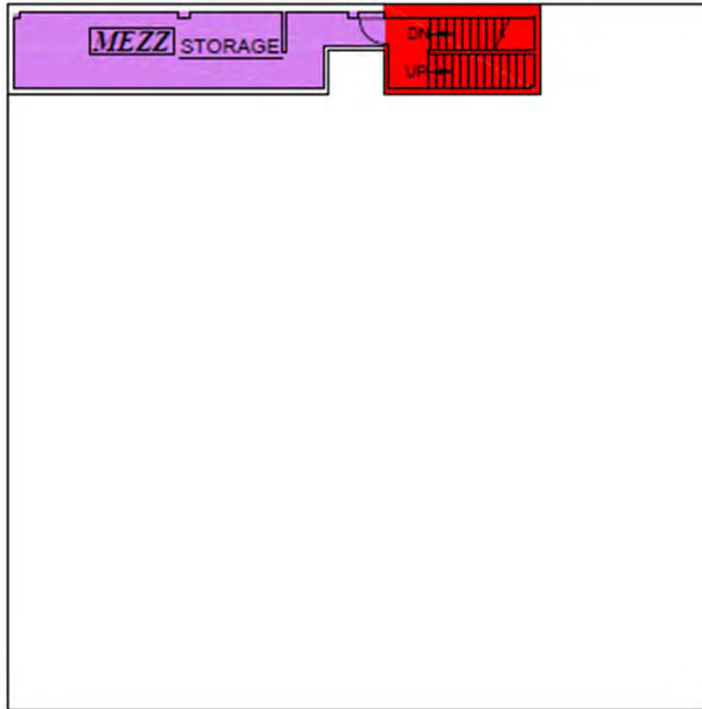
Floor Plans

Mezzanine



FLOOR SUMMARY	SQ.FT.
Total Rentable	304
Total Usable	295
Combined R/U	1.0310
Floor Common	0
Building Common	0
Total Vertical	159

Suite #	Usable	Rentable
MEZZ	295.3	304.5

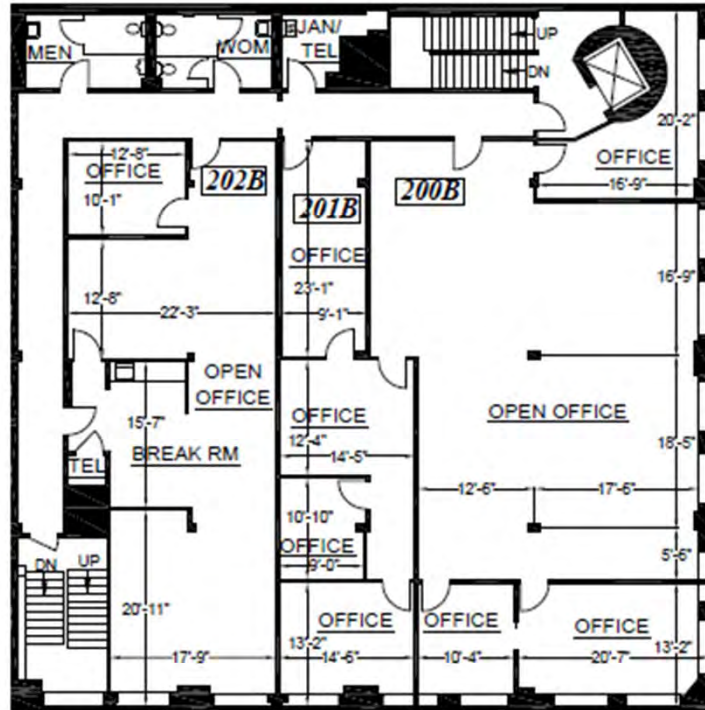


SCALE: 1/16" = 1' - 0"

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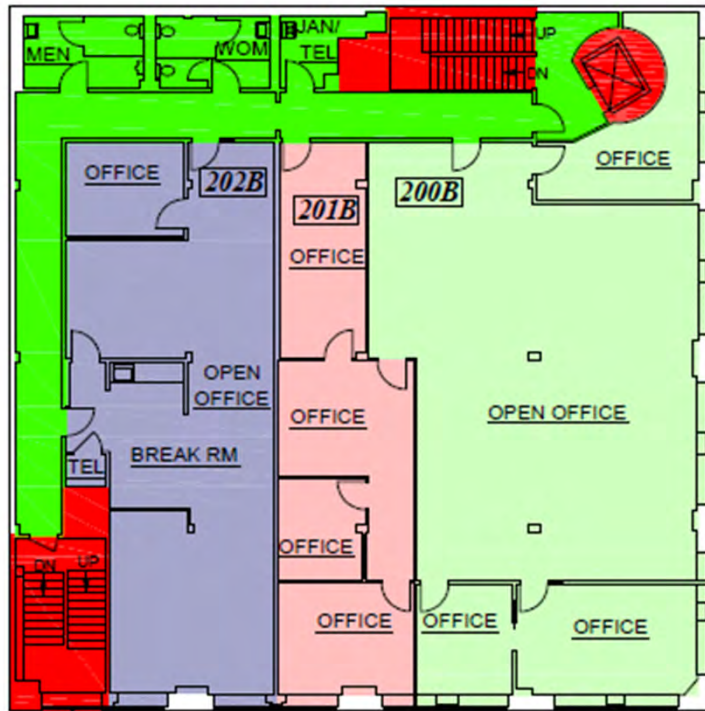
Floor Plans

Second Floor



FLOOR SUMMARY	SQ.FT.
Total Rentable	5,158
Total Usable	4,108
Combined R/U	1,257
Floor Common	898
Building Common	0
Total Vertical	482

Suite #	Usable	Rentable
200B	2,093.5	2,628.9
201B	787.8	904.1
202B	1,246.6	1,565.3

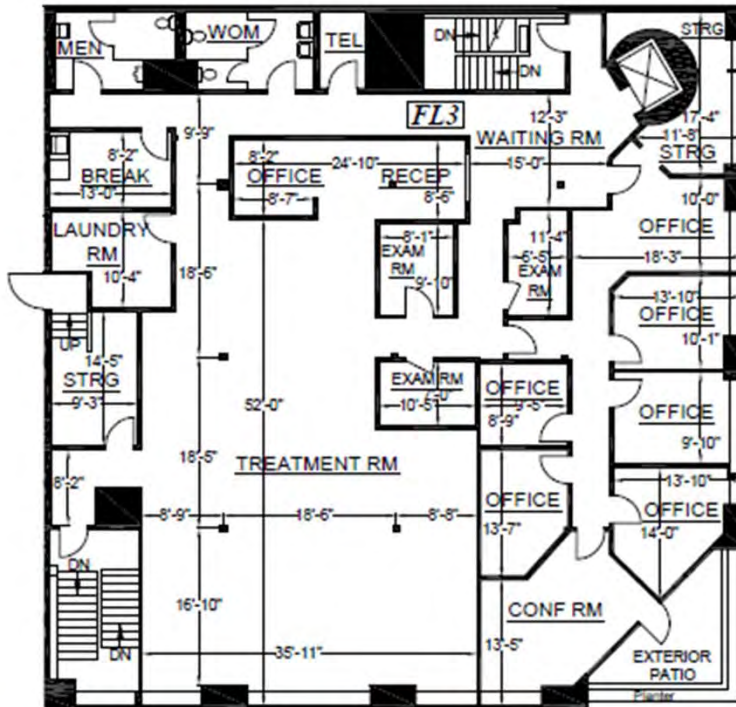


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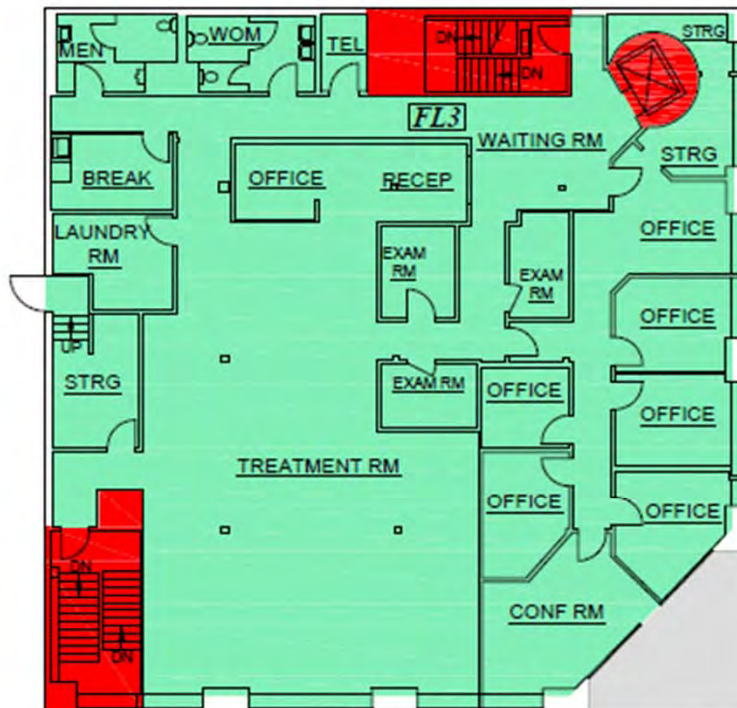
Floor Plans

Third Floor



FLOOR SUMMARY	SQ.FT.
Total Rentable	4,958
Total Usable	4,809
Combined R/U	1,0309
Floor Common	0
Building Common	0
Total Vertical	502

Suite #	Usable	Rentable
FL3	4,809.5	4,958.2



Exterior Patio: 197 SF



SCALE: 1/16" = 1' - 0"

AREAS COMPUTED IN ACCORDANCE WITH
ANSI/BOMA (Z65.1) 1996 OFFICE STANDARD

SECTION III – AREA DESCRIPTION

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EMBARCADERO WEST



Jack London Square District

RICH IN HISTORY Jack London Square's heritage dates back to the gold rush when twice-weekly ferry service between San Francisco docked at the foot of Broadway in Oakland. 384 Embarcadero West offers inspiring views of our beautiful 19-mile waterfront. Jack London Square is a destination for shopping, entertainment and dining as well as a convenient gathering place for business professionals.

AMENITIES IN THE AREA Throughout the Jack London Square neighborhood are outstanding restaurants, stores and entertainment venues. Whether you desire a wide array of excellent dining options, a helpful, well-stocked neighborhood hardware store or a world-class jazz club a few blocks away, Jack London Square is a great place to set up shop.

384 Embarcadero West is at the epicenter of a rapidly transforming Jack London Square. Directly across the street, the Jack London Market, featuring an 185,000 square foot project rivaling Seattle's Pike Place Market, is a marketplace for small businesses selling fruits, vegetables, meats, fish, cheeses and specialty products. The 400 million dollar project completed by Ellis Partners includes elegant new Class A office space and a planned 248 room 4-star urban resort hotel and conference center adjacent to the marina and waterfront. Joive de Vivre's recently renovated Waterfront Hotel to the West is located within blocks of the property and Blue Bottle Coffee (to the East) has opened up a coffee roasting facility and retail outlet to serve the San Francisco Bay Area. The Ellington luxury condominium project located one block to the North of 384 Embarcadero West is a perfect location for those interested in modern, urban living with the West Coast's version of an emerging "Brooklyn" as their backyard. Vanguard Properties' apartment project directly adjacent to the property to the South is approved for two high rise apartment towers with construction estimated to commence in 2012.

TRANSPORTATION For a convenient transportation option, "The B" or the "B-Line" is currently operating from 7 a.m. to 7 p.m., Monday through Friday, every ten minutes, and is free to the passenger public.



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EMBARCADERO WEST



SECTION IV – FINANCIAL ANALYSIS

SECTION V

FINANCIAL ANALYSIS

384 Embarcadero West is being offered for sale at an asking price of \$5,400,000. All investors should base their offer on the “As-Is, Where Is” condition of the Property.

Summarized below are the financial results for 384 Embarcadero West:

Price:	\$5,400,000
Gross Building Area	17, 425 SF
Net Rentable Area:	15,204 SF
Year 1 Stabilized Net Operating Income:	\$352, 419
Cap Rate:	6.47 %

The following information is provided in the Financial Analysis and Tenant Information sections to assist investors in their initial underwriting:

- Projected Ten – Year Cash Flow Statement
- Cash Flow Assumptions
- Tenant Summary
- Lease Expiration Schedule
- Stacking Plan
- Rent Roll
- Major Tenant Profiles

The cash flow begins January 1, 2011 and has been prepared using excel. A copy of the CD is enclosed for your review.

Repairs and Maintenance

Repairs and Maintenance	Consists of common area trash, indoor/outdoor landscaping contract general maintenance, elevator maintenance, life safety system, carpet cleaning, window cleaning, and plumbing supplies
Management Fee:	Management Fees calculates as 2.5% of effective gross income. There are no management salaries charged back to the Property
Utilities:	Paid directly by Tenants *
Real Estate Taxes:	Real Estate Taxes are reassessed as of a purchase price of \$5,400,000 and are passed through on a pro-rata basis to the tenants within the project over their respective Base Years
Insurance:	Consists of property/terrorism, general liability, umbrella and environmental insurance

**Brodsky Micklow Bull & Weiss is on a Fully Serviced Lease and reimburse over a Base Year of 2009.*

Cash Flow Assumptions

Cash Flow Start Date: January 1, 2011

Market Rents and Rent Growth Rates (\$PSF/YR)

Office Industrial Gross (15, 204 square feet)

Floor 1	Concentra renews with 3% increase over previous years rent in 2018
Floor 2	PureSense relocates – 3 months of downtime - \$2.55 IG per month in 2014 Brodsky Micklow Bull & Weiss renews 3% increase over previous years rent in 2015
Floor 3	Concentra renews with 3% increase over previous years rent in 2018
Lease Term:	5 years
Rent Increases During Term:	3.0 % Annual Increases
Reimbursable Expenses:	Base Stop (IG) – Tenant is responsible for paying their pro-rata share of reimbursable expenses over their base year amount
Renewal Probability:	Concentra - 100%, Brodsky Micklow Bull & Weiss - 100%, PureSense - 50%
Downtime:	3 months

Tenant Improvements (\$ per RSF)

New	\$10.00 PSF
Renew	\$5.00 PSF

Leasing Commissions:

New:	\$1.50 PSF per year
Renew:	\$0.50 PSF per year

Capital Reserves: \$1.00 PSF

General Expense Growth: 3% per year

Property Tax Growth: 2% per year

Reimbursement Revenue: The majority of the in-place office leases are Industrial Gross, where each tenant is responsible for its own electrical and janitorial services and is responsible for its pro-rata share of reimbursable expenses above their respective base year calculation for operating expenses.

Storage leases at the Property are Gross and do not pay any expense reimbursements.

Operating Expenses

Year 1 projected Operating Expenses are based on budget information provided by management as well as costs typical to operate similar type properties. All expenses excluding real estate taxes and management fees, are inflated at 3% on an annual basis.

Sources and Uses

Sources

Equity	\$1,956,100
Loan	\$3,510,000
	\$5,466,100

Uses

ALTA Update	\$1,500
Appraisal	\$3,500
Closing Title Expense	\$1,500
Environmental Review	\$2,000
Loan Fees/Mortgage Broker	\$35,100
Operational Cash	\$20,000
Physical Inspection/Engineering Review	\$2,500
Purchase Price	\$5,400,000
	\$5,466,100

Assumptions

New Loan

Interest Rate	5.00% 1 year IO due in 20 years
Amortization Term	30 years
Interest Rate Amortizing Constant	6.44%
Loan-to-Purchase Price	65%
Debt Service Coverage Ratio (Yr 1 - IO)	2.01
Debt Service Coverage Ratio (Yr 2 - Amortizing)	1.54

Leasing

Downtime	3 months
Deal Term (Avg)	5 years
Tenant Improvements	\$5.00 PSF for Renewals and \$10.00 PSF new deals
Commission Schedule (Renewal)	\$1.00 PSF per year to Procuring \$0.50 PSF per year to Listing

10 - Year Stabilized Cash Flow

Suite	Current Tenant	Size	Jan-11	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20
1st and 3rd Floors	Concentra	9,944	\$ 294,415	\$ 303,248	\$ 312,345	\$ 321,715	\$ 331,367	\$ 341,308	\$ 351,547	\$ 362,094	\$ 372,956	\$ 384,145
Suite 202	PureSense	2,450	\$ 73,676	\$ 75,291	\$ 77,941	\$ 57,713	\$ 77,510	\$ 80,052	\$ 82,678	\$ 85,389	\$ 88,189	\$ 91,080
Suite 200	Brodsky, Mclow, Bull & Weiss	2,767	\$ 70,937	\$ 73,628	\$ 76,205	\$ 78,872	\$ 84,431	\$ 87,386	\$ 90,444	\$ 93,610	\$ 96,886	\$ 100,277
	Storage Revenue		\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800	\$ 4,800
	Electric & Water Reimbursement		\$ 8,994	\$ 9,264	\$ 9,542	\$ 9,828	\$ 10,123	\$ 10,427	\$ 10,740	\$ 11,062	\$ 11,394	\$ 11,736
	Tax Reimbursement		\$ 32,993	\$ 33,653	\$ 34,326	\$ 35,012	\$ 35,712	\$ 36,427	\$ 37,155	\$ 37,898	\$ 38,656	\$ 39,429
EFFECTIVE GROSS REVENUE		PSF	\$ 485,815	\$ 499,883	\$ 515,158	\$ 507,941	\$ 543,943	\$ 560,400	\$ 577,364	\$ 594,853	\$ 612,882	\$ 631,467
Expenses												
Electricity		0.99	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002	\$ 19,572
Elevator		0.26	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
HVAC		0.23	\$ 3,500	\$ 3,605	\$ 3,713	\$ 3,825	\$ 3,939	\$ 4,057	\$ 4,179	\$ 4,305	\$ 4,434	\$ 4,567
Insurance		0.13	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
Interior Landscaping		0.01	\$ 200	\$ 206	\$ 212	\$ 219	\$ 225	\$ 232	\$ 239	\$ 246	\$ 253	\$ 261
Janitorial		0.59	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401	\$ 11,743
Management	2.5 % of Rental Income	0.73	\$ 11,096	\$ 11,424	\$ 11,782	\$ 11,578	\$ 12,453	\$ 12,839	\$ 13,237	\$ 13,647	\$ 14,071	\$ 14,508
Property Taxes		4.97	\$ 75,600	\$ 77,112	\$ 78,654	\$ 80,227	\$ 81,832	\$ 83,469	\$ 85,138	\$ 86,841	\$ 88,577	\$ 90,349
Repairs		0.26	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067	\$ 5,219
Security		0.07	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159	\$ 1,194	\$ 1,230	\$ 1,267	\$ 1,305
Taxes & Licenses		0.20	\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377	\$ 3,478	\$ 3,582	\$ 3,690	\$ 3,800	\$ 3,914
Trash Disposal		0.13	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534	\$ 2,610
Water		0.20	\$ 3,000	\$ 3,090	\$ 3,183	\$ 3,278	\$ 3,377	\$ 3,478	\$ 3,582	\$ 3,690	\$ 3,800	\$ 3,914
TOTAL EXPENSES		8.77	\$ 133,396	\$ 136,637	\$ 139,981	\$ 142,835	\$ 146,846	\$ 150,445	\$ 154,137	\$ 157,923	\$ 161,806	\$ 165,789
NOI			\$ 352,419	\$ 363,246	\$ 375,178	\$ 365,106	\$ 397,098	\$ 409,955	\$ 423,228	\$ 436,930	\$ 451,075	\$ 465,678
Debt Service												
Interest			\$ 175,500	\$ 175,500	\$ 172,858	\$ 170,085	\$ 167,173	\$ 164,115	\$ 160,904	\$ 157,533	\$ 153,993	\$ 150,276
Principal			\$ -	\$ 52,831	\$ 55,472	\$ 58,246	\$ 61,158	\$ 64,216	\$ 67,427	\$ 70,798	\$ 74,338	\$ 78,055
Total Debt Service			\$ 175,500	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331	\$ 228,331
Cash Flow After Debt Service			\$ 176,919	\$ 134,916	\$ 146,847	\$ 136,775	\$ 168,767	\$ 181,624	\$ 194,897	\$ 208,599	\$ 222,745	\$ 237,347
CASH ON CASH			9.04%	6.90%	7.51%	6.99%	8.63%	9.29%	9.96%	10.66%	11.39%	12.13%
CASH + PRINCIPAL			9.04%	9.60%	10.34%	9.97%	11.75%	12.57%	13.41%	14.28%	15.19%	16.12%
Leasing and Capital Costs												
Tenant Improvements (New Leases)		\$ 10.00	\$ -	\$ -	\$ -	\$ -	\$ 24,500	\$ -	\$ -	\$ -	\$ -	\$ -
Tenant Improvements (Renewals)		\$ 5.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,835	\$ -	\$ -	\$ -	\$ 49,720
Leasing Commissions (New Leases)		\$ 7.50	\$ -	\$ -	\$ -	\$ -	\$ 18,375	\$ -	\$ -	\$ -	\$ -	\$ -
Leasing Commissions (Renewals)		\$ 2.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,534	\$ -	\$ -	\$ -	\$ 19,888
Capital Reserves		\$ 1.00	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204
Total Leasing and Capital Costs			\$ 15,204	\$ 15,204	\$ 15,204	\$ 15,204	\$ 58,079	\$ 34,573	\$ 15,204	\$ 15,204	\$ 15,204	\$ 84,812
Cash Flow After Debt Service and Capital Costs			\$ 161,715	\$ 119,712	\$ 131,643	\$ 121,571	\$ 110,688	\$ 147,051	\$ 179,693	\$ 193,395	\$ 207,541	\$ 152,535
CASH ON CASH AFTER CAPITAL			8.27%	6.12%	6.73%	6.21%	5.66%	7.52%	9.19%	9.89%	10.61%	7.80%
CASH + PRINCIPAL AFTER CAPITAL			8.27%	8.82%	9.57%	9.19%	8.79%	10.80%	12.63%	13.51%	14.41%	11.79%

This information has been obtained from sources believed reliable. We have not verified it and make no guarantee, warranty or representation about it. Any projections, pinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. You and your advisors should conduct a careful, independent investigation of the property to determine to your satisfaction the suitability of the property for your needs.

Income and Expense Summary

<u>Description</u>	<u>2008 Expenses</u> (at 66% occupancy)	<u>2008 Expenses</u> (grossed to 95% occupancy)	<u>2009</u>	<u>2010 YTD</u> (July 2010)	<u>2010 YTD</u> Annualized	<u>2011</u> Projected
INCOME						
Rents			\$329,858	\$206,965	\$354,796	\$443,828 ***
Water Reimbursement			\$2,604	\$906 *	\$1,552	\$2,000
Electricity Reimbursement			\$7,490	\$3,451 *	\$5,915	\$6,995
Repair Reimbursement			\$1,404	\$566	\$971	\$0
Trash Grant			\$0	\$891	\$1,527	\$0
Tax Reimbursement			\$0	\$0	\$0	\$32,993
Total Income			\$341,357	\$212,778	\$364,762	\$485,815
EXPENSES						
Bank Fees	(\$43)	(\$43)	(\$63)	(\$39)	(\$67)	\$0
Electricity	(\$13,988)	(\$20,134)	(\$16,629)	(\$6,560) *	(\$11,247)	(\$15,000)
Elevator	(\$5,085)	(\$5,085)	(\$7,825)	(\$6,372) *	(\$10,923)	(\$4,000)
HVAC	(\$1,364)	(\$1,963)	(\$12,701)	(\$2,256)	(\$3,867)	(\$3,500)
Insurance	(\$7,436)	(\$7,436)	(\$20,735)	(\$1,781)	(\$3,054)	(\$2,000)
Interior Landscaping	(\$257)	(\$369)	(\$290)	(\$512)	(\$877)	(\$200)
Janitorial	(\$5,364)	(\$7,722)	(\$11,179)	(\$6,663)	(\$11,422)	(\$9,000)
Locks & Keys	(\$1,306)	(\$1,879)	(\$360)	(\$338)	(\$580)	\$0
Management	(\$4,491)	(\$6,464)	(\$13,654)	(\$7,103)	(\$12,176)	(\$11,096)
Miscellaneous	(\$362)	(\$362)	(\$909)	(\$60)	(\$103)	\$0
Office Utilities	(\$1,039)	(\$1,039)	(\$1,269)	(\$1,193)	(\$2,046)	\$0
Pest Control	(\$763)	(\$763)	(\$242)	(\$281)	(\$481)	\$0
Property Taxes	(\$34,902)	(\$34,902)	(\$37,705)	(\$20,537)	(\$35,206)	(\$75,600)
Repairs	(\$5,765)	(\$8,298)	(\$6,352)	(\$3,602)	(\$6,174)	(\$4,000)
Security	(\$2,265)	(\$2,265)	(\$1,546)	(\$676)	(\$1,160)	(\$1,000)
Signage	(\$126)	(\$126)	(\$1,184)	(\$140)	(\$240)	\$0
Supplies	(\$1,919)	(\$1,919)	(\$897)	(\$1,130)	(\$1,937)	\$0
Taxes & Licenses	(\$1,641)	(\$1,641)	(\$7,061)	(\$3,207)	(\$5,497)	(\$3,000)
Trash Disposal	(\$4,634)	(\$6,671)	(\$2,570)	(\$1,285)	(\$2,202)	(\$2,000)
Water	(\$3,857)	(\$5,551)	(\$3,950)	(\$434) *	(\$744)	(\$3,000)
Total Expenses	(\$96,605)	(\$114,631)	(\$147,123)	(\$64,169)	(\$110,003)	(\$133,396)
Total Expenses Per SF	(\$6.35)	(\$7.54)	(\$9.68)	(\$4.22)	(\$7.24)	(\$8.77)
Total NOI			\$194,234	\$148,609	\$254,759	\$352,419

* 1x repair expense included, service contract is \$481.87/month.

**46.63% of electricity & 66.66% of water is reimbursed by Concentra.

***\$443,828 is the actual Rent Roll Gross Income

SECTION V – TENANT INFORMATION

SECTION VI

TENANT INFORMATION

Tenant Summary

CONCENTRA INC.

<http://www.concentra.com/>

Tenant:	Concentra Inc.
Square Feet:	9,944
% of NRA:	65%
Year 1 Avg Base Rent PSF/Mo:	\$2.47 IG
Lease Expiration Date:	12/31/2018



Concentra Inc. is an investment grade tenant that occupies 65% of the property on a long term lease through 2018 with an option to renew for an additional five (5) years. Concentra is focused on improving America's health, one patient at a time. From more than 300 medical centers and more than 250 workplace clinics in 40 states, Concentra serves workers and families with occupational medicine, urgent care, physical therapy, and health and wellness services. Concentra serves America's workforce with a range of health solutions, provided to employers and employees where and when they need them. Their services help create an environment of health and wellness and reduce the overall costs of health care. Concentra offers claims processing, and medical advisory services that deliver consistent outcomes for the care and costs resulting from accidents involving first-and/or third-party injury coverage.

For the year end 2009, revenues were \$751, 711, 000. Net income from continuing operations was \$12,726,000. Cash and cash equivalents at year end totaled \$89, 051,000. Audited financial statements by Pricewaterhouse Coopers LLP are provided as part of the due diligence package for review.

PURESENSE

<http://www.puresense.com/>

Tenant:	Puresense Environmental, Inc.
Square Feet:	2,450
% of NRA:	16%
Year 1 Avg Base Rent PSF/Mo:	\$2.51 IG
Lease Expiration Date:	2/28/2014



PureSense Environmental Inc. provides water and chemical monitoring technology services for the agricultural industry. It installs on-board field computers, weather stations, pressure switches, soil monitoring probes, and software to offer water efficiency, plant health, and crop yield, as well as reductions in disease pressure and operating costs. The company was founded in 2002 and is based in Oakland, California.

BRODSKY MICKLOW BULL & WEISSwww.maritimetriallawyers.com**Tenant:** Brodsky Micklow Bull & Weiss**Square Feet:** 2,017**% of NRA:** 18%**Year 1 Avg Base Rent PSF/Mo:** \$2.14 FS**Lease Expiration Date:** 1/31/2015

The San Diego-San Francisco maritime personal injury attorneys of Brodsky Micklow Bull & Weiss LLP serve working seamen, recreational boaters, divers, cruise ship passengers, and others in injury accident lawsuits and wrongful death cases. The firm was founded in 1990 in order to represent individual and corporate clients across a spectrum of issues relating to transportation, energy and insurance.

Stacking Plan

3	Concentra Inc. 5,237 SF (9,944 SF total) (LED 12/31/2018)	
2	PureSense 2,450 SF (LED 2/21/2014)	Brodsky Micklow Bull & Weiss 2,767 SF (LED 1/31/2015)
1	Concentra Inc. – 4,914 SF (9,944 total) (LED 12/31/2018)	

Rent Roll

Suite	Tenant Name	Lease RSF	Lease Commences	Lease Expires	Year 1 Average Base Rent PSF/Month*	Rate Escalation	Base Stop
1 st and 3 rd Floors	Concentra Inc.	9,944 SF	1/1/09	12/31/18	\$2.47 IG	3%	2009
Suite 202	PureSense	2,450 SF	9/1/10	2/28/2014	\$2.51 IG	3%	2011
Suite 200	Brodsky Micklow Bull & Weiss * Includes storage	2,767 SF	2/1/08	1/31/2015	\$2.14 FS	3.5%	2009

* Year 1 Avg Base Rent PSF/Month is the current rent(s) for each tenant from January 1, 2011 – December 31, 2011.



SECTION VI – APPENDIX

LEED CERTIFICATION DOCUMENTATION



LEED® for Existing Buildings (LEED-EBOM): Operations and Maintenance

Final Scorecard

Project Name: The Commons at Jack London Square (160 Franklin / 384 Embarcadero)

Update 8/22/10

Yes	?	No	
42	2	51	Project Totals

Certified: 34-42 points **Silver:** 43-50 points **Gold:** 51-67 points **Platinum:** 68-92 points

Yes	?	No			
4	0	8	Sustainable Sites		12 Points
		1	Credit 1	LEED Certified Design and Construction	1
1			Credit 2	Building Exterior and Hardscape Management Plan	1
1			Credit 3	Integrated Pest Management, Erosion Control, and Landscape Management Plan	1
1			Credit 4.1	Alternative Commuting Transportation, 10%	1
		1	Credit 4.2	Alternative Commuting Transportation, 25%	1
		1	Credit 4.3	Alternative Commuting Transportation, 50%	1
		1	Credit 4.4	Alternative Commuting Transportation, 75% or greater	1
		1	Credit 5	Reduced Site Disturbance - Protect or Restore Open Space	1
		1	Credit 6	Stormwater Management	1
		1	Credit 7.1	Heat Island Reduction - Non-Roof	1
1			Credit 7.2	Heat Island Reduction - Roof	1
		1	Credit 8	Light Pollution Reduction	1

4	2	4			10 Points
Y			Prereq 1	Minimum Indoor Plumbing Fixture and Fitting Efficiency	Req.
	1		Credit 1.1	Water Performance Measurement - whole building metering	1
	1		Credit 1.2	Water Performance Measurement - submetering	1
1			Credit 2.1	Additional Indoor Plumbing Fixture and Fitting Efficiency, 10%	1
1			Credit 2.2	Additional Indoor Plumbing Fixture and Fitting Efficiency, 20%	1
1			Credit 2.3	Additional Indoor Plumbing Fixture and Fitting Efficiency, 30%	1
		1	Credit 3.1	Water Efficient Landscaping - Reduce Potable Water Use by 50%	1
		1	Credit 3.2	Water Efficient Landscaping - Reduce Potable Water Use by 75%	1
		1	Credit 3.3	Water Efficient Landscaping - Reduce Potable Water Use by 100%	1
1			Credit 4.1	Cooling Tower Water Management - Chemical Management	1
		1	Credit 4.2	Cooling Tower Water Management - Non-Potable Water Source Use	1

13	0	17			30 Points
Y			Prereq 1	Energy Efficiency Best Management Practices - Planning, Documentation, and Opportunity Assessment	Req.
Y			Prereq 2	Minimum Energy Efficiency Performance	Req.
Y			Prereq 3	Refrigerant Management - Ozone Protection	Req.
5		10	Credit 1	Optimize Energy Efficiency Performance	15
2			Credit 2.1	Existing Building Commissioning - Investigation and Analysis	2
2			Credit 2.2	Existing Building Commissioning - Implementation	2
		2	Credit 2.3	Existing Building Commissioning - Ongoing Commissioning	2
		1	Credit 3.1	Performance Measurement - Building Automation System	1
		1	Credit 3.2	Performance Measurement - System-Level Metering, 40%	1
		1	Credit 3.3	Performance Measurement - System-Level Metering, 80%	1
1			Credit 4.1	Renewable Energy - On-site 3% / Off-site 25%	1
1			Credit 4.2	Renewable Energy - On-site 6% / Off-site 50%	1
1			Credit 4.3	Renewable Energy - On-site 9% / Off-site 75%	1
		1	Credit 4.4	Renewable Energy - On-site 12% / Off-site 100%	1
		1	Credit 5	Refrigerant Management	1
1			Credit 6	Emissions Reduction Reporting	1



LEED® for Existing Buildings (LEED-EBOM): Operations and Maintenance

Final Scorecard

Project Name: The Commons at Jack London Square (160 Franklin / 384 Embarcadero)

Update 8/22/10

Yes	?	No			
7	0	7	Materials & Resources		14 Points
Y			Prereq 1	Sustainable Purchasing Policy	Req.
Y			Prereq 2	Solid Waste Management Policy	Req.
		1	Credit 1.1	Sustainable Purchasing - Ongoing Consumables, 40%	1
		1	Credit 1.2	Sustainable Purchasing - Ongoing Consumables, 60%	1
		1	Credit 1.3	Sustainable Purchasing - Ongoing Consumables, 80%	1
		1	Credit 2.1	Sustainable Purchasing - Durable Goods, electric	1
		1	Credit 2.2	Sustainable Purchasing - Durable Goods, furniture	1
1			Credit 3	Sustainable Purchasing - Facility Alterations and Additions	1
1			Credit 4.1	Sustainable Purchasing - Reduced Mercury in Lamps, 90 pg/lum-hr	1
1			Credit 4.2	Sustainable Purchasing - Reduced Mercury in Lamps, 70 pg/lum-hr	1
		1	Credit 5	Sustainable Purchasing - Food	1
1			Credit 6	Solid Waste Management - Waste Stream Audit	1
1			Credit 7.1	Solid Waste Management - Ongoing Consumables, 50%	1
		1	Credit 7.2	Solid Waste Management - Ongoing Consumables, 70%	1
1			Credit 8	Solid Waste Management - Durable Goods	1
1			Credit 9	Solid Waste Management - Facility Alterations and Additions	1

12	0	11	Indoor Environmental Quality		19 Points
Y			Prereq 1	Outdoor Air Introduction and Exhaust Systems	Req.
Y			Prereq 2	Environmental Tobacco Smoke (ETS) Control	Req.
Y			Prereq 3	Green Cleaning Policy	Req.
1			Credit 1.1	IAQ Best Management Practices - IAQ Management Program	1
		1	Credit 1.2	IAQ Best Management Practices - Outdoor Air Delivery Monitoring	1
		1	Credit 1.3	IAQ Best Management Practices - Increased Ventilation	1
		1	Credit 1.4	IAQ Best Management Practices - Reduce Particulates in Air Distribution	1
		1	Credit 1.5	IAQ Best Management Practices - IAQ Management for Facility Alterations and Additions	1
1			Credit 2.1	Occupant Comfort - Occupant Survey	1
1			Credit 2.2	Occupant Comfort - Occupant Controlled Lighting	1
		1	Credit 2.3	Occupant Comfort - Thermal Comfort Monitoring	1
		1	Credit 2.4	Occupant Comfort - Daylight and Views, 50% Daylight / 45% Views	1
		1	Credit 2.5	Occupant Comfort - Daylight and Views, 75% Daylight / 90% Views	1
1			Credit 3.1	Green Cleaning - High Performance Cleaning Program	1
1			Credit 3.2	Green Cleaning - Custodial Effectiveness Assessment, < 3	1
1			Credit 3.3	Green Cleaning - Custodial Effectiveness Assessment, < 2	1
1			Credit 3.4	Green Cleaning - Sustainable Cleaning Products and Materials, 30%	1
1			Credit 3.5	Green Cleaning - Sustainable Cleaning Products and Materials, 60%	1
1			Credit 3.6	Green Cleaning - Sustainable Cleaning Products and Materials, 90%	1
1			Credit 3.7	Green Cleaning - Sustainable Cleaning Equipment	1
1			Credit 3.8	Green Cleaning - Entryway Systems	1
1			Credit 3.9	Green Cleaning - Indoor Integrated Pest Management	1

2	0	4	Innovation in Operations		7 Points
1			Credit 1.1	Exemplary Performance - MR3, Sustainable Purchasing, 159%	1
			Credit 1.2	Exemplary Performance	1
		1	Credit 1.3	Innovation in Operations	1
		1	Credit 1.4	Innovation in Operations	1
1			Credit 2	LEED® Accredited Professional	1
		2	Credit 3	Documenting Sustainable Building Cost Impacts	2

AUDITED FINANCIAL STATEMENTS FOR
CONCENTRA INC.

PREPARED BY
PRICewaterhouseCOOPERS

Report of Independent Auditors

To the Board of Directors and Stockholders of
Concentra Inc:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and stockholders' equity (deficit) present fairly, in all material respects, the financial position of Concentra Inc. and its subsidiaries at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 12 to the consolidated financial statements, the Company changed the manner in which it accounts for fair value measurements in 2008.



PricewaterhouseCoopers LLP
March 5, 2010

Concentra Inc. Consolidated Balance Sheets

(in thousands, except share amounts)

	December 31,	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 89,051	\$ 45,545
Restricted cash and short-term investments	3,079	2,894
Accounts receivable, net	92,021	108,306
Prepaid expenses and other current assets	30,792	31,533
Total current assets	214,943	188,278
Property and equipment, net	93,750	97,324
Goodwill and other intangible assets, net	323,096	324,228
Other assets	22,050	27,607
Total assets	<u>\$ 653,839</u>	<u>\$ 637,437</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Revolving credit facility	\$ -	\$ -
Current portion of long-term debt and short-term borrowings	12,665	3,972
Accounts payable	11,895	9,454
Accrued expenses	40,512	42,142
Accrued compensation	33,470	33,230
Current portion of economic hedges	10,525	9,721
Total current liabilities	109,067	98,519
Long-term debt, net	462,753	477,955
Deferred income taxes	31,118	25,892
Other liabilities	38,628	42,340
Total liabilities	641,566	644,706
Commitments and contingencies (See Note 15)		
Stockholders' equity (deficit):		
Common stock, \$.01 par value; 100,000,000 shares authorized; 42,105,699 and 41,595,900 shares issued as of December 31, 2009 and 2008, respectively; 41,885,550 and 41,375,751 shares outstanding as of December 31, 2009 and 2008, respectively	421	416
Paid-in capital	190,055	181,629
Treasury stock; 220,149 shares	(1,729)	(1,729)
Accumulated other comprehensive loss	(9,359)	(11,410)
Accumulated deficit	(184,224)	(194,068)
Total Company stockholders' deficit	(4,836)	(25,162)
Noncontrolling interests	17,109	17,893
Total stockholders' equity (deficit)	12,273	(7,269)
Total liabilities and stockholders' equity (deficit)	<u>\$ 653,839</u>	<u>\$ 637,437</u>

The accompanying notes are an integral part of these consolidated financial statements.

Concentra Inc.
Consolidated Statements of Operations

<i>(in thousands)</i>	Years Ended December 31,		
	2009	2008	2007
Revenue, net	\$ 751,711	\$ 826,422	\$ 827,013
Cost of services	621,703	689,343	674,249
Gross profit	130,008	137,079	152,764
General and administrative expenses	69,210	71,924	106,608
Loss on impairment of long-lived assets	-	4,409	-
Gain from recovery of funds and forgiveness of liabilities	(1,605)	-	-
Amortization of intangibles	2,762	4,798	4,271
Operating income	59,641	55,948	41,885
Interest expense, net	35,711	40,440	35,740
(Gain) loss on change in fair value of economic hedges	-	(9)	156
(Gain) loss on early retirement of debt	(3,858)	-	33,144
Other, net	(97)	(65)	6
Income (loss) before income taxes	27,885	15,582	(27,161)
Income tax expense (benefit)	13,331	7,313	(7,602)
Income (loss) from continuing operations	14,554	8,269	(19,559)
Loss (income) from discontinued operations, net of income taxes (see Note 10)	1,828	2,953	(166,330)
Net income	12,726	5,316	146,771
Less: net income attributable to noncontrolling interests, net of income taxes	2,882	3,071	3,236
Net income attributable to Company	<u>\$ 9,844</u>	<u>\$ 2,245</u>	<u>\$ 143,535</u>
Reconciliation of net income to total comprehensive income:			
Net income	\$ 12,726	\$ 5,316	\$ 146,771
Unrealized gain (loss) on change in fair value of economic hedges	3,185	(6,464)	(11,440)
Related tax (provision) benefit	(1,134)	2,292	4,202
Total comprehensive income	14,777	1,144	139,533
Total comprehensive income attributable to noncontrolling interests	2,882	3,071	3,236
Comprehensive income (loss) attributable to Company	<u>\$ 11,895</u>	<u>\$ (1,927)</u>	<u>\$ 136,297</u>

The accompanying notes are an integral part of these consolidated financial statements.

Concentra Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31,		
	2009	2008	2007
Operating activities:			
Net income	\$ 12,726	\$ 5,316	\$ 146,771
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment	23,603	23,586	26,849
Amortization of intangibles	2,762	4,798	6,272
Restricted stock amortization and equity-based compensation	8,355	5,017	19,047
Loss (gain) on sale or disposal of assets, net	126	146	(280,690)
Gain from forgiveness of liabilities	(1,055)	-	-
Loss on impairment of assets	-	4,409	-
(Gain) loss on early retirement of debt	(3,858)	-	25,273
(Gain) loss on change in fair value of economic hedges	-	(9)	156
Write-off of deferred financing costs	-	-	7,871
Deferred income tax expense (benefit)	3,828	(812)	6,606
Income tax benefit associated with noncontrolling interests	1,747	1,927	2,087
Changes in assets and liabilities, net of acquired assets and liabilities:			
Accounts receivable, net	16,285	6,409	(6,540)
Prepaid expenses and other assets	6,828	3,495	(13,645)
Accounts payable and accrued expenses	8,229	(6,377)	12,030
Net cash provided by (used in) operating activities	<u>79,576</u>	<u>47,905</u>	<u>(47,913)</u>
Investing activities:			
Purchases of short-term investments	-	-	(70,805)
Purchases of property, equipment, and other assets	(18,725)	(29,177)	(33,626)
Acquisitions, net of cash acquired	(4,714)	(6,788)	(36,471)
Proceeds from the sale of assets	-	-	394,121
Proceeds from the sale of short-term investments	-	4	125,947
Net cash (used in) provided by investing activities	<u>(23,439)</u>	<u>(35,961)</u>	<u>379,166</u>
Financing activities:			
Borrowings (payments) under revolving credit facilities, net	-	-	-
Repayments of debt	(11,779)	(3,976)	(684,203)
Distributions to noncontrolling interests	(923)	(5,555)	(6,556)
Payment of deferred financing costs	(525)	-	(18,863)
Proceeds from the issuance of common stock	-	300	1,207
Tax benefit associated with stock options exercised	-	27	6,965
Proceeds from the issuance of debt	596	262	760,000
Dividend to stockholders	-	(5,530)	(345,591)
Distribution to Viant	-	-	(3,094)
Repurchase of stock	-	(9)	(14,816)
Payment of early debt retirement costs	-	-	(24,859)
Net cash used in financing activities	<u>(12,631)</u>	<u>(14,481)</u>	<u>(329,810)</u>
Net increase (decrease) in cash and cash equivalents	43,506	(2,537)	1,443
Cash and cash equivalents, beginning of year	45,545	48,082	46,639
Cash and cash equivalents, end of year	\$ 89,051	\$ 45,545	\$ 48,082

The accompanying notes are an integral part of these consolidated financial statements.