

Schedule 1.3(a)(ii)
APPRAISAL GUIDELINES

- (a) **Purpose of the Appraisal:** The purpose of the appraisal is to establish the Market Value of the fee simple interest in the subject Parcel. The Parcel commonly known as _____ [*insert subject property street address*].
- (b) **Hypothetical Property Condition – Vacant Site:** The appraisal is to assume the Parcel to be a finished, vacant lot, with existing site grading, streets, off-site utilities to the curb and other supporting infrastructure, but excluding the Residence and all other improvements on the Parcel.
- (c) **Client and Intended Use of the Appraisal:** The client is _____ (*the client is the person who engages the appraiser to perform the assignment*). This appraisal is to be utilized exclusively by the client and Stanford University to assist in determining the Extension Fee for a ground lease extension.
- (d) **Property Rights Appraised:** The fee simple estate is to be appraised, defined as 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. The ground lease with Stanford University is to be disregarded.
- (e) **“Market Value”** is defined as “the most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.”
- (f) **Exposure Time:** Exposure time consists of the reasonable marketing period for the Parcel preceding the Effective Date of Value (defined below). The exposure time presumes an adequate, sufficient, and reasonable marketing effort. The appraisal shall include an opinion of the reasonable exposure time reflecting market conditions as of the Effective Date of Value.
- (g) **Highest and Best Use:** The highest and best use of the Parcel shall be assumed to be for one single-family residence, consistent with the use provisions of the Lease.
- (h) **Effective Date of Value:** The date of the appraised value shall be specified in the appraisal as the “Effective Date of Value”.
- (i) **Applicable Valuation Techniques:** For the appraised Parcel, the sales comparison approach, utilizing sales of individual vacant lots and sales of improved properties for land value only, shall be the primary appraisal technique. For this appraisal, sales of improved properties for land value only means that the purchaser intends to demolish the existing improvements, or in fact has demolished the existing improvements after the purchase. Absent any comparable sales of vacant lots and land-value properties, the market extraction technique shall be the secondary valuation technique. By the market extraction technique, land value is extracted from the sale price of an improved property comparable sale by deducting the contributory value of the improvements.

- (j) **Comparable Sales:** The primary location of the comparable sales, including vacant lots and improved properties, utilized in the sales comparison approach and/or market extraction technique, shall be within the Comparable Area, as defined below.
- (k) **Comparable Area:** The “Comparable Area” shall mean the Woodside/Portola Valley residential neighborhoods in the general vicinity of the Parcel: provided, however, that if in the professional opinion of the appraiser there are too few comparable sales in the Comparable Area, the Qualified Appraiser may use other comparable transactions in other proximate neighborhoods, if necessary, so long as the Qualified Appraiser provides a written explanation justifying the reasons for doing so, and continues to use comparables in the Comparable Area as the primary basis for determining the Fee Simple Land Value. Sales of the 11 Stanford leasehold estates located within the Town of Woodside shall be excluded as comparable sales, as these transactions are leaseholds with prices impacted by the terms and conditions of the Lease.
- (l) **Appraiser Qualifications:** The appraiser must indicate that he or she is licensed in the State of California and an MAI or SRA designated member of the Appraisal Institute (or should the Appraisal Institute cease to exist, the successor organization and/or equivalent designations) with not less than five years of experience appraising single-family residential properties in the southern San Mateo County/northern Santa Clara County area. The appraiser must determine, prior to accepting the assignment, that he or she can perform the assignment in accord with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- (m) Any appraiser whose Lessee Appraisals (as defined in **Schedule 1.5** of this Amendment) are not averaged with a Third Appraisal, as defined in **Schedule 1.5** of this Amendment, (when a Third Appraisal is required) more than Five (5) times in any two-year period shall be disqualified from an engagement by Lessee, and Lessor shall notify Lessee of such disqualification.
- (n) Lessor reserves the right to make reasonable modifications to these guidelines to conform to changes in appraisal practices.