

APPRAISAL REPORT

**±0.479 Acre Portion of Lot G
Sacramento, CA
CORE - 20141036.2 - Rev. 1.0**

Client:

The City of Sacramento
c/o Mr. Bill Sinclair
5730 24th Street, Building 4
Sacramento, CA 95822

Prepared by:

Craig Owyang Real Estate
Craig A. Owyang, MAI, SRA
4965 Willow Vale Way
Elk Grove, California 95758

Date of Report:

March 25, 2014

Effective Date of Value:

December 17, 2013

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CRAIG OWYANG REAL ESTATE

March 25, 2014

The City of Sacramento
c/o Mr. Bill Sinclair
5730 24th Street, Building 4
Sacramento, CA 95822

RE: ±0.479 Acre Portion of Lot G
Sacramento, CA
CORE - 20141036.2 - Rev. 1.0

Mr. Sinclair:

As requested, I have analyzed the property indicated above in order to develop an opinion of the *Market Value* in its *Leased Fee Interest*. This report was prepared between January and March 2014 with an *Effective Date of Value* of December 17, 2013. This *Appraisal Assignment* is communicated in a written *Appraisal Report* under Standard 2, as defined in the *Uniform Standards of Professional Appraisal Practice (USPAP)*. My opinion of value was developed under the *Scope of Work* that is included in the body of the *Appraisal Report*.

Briefly, the property is a portion of Lot G in Sacramento, California. The subject is a ±0.479 acre (20,863 square feet) portion of an existing larger parcel that includes the parking structure immediately south. It is basically a rectangular site that abuts 3rd, 4th and K Streets, however, the subject is not accessible by any of the streets. The subject's area adjacent to 3rd Street include terrain features and easements that preclude vehicle access to the property. On the other hand, 4th and K Streets are closed to vehicle traffic in the subject's vicinity. I have concluded the *Highest and Best Use - As Improved* is for continued use and operation as a retail building.

Assignment Conditions

This *Appraisal Assignment* is subject to no *Extraordinary Assumptions* and one *Hypothetical Condition*.

The following details these conditions. Any user or reader of this *Appraisal Report* should take note of the *Assignment Conditions* as they relate to the limits in scope of investigation & analysis conducted in this *Appraisal Assignment*.

Extraordinary Assumptions

This *Appraisal Assignment* is not subject to any *Extraordinary Assumptions*.

Hypothetical Conditions

The *Appraisal Assignment* is subject to the following (one) *Hypothetical Condition*:

(1/1) - While the western 1/3 of the property is lower than the eastern portion, the western 1/3 will be subject to a reservation for the existing elevated driveway and walkway that provides street level automobile access from 3rd Street to the parking structure immediately south of the subject. As of the Effective Date of Value, the parking garage and subject were on the same parcel, however, this Appraisal Assignment makes the Hypothetical Condition the ±0.479 acre portion of Lot G is its own legal parcel.

Limiting Conditions

For purposes of this *Appraisal Assignment*, it is assumed:

- *That the legal description is correct.*
- *That the title to the property is legally sufficient.*
- *That there are no encumbrances or defects of title.*
- *That the property is free and clear of all liens.*
- *That the property will be efficiently managed and properly maintained.*
- *That the present zoning will remain in force.*

The *Appraisal Assignment* is made subject to the following conditions:

- *That no liability is assumed as a result of matters of legal character affecting the property, such as title defects, encroachments, liens, overlapping boundaries, party wall agreements, and easements.*
- *This Appraisal Report is to be used in whole and not in part. No part of it shall be used in conjunction with any other Appraisal Report, and is invalid if so used.*
- *That no survey was made of the property.*
- *The appraisers herein by reason of this Appraisal Report are not required to give testimony in court with reference to the subject unless otherwise previously arranged.*
- *Possession of this Appraisal Report, or copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone but the applicant, without the previous written consent of the appraisers.*
- *Present worth of the purchasing power of the dollar.*
- *This Appraisal Report has been made in conformity with the Uniform Standards of Professional Appraisal Practice as adopted by the Appraisal Institute.*
- *Calculations were based upon data assumed to be correct.*
- *The appraisers are not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraisers that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment.*
- *The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The appraisers' value opinion is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this Appraisal Report.*
- *No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraisers' descriptions and resulting comments are the result of routine observations made during the appraisal process.*
- *Unless otherwise stated in this Appraisal Report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value marketability or utility.*

The analysis and conclusions contained herein rely on the assumptions of the *Extraordinary Assumptions*, *Hypothetical Conditions* and *Limiting Conditions*. Any inconsistency between any *Assignment Condition* and the

property will likely negatively impact the conclusions and opinions reported as well as the marketability and value of the property.

Certification

The undersigned does hereby certify that, except as otherwise noted in this *Appraisal Report*:

- *I have not provided any professional services relating to the property in the last three years.*
- *To the best of my knowledge and belief, the statements of fact contained in this Appraisal Report upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.*
- *The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.*
- *I have no present or contemplated future interest in the real estate that is the subject of this Appraisal Report.*
- *I have no personal interest or bias with respect to the subject matter of this Appraisal Report nor the parties involved.*
- *My engagement or compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this Appraisal Report.*
- *This Appraisal Assignment was not based on a requested minimum or specific valuation.*
- *My analyses, opinions, and conclusions were developed, and this Appraisal Report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.*
- *The use of this Appraisal Report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
- *Personal observations of the subject, comparables and local market area are detailed in the Scope of Work included in the body of the Appraisal Report.*
- *No one other than the undersigned has prepared the analysis', conclusions and opinions concerning the real estate that are set forth in this appraisal report.*
- *The appraised value of the property relies only on the furniture, fixtures and equipment (personal property) described herein.*
- *As of the date of this Appraisal Report, Craig A. Owyang, MAI, SRA has completed the requirements of the continuing education program of the Appraisal Institute.*

Restriction Upon Disclosure & Use

Disclosure of the contents of this *Appraisal Report* is governed by the Bylaws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this *Appraisal Report* (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent of the undersigned.

The values, comments, assumptions and limiting conditions expressed in this letter are considered a part of and pertinent to the *Appraisal Report* to which it refers. The validity of the *Appraisal Report* and the values indicated herein are subject to this letter which must be used in conjunction with the *Appraisal Report*.

Opinion of Market Value

"*Market Value*" means the most probable price which 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:

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

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 definitions [f].

Accordingly, based upon available data, premises (including any and all *Assignment Conditions*) and the definitions outlined in this report, it is my opinion the *Market Value* of the subject is as follows:

Market Value of the Leased Fee Interest as of December 17, 2013:

**EIGHT HUNDRED & THIRTY THOUSAND DOLLARS
(\$830,000)**

Respectfully,

Craig Owyang Real Estate



Craig A. Owyang, MAI, SRA, SR/WA & R/W-AC
President
CA - AG009478 expires March 9, 2015

Title Page, Transmittal Letter & Certification

Intended User of Appraisal:1
 Mr. Bill Sinclair
 City of Sacramento
 5730 24th Street, Building 4
 Sacramento, CA 95822

Assignment Conditions:1
 Extraordinary Assumptions (none)1
 Hypothetical Conditions (one)1
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 - January 13, 2014

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SECTION I

PROPERTY IDENTIFICATION

&

ANALYSIS

PURPOSE, INTENDED USE & EFFECTIVE DATES

The *Purpose* of this *Appraisal Assignment* is to develop and report my opinion of the *Market Value* in the *Leased Fee Interest* of a ±0.479 acre portion of a property commonly identified as Lot G in Sacramento, California.

The *Intended Use* of this appraisal is for the exclusive use by the City of Sacramento to ascertain the *Real Property* value in conjunction with the Downtown Arena Project. This appraisal may not be used by any other entity or individual for any purpose whatsoever.

I have made observations of the property on a number of occasions between January and March 2014, the last of which was on my March 6, 2014 visit to the property. The *Effective Date of Value* is December 17, 2013 and the date of this *Appraisal Report* is March 25, 2014.

SCOPE OF WORK

After assessing the quality and nature of the property as well as the *Appraisal Assignment*, I have determined that I have adequate education and experience to competently complete the *Appraisal Assignment*. The analysis and conclusions set forth herein are solely my own.

Mr. Owyang has personally visited the subject of this *Appraisal Assignment* and made observations of the property.

In order to develop *Credible Assignment Results*, in particular my opinion of value, I have:

- Recognized, considered and employed the methods and techniques appropriate for the property and *Appraisal Assignment*. The applicable valuation approach for this *Appraisal Assignment* is the *Sales Comparison Approach*.
 - ✓ *Although 27% of the building is leased, the remaining 73% has a recent history of being vacant and difficult to lease. Given the market area trends, it is not likely a tenant or tenants will be secured for the vacant space until the proposed Entertainment and Sports Center (ESC) is near completion 2½ years from now. Projecting the market rent 2+ years from now when the completion of the ESC would be eminent would not result in a reliable estimate of Net Operating Income. Consequently, the indicated value by Income Capitalization Approach would likely lead to unreliable and/or possibly misleading Appraisal Assignment Results. Therefore, despite a portion of the property being leased, it is my opinion the Income Capitalization Approach is not applicable in this Appraisal Assignment and is not performed. Notably, most of the comparables included in the Sales Comparison Approach include Leased Fee Interests.*
 - ✓ *It should be noted, the sales included in the Sales Comparison Approach implicitly takes into consideration how the market participants quantify the future impact of the ESC. This can not be measured in the Income Capitalization Approach without making unsupported projections of Market Rents and Capitalization Rates. This too is substantiation for not using the Income Capitalization Approach.*
 - ✓ *Given the prevailing market conditions and the property's Highest & Best Use, the Cost Approach is not applicable or used in this Appraisal Assignment.*
- Collected, verified and analyzed the information applicable to the *Appraisal Assignment*. Such actions may be performed by individuals under my direct supervision. In order to accomplish this, I have:
 - ✓ *Spoken with buyers, sellers, brokers, property owners/managers and public officials.*
 - ✓ *Researched and analyzed sales of improved properties having a similar Highest & Best Use as the subject.*
 - ✓ *Researched and analyzed sales of vacant land and properties suitable for development or redevelopment.*

✓ Investigated the general economy of the area as well as the specifics of the local market.

- Developed an opinion of the property's *Highest & Best Use*.
- Communicated the results of the *Appraisal Assignment* in a written *Appraisal Report*.

While the preceding summarizes the salient points of the *Scope of Work*, it should be noted the contents of the appraisal report are, in and of themselves, a de facto representation of the *Scope of Work*.

DEFINITIONS

The following definitions have been used within this report for the analysis of the property.

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."

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago, IL: Appraisal Institute, 2010), 78.

Leased Fee Interest

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

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Fifth Edition (Chicago, IL: Appraisal Institute, 2010), 111.

Preliminary Title Report

All notations to *Preliminary Title Report* refer to the preliminary report prepared by Fidelity National Title Company dated January 13, 2014 with Title Number 13-5015634-CS. A photocopy of the *Preliminary Title Report* is included in the *Addenda* to this *Appraisal Report*.

Market Value

"'Market Value' means the most probable price which 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:

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

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 definitions [f].

LEGAL DESCRIPTION

The *Preliminary Title Report* legally identifies the property in a lengthy description.

OWNERSHIP INTERESTS & HISTORY OF CONVEYANCES

The *Preliminary Title Report* indicates the ownership is vested in:

City of Sacramento, a municipal corporation

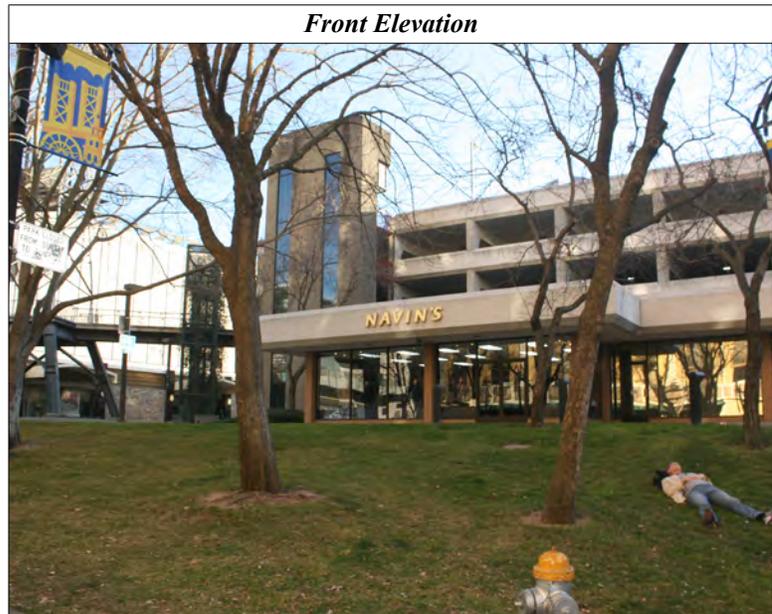
Reportedly, there were no conveyances of the property in the three years prior to the *Effective Date of Value*.

ASSESSOR'S PARCEL NUMBER, REAL ESTATE TAXES & ASSESSMENTS

The subject is a portion of the property assigned with Assessor Parcel Number 006-0087-051. Notably, the property is not subject to *Real Estate Taxes*.

SACRAMENTO COUNTY

Sacramento County is one of six counties that make up the Sacramento regional area. The county encompasses 1,015 square miles or approximately 649,600 acres. In relation to the other regional area counties, Sacramento is situated in the southern most portion of the region. The city of Sacramento is on the western border of the county with Elk Grove south of Sacramento. Citrus Heights and Folsom are situated in the northeastern portion of the county, while Isleton is located in the far southwestern area. Over the last 50 years, the population of Sacramento County has increased by nearly one million people. The development of the county has been widespread with the incorporated cities seeing large amounts of growth. However, it should be noted the unincorporated areas of Sacramento County continue to maintain the majority of the population.



The southern portion of the county is largely unincorporated and has been identified as active flood zones, which inhibits urbanized development. The predominant land use in the southern portion of the county is still dedicated to agriculture. Divided between north and south, the two areas of the county differ sharply with respect to land use patterns and development. The south county has retained more of its agricultural base while the north county has become densely populated, extensively subdivided and industrialized. The north contains five cities, very closely situated to each other, while the south has only two cities, one being quite far from the rest of the county's incorporated communities.

CITY OF SACRAMENTO

The city of Sacramento is on the western border of Sacramento County with the cities of Elk Grove to the south, Rancho Cordova to the east and the unincorporated communities of Natomas and Carmichael adjacent to the north and northeast, respectively. The city is easily accessible by Interstate 5 (I-5) and 80 (I-80), U.S. Highway 50 (US-50) and State Route 99 (SR-99). Public transportation is readily available and affordable.

Of the city's 191,380 housing units (as of January 2013), 126,716 are single family residences and represent 66.2% of the total. An additional 42,955 units are in 5+ unit properties and represent 22.4% of



the housing stock. According to the US Census Bureau's 2008-2012 American Community Survey, Sacramento's median household income is \$50,661. There are large amounts of land available for additional residential development in the unincorporated areas adjacent to Sacramento, which the city is planning to eventually annex. According to the Sacramento Area Council of Governments (SACOG), population is expected to grow by 181,435 over a base of 447,571 between the years 2008 and 2035. Over the same time frame, jobs are expected to grow to 363,097 by 77,120 new opportunities.

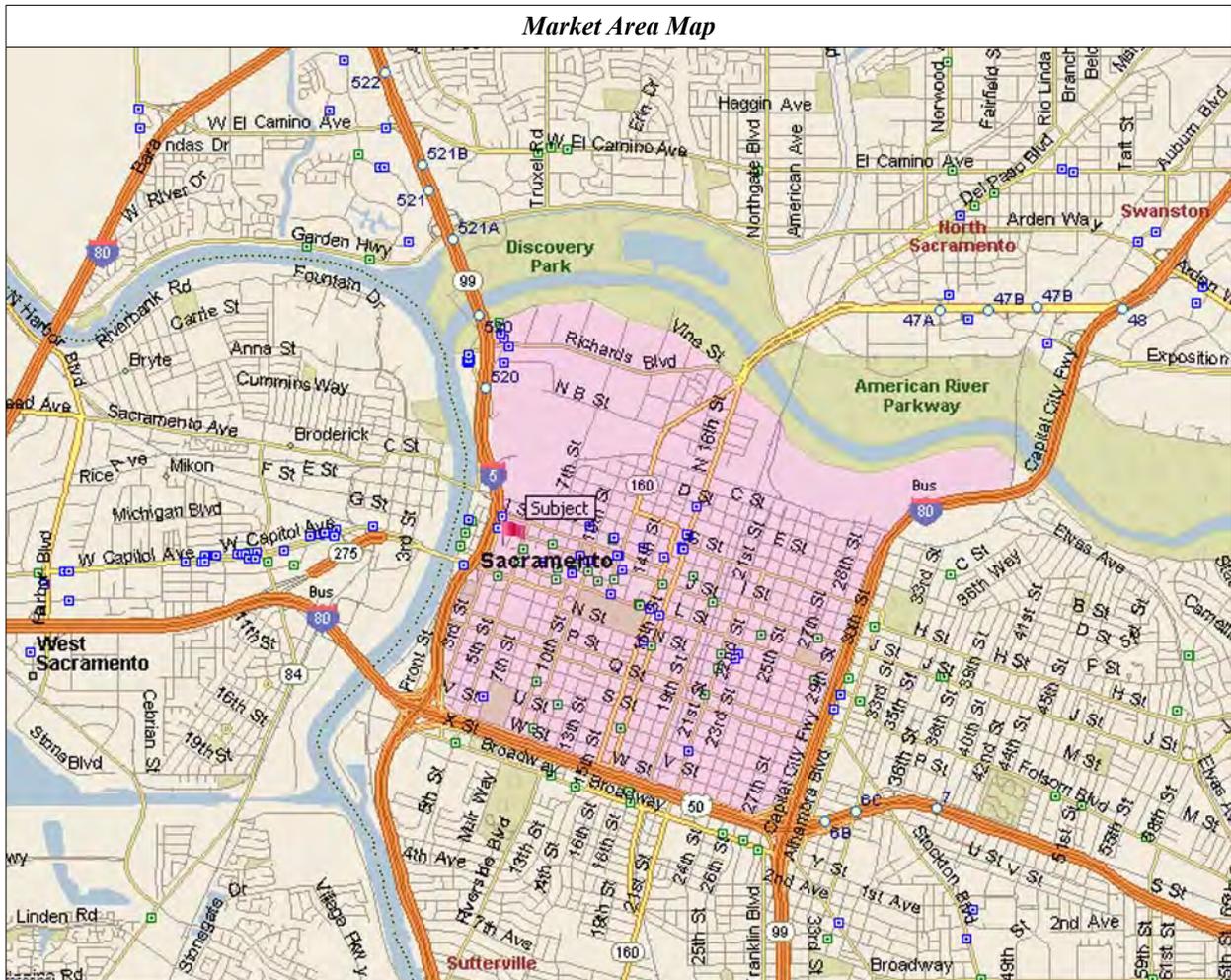
MARKET AREA

Please refer to the *Market Area Map* below. The general market area boundaries include the Sacramento River to the west, the American River to the

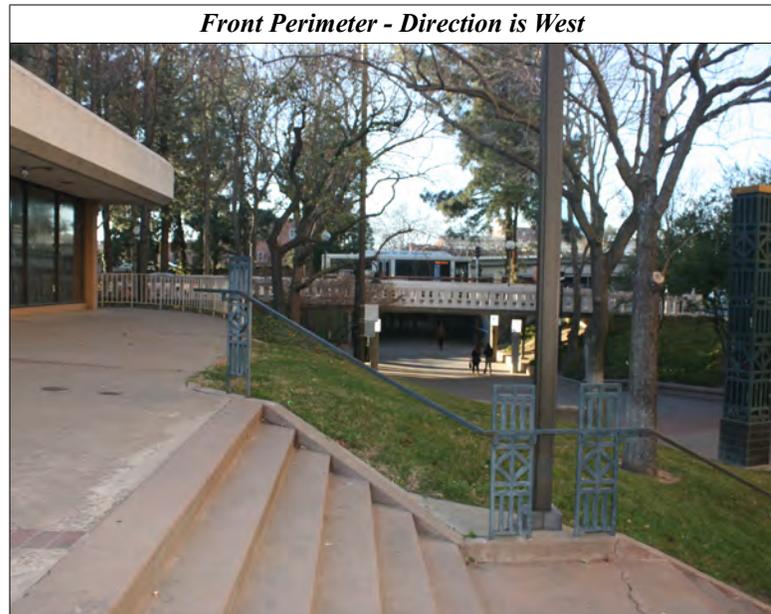
Northwest Quarter Elevation



Market Area Map



north, Alhambra Boulevard and Capitol City Freeway (Business 80) on the east with Broadway on the south. The area is described as the *Central Business District* by the City of Sacramento Planning Department. The primary north-south arterials include Interstate 5 (I-5)/State Route 99 (SR-99), 15th and 16th Streets/State Route 160 (SR-160) and Business 80. The primary east-west arterials include US-50 as well as J and P Streets. Development in the market area, south of the Union Pacific Railroad lines, includes a wide variety of office, retail and residential uses of varying densities. The northwestern portion of the market is chiefly developed with industrial uses, with the exception of Township Nine, which is a 65-acre area planned for redevelopment with 2,500 housing units, 840,000 square feet of office space and 145,000 square feet of retail space. The north-easternmost portion of the area, north of the rail lines and south of the American River, is largely undeveloped and has limited accessibility.

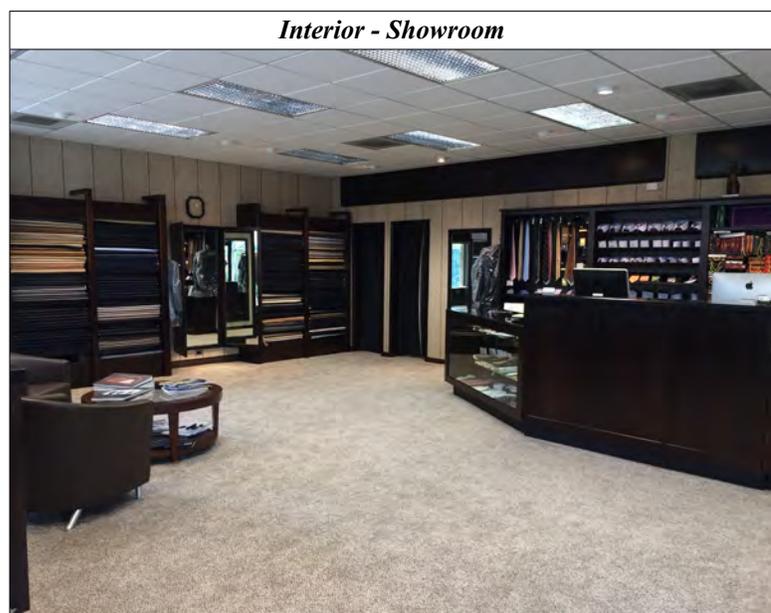


The area east of SR-160 is commonly referred to as the *Midtown District*, whereas the area west of SR-160 is referred to as the *Downtown District*, which includes the *Central Business District (CBD)*. The *CBD* is approximately a 70 block portion of the *Central City* and is the most intensely developed area. The *CBD* has irregular borders on three of its four sides, but is generally bound by I-5 to the west, H Street to the north, 16th Street on the east and Q Street to the south.

Notably, three blocks north of the subject is the *Railyards District*. Though mostly dormant for nearly 20 years, this ~244 acre tract of land is envisioned by the city to be developed as "... a vibrant, transit-oriented mixed-use neighborhood, which serves as an extension of the Central Business District." The area is planned for development with up to 2.4 million square feet of office uses; 12,000 high density residential units; 1.9 million square feet of retail, hotel and other commercial uses; and 29 acres of parks and open space. The project is reported by The New York Times (August 12, 2009) as a \$5.3 billion redevelopment plan and, quoting the Sacramento City Planning Manager, is "probably the largest urban infill project in the country right now."

Additionally, bordering the *Railyards District* to the north is the *River District Project Area* (formerly the Richards Boulevard Redevelopment Project Area). This 773 acre stretch of land lies southeast of the confluence of the American and Sacramento Rivers and is envisioned to be redeveloped as "... a vibrant, mixed-use community connected to the surrounding neighborhoods ... and will have a wide range of employment, entertainment and housing options ..." Currently the *River District Project Area* is predominantly developed with light industrial and office uses.

The subject is in the western portion of the market area. Development in the area includes the adjacent ~1.2 million square



foot Westfield Downtown Plaza outdoor shopping mall, the Sacramento Convention Center Complex, various national hotel operators, and various federal, state, county and city government buildings (including the State of California Capitol Building). Development scales include low- to high-rise offices and hotels in addition to low-rise retail buildings. The area also includes a number of residential projects and mixed-use developments with ground floor retail and office and/or residential units on the upper floors, as well as a number of museums, theaters and places of worship.

With the exception of the *Railyards District*, infrastructure in the area includes publicly maintained roadways, curbs, gutters and sewers. All utilities are readily available from publicly regulated companies. City, county or state government (depending on the local jurisdiction) maintains public roadways.

Sacramento Kings - National Basketball Association

In 1985, the National Basketball Association (NBA) franchise Kansas City Kings moved to Sacramento and subsequently were known as the Sacramento Kings. In 1998, the team was acquired by the Maloof family. Following the 2010-2011 season, the Maloofs sought to move the franchise to Anaheim but were denied by the NBA Board of Governors. The Maloofs were negotiating a sale of the team with the potential new owner expecting to move the team to Seattle. Upon news of the possible sale and move, the City of Sacramento took steps to ensure the team remained in Sacramento. The following, in *italics*, is an excerpt from the City of Sacramento's website:

Background

In January 2013, reports surfaced that a Seattle-based group was pursuing the acquisition of the controlling interest in the Sacramento Kings, with the purpose of relocating the team to Seattle for the 2013-14 basketball season. The National Basketball Association (NBA) confirmed statements that the team was being pursued by Seattle interests and an agreement between the previous owners of the Sacramento Kings and a Seattle group of investors was executed on January 18, 2013. Also in January, Sacramento Mayor Kevin Johnson attempted to identify potential qualified buyers to prepare a competitive offer to purchase the team and commit to keeping the team in

Interior - Showroom



Interior - Sewing Room



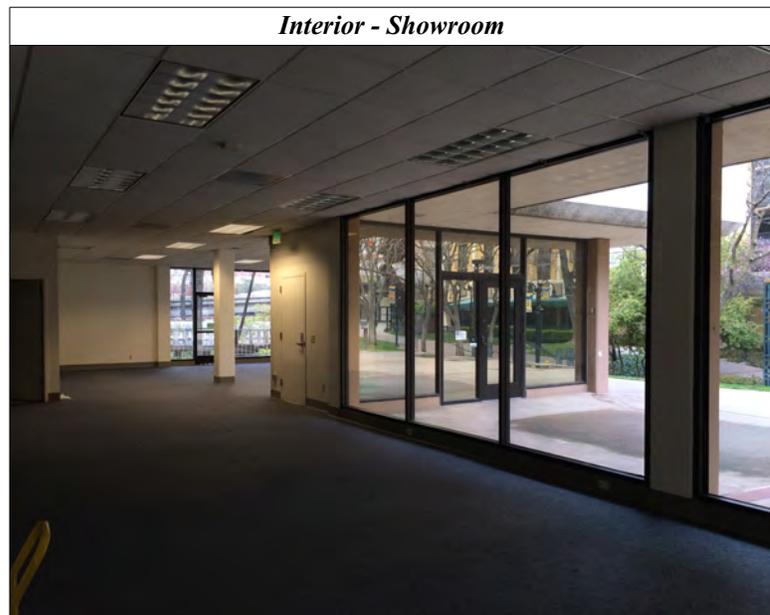
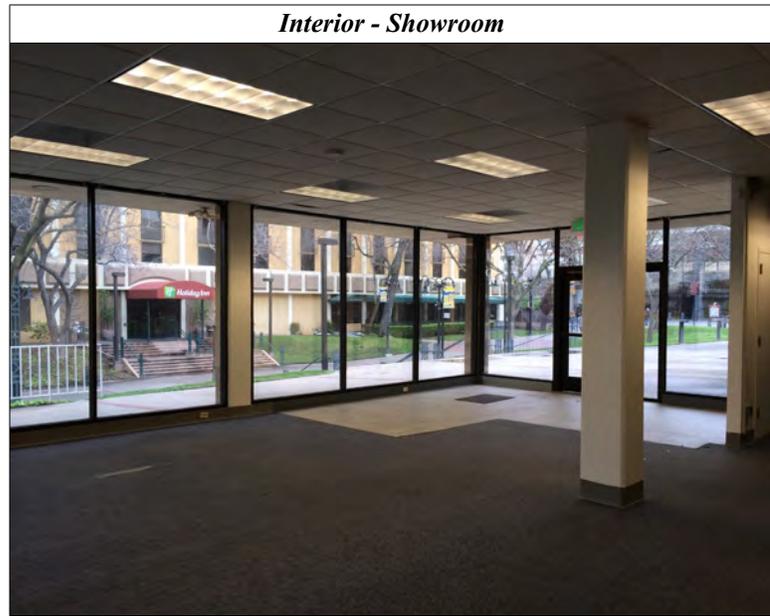
Sacramento long-term.

NBA league offices received an application for relocation of the Sacramento Kings in mid-February 2013. Mayor Johnson, in his State of the City address on February 28, 2013, began identifying individuals for a new ownership group that would keep the Sacramento Kings in Sacramento and assist in the development of a new ESC.

On February 19, 2013 the City Council passed a “Resolution in Support of Keeping the Sacramento Kings in the City of Sacramento and the Pursuit of a New Sports and Entertainment Facility in Downtown Sacramento.” On March 26th, 2013, staff presented a preliminary term sheet between the City and an investment group for the potential development of an Entertainment and Sports Center in downtown Sacramento. City Council approved the preliminary term sheet with a 7-2 vote.

On April 3, 2013, the NBA and a select group of NBA owners listened to presentations from both the Seattle group and Sacramento group on NBA market viability in the respective cities. On April 18-19, the NBA hosted its annual NBA Board of Governors meeting. During the NBA Board of Governors meeting, it was determined that a special meeting would be required in mid-May to vote on the relocation application to move the Kings to Seattle. On May 15, 2013 the NBA Board of Governors, comprised of the league 30 owners, voted 22-8 to block relocation of the team to Seattle thus ending Seattle investment group’s bid to purchase the Kings.

On May 18, 2013, the previous ownership group of the Kings sold the team to Sacramento Basketball Holdings, LLC. Two weeks later, the NBA Board of Governors unanimously approved the sale to Sacramento Basketball Holdings, LLC. Some of the major owners include Mr. Vivek Ranadivé of TIBCO Systems, Mark Mark (sic) Mastrov of New Evolution Ventures, Mark Friedman of Fulcrum Property, the Jacobs Family of Qualcomm Incorporated, entrepreneur Chris Kelly, Katrina Garnet of My Little Swans, Naren Gupta of Nexus Venture Parters, Andy Miller of Leap Motion and Raj Bhaphthal of Raj Manufacturing Incorporated.



About the Natomas arena facility

A condition of the preliminary term sheet requires the facility in Natomas not compete with the new ESC for similar events. Given the preliminary agreement, once the new arena opens in 2016, the arena in Natomas will no longer serve as the venue for the Sacramento Kings or other entertainment and sports-related activities. Therefore, a plan to reuse the site will be needed. On May 7, 2013, the Council was presented with a staff report outlining the steps for future reuse of the 184-acre Natomas property site, which includes an 84-acre parcel where the current arena sits, and a 100 acre parcel directly north of the arena parcel. In total, 184 acres of land will be a part of the Natomas Reuse Plan.

While the *Sacramento Entertainment and Sports Center Term Sheet - March 23, 2013* (hereafter referred to as the *Term Sheet*) included a large number of provisions, there were two notable points in particular:

- A new Entertainment and Sports Center (ESC) would be constructed in Downtown Sacramento.
- The new owners of the team and Sleep Train Arena (the Sacramento Kings current venue) would agree not to operate in competition with the new ESC.

If agreed upon by a new buyer for the Sacramento Kings and the City of Sacramento, the effect of the *Term Sheet* would be development of a new arena in Downtown Sacramento in close proximity to the subject.

Sacramento Entertainment and Sports Center

Again, the following, in *italics*, is an excerpt from the City of Sacramento's website:

Development Application

The City of Sacramento received the development application package for the proposed downtown ESC on November 20, 2013. This application package represents a request by the project applicant for the necessary approvals to construct an arena and other surrounding land uses in the future ...

As part of the application process, the City will be doing its due-diligence to ensure that the project meets all zoning, site planning and design requirements for the proposed downtown arena site. The documents contained in the project application are listed below:

- *Project application*
- *Project exhibits*
 - *Central City Urban Design Checklist*
 - *Design Narrative*
 - *Elevations*
 - *Materials*
 - *Photosims - Streetview*
 - *Project Narrative*
 - *Site, Floor and Roof Plan*
 - *Streetscape*
- *Tentative map exhibits (1) & (2)*
- *Proposed Special Planning District language*
- *Site Photos*

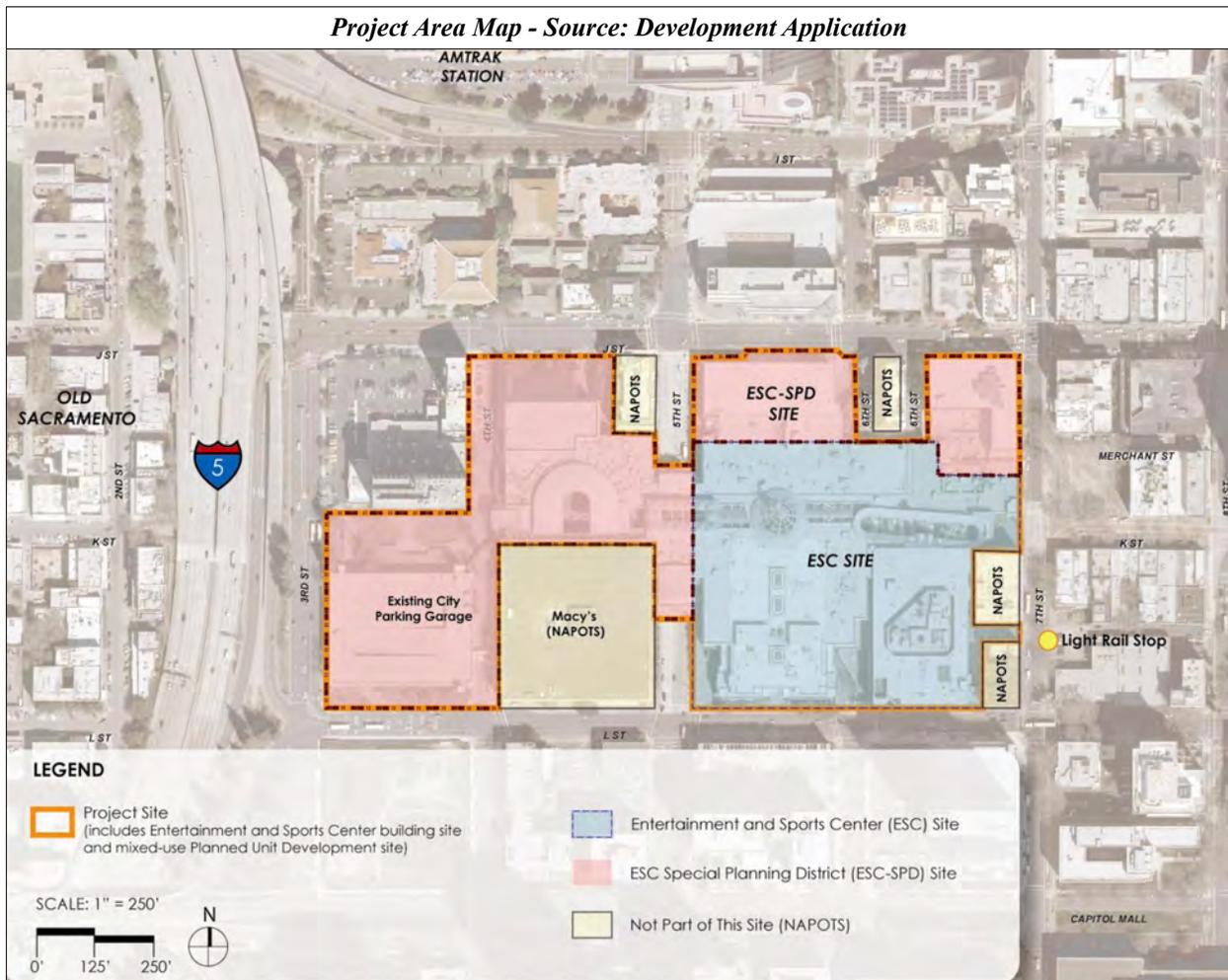
The following is an excerpt from the *Project Narrative* included in the *Development Application*:

Project Narrative/Description

The revised application contemplates the planning entitlements for the proposed Entertainment and Sports Center (ESC) and mixed-use development sites (collectively “project”) on land that is currently occupied by the Downtown Plaza in Downtown Sacramento (excluding the existing Macy’s property between 4th and 5th). The project seeks entitlement approvals for a Conditional Use Permit (CUP) and Site Plan and Design Review for the proposed ESC site; a Special Planning District (SPD) rezone, and Tentative Map for the combined ESC and mixed-use development sites (project site).

The project is generally bound by J Street to the north, 7th Street to the east, L Street to the south, and 3rd Street to the east (sic). Exhibit A, below, shows the location and boundaries for the project site.

While the preceding paragraph identifies 3rd Street as the eastern boundary, it is apparently a typographical error and should be identified as the western boundary. It should be noted, the subject is in the Project Site as part of the ESC Special Planning District (ESC-SPD) Site. In particular, it is a strip of land just north of the parking structure annotated as “Existing City Parking Garage.”



Entertainment and Sports Center

The ESC building will be located in the south quadrant of the project site, along L Street, between 5th Street and 6th Street. The iconic ESC building would be a total of approximately 779,200 square feet that includes the arena, on-site retail and parking. The arena would include a performance bowl with general and premium seating, suites, indoor standing viewing areas, and outdoor courtyard and terrace areas, designed to accommodate up to 17,500 attendees. The performance venue would be configured for basketball, other sporting events, concerts, conferences and conventions, trade shows, circuses, and family-oriented shows and other performances. As part of the ESC building would be a practice facility that would include administrative offices for the Sacramento Kings, a two-court practice area, restaurants and retail space. The retail stores and restaurants on the ESC site may be accessible to the public from outside the facility and may operate during regular non-event business hours.

The main plaza entrances to the ESC from the west and east will be located generally in the north quadrant of the plaza, 5th Street and from 7th and K Streets. There would also be an entrance along L Street, with limited access. (More information regarding Design details and Concepts are available under Site Plan and Design Review tab)

ESC - Special Planning District (ESC-SPD)

A Special Planning District is proposed for the site north and west of the ESC complex. The ESC-SPD will provide specific development approval procedures to facilitate development of the surrounding properties and restricts the allowed uses to ensure consistency with the neighboring ESC.

The ESC-SPD site proposes a mixed-use development that will focus on a specific mix of uses that compliments the ESC. The ESC-SPD proposes to entitle and regulate up to 1.5 million square feet of mixed use development. While the ESC-SPD does not specifically identify the location of the various uses on the site, it assumes an approximate development mix of up to 350,000 square feet of retail/commercial, up to 475,000 square feet of office, a 250-room hotel, and up to 550 multi-family residential units.

The ESC-SPD relies and incorporates the City's Planning and Development Code (Code) and the Central City Urban Design Guidelines (Design Guidelines).

Retail Market Analysis

Reports compiled by CB Richard Ellis (CBRE) were used to identify market performance. CBRE has divided the greater Sacramento area into 16 sub-markets. These sub-markets represent areas as small as 0.8% (Greenhaven/Pocket) of the total market area to as large as 13.3% (Roseville). The greater market area had a retail inventory of 45,990,996 square feet as of Q4 2013. Reportedly, the overall vacancy rate for existing retail space in the combined Sacramento market area was 10.8% for Q4 2013, which was up 0.4% from the previous quarter.

The downtown district is identified as being in the South Sacramento sub-market. During Q4 2013, the sub-market had a supply of 4,617,140 square feet with vacant space totaling 646,364



square feet, or a 14.0% vacancy rate. This is up from 12.9% for the sub-market in Q4 2012. The average asking rental rate in the sub-market is \$1.29 per square foot on a *Triple Net (NNN)* basis. The average asking rental rate for the region is \$1.44 per square foot, which is a slight decrease from the previous quarter's average of \$1.46.

Looking forward, the area's retail recovery is anticipated to be a gradual process, as with the office market, with growth remaining slow until the housing market recovers and job growth returns. Tenants are expected to benefit from favorable terms and rental rates. Additionally, relocations, presumably to less expensive locales, will continue to put downward pressure on asking rental rates.

Office Market Analysis

Reports compiled by CB Richard Ellis (CBRE) were used to illustrate market performance. The Sacramento Area represents the 22nd largest office marketplace in the country. The area has a large office base due to geographical attributes, i.e.: proximity to the San Francisco Bay Area, location near the junction of the western United States' two major north/south and east/west highway systems, port access as well being the state's capital. The region has an office inventory of 52,864,553 square feet. The overall vacancy rate for the region was 20.0% as of the Q4 2013, down slightly from 20.7% in Q3 2013. Year end statistical information for the Downtown Office sub-market is summarized in the following table.

Downtown Office Market Overview					
<i>4th Qtr 2009- 4th Qtr 2013</i>					
Office Market Summary	4th Qtr 2009	4th Qtr 2010	4th Qtr 2011	4th Qtr 2012	4th Qtr 2013
Rentable Space (sf)	11,190,807	11,213,074	11,208,486	11,204,637	11,134,264
Vacant Space (sf)	1,533,415	1,693,174	1,826,983	1,994,425	1,937,362
Total Vacancy Rate	13.7%	15.1%	16.3%	17.8%	17.4%
YTD Net Absorption (sf)	282,071	-123,123	-141,222	-167,901	-6,863
Space Under Construction	0	155,000	0	0	0
Average Asking Rate (FS Lease Terms)	Not Reported	\$2.38	\$2.23	\$2.20	\$2.13

Source: CB Richard Ellis - Sacramento Office Market View - Q4 2009 - Q4 2013

CBRE segregates the Sacramento region into 17 submarkets. The subject is in the Downtown submarket, which is the second largest submarket in the region with 11,134,264 square feet as of Q4 2013. Although the amount of vacant space is no longer reported in square feet, the vacancy rate of 17.4% was the 6th lowest in the region. Year end statistical information for the Sacramento Office sub-market is summarized in the following table.

Sacramento Office Market Overview					
<i>4th Qtr 2009- 4th Qtr 2013</i>					
Office Market Summary	4th Qtr 2009	4th Qtr 2010	4th Qtr 2011	4th Qtr 2012	4th Qtr 2013
Rentable Space (sf)	52,599,775	52,980,312	53,374,886	53,123,162	52,864,553
Vacant Space (sf)	11,249,382	11,920,570	12,596,473	11,793,342	10,572,911
Total Vacancy Rate	21.4%	22.5%	23.6%	22.2%	20.0%
YTD Net Absorption (sf)	-427,218	-356,312	-524,157	783,837	1,096,900
Space Under Construction	53,000	593,516	0	106,140	0
Average Asking Rate (FS Lease Terms)	\$1.91	\$1.81	\$1.71	\$1.69	\$1.66

Source: CB Richard Ellis - Sacramento Office Market View - Q4 2009 - Q4 2013

During Q4 2013, the Sacramento office market recorded 328,510 square feet of positive net absorption, contributing to a positive year-end total of 1,096,900 square feet. The vacancy rate continued its downward trend finishing at 20.0%. This is the lowest year-end vacancy rate since 2008. Additionally, the average asking rental rate in the region dropped from its peak levels in 2008 at \$2.01 per square foot to \$1.66 per square foot in Q4 2013; a 21% change. Over the preceding five quarters, the average asking rental rate for the submarket has declined. The average asking rental rate in Q3 2012 was \$2.22 per square foot. It decreased to \$2.20 in Q4 2012, then continued downward to \$2.14 in Q1 2013. By the end of Q4 2013 the average rate declined to \$2.13 per square foot. There

was no speculative construction in the submarket during this time period.

From an historical perspective, the Downtown sub-market has outperformed the overall market in vacancy, absorption and asking rental rates. Please refer to the *Downtown Office Market* and *Sacramento Area Office Market Overviews* above. The Sacramento Area experienced increasing vacancy rates from Q4 2009 to Q4 2011, with a decline of 3.6% to 20.0% in Q4 2013. The Downtown submarket vacancy rate has also increased over this same time period, but is significantly lower at 17.4% for Q4 2013. Additionally, the overall market experienced negative net absorption between 2009 and 2011, with positive absorption in 2012 and 2013. The Downtown submarket had positive net absorption in 2009, while venturing into negative territory between 2010 and 2013.

In general, the Downtown submarket has outperformed the overall market with respect to rental rates and vacancy rates since 2009. Given its attributes, the submarket would be expected to continue this trend and be a leading indicator of improvement in the market conditions.

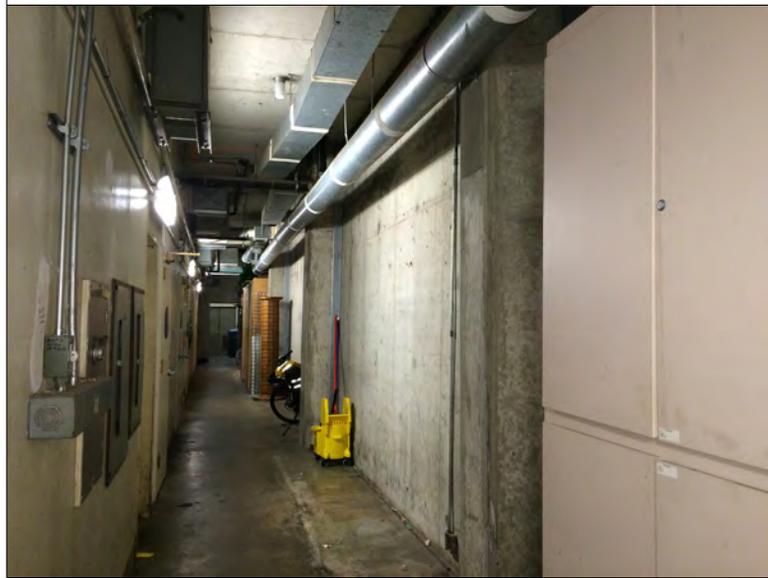
Projecting forward, asking lease rates will remain depressed, and activity is expected to continue to be driven by low lease rates. As more properties go into foreclosure, further downward pressure on rents could be applied by buyers of these properties due to a low cost basis. No significant improvement in the market is expected until there is substantial job growth.

PROPERTY DESCRIPTION

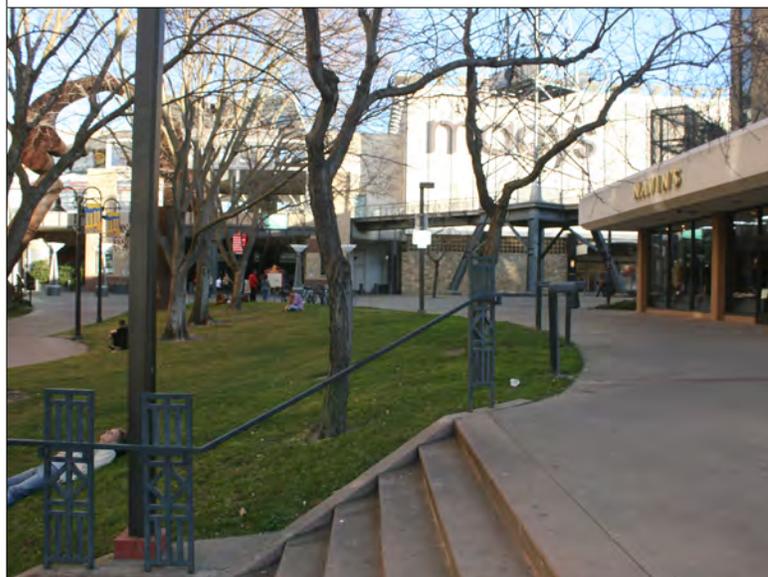
The subject is a ±0.479 acre (20,863 square feet) portion of an existing larger parcel that includes the parking structure immediately south. It is basically a rectangular site having a width of ±320.96 feet and a depth of ±65.00 feet. Please refer to the *Survey - Portion of Lot G* on the following page. While the property boundaries abut 3rd, 4th and K Streets, the subject is not accessible by any of the streets. The subject's area adjacent to 3rd Street include terrain features and easements that preclude vehicle access to the property. On the other hand, 4th and K Streets are closed to vehicle traffic in the subject's vicinity.

The parcel may be characterized as being "terraced." The upper level includes a 6,393 square foot structure and concrete patio. The resulting *Floor Area Ratio* is equivalent to 0.31:1.0. The western 1/3 (approximate) of the property first slopes

Service Hall

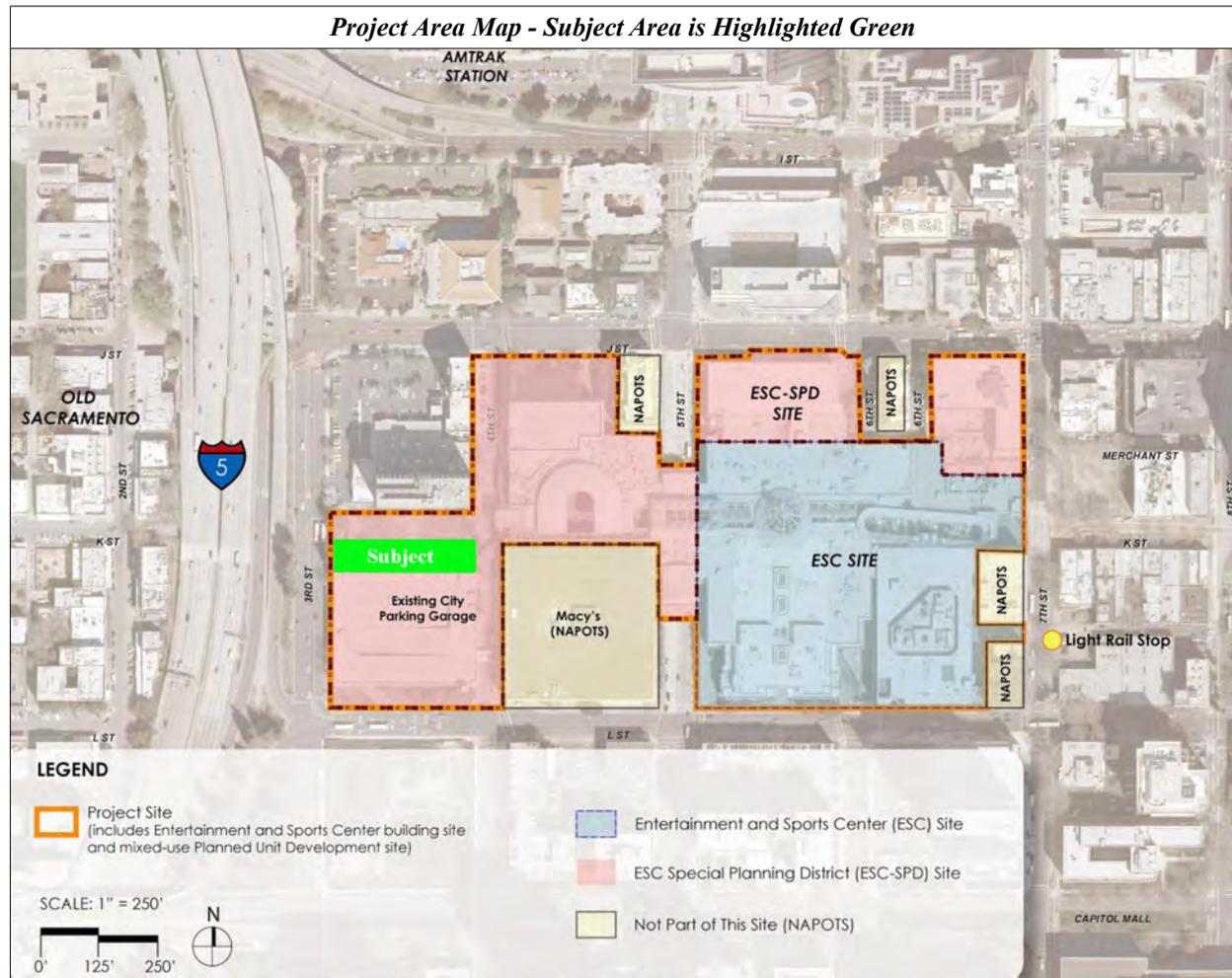


North Perimeter - Direction is East



down in a westerly direction then back up to the grade of 3rd Street. Additionally, the area just north of the subject (K Street) slopes down in a northerly direction to a pedestrian walkway, again, which is not accessible by automobile traffic. Additionally, the subject is across K Street from the 15-story Holiday Inn.

The K Street pedestrian walkway makes its way through the existing Downtown Plaza to the east and the Old Town district to the west. Notably, a portion of the Downtown Plaza will be renovated and incorporated into the proposed Entertainment and Sports Center (ESC). The subject abuts the existing parking structure to the south. When the ESC is completed and becomes operational, there will be extensive pedestrian traffic passing the subject between the parking structure and ESC. Please refer to the following Project Area Map - Subject Area is Highlighted Green.



While the western 1/3 of the property is lower than the eastern portion, the western 1/3 will be subject to a reservation for the existing elevated driveway and walkway that provides street level automobile access from 3rd Street to the parking structure immediately south of the subject. As of the *Effective Date of Value*, the parking garage and subject were on the same parcel, however, this *Appraisal Assignment* makes the *Hypothetical Condition* the ±0.479 acre portion of Lot G is its own legal parcel.

The property is not located in a Resources Management Area under the California Coastal Act of 1976. The property is not subject to the Williamson Act (California Land Conservation Act of 1965). The property is not identified as a wetland by the U.S. Army Corps of Engineers. On the Thomas Guide, the property is located on page 297 at coordinates C3. The property is located in Census Tract 06067-0007.00.

Utilities Service

The subject has electricity provided by Sacramento Municipal Utility District (SMUD). Gas service is provided by the Pacific Gas & Electric Company, PG&E, which is a publicly regulated utility company. Water, sanitary sewer and refuse service is provided by the City of Sacramento. Storm drain service is provided by the County of Sacramento. Local telephone service is chiefly provided by the AT&T Telephone Company through which any number of long distance carriers may be accessed.

Seismic Hazard

The State of California does not publish an *Earthquakes Hazard Map* for this quadrangle because there are no identified earthquake hazards in the area.

Flood Hazard

The site has been identified on the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map with the community panel number 060266 0160 H which was dated August 16, 2012 and has been found to lie within a shaded Zone X. The shaded Zone X is defined by the FEMA as "*Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage area less than 1 square mile; and areas protected by levees from 1% annual chance flood.*"

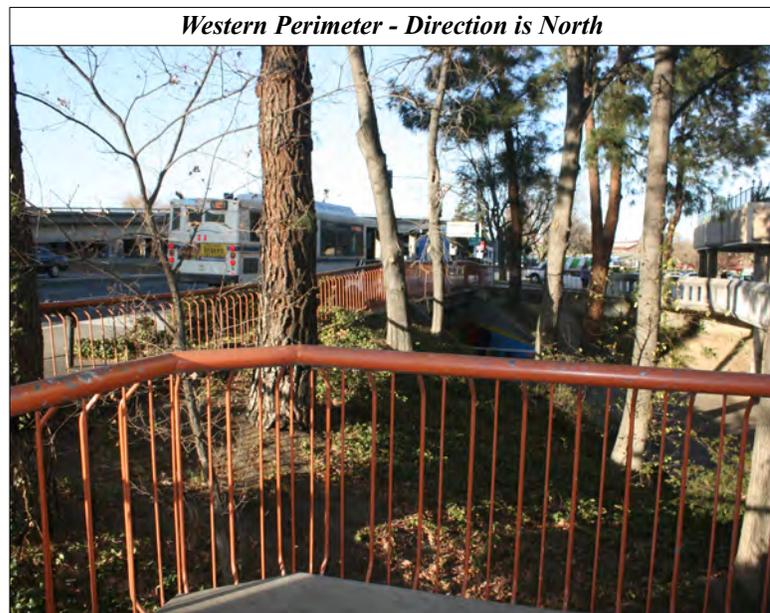
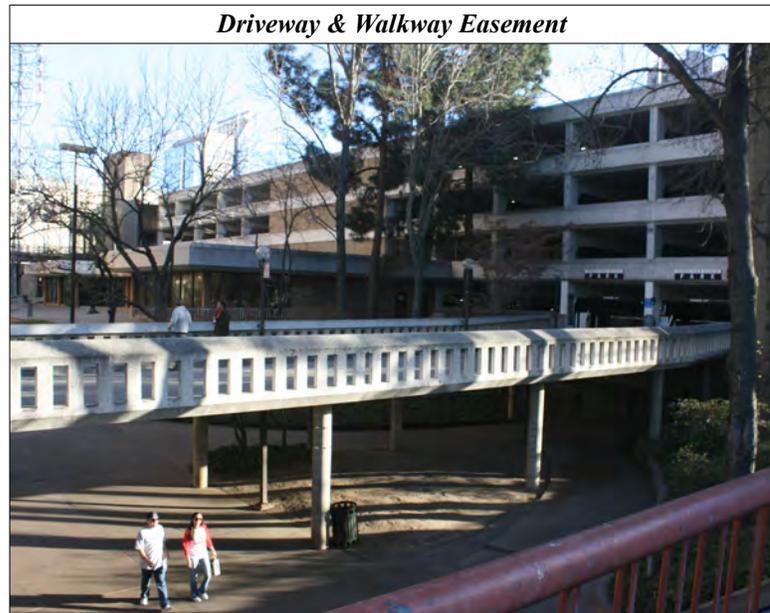
Environmental

Physical inspection of the site found the topography to be varied. No indications of any drainage problems were observed at the time of inspection. It should be noted that no geotechnical reports regarding the subsoil conditions of the site have been submitted for review. However, inspection of the site and the existing improvements did not reveal any observable detrimental subsoil conditions. Reports on ground water contamination regarding the subject site have also not been submitted for review. Accordingly, it is assumed for purposes of this appraisal that the subsoil conditions are similar to those found in the general area and do not pose any particular hazard to the existing improvements.

Easements, Encroachments & Rights of Way

While the *Preliminary Title Report* notes a number of title exceptions for the property, none will significantly impact the property's *Highest & Best Use*.

On the other hand, the *Survey - Portion of Lot G* (page 1.13) identifies a number



of reservations that may be summarized in the following:

- *Two easements for elevator structures and access areas around the structures.*
- *Easement for driveway and walkway that provides vehicle and pedestrian access across the subject, between 3rd & K Streets and the parking structure immediately south of the subject.*
- *Reservation for walkways at ground level under and about the driveway noted in the preceding reservation.*
- *Reservation for walkways along 3rd Street.*
- *Reservations for utilities.*

Given the property's topography, reservations, and existing structures, roughly 1/3 of the property may not support development with a structure.

ZONING & GENERAL PLAN

The property falls under the jurisdiction of the City of Sacramento Community Development Department. The subject is in an area designated as "C-3-SPD" (Central Business District - Special Planning District, or CBD-SPD). The C-3 District:

"... is the only classification which has no height limit and is intended for the most intense retail, commercial and office developments in the city."

An area designated as SPD has been determined to:

"... be in need of general physical and economic improvement or has special environmental features that land use, zoning and other regulations cannot adequately address. Property with an SPD designation is subject to the requirements set fourth in the SPD Ordinance adopted specifically for the area and the SPD section of the zoning ordinance."

The property is in an area of the CBD-SPD that stipulates development of the property include retail uses for at least 50% of the ground floor.

Development Standards

The development standards identified in the "C-3-SPD" district are:

Maximum Building Height - *unrestricted (excepting properties in the Capitol view protection areas).*
Minimum Yard Requirements - *Front: none. Rear: none unless the rear of the lot abuts the side of an R or OB zoned lot (in which case a minimum of 15 feet). Interior Side: none unless the side of the lot abuts the side of an R or OB zoned lot (in which case a minimum of 5 feet). Street Side: none.*
Density - *No requirement.*
Parking Requirement- *Retail: No minimum requirements Office: No minimum requirements.*

General Plan Designation

The general plan designation for the property is "Central Business District." The CBD is the city's most intensely developed area, and this designation provides for:

"... mixed-use high-rise development and single-use or mixed-use development within easy access to transit."

Allowable uses include office, retail, multifamily dwellings (e.g. apartments and condominiums) and compatible public, quasi-public and special uses. In addition to zoning, the general plan designation applies the following development standards:

Minimum Density - *61.0 Dwelling units per acre.*
Maximum Density - *450.0 Dwelling units per acre.*
Minimum Floor Area Ratio (FAR) - *3.00:1.0.*
Maximum Floor Area Ratio (FAR) - *15.00:1.0.*

The permitted uses included in the general plan are consistent with those for the zoning designation.

While the property is in an area under consideration for a change to an ESC-SPD zoning designation, the allowable uses for the subject will generally be consistent with its current zoning.

IMPROVEMENT DESCRIPTION

Although requested, detailed building plans were not available for review. As a result, the *Improvement Description* is based on my visual observations of the property and the *Survey - Portion of Lot G* on page 1.13.

General Description

The subject is improved with a single-story concrete retail building. Based on the dimensions on the *Survey - Portion of Lot G*, the building has an area of 6,393 square feet. While the age of the building was not reported, it appears the building was constructed in the mid 1970s.

Foundation

The building is set on a concrete slab foundation.

Exterior Walls

The basic structural components of the building are steel reinforced, poured in-place concrete with glass curtain walls.

Roofing

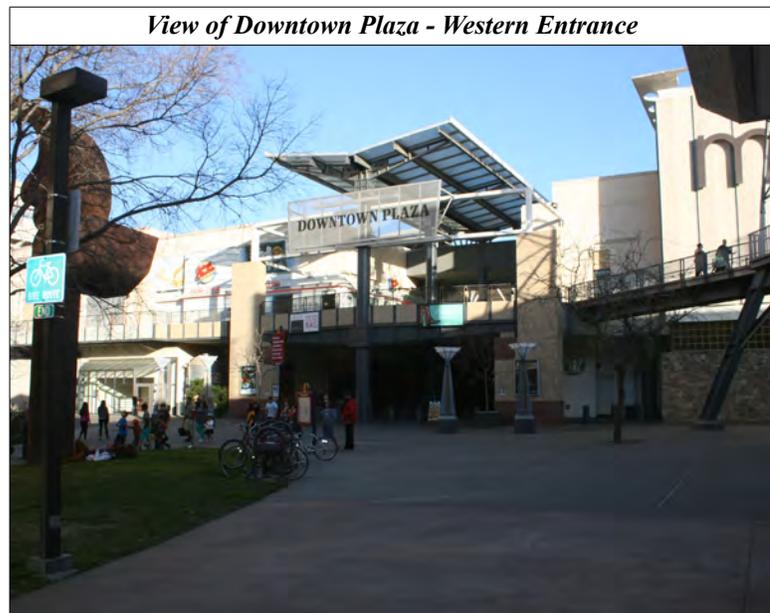
The roof appears to be steel reinforced, poured in-place concrete with a tar & gravel cover. The roof is basically flat with a slight pitch to facilitate drainage. On the basis of my observations, there was no visible evidence of leaks.

Doors & Windows

The building has anodized aluminum storefronts with single pane solar glazing to facilitate entry. Windows are single pane solar glazing set in anodized aluminum frames. The building has a service hall across the rear of the building with metal skin doors set in metal frames. The interior of the building includes solid core wood doors between the service hall and tenant spaces with hollow core wood doors in the interiors of the tenant spaces.

Interior Finishes

The building is presently demised in



three spaces, apparently with wood or aluminum frame walls. One of the spaces is occupied by a tailor and has minimal improvements that includes a showroom, two dressing rooms, sewing room, storage, and a washroom. The occupied space is a good quality construction grade in good condition overall. The other two are similarly improved with above average quality improvements in below average condition. However, they could be improved to a good overall condition with minimal cost and work.

The interior is finished with taped, textured and painted gypsum board walls. The interiors are equipped with suspended acoustic tile ceilings with integrated incandescent and fluorescent tube lighting fixtures. The floors have commercial grade carpets in the showrooms with ceramic and vinyl floor coverings in the “back room” areas.

Washroom Facilities

Each of the demised spaces are equipped with at least one washroom. The washrooms include porcelain fixtures, wash basins, plate glass mirrors, lighting fixtures and vinyl tile flooring.

Electrical Service

The electrical service was not determined, but is reported to be adequate for the buildings’ normal operations.

Fire Protection

The building is not equipped with a fire sprinkler system.

Heating, Ventilation & Air Conditioning

Heating, Ventilation and Air Conditioning (HVAC) service is provided by roof mounted package units.

Parking

The subject has no on site parking.

General Comments

The age of the building was not reported, however, it appears to have been constructed in the mid 1970s. As a result, the *Actual Age* of the building is roughly 40 years. It is a good quality cost grade, as described in the Marshall Valuation Service, and is in good condition overall. When originally constructed, the building would have been expected to have

Holiday Inn



3rd Street - Direction is South



Physical and Economic Lives of approximately 50 years. Given the condition of the property and the level of maintenance, the building's *Effective Age* is estimated to be 15 to 20 years, which results in remaining *Physical and Economic Lives* of 30 to 35 years.

HIGHEST & BEST USE - AS IF VACANT

The four tests to the subject's *Highest & Best Use - As If Vacant* are presented as follows.

Legally Permissible

The subject has zoning and general plan designations that allow for development with a variety of commercial and residential uses, with at least 50% of the ground floor for retail uses.

Physically Possible

Given the size and dimensions of the property, it is *Physically Possible* for development with the *Legally Permissible* uses. However, given its limited access as well as restrictions imposed by the easements, it would be difficult for construction of a multi-story building of more than three stories.

Financially Feasible

Review of market activity as of the *Effective Date of Value* indicates that development with the *Legally Permissible* and *Physically Possible* uses was not *Financially Feasible*.

Maximally Productive

The *Legally Permissible* uses include commercial and residential uses. Given the surrounding uses, the property is not suitable for residential uses. As a result, the best development alternative is for mixed-use development with ground floor retail and upper floor offices.

It was not *Financially Feasible* for speculative development as of the *Effective Date of Value*, nor is it now. As a result, it is my opinion the *Highest & Best Use - As If Vacant* is for a build-to-suit retail or retail/office mixed use development or a program of land banking until such time as it is *Financially Feasible* for development.

HIGHEST & BEST USE - AS IMPROVED

The four tests to the subject's *Highest & Best Use - As Improved* are presented as follows.

Legally Permissible

The existing improvement, a retail building, is a *Legally Permissible* use. It is also *Legally Permissible* to redevelop the property.

Physically Possible

There are no observable physical limitations that preclude continued use and operation of the existing retail building. It is also *Physically Possible* to redevelop the property.



Financially Feasible

Inasmuch as it isn't *Financially Feasible* to develop the property if vacant, it isn't *Financially Feasible* to redevelop the property. Additionally, as indicated by the *Sales Comparison Approach*, the existing improvements contribute to the property's value in excess of its land value.

As an example, my opinion of *Market Value* of the property with the existing improvements is \$830,000.

On the other hand, I have also developed an opinion of the property's land value on the basis of the following comparables:

<i>Land Comparables Summary</i>							
Comparable Number	Property Location	Recording Date	Sale Price	Site Area Acres	Site Area Square Feet	Zoning Maximum FAR	Price Per Square Foot
L-1	330 12th Street Sacramento, CA	November 2013	\$150,000	0.29 Acre	6,700 Square Feet	C-2 3.0:1.0	\$22
L-2	1601-15 16th Street Sacramento, CA	August 2013	\$480,000	0.29 Acre	16,540 Square Feet	C-2 3.0:1.0	\$29
L-3	516 12th Street Sacramento, CA	December 2012	\$240,000	0.29 Acre	12,850 Square Feet	C-2 3.0:1.0	\$19
L-4	1816 Q Street Sacramento, CA	May 2009	\$725,000	0.29 Acre	12,537 Square Feet	RMX 6.0:1.0	\$58
L-5	1607 20th Street Sacramento, CA	February 2009	\$520,000	0.22 Acre	9,600 Square Feet	C-2 3.0:1.0	\$54

On the basis of the preceding *Land Comparables*, I have concluded the subject's *Land Value* would be equivalent to \$30 per square foot. However, this does not take into consideration that roughly 1/3 of the property may not be developed. Although this portion of the property could conceivably contribute to its development potential, the dimensions and access of the site make any building taller than two or three stories impractical. Consequently, it is my opinion the subject's *Land Value* is \$20 per square foot. With an area of 20,863 square feet, the *Land Value* is \$420,000 after rounding.

It is *Financially Feasible* for continued use and operation of the existing retail building.

Maximally Productive

The existing improvements are *Legally Permissible*, *Physically Possible* and *Financially Feasible*. Consequently, the *Highest and Best Use - As Improved* is for continued use and operation as a retail building.

However, more specifically, given the anticipated pedestrian traffic patterns resulting from the proposed *Entertainment and Sports Center*, the property is better suited for use as a restaurant rather than traditional retail sales.

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SECTION II

VALUATION ANALYSIS

INTRODUCTION

I have concluded the *Highest and Best Use - As Improved* is for continued use and operation as a retail building. And more specifically, given the anticipated pedestrian traffic patterns resulting the proposed *Entertainment and Sports Center*, the property is best suited for use as a restaurant rather than traditional retail sales.

With the development of the *Entertainment and Sports Center (ESC)* the property will be along the path of substantial pedestrian traffic. The building is outside of the Downtown Plaza and does not significantly benefit from its association and/or proximity to the shopping center. As a result, a traditional retail sales operation is not expected to be the best use for the building. However, with the anticipated development of the *ESC*, the property would be a good candidate for use as a restaurant. Therefore, I have based my analysis on future use as a restaurant.

Given the property's poor history it clearly difficult to lease for a traditional retail sales operation. However, with the new *ESC* there will be a large number of people that will likely support food and entertainment establishments before and after the events in the *ESC*. Although I have concluded the best use for the building would be as a restaurant, in its current condition it could be used for a retail sales operation.

In its current condition, the property would need restaurant improvements. I have had the opportunity to appraise and analyze a number of restaurants and have found the cost for the interior improvements to commonly be \$100 to \$150 per square foot. In most cases, the tenants will pay for the improvements. Because there have been a number of sales of restaurants in the vicinity, I have first developed my opinion of value as if improved as a restaurant. From that amount, I have adjusted the value to reflect the cost of the restaurant improvements to reflect a value of the property in its current condition.

It should be noted, the sales included in the *Sales Comparison Approach* implicitly takes into consideration how the market participants quantify the future impact of the *ESC*. This can not be measured in the *Income Capitalization Approach* without making unsupported projections of *Market Rents* and *Capitalization Rates*. This too is substantiation for not using the *Income Capitalization Approach*.

SALES COMPARISON APPROACH

The *Sales Comparison* or *Market Approach* is applicable when a sufficient number of recent, reliable transactions create a perceptible value pattern in the market. For property types that are bought and sold regularly, the *Sales Comparison Approach* provides a good indication of market value, as it is direct, systematic and generally reflects the motivations of both buyers and sellers.

The first step in the *Sales Comparison Approach* is to research for comparable market activity. The transactions are then verified for accuracy and relevance for comparison with the subject. The appropriate *Unit(s) of Comparison* are then analyzed and adjusted for differentials in the *Elements of Comparison*. The final step is the reconciliation of the adjusted comparables to determine the best indication of value for the subject.

The basis for the *Sales Comparison Approach* is the principle of substitution. Under this premise, the value of a property tends to be set by the cost of acquisition of a substitute property which is equally desirable and has similar utility, assuming no costly delays are encountered in making the substitution.

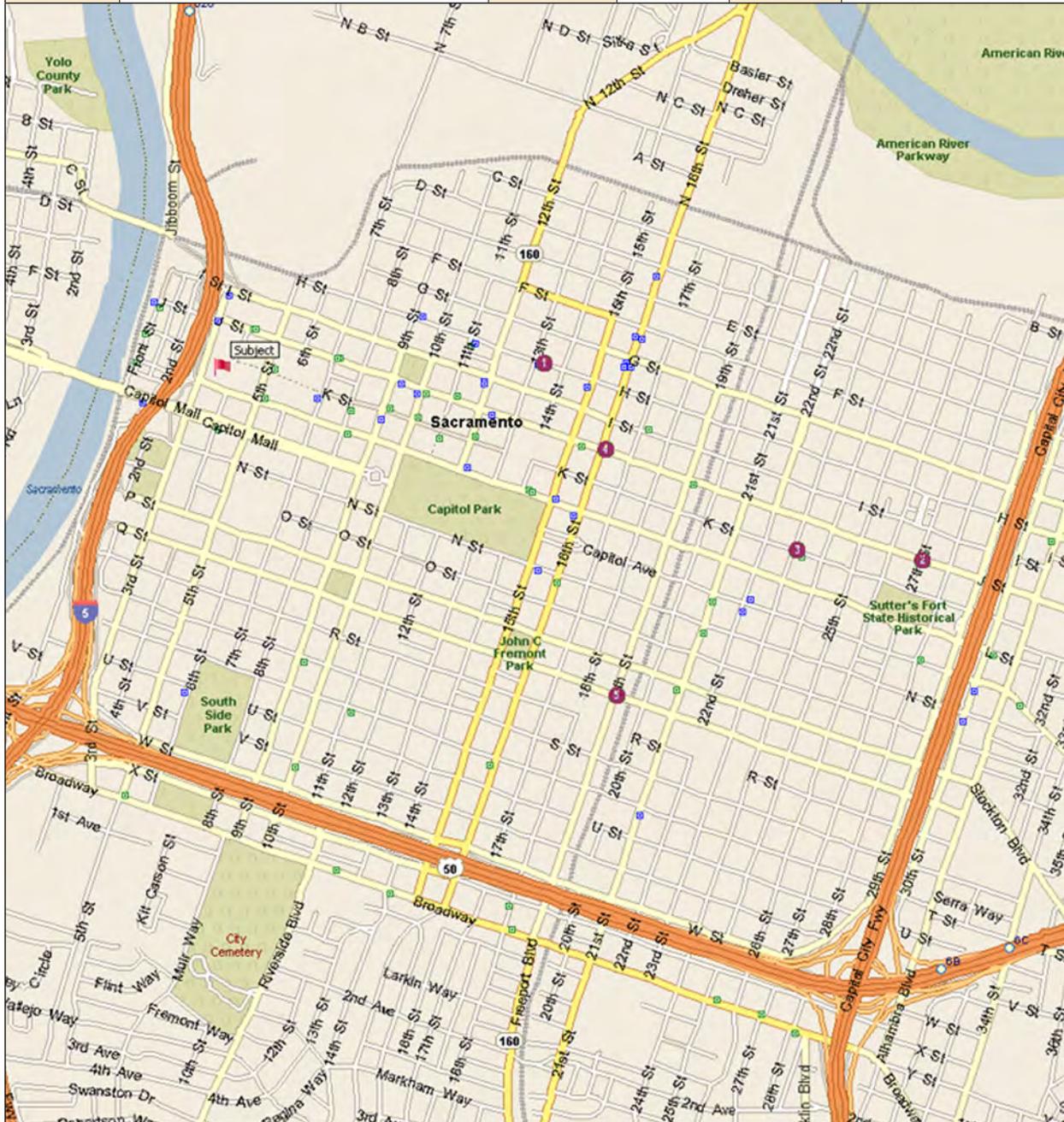
MARKET COMPARABLES

There are few recent transactions in the vicinity of the subject that have characteristics similar to the subject. I have considered the most relevant market comparables for presentation in this *Appraisal Report*. The most common *Unit of Comparison* in valuation of retail buildings is the *Price Per Square Foot of Net Rentable Area (NRA)*. Since rents are typically predicated on this *Unit of Comparison*, it stands to reason the value should be considered on the same basis. The relevant *Comparables* are included in this *Appraisal Report*. Detailed summaries of the *Comparables* follow with their approximate locations identified on the *Comparables Summary & Location Map* on the following page.

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Market Comparables Summary & Location Map

Comparable Number	Property Address	Recording Date	Sale Price	NRA (sf) FAR	Price Per SF	Year Built	Site Area: Acres/sf
1	1330 H Street Sacramento, CA	November 2013	\$1,115,000	4,630 0.48:1.0	\$241	2006 Good	0.22 ac 9,583 sf
2	2708 J Street Sacramento, CA	November 2012	\$2,800,000	12,700 1.01:1.0	\$220	1952 Average	0.29 ac 12,632 sf
3	2312-14 K Street Sacramento, CA	March 2012	\$775,000	3,000 0.46:1.0	\$258	1950 Average	0.15 ac 6,534 sf
4	1615 J Street Sacramento, CA	April 2011	\$1,950,000	6,400 0.62:1.0	\$305	1920 Good	0.24 ac 10,402 sf
5	1910 Q Street Sacramento, CA	April 2011	\$690,000	3,200 0.93:1.0	\$216	1900 Average	0.08 ac 3,441 sf



Comparable 1 Summary

- Property Information -		
Location/Address/Proximity: 1330 H Street Sacramento, CA 1 mile northeast		
Assessor Parcel Number/s: 006-0053-005		
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Traditional Center		
Topography & Shape: Generally level and rectangular.		- Transaction Information -
Net Rentable Area: 4,630 square feet	Recording Date:	November 20, 2013
Site Area: 9,583 square feet	Transfer Document:	Grant Deed - No. 20131120-0463
On-Site Improvements: Existing retail building & parking lot.	Sale Price:	\$1,115,000
Off-Site Improvements: All in place.	Unit Price:	\$241 per square foot
Outstanding Bond Assessments: No significant assessments assumed.	Grantee:	Michael C. Buckley
Highest & Best Use: Continued use & operation as retail	Grantor:	1330 Calle Avansado Lic
	Property Rights:	Leased Fee Interest
	Sale Conditions:	Buyer & Seller both typically motivated.
	Financing Terms:	Seller receiving all cash.
Comments:		
The property was fully leased at the time of sale with a long standing local restaurant and a personal fitness center.		

Comparable 2 Summary

- Property Information -		
Location/Address/Proximity:		
Assessor Parcel Number/s:		
Zoning & General Plan Designations:		
Topography & Shape:		
- Transaction Information -		
Net Rentable Area:	Recording Date:	November 2, 2012
Site Area:	Transfer Document:	Grant Deed - Document: 20121108-1100
On-Site Improvements:	Sale Price:	\$2,800,000
Off-Site Improvements:	Unit Price:	\$220 per square foot
Outstanding Bond Assessments:	Grantee:	Dance Hall Operations, LLC
Highest & Best Use:	Grantor:	2708 J Street, LLC
	Property Rights:	Leased Fee Interest
	Sale Conditions:	Buyer & Seller both typically motivated.
	Financing Terms:	Seller receiving all cash.
Comments:		
The property was fully leased at the time of sale with a bar and nightclub operation.		

Comparable 3 Summary

- Property Information -		
Location/Address/Proximity:	2312-2314 K Street Sacramento, CA 1¼ miles east	
Assessor Parcel Number/s:	007-0096-003	
Zoning & General Plan Designations:	Zoning - C-2 (General Commercial) General Plan - Urban Corridor Low	
Topography & Shape:	Generally level and rectangular.	
- Transaction Information -		
Net Rentable Area:	3,000 square feet	Recording Date: March 28, 2012
Site Area:	6,534 square feet	Transfer Document: Grant Deed - No. 20120328-0838
On-Site Improvements:	Existing retail building & parking lot.	Sale Price: \$775,000
Off-Site Improvements:	All in place.	Unit Price: \$258 per square foot
Outstanding Bond Assessments:	No significant assessments assumed.	Grantee: Yan Y Ji
Highest & Best Use:	Continued use & operation as retail	Grantor: Douglas Hansen & Jimmie Arnold
		Property Rights: Leased Fee Interest
		Sale Conditions: Buyer & seller both typically motivated.
		Financing Terms: Seller receiving all cash.
Comments:		
The property was fully leased at the time of sale.		

Comparable 4 Summary

- Property Information -		
Location/Address/Proximity: 1615 J Street Sacramento, CA 1 mile northeast		
Assessor Parcel Number/s: 006-0064-015		
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor High		
Topography & Shape: Generally level and rectangular.		
- Transaction Information -		
Net Rentable Area: 6,400 square feet	Recording Date:	April 13, 2011
	Transfer Document:	Grant Deed - No. 20110413-0649
Site Area: 10,402 square feet	Sale Price:	\$1,950,000
	Unit Price:	\$305 per square foot
On-Site Improvements: Existing retail/restaurant building.	Grantee:	1615 J Street LLC
	Grantor:	16th & J Street Partners, Lp
Off-Site Improvements: All in place.	Property Rights:	Leased Fee Interest
	Sale Conditions:	Buyer & seller both typically motivated.
Outstanding Bond Assessments: No significant assessments assumed.	Financing Terms:	Seller receiving all cash.
Highest & Best Use: Continued use & operation as retail		
Comments: The property was fully leased at the time of sale by a restaurant.		

Comparable 5 Summary

- Property Information -		
Location/Address/Proximity: 1910 Q Street Sacramento, CA 1¼ miles southeast		
Assessor Parcel Number/s: 007-0314-006		
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor Low		
Topography & Shape: Generally level and rectangular.		
- Transaction Information -		
Net Rentable Area: 3,200 square feet	Recording Date: April 4, 2011	
	Transfer Document: Grant Deed - No. 20110040-4998	
Site Area: 3,441 square feet	Sale Price: \$690,000	
	Unit Price: \$216 per square foot	
On-Site Improvements: Existing retail/bar building.	Grantee: Kurt Spataro & Cathleen O'Neal	
	Grantor: Wells Fargo Bank	
Off-Site Improvements: All in place.	Property Rights: Fee Simple Estate	
	Sale Conditions: Buyer typically motivated; Seller atypically motivated.	
Outstanding Bond Assessments: No significant assessments assumed.	Financing Terms: Seller receiving all cash.	
Highest & Best Use: Continued use & operation as retail		
Comments: This was an REO sale that was vacant at the time of sale.		

MARKET COMPARABLES ANALYSIS

The comparable sales have been analyzed and adjusted for their differentials in the *Elements of Comparison* on the following table. I have not determined definitive adjustment rates or amounts predicated purely on empirical market data. As a result, the indicated adjustments are based solely on my judgment and reflect the expected value differentials between the subject and comparable properties.

Market Comparables Adjustment Grid										
<i>(Note: All adjustments have been performed individually, in order and are rounded to the nearest \$.)</i>										
Address/ Element of Comparison	Comparable 1 1330 H Street Sacramento, CA		Comparable 2 2708 J Street Sacramento, CA		Comparable 3 2312-14 K Street Sacramento, CA		Comparable 4 1615 J Street Sacramento, CA		Comparable 5 1910 Q Street Sacramento, CA	
Sale Price Per SF	\$241		\$220		\$258		\$305		\$216	
Description	Description	± Adj.	Description	± Adj.	Description	± Adj.	Description	± Adj.	Description	± Adj.
Property Rights	Fee Simple	0	Fee Simple	0	Leased Fee	0	Leased Fee	0	Fee Simple	0
Financing Terms	Conventional	0	Conventional	0	Conventional	0	Conventional	0	Conventional	0
Conditions of Sale	Typical	0	Typical	0	Typical	0	Typical	0	REO Sale	25
Market Conditions	November 2013	0	November 2012	0	March 2012	0	April 2011	0	April 2011	0
Location	Equivalent	0	Equivalent	0	Equivalent	0	Equivalent	0	Equivalent	0
Quality & Condition	Inferior	25	Inferior	25	Inferior	50	Equivalent	0	Equivalent	0
Building Size	4,630 sf	-10	12,700 sf	10	3,000 sf	-10	6,400 sf	0	3,200 sf	-10
Net/Gross Adj.	6% 15%	\$15	16% 16%	\$35	16% 23%	\$40	0% 0%	\$0	7% 16%	\$15
Adjusted Rent	\$256		\$255		\$298		\$305		\$231	

The properties' *Fee Simple Estates* and *Leased Fee Interests* were purchased with conventional financing. As a result, no adjustments are required for *Property Rights* and *Financing Terms*.

Comparable 5 was sold by a financial institution that had previously acquired the property through foreclosure and, reportedly, was extraordinarily motivated to sell. This comparable is adjusted up for *Conditions of Sale*.

In the time since the other properties sold, property values have generally been consistent and do not require adjustments for changes in *Market Conditions*.

The comparables are in the Midtown District, generally, an equivalent *Location*. No adjustments are required for this *Element of Comparison*.

Roughly ½ of Comparable 1 was improved as a restaurant with the other ½ used by a personal fitness center. Overall, the building is superior to the subject, but, half of the building is essentially a shell. On balance, the *Quality & Condition* of Comparable 1 is inferior to the subject and is adjusted up. Comparables 2 and 3 are inferior *Quality & Condition* in relation to the subject, to varying degrees, and are adjusted for their relative differentials in this *Element of Comparison*.

With all other *Elements of Comparison* being equivalent, larger buildings will generally sell at a lower unit price than smaller buildings. Comparables 1, 3, and 5 are in a smaller building size category and are adjusted down for *Building Size*. On the other hand, Comparable 2 is in a larger size category and is adjusted up for this *Element of Comparison*.

The comparables' sale prices are from \$216 to \$305 per square foot with an average of \$248. The range is \$89 with a standard deviation of \$36. After adjustments, the prices are from \$231 to \$305 per square foot and average \$269. This time, the range is \$74 and the standard deviation is \$31. After adjustments, the measures of dispersion are not much smaller. Still, they tend to group around \$250 per square foot. With the exception of Comparable 1, the sales were negotiated more than a year before the *Effective Date of Value* with two of the sales negotiated more than two years before. As a result, most weight is placed on the most recent sale, Comparable 1 (adjusted price of \$256 per square foot). On this basis, the indicated value of the subject is \$255 per square foot.

Notably, the adjusted prices reflect buildings improved with restaurants. While the subject will be best suited for use as a restaurant, it is only improved for retail sales at this point. As a result, I have adjusted the indicated value (\$255 per square foot) down to reflect the costs to improve the interior as a restaurant. Commonly, interior improvements

for restaurants range from \$100 to \$150 per square foot and include construction costs for plumbing, electrical, and mechanical systems for commercial grade kitchens. Interior improvements also include costs for restrooms as well as dining room construction with lighting and mechanical systems too. After adjusting down for the interior improvements by an average of \$125 per square foot, the adjusted value of the subject is equivalent to \$130 per square foot.

Inasmuch as the property is only suitable for retail sales as of the *Effective Date of Value*, I have also considered the following sales as a validation of my opinion of value:

Retail Comparables Summary							
Comparable Number	Property Location	Recording		Site Area	Net Rentable	Property	Price Per
		Date	Sale Price	Acres	Area	Use	Square Foot
R-1	701 16th Street Sacramento, CA	December 2013	\$600,000	0.14 Acre	4,650 Square Feet	Retail	\$129
R-2	2030 16th Street Sacramento, CA	December 2012	\$368,000	0.07 Acre	2,890 Square Feet	Retail	\$127
R-3	3300 Folsom Boulevard Sacramento, CA	January 2011	\$587,500	0.17 Acre	3,256 Square Feet	Retail	\$180

To reiterate, I have concluded the adjusted value of the subject is equivalent to \$130 per square foot. The sale prices of the preceding retail comparables (\$129, \$127, & \$180 per square foot) are consistent my opinion of market value.

Therefore, taking into consideration a *Net Rentable Area* of 6,393 square feet, it is my opinion the *Market Value* of the subject is \$830,000 after rounding.

LEASEHOLD INTEREST

A portion of the property is leased to Navin's Clothier, Inc. The lease was ratified in January 2013 and is for a 72-month term. The lease specifies the *Net Rentable Area* as being 1,352 square feet with a *Contract Rent* of \$1.35 per square foot. The lease terms may generally be classified as *Triple Net* with the exception of the landlord paying for water, sanitary sewer, and storm drain charges. After adjusting for the landlord paid expenses, the equivalent *Triple Net* rental rate is approximately \$1.30 per square foot. The resulting *Contract Rent* in an equivalent *Triple Net* rate is calculated to be \$1,757.60.

While the lease specifies the tenant's area to be 1,352 square feet, it apparently does not include a pro-rata portion of the service hall. When including the service hall, it appears the effective area is 1,747 square feet. In relation to the adjusted *Contract Rent*, the rental rate is \$1.01 per square foot per month or \$12.07 per annum. Note, the calculations in the previous sentence do not add correctly due to rounding.

After a 10% allowance for *Vacancy & Credit Loss* and an additional 10% for unreimbursed *Operating Expenses*, the *Net Operating Income* is equivalent to \$9.78 per square foot per annum. In relation to my opinion of *Market Value* at \$130 per square foot, the imputed *Direct Capitalization Rate* is 7.5%, which is consistent with prevailing market conditions. This indicates the tenant does not hold a significant marketable *Leasehold Interest* in the property.

SECTION III
QUALIFICATIONS
&
ADDENDA

QUALIFICATIONS - CRAIG A. OWYANG, MAI, SRA, SR/WA & R/W-AC

Professional Experience-

Craig Owyang Real Estate, Elk Grove & San Mateo, CA, President - Since December 1992.

Robert Ford & Assoc., Inc., Modesto, CA, President - Since July 2008.

Appraisal assignments have been prepared for various property types including: multi- and single-tenant office, industrial, research & development, retail, vacant land, bulk shipping facilities, transitional land, orchards, row & field crops, residential and industrial subdivisions, and multi-family residential properties (with below market rent units & municipal bond financing). These assignments have been performed for purposes including: asset management, acquisition/disposition, market rent arbitration, litigation support, damage assessment, eminent domain and mortgage & construction loan underwriting. Property rights analyzed include full and partial interests, divided and undivided. Partial takings have included analysis of severance/consequential damages as well as benefits to property remainders. Consulting assignments have been conducted for real estate pension fund advisors, private trusts as well as real estate investment trusts (REITs). The scope of the assignments have included asset assessment, loan & investment underwriting and acquisition/disposition counseling. The consulting assignments have been performed for a variety of due diligence, investment and litigation support functions.

The Reitman/Heckman Group, Palo Alto, CA, Associate - January 1991 through December 1992.

Prepared as principal appraiser, narrative form appraisal reports of single family residences, multi-family residential (with below market rent units & municipal bond financing), subdivision analysis (residential and industrial), multi-tenant & single-tenant office, research & development, industrial, hospitality and vacant land. Appraisal assignments have been performed for purposes including: portfolio & asset management, acquisition/disposition, litigation preparation, damage assessment, eminent domain and mortgage & construction loan/guarantee underwriting.

Shorett & Reily, San Jose, CA, Real Estate Appraiser & Consultant - January to December 1988.

Prepared as principal appraiser, narrative form appraisal reports of multi-family residential, commercial/industrial, multi-tenant automotive repair facilities and mixed-use properties (both existing & proposed) for purposes including asset valuation, eminent domain, construction & mortgage loan underwriting.

Craig Owyang Appraisal, Los Gatos, CA, Principal - January 1985 through January 1991.

Prepared as principal & review appraiser, appraisal reports of one to four unit residential properties for purposes of mortgage & construction loan underwriting.

Certification-

State of California - Certified General Real Estate Appraiser (AG-009478 expires March 9, 2015)

Testimony

Mr. Owyang has given expert testimony on a number of occasions in depositions as well as in United States Bankruptcy Court, Superior Court of California (San Mateo, Sacramento & Yolo Counties) as well as arbitration hearings.

Professional Memberships & Activities-

Appraisal Institute:

MAI - Member, Appraisal Institute (MAI - 10273)

SRA - Senior Residential Appraiser

Professional Development Programs Completed:

Litigation

Valuation of Conservation Easements

Continuing Education Completed. Continuing Education Requirements met through 2019.

National Activities:

Board of Directors, Elected to Director for 2004-2006 term

General Council, Elected to Council Member for 2003-2005 term and Vice-Chair - 2004

Educational Programs Committee, Committee Member - 2001-2003

General Comprehensive Examination Panel, Vice-Chair - 2002-03 and Committee Member - 2000-03, 2007 to now

Associate Members Guidance Subcommittee, Committee Member - 1999 & 2000

Leadership Development Advisory Council, Delegate - 1994, 1995, 1998 & 2000

Education Division, Faculty from 1995 to 2007

Regional Activities:

Region I, Representative - 1998-2001

Chapter Activities - Northern California Chapter:

Executive Committee, President - 2001, Vice President - 2000 and Treasurer - 1999

Board of Directors, Director - 1998

Education Committee (Courses), Chair - 1995 through 1997 and Committee Member - 1993 & 1994

Seminars (General) Committee, Committee Member - 1993

International Right of Way Association:

Senior Member, International Right of Way Association (SR/WA - 5826)

Expires September 1, 2014

Right of Way - Appraisal Certified (R/W-AC)

Expires September 1, 2014

Teaching Qualifications-

Appraisal Institute - 1995 through 2007:

Basic Appraisal Principles - Instructor

Basic Appraisal Procedures - Instructor

Course 310, Basic Income Capitalization - Instructor & Chief Reviewer

Course 400, National USPAP Update Course - 7-Hour - Instructor

Course 410, National USPAP Course - 15-Hour - Instructor

Course 420, Business Practices & Ethics - Instructor

Course 510, Advanced Income Capitalization - Instructor

Course 520, Highest & Best Use and Market Analysis - Instructor

Course 530, Advanced Sales Comparison & Cost Approaches - Instructor

Course 540, Report Writing & Valuation Analysis - Instructor

Course 550, Advanced Applications - Instructor

The Appraisal Foundation - Since 2002:

AQB Certified USPAP Instructor (Instructor ID #10512 expires March 31, 2014)

Foothill-DeAnza Community College District - 1994:

Instructor - Foothill Community College, Advanced Real Estate Appraisal

Teaching Assignments

Appraisal Institute-

General Appraiser Income Approach (Part II) - Baltimore, MD - August 2007
General Appraiser Income Approach (Part I) - Baltimore, MD - August 2007
Advanced Applications - Fairfield, CA - August 2007
Advanced Sales Comparison & Cost Approaches - Guangzhou, P.R. China - June 2007
Advanced Sales Comparison & Cost Approaches - Tianjin, P.R. China - May 2007
General Appraiser Market Analysis and Highest & Best Use - Sacramento, CA - April 2007
Advanced Sales Comparison & Cost Approaches - Seoul, Korea - March 2007
General Appraiser Market Analysis and Highest & Best Use - Pleasanton, CA - February 2007
Advanced Sales Comparison & Cost Approaches - Sacramento, CA - January 2007
Highest & Best Use and Market Analysis - Pleasanton, CA - November 2006
Advanced Sales Comparison & Cost Approaches - Boise, ID - July 2006
Advanced Sales Comparison & Cost Approaches - Beijing, P.R. China - April 2006
Basic Appraisal Procedures - Fremont, CA - February 2006
Report Writing and Valuation Analysis - Pleasanton, CA - January 2006
Basic Appraisal Principles - Fremont, CA - January 2006
Advanced Income Capitalization - Livermore, CA - June 2005
Highest & Best Use and Market Analysis - Sacramento, CA - May 2005
Basic Income Capitalization - San Francisco, CA - April 2005
Basic Appraisal Principles - Concord, CA - April 2005
Basic Appraisal Procedures - Sacramento, CA - March 2005
Real Estate Finance, Value, and Investment Performance - Honolulu, HI - February 2005
Appraisal Consulting: A Solutions Approach for Professionals - Honolulu, HI - February 2005
Basic Appraisal Principles - Sacramento, CA - February 2005
Advanced Applications - San Jose, CA - January 2005
Basic Income Capitalization - Sacramento, CA - October 2004
Advanced Sales Comparison & Cost Approaches - Lake Oswego, OR - September 2004
Appraisal Procedures - San Jose, CA - June 2004
Basic Income Capitalization - Dublin, CA - May 2004
Appraisal Principles - Sacramento, CA - March 2004
Advanced Income Capitalization - Sacramento, CA - February 2004
Appraisal Principles - Dublin, CA - January 2004
Basic Income Capitalization - South San Francisco, CA - December 2003
Appraisal Procedures - South San Francisco, CA - November 2003
Basic Income Capitalization - Spokane, WA - October 2003
Appraisal Principles - Seattle, WA - October 2003
Appraisal Principles - South San Francisco, CA - September 2003
Appraisal Procedures - Lathrop, CA - August 2003
Advanced Sales Comparison & Cost Approaches - Concord, CA - August 2003
Appraisal Principles - Modesto, CA - August 2003
7-Hour National USPAP Update Course - Boise, ID - June 2003
Appraisal Principles - Dublin, CA - April 2003
Appraisal Procedures - Concord, CA - March 2003
Appraisal Principles - Concord, CA - January 2003
Basic Income Capitalization - Pleasanton, CA - November 2002
Appraisal Procedures - Pleasanton, CA - October 2002
Appraisal Principles - Pleasanton, CA - September 2002
Standards of Professional Practice, Part B - Modesto, CA - August 2002
Standards of Professional Practice, Part A (USPAP) - Modesto, CA - August 2002
Advanced Income Capitalization - Fountain Valley, CA - July 2002
Appraisal Procedures - Pleasanton, CA - June 2002
Appraisal Procedures - Pleasanton, CA - February 2002
Appraisal Principles - Pleasanton, CA - January 2002
Appraisal Principles - Sacramento, CA - December 2001
Highest & Best Use and Market Analysis - Stockton, CA - December 2001
Basic Income Capitalization - San Diego, CA - June 2001
Basic Income Capitalization - Dublin, CA - May 2001
Appraisal Procedures - Dublin, CA - April 2001
Appraisal Principles - Dublin, CA - March 2001
Basic Income Capitalization - San Francisco, CA - June 2000
Appraisal Procedures - Novato, CA - May 2000

continued ...

Teaching Assignments (cont.)***Appraisal Institute-***

Appraisal Principles - Dublin, CA - April 2000
Appraisal Procedures - Dublin, CA - June 1999
Appraisal Principles - Dublin, CA - March 1999
Basic Income Capitalization - San Francisco, CA - May 1998
Appraisal Procedures - Concord, CA - March 1998
Appraisal Principles - Dublin, CA - July 1997
Appraisal Procedures - Dublin, CA - April 1995

Professional Education-***Appraisal Institute-*****Courses:**

Online 7-Hour National USPAP Equivalent Course - February 2011
Online AQB USPAP Instructor Recertification Course - March 2010
Valuation of Conservation Easements - August/September 2009
The Appraiser as an Expert Witness: Preparation & Testimony - April 2009
Online Business Practices and Ethics - February 2009
Online 7-Hour National USPAP Equivalent Course - February 2009
Condemnation Appraising: Principles & Applications - January 2009
Litigation Appraising: Specialized Topics & Applications - November 2008
AQB USPAP Instructor Recertification Course - 2007
Uniform Appraisal Standards for Federal Land Acquisitions - April/May 2006
AQB USPAP Instructor Recertification Course - April 2005
Report Writing and Valuation Analysis - December 2001 & August 2004
USPAP Instructor Certification - September 2002
Advanced Income Capitalization - October 2001 & June 2002
Advanced Applications - February 2002
Advanced Sales Comparison & Cost Approaches - June 1999 & July 2001
Highest & Best Use and Market Analysis - August 2000
Standards of Professional Practice, Part B - January 1998
Standards of Professional Practice, Part A (USPAP) - January 1998
Basic Income Capitalization - August 1995
Appraisal Principles - May 1995
Appraisal Procedures - February 1995
Faculty Training Workshop - October 1994
The Appraiser's Complete Review - July/August 1993
Applied Residential Property Valuation - July 1990
Applied Income Property Valuation - March 1990
Standards of Professional Practice - October 1989
Capitalization Theory & Techniques, Part B - June 1988
Capitalization Theory & Techniques, Part A - April 1988

Seminars:

Federal Agency Update - January 2010
Valuation of Easements and Other Partial Interests - September 2009
2009 Annual Spring Litigation Conference - May 2009
2008 Annual Fall Conference - October 2008
2007 Litigation Shared Interest Group Even - March 2007
Real Estate Appraisal: Past, Present & Future - January 2007
Scope of Work: Expanding Your Range of Services - May 2006
Uniform Appraisal Standards for Federal Land Acquisitions - April & May 2006
2006 State of the Profession - January 2006
2005 Annual Fall Conference - October 2005
Arbitration - What You Can't Learn from Books - September 2005
Market Analysis and the Site to Do Business - July 2005
2004 Annual Fall Conference - October 2004
Appraisal Consulting: A Solutions Approach for Professionals - November 2002
Analyzing Operating Expenses - September 2002

International Right of Way Association-

Courses:

- Reviewing Appraisals in Eminent Domain (Course 410) - February 2011
- Engineering Plan Development & Application (Course 901) - March 2009
- Principles of Real Estate Engineering (Course 900) - March 2009
- Bargaining Negotiations (Course 205) - March 2009
- Alternative Dispute Resolution (Course 203) - March 2009
- Principles of Real Estate Negotiation (Course 200) - February 2009
- Conflict Management (Course 213) - February 2009
- Ethics & the Right of Way Profession (Course 103) - February 2009
- Principles of Real Estate Law (Course 800) - January 2009
- The Appraisal of Partial Acquisitions (Course 401) - March 2004

Appraisal Foundation - McKissock-

Courses:

- Online AQB USPAP Instructor Recertification Course - March 2012

State of California - Office of Real Estate Appraisers - Real Estate Appraiser License (AG009478)



January 17, 2014

Craig Owyang, MAI
Craig Owyang Real Estate
4965 Willow Vale Way
Elk Grove CA 95758

Re: Engagement for Appraisal services, Downtown Arena Project.

Dear Mr. Owyang,

The City of Sacramento (City) is pleased to accept your appraisal proposal regarding the request for appraisal services in connection with the Downtown Arena Project.

The fee for this service, as submitted by your firm via telephone dated January 17, 2014, is to be a total of \$14,000, and the completion date has been determined to be March 15, 2014. This fee is a "lump sum" appraisal fee, and includes such items (i.e. review comments, etc.) which are not related to a change in the Assignment Conditions. Any change to the Assignment Conditions and/or fee is to be authorized in advance by the City.

The following Assignment Conditions apply to the appraisal reports. Any concerns or changes to the Assignment Conditions must be discussed and approved in advance by the City.

1. The purpose of the appraisals will be to provide an opinion of the retrospective market value as of February, 2013 for Appraisal #1, below, and December, 2013, for Appraisal #2, below, of the fee interest in the following described real properties in order to facilitate the disposition of the properties by the City of Sacramento.
2. The appraisal reports shall be prepared in compliance with the Uniform Standards of Professional Appraisal Practice, and are to be prepared in a Summary Appraisal Report format, in compliance with USPAP Standards Rule 2-2(b).
3. The client and user of the reports will be the City of Sacramento.
4. The appraisal reports are to utilize most applicable method(s) of valuation in order to arrive at the retrospective market value as of February, 2013, for Appraisal #1, below, and December, 2013, for Appraisal #2, below.
5. The definition of market value to be utilized, as per 12 CFR Part 34.42:

Market value means the most probable price which 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:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) 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.

6. The appraisal reports shall include a Highest and Best Use analysis.
7. The appraisal reports shall include adjustment grids which detail the adjustments made to the comparables being utilized.
8. The City will provide the following items to assist in the appraisal. If any other items are required, please inform City in a timely manner.
 - Preliminary Reports of Title
9. The Primary contacts for this appraisal assignment are:

For City
Bill Sinclair
Ph. (916)808-1905
bsinclair@cityofsacramento.org

For Craig Owyang Real Estate.
Craig Owyang, MAI
Ph. (916)429-8615
craig@owyang.com

10. Copies: Provide 2 copies of each report.
11. The subject properties and required appraisals are detailed below:

Appraisal #1

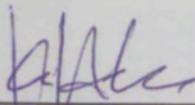
APN 006-0135-028; 006-0135-029
SWC 3rd Street and Capitol Mall – aka Lot X
APN 006-0182-022
SWC 2nd Street and O Street – aka Lot Y

Appraisal #2

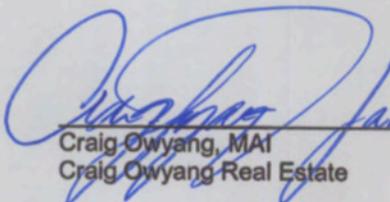
APN 006-0087-051 (portion of the indicated APN with the survey information & legal description to be provided)
Portion of Lot B, Parcel Map Book 35 Page 34 – aka Navin's Custom Clothiers

Please sign and return this engagement letter to accept the appraisal assignment.

Thank you,



Ken Hancock 1/17/2014
Real Property Agent Date
City of Sacramento
Facilities & Real Property Management



Craig Owyang, MAI January 20, 2014
Craig Owyang Real Estate Date

February 7, 2014

Craig Owyang, MAI
Craig Owyang Real Estate
4965 Willow Vale Way
Elk Grove CA 95758

Re: Appraisal services, Downtown Arena Project.

Dear Mr. Owyang,

As we discussed via email on February 7, 2014, one additional parcel held by the Redevelopment Agency Successor Agency (RASA) affecting the Downtown Arena Project has been determined as necessary to be included in the appraisal of the parcels that combine to form Lot X. Specifically, Assessor Parcel Number (APN) 006-0135-030, owned by the RASA, will need to be included in the appraisal report for APNs: 006-0135-028 & 006-0135-029.

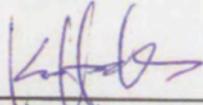
Consistent with what was in the March 26, 2013 term sheet the Lot X site should be appraised as one site including the RASA portion. The date for that appraisal for the entire site is February 26, 2013. That site should include all three parcels.

You are authorized to include the valuation of this additional parcel in the appraisal for the Downtown Arena Project that you are currently engaged to perform via the engagement letter executed January 17, 2014. You have indicated during our conversation that this additional parcel will be added to the appraisal report for no additional fee.

This does not change the fact that the City still requires a separate appraisal of APN 006-0135-030, which you have been engaged to perform via the engagement letter executed 10/18/2013, specifically, Appraisal #2 of that engagement letter. If you require additional information, please let me know.

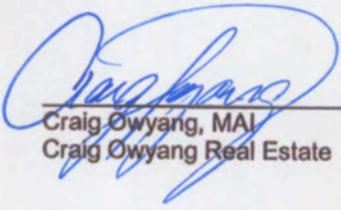
Please sign and return this letter to accept this addition to the appraisal assignment.

Thank you,



Ken Hancock
Real Property Agent
City of Sacramento
Facilities & Real Property Management

2/7/2014
Date



Craig Owyang, MAI
Craig Owyang Real Estate

02/13/14
Date

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Fidelity National Title Company

PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Fidelity National Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

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

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a California corporation.

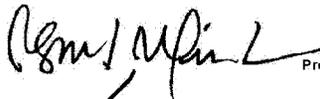
Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.


Countersigned



Fidelity National Title Company

BY  President

ATTEST  Secretary



Fidelity National Title Company

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

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

PRELIMINARY REPORT

Title Officer: Chuck Strong
Escrow Officer: Paul Avila
Escrow No.: 13-**5015634**-PA

Title No.: 13-**5015634**-CS
Locate No.: CAFNT0934-0934-0010-0005015634

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

ATTN: Bill Sinclair

PROPERTY ADDRESS: 312 K Street, Sacramento, California

EFFECTIVE DATE: January 13, 2014, 07:30 A.M.

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

ALTA Owner's Policy (6/17/06)

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

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

City of Sacramento, a municipal corporation
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

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

CS\CS 01/16/2014

LEGAL DESCRIPTION

EXHIBIT "A"

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

A Portion of Parcel B, as shown on that certain parcel map entitled "Portion of Block Bounded by 3rd, 5th J & L Streets" as said map is filed in the office of the Recorder of the County of Sacramento in Book 35 of Parcel Maps Map No. 34, commencing at the intersection of the centerline of 3rd Street and the centerline of former K Street as shown on said map, thence S71°36'57"E 40 feet to a point on the east line of 3rd Street, thence S18°28'51"W 40 feet to the point of beginning; thence S18°28'51"W 67 feet; thence S71°36'57"E 302 feet; thence N18°28'51"E 67 feet; thence N71°36'57"W 302 feet, to the point of beginning.

APN: portion of 006-0087-051

AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2014-2015.
2. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 03009
Tax Identification No.: 006-0087-051-0000
Fiscal Year: 2013-2014
1st Installment: \$15,799.25, Paid
2nd Installment: \$14,362.95, Open
Exemption: \$
Land: \$0.00
Improvements: \$0.00
Personal Property: \$
Bill No.: 13217182
Tracer No.:

3. Taxes levied or assessed as a result of any back-assessments or under-assessments of all or part of the herein described Land.
4. The land is located within the boundaries of the Energy Independence Program in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highway Code as shown on a map recorded

Recording Date: SB 555 Contractual Assessment District
Recording No.: September 19, 2012, in Book 20120919, Page 89.

5. The land is located within the boundaries of the Energy Independence Program in accordance with Section 5898.22 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highway Code as shown on a map recorded

Recording Date: Community Facilities District No. 2012-01 (Clean Energy)
Recording No.: October 3, 2012, in Book 20121003, Page 418.

The fact that said land is within the boundaries of the Mello-Roos Community Facilities District(s). The annual assessments, if any, are collected with the county property taxes. Failure to pay said taxes prior to the delinquency date may result in the above assessment being removed from the county tax roll and subjected to Accelerated Judicial Bond Foreclosure. Inquiry should be made with said District for possible stripped assessments and prior delinquencies.

Not currently assessed

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

County of Sacramento at (916) 875-5555, and/or including:
City of Sacramento at (916) 808-5454
- 7. Covenants** for nondiscrimination and nonsegregation as contain in: Ordinance 86-064 recorded July 29, 1986, in Book 860729, Page 1633, Official Records.
- 8. Covenants** for nondiscrimination and nonsegregation as contained in the deed from the Redevelopment Agency of the City of Sacramento, a public body, corporate and politic, to City of Sacramento, a Municipal Corporation, dated November 20, 1990, and recorded December 19, 1990, in Book 901219 of Official Records, Page 703, and the restated deed recorded November 26, 1991, in Book 911126, Page 1044, Official Records.
- 9.** The terms and conditions in the Cross-Easement Agreement, Downtown Plaza (Sacramento, California),
Between: DPA, L.P., a California Limited Partnership, Macy's California, Inc., a Delaware corporation, debtor-in-possession, Carter Hawley Hale Stores, Inc., a Delaware corporation, and City of Sacramento, a body, corporate, and politic, of the State of California
Dated: November 30, 1992
Recorded: October 15, 1993, in Book 931015, Page 2018, Official Records
- 10.** The terms and conditions of the Parking Operation and Maintenance Agreement, Downtown Plaza (Sacramento, California),
Between: DPA, L.P., a California Limited Partnership, City of Sacramento, a body, corporate and politic, of the State of California, Macy's California, Inc., a Delaware corporation, debtor-in-possession, Carter Hawley Hale Stores, Inc., a Delaware corporation
Dated: November 30, 1992
Recorded: October 15, 1993, in Book 931015, Page 2020, Official Records
- 11. Matters** contained in that certain document entitled "Parking Agreement" dated April 6, 1999, executed by Richard F. Desmond et al. executed by and between City of Sacramento recorded October 1, 1999, in Book 19991001, Page 1172 of Official Records.
- 12.** A Master Site Lease with certain terms, covenants, conditions and provisions set forth therein.

Dated: December 14, 1999
Lessor: City of Sacramento
Lessee: Sacramento City Financing Authority
Recording Date: December 14, 1999
Recording No.: Book 19991214, Page 1004 of Official Records

A 1st Amendment to said Lease recorded July 25, 2000 in Book 20000725, Page 1311, Official Records

A 2nd Amendment to said Lease recorded April 24, 2001 in Book 20010424, Page 1415, Official Records

A 3rd Amendment to said Lease recorded July 1, 2002 in Book 20020701, Page 1649, Official Records

A 4th Amendment to said Lease recorded September 29, 2003 in Book 20030929, Page 2762, Official Records

A 5th Amendment to said Lease recorded June 14, 2006 in Book 20060614, Page 175, Official Records

A 6th Amendment to said Lease recorded December 11, 2006 in Book 20061211, Page 598, Official Records

A 7th Amendment to said Lease recorded April 1, 2011 in Book 20110401, Page 386, Official Records

13. A Master Project Lease with certain terms, covenants, conditions and provisions set forth therein.

Dated: December 14, 1999
Lessor: City of Sacramento Financing Authority
Lessee: Sacramento City
Recording Date: December 14, 1999
Recording No.: Book 19991214, Page 1005 of Official Records

A 1st Amendment to said Lease recorded July 25, 2000 in Book 20000725, Page 1312, Official Records

A 2nd Amendment to said Lease recorded April 24, 2001 in Book 20010424, Page 1416, Official Records

A 3rd Amendment to said Lease recorded July 1, 2002 in Book 20020701, Page 1650, Official Records

A 4th Amendment to said Lease recorded September 29, 2003 in Book 20030929, Page 2763, Official Records

A 5th Amendment to said Lease recorded July 11, 2005 in Book 20050711, Page 498, Official Records

A 6th Amendment to said Lease recorded June 14, 2006 in Book 20060614, Page 176, Official Records

A 7th Amendment to said Lease recorded December 11, 2006 in Book 20061211, Page 616, Official Records

A 8th Amendment to said Lease recorded April 1, 2011 in Book 20110401, Page 385, Official Records

- 14.** Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the Public Records.
- The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.
- The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.
- 15.** Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other matters which a correct survey would disclose and which are not shown by the Public Records.
- 16.** The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.
- 17.** The description used in this report was provided to the Company and is used to facilitate the report. It has not yet been created of record. It is not to be used in any title evidence or documents without the approval of management.

END OF ITEMS

- Note 1.** There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
- Note 2.** Note: If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.
- Note 3.** Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirement cannot be met, please call the Company at the number provided in this report.

END OF NOTES

ATTACHMENT ONE
AMERICAN LAND TITLE ASSOCIATION
RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - land use
 - improvements on the land
 - land division
 - environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at policy date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
 - a notice of exercising the right appears in the public records on the Policy Date
 - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowledge of the taking

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and the expenses resulting from:

1. Any rights, interests, or claims of parties in possession of the land not shown by the public records.
2. Any easements or liens not shown by the public records. This does not limit the lien coverage in Item 8 of Covered Title Risks.

3. Title Risks:
 - that are created, allowed, or agreed to by you
 - that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
 - that result in no loss to you
 - that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
 4. Failure to pay value for your title.
 5. Lack of a right:
 - to any land outside the area specifically described and referred to in Item 3 of Schedule A
 - or
 - in streets, alleys, or waterways that touch your landThis exclusion does not limit the access coverage in Item 5 of Covered Title Risks.
-
3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.
 4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

**ATTACHMENT ONE
(CONTINUED)**

**CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:

- (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
 5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
 6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

**SCHEDULE B, PART I
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

PART I

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
WITH A.L.T.A. ENDORSEMENT-FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
(a) created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or

material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or

- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
- (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records;
- (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92)
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy, or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;

(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;

(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)
EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. Land use
 - d. improvements on Land
 - e. Land division
 - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
 - a. notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on You if You bought the Land without Knowing of the taking.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24 or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 14, 15, 16 and 18, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 14:	1.00% of Policy Amount or \$ 2,500.00 (whichever is less)	\$ 10,000.00
Covered Risk 15:	1.00% of Policy Amount or \$ 5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 16:	1.00% of Policy Amount or \$ 5,000.00 (whichever is less)	\$ 25,000.00
Covered Risk 18:	1.00% of Policy Amount or \$ 2,500.00 (whichever is less)	\$ 5,000.00

**ATTACHMENT ONE
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;
 - d. improvements on the Land;
 - e. land division; and
 - f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16:	<u>1.00%</u> of Policy Amount Shown in Schedule A or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>10,000.00</u>
Covered Risk 18:	<u>1.00%</u> of Policy Amount Shown in Schedule A or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 19:	<u>1.00%</u> of Policy Amount Shown in Schedule A or <u>\$ 5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 21:	<u>1.00%</u> of Policy Amount Shown in Schedule A or <u>\$ 2,500.00</u> (whichever is less)	\$ <u>5,000.00</u>

**ATTACHMENT ONE
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
(a) created, suffered, assumed or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or
(e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(e) and 26.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:
(a) The time of the advance; or
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

**ATTACHMENT ONE
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07/26/10)
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed, or agreed to by the Insured Claimant;
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
(c) resulting in no loss or damage to the Insured Claimant;
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28);
or
(e) resulting in loss or damage that would not have been

sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.

Fidelity National Financial, Inc.
Privacy Statement

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explains FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in this Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

Personal Information Collected

We may collect Personal Information about you from the following sources:

- Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information, and income information;
- Information we receive from you through our Internet websites, such as your name, address, email address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites;
- Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transaction, account balances, and credit card information; and
- Information we receive from consumer or other reporting agencies and publicly recorded documents.

Disclosure of Personal Information

We may provide your Personal Information (excluding information we receive from consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

- To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- To third-party contractors or service providers for the purpose of determining your eligibility for an insurance benefit or payment and/or providing you with services you have requested;
- To an insurance regulatory authority, or a law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation;
- To companies that perform marketing services on our behalf or to other financial institutions with which we have joint marketing agreements and/or
- To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Disclosure to Affiliated Companies - We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties - We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlined herein or as otherwise permitted by law.

Confidentiality and Security of Personal Information

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Personal Information.

Access To Personal Information/ Requests for Correction, Amendment, or Deletion of Personal Information

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information. However, FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.

For your protection, all requests made under this section must be in writing and must include your notarized signature to establish your identity. Where permitted by law, we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer
Fidelity National Financial, Inc.
601 Riverside Avenue
Jacksonville, FL 32204

Changes to this Privacy Statement

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

FNF Underwritten Title Companies

FNTC – Fidelity National Title Company

FNTCCA – Fidelity National Title Company of California

FNF Underwriter

FNTIC – Fidelity National Title Insurance Company

Available Discounts

CREDIT FOR PRELIMINARY REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (FNTIC)

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within 12 or 36 months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

FEE REDUCTION SETTLEMENT PROGRAM (FNTC, FNTCCA and FNTIC)

Eligible customers shall receive a \$20.00 reduction in their title and/or escrow fees charged by the Company for each eligible transaction in accordance with the terms of the Final Judgments entered in *The People of the State of California et al. v. Fidelity National Title Insurance Company et al.*, Sacramento Superior Court Case No. 99AS02793, and related cases.

DISASTER LOANS (FNTIC)

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within 24 months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be 50% of the appropriate title insurance rate.

CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (FNTIC)

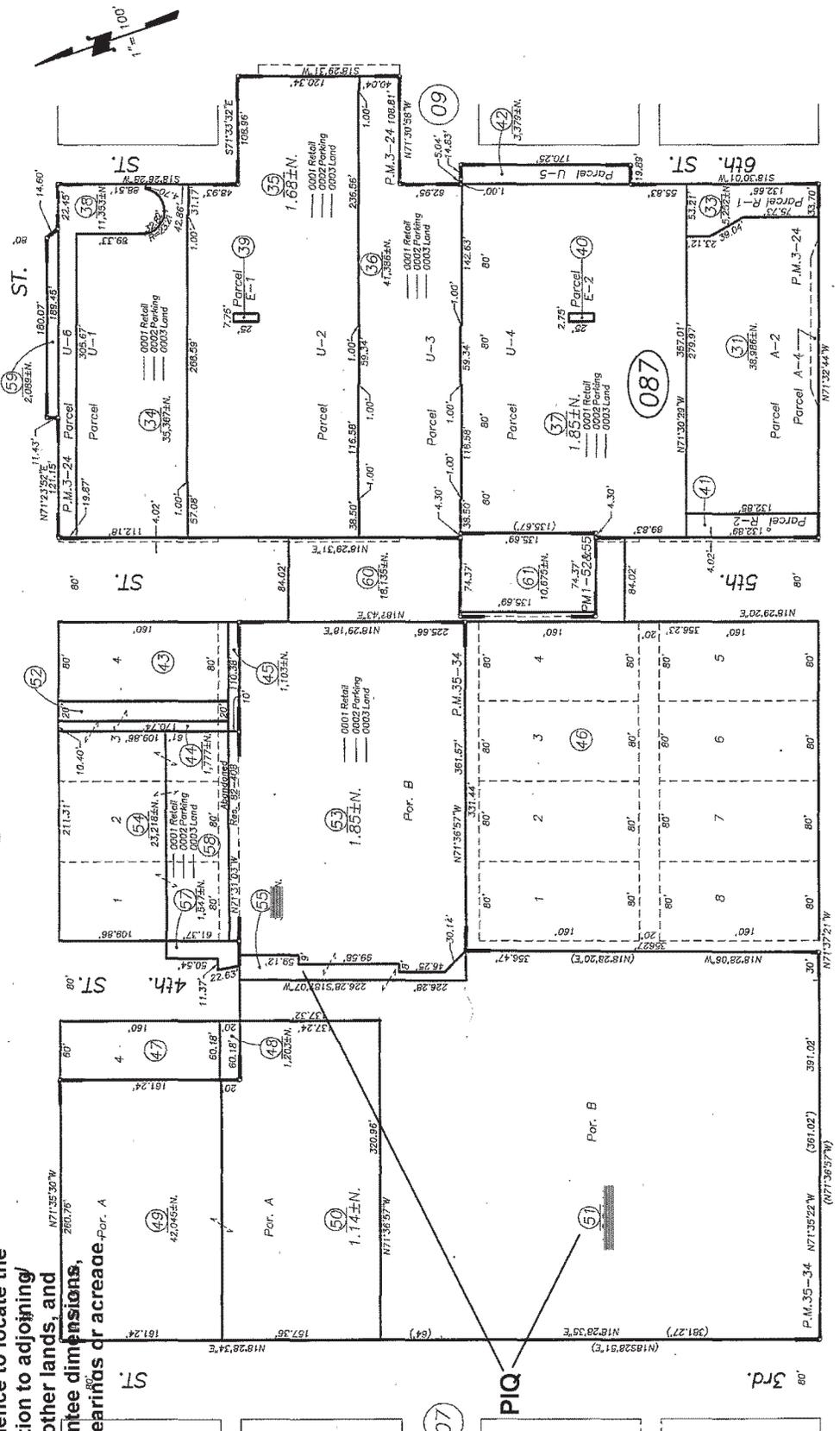
On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be 50% or 70% of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be 32% or 50% of the appropriate title insurance rate, depending on the type of coverage selected.

IMPORTANT: This plat is not a survey, it is merely furnished as a convenience to locate the Land in relation to adjoining streets and other lands, and not to guarantee dimensions, distances, bearings or acreage.

006-008

OLD CITY

02



CITY OF SACRAMENTO

Assessor's Map Bk. 006 Pg. 008

County of Sacramento, Calif.

ST.

14

4th ST.

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End of Appraisal Report