

APPRAISAL REPORT

**±0.53 Acre of Land
408 J Street
Sacramento, CA
CORE - 20131022.1**

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:

February 13, 2014

Effective Date of Value:

June 20, 2011

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CRAIG OWYANG REAL ESTATE

February 13, 2014

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

RE: ±0.53 Acre of Land
408 J Street
Sacramento, CA 95814
CORE - 20131022.1

Mr. Sinclair:

As requested, I have analyzed the property indicated above in order to develop an opinion of the *Market Value* in its *Fee Simple Estate*. This report was prepared between October 2013 and February 2014 with an *Effective Date of Value* of June 20, 2011. This *Appraisal Assignment* is communicated in a written *Summary 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 includes a ±0.53 acre parcel at 408 J Street in Sacramento, California. Largely, it is steeply sloped and has minimal improvements. I have concluded the *Highest and Best Use - As If Vacant* is for a build-to-suit retail/office mixed-use development or a program of land banking until such time as it is *Financially Feasible* for development.

Assignment Conditions

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

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

This *Appraisal Assignment* is not subject to any *Hypothetical Conditions*.

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.*
- *Mr. Bryan P. Lang, MAI, SRA has assisted me in the following manner:*
 - *Made observations of the property.*
 - *Investigated property characteristics with local government agencies.*
 - *Researched and analyzed the market area.*
 - *Researched the market area for comparable sales.*
 - *Developed a preliminary estimate of value.*
- *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 and Bryan P. Lang, MAI, SRA have 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 Fee Simple Estate as of June 20, 2011:

**ONE MILLION SIX HUNDRED FORTY THOUSAND DOLLARS
(\$1,640,000)**

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 (none)1
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 - September 27, 2013

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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 *Fee Simple Estate* of ±0.53 acre (±23,218 square feet) parcel at 408 J Street 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 acquisition of the property by the City of Sacramento. This appraisal may not be used by any other entity or individual for any purpose whatsoever.

Observations of the property were made on my October 28, 2013 visit to the property. The *Effective Date of Value* is June 20, 2011 and the date of this *Appraisal Report* is February 13, 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 visual 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*.
- 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/we have:
 - ✓ *Spoken with buyers, sellers, brokers, property owners/managers and public officials.*
 - ✓ *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 *Summary 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.

Preliminary Title Report

All notations to *Preliminary Title Report* refer to the preliminary report prepared by Fidelity National Title Company dated September 27, 2013 with Title Number 06-5014932-A-CD. 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:

The City of Sacramento, successor agency to the Redevelopment Agency of the City of Sacramento

Notably, as of the *Effective Date of Value*, public records published by *RealQuest.com* indicate ownership of the subject was vested in:

City of Sacramento Redevelopment Agency

RealQuest.com does not identify the vesting document which transferred the property from the City of Sacramento Redevelopment Agency to the City of Sacramento as successor in interest. 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 Sacramento County Assessor has assigned the subject with Assessor Parcel Number 006-0087-054 and refers to all the real estate herein appraised. Notably, the property is not subject to *Real Estate Taxes* but is subject to one special assessment district in the 2010-2011 tax year for a total annual assessment of \$1,210.40.

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 191,209 housing units (as of January 2011), 126,557 are single family residences and represent 66.2% of the total. An additional 42,955 units are in 5+ unit properties and represent 22.5% of the housing stock. According to the US Census Bureau, Sacramento's median household income is \$50,381 (in 2009 inflation-adjusted dollars). 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. The population is expected to grow by 102,450 over a base of 409,610 between the years 2000 and 2015. Over the same time frame, jobs are expected to grow to 361,849 by 93,513 new opportunities.

MARKET AREA

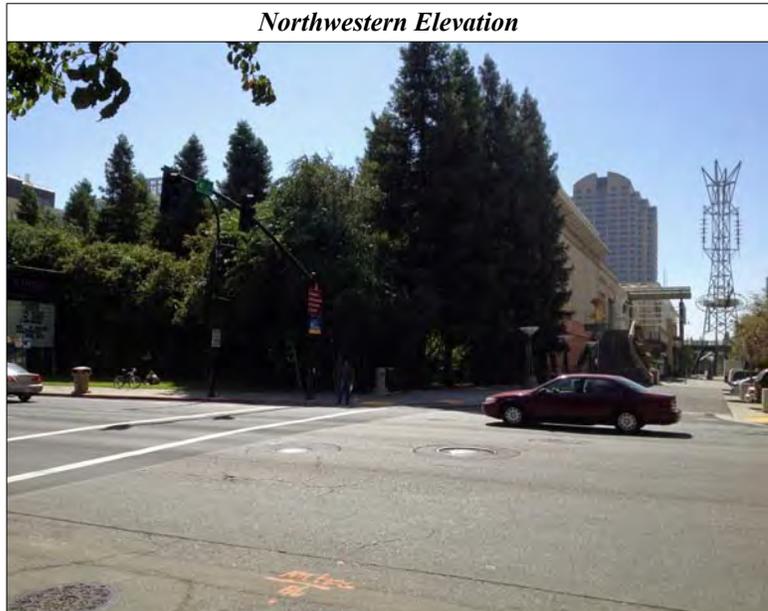
The general market area boundaries include the Sacramento River to the west, the American River to the north, Alhambra Boulevard and Capitol City Freeway (Business 80) on the east with Broadway on the south. Please refer to the *Market Area Map* on the facing page. The area is described as the *Central 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.

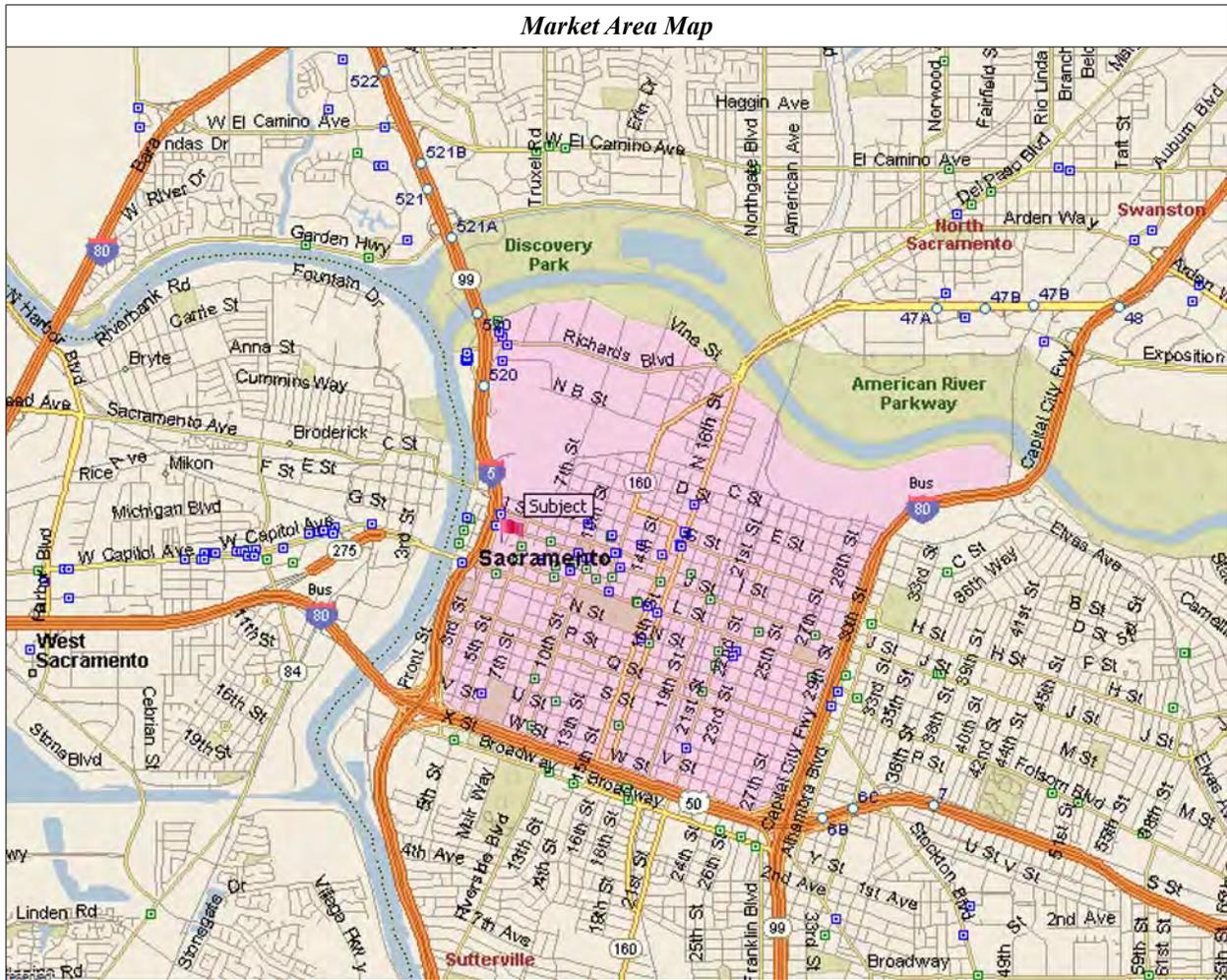
The area east of SR-160 is commonly referred to as the *Midtown District*, whereas the area west of SR-160 is

Subject - Northern Elevation



Northwestern Elevation





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.

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 45,305,290 square feet as of Q1 2011. Reportedly, the overall vacancy rate for existing retail space in the combined Sacramento market area was 14.2% for Q1 2011, which was unchanged from the previous quarter.

The downtown district is identified as being in the South Sacramento sub-market. During Q1 2011, the sub-market had a supply of 4,808,940 square feet with vacant space totaling 829,932 square feet, or a 17.3% vacancy rate. This is down from 18.2% for the sub-market in Q4 2010. The average asking rental rate in the sub-market is \$1.46 per square foot on a *Triple Net (NNN)* basis. The average asking rental rate for the region is \$1.54 per square foot, which is a slight decrease from the previous quarter's average of \$1.57.

Looking forward from the perspective of Q1 2011, the area's retail recovery was 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 were 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.

Residential Market Analysis

The subject is included in the *MLS Downtown/Midtown/East Sacramento* district. Review of the local *Multiple Listing Service (MLS)* indicates the median price of residential units in the subject's market area decreased in the second half of 2008 coinciding with sharp declines in property values in all sectors. The median price generally leveled off between March 2009 through October 2010, with occasional fluctuations. Prices declined again from November 2010 through May 2011. Aside from regular seasonal fluctuations, the *Number of Sales* and average *Consecutive Days on Market* have remained generally consistent between January 2008 and May 2011. Please refer to the *Sacramento Downtown/Midtown/East Sacramento Market Summary* below.

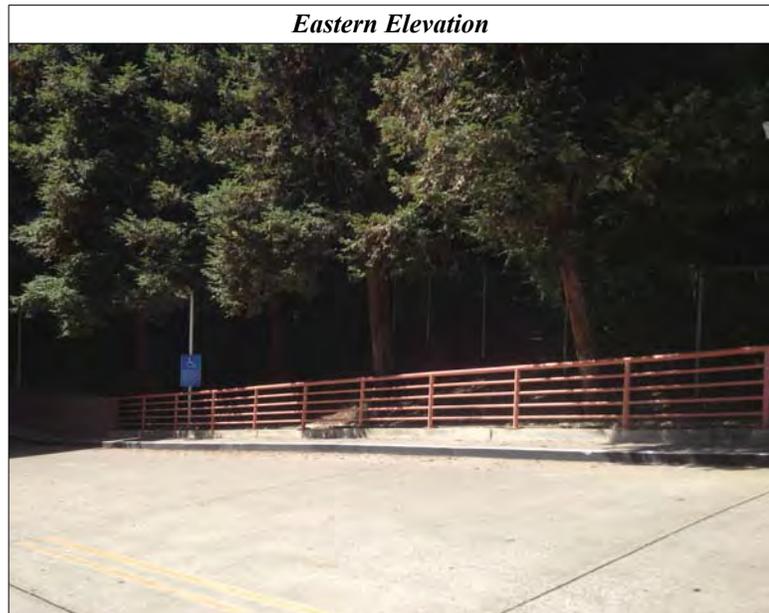
Sacramento Downtown/Midtown/East Sacramento Market Summary					
<i>January 2008 - May 2011</i>					
Month	Number of Sales	Average % of Sale to List Price	Median Price	Average Price	Average Consecutive Days on Market
Jan-08	33	95	\$349,000	\$360,000	153
Feb-08	48	97	352,000	354,000	104
Mar-08	39	96	350,000	295,000	89
Apr-08	48	95	320,000	361,000	83
May-08	54	98	394,000	389,000	73
Jun-08	70	97	330,000	349,000	84
Jul-08	55	97	365,000	343,000	82
Aug-08	65	96	315,000	311,000	89
Sept-08	52	97	209,000	260,000	92
Oct-08	63	98	310,000	277,000	94
Nov-08	44	96	262,000	243,000	90
Dec-08	49	96	192,000	209,000	96
Jan-09	41	94	236,000	267,000	90
Feb-09	38	97	292,000	249,000	98
Mar-09	53	96	298,000	260,000	76
Apr-09	47	98	270,000	260,000	69
May-09	65	97	280,000	288,000	65
Jun-09	59	97	316,000	304,000	75
Jul-09	63	98	280,000	292,000	59
Aug-09	46	98	292,000	280,000	68
Sept-09	47	97	325,000	350,000	70
Oct-09	48	98	300,000	296,000	55
Nov-09	49	98	290,000	282,000	45
Dec-09	44	97	286,000	286,000	82
Jan-10	35	98	259,000	271,000	90
Feb-10	31	99	258,000	260,000	94
Mar-10	49	98	240,000	256,000	67
Apr-10	60	98	277,000	291,000	81
May-10	68	98	305,000	318,000	73
Jun-10	45	98	282,000	307,000	60
Jul-10	46	96	326,000	328,000	62
Aug-10	46	97	322,000	335,000	67
Sept-10	45	96	213,000	233,000	78
Oct-10	48	97	298,000	297,000	83
Nov-10	45	98	278,000	276,000	67
Dec-10	54	97	280,000	303,000	102
Jan-11	44	95	274,000	331,000	117
Feb-11	26	97	284,000	304,000	85
Mar-11	59	98	240,000	275,000	99
Apr-11	52	98	272,000	281,000	71
May-11	51	97	\$250,000	\$277,000	122

Source: Multiple Listing Service

Apartment Market Analysis

Reports compiled by Hendricks & Partners, a national brokerage firm, were used to identify market performance. The most recent report is the Apartment Research Market Outlook for the Central Valley Area for 2011.

The Sacramento apartment market recovery in 2010 was dominated by the Class A sector, but is anticipated to include Class B and C properties in 2011 as job growth resumes and apartment operations continue to strengthen. Local apartment owners should experience healthy absorption in 2011 as many would-be homebuyers are unable to meet tight lender standards and high downpayment requirements. Vacancy is projected to decline to 5.3%, following a 110 basis point reduction in 2010. This should lead to rent growth and reduced concessions. Asking rents are forecast to increase 2.2% to \$926 per month, while effective rents should rise 2.8% to \$868 per month. Regarding construction, developers are anticipated to complete just 125 units in the Sacramento market in 2011, which is 90% below the 10-year average.



On the other hand, lenders are likely to list reclaimed assets as investment activity accelerates, and the rising number of distressed-property sales will place downward pressure on prices.

Overall capitalization rates for the metro area are reported at the low- to mid-7% range.

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 capitol. The region has an office inventory of 52,917,834 square feet as of Q1 2011. The overall vacancy rate for the region was 22.6%, up slightly from 22.5% in Q4 2010. Year end statistical information for the Downtown Office sub-market is summarized in the following table.

Downtown Office Market Overview					
<i>4th Qtr 2006 - 4th Qtr 2010</i>					
Office Market Summary	4th Qtr 2006	4th Qtr 2007	4th Qtr 2008	4th Qtr 2009	4th Qtr 2010
Rentable Space (sf)	10,370,511	10,211,649	10,576,295	11,190,807	11,213,074
Vacant Space (sf)	1,199,073	1,066,621	1,244,276	1,533,415	1,693,174
Total Vacancy Rate	11.6%	10.5%	11.8%	13.7%	15.1%
YTD Net Absorption (sf)	18,758	290,013	129,628	282,071	-123,123
Space Under Construction	342,000	772,000	430,000	0	155,000
Average Asking Rate (FS Lease Terms)	\$2.25	\$2.12	Not Reported	Not Reported	\$2.38

Source: CB Richard Ellis - Sacramento Office Market View - Q4 2006 - Q4 2010

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 11,205,301 square feet as of Q1 2011. Although the amount of

vacant space is no longer reported in square feet, the vacancy rate of 15.8% was the 3rd 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 2006 - 4th Qtr 2010</i>					
Office Market Summary	4th Qtr 2006	4th Qtr 2007	4th Qtr 2008	4th Qtr 2009	4th Qtr 2010
Rentable Space (sf)	47,240,906	48,668,167	50,312,037	52,599,775	52,980,312
Vacant Space (sf)	5,852,896	6,513,371	8,243,528	11,249,382	11,920,570
Total Vacancy Rate	12.4%	13.4%	16.4%	21.4%	22.5%
YTD Net Absorption (sf)	664,454	505,936	-347,064	-427,218	-356,312
Space Under Construction	1,361,841	2,140,250	1,905,805	53,000	593,516
Average Asking Rate (FS Lease Terms)	\$1.78	\$1.95	\$1.96	\$1.91	\$1.81

Source: CB Richard Ellis - Sacramento Office Market View - Q4 2006 - Q4 2010

During Q1 2011, only 8 out of the 17 submarkets experienced positive net absorption for the quarter, and the region as a whole had then experienced 5 straight quarters of negative net absorption. Additionally, the average asking rental rate in the region dropped from its peak levels in 2008 at \$2.01 per square foot to \$1.78 per square foot in Q1 2011; an 11% change. Over the preceding five quarters, the average asking rental rate for the submarket remained relatively stable until Q4 2010, after which it was declining. The average asking rental rate in Q1 2010 was \$2.40 per square foot. It declined to \$2.37 in Q2 & Q3, then increased to \$2.38 in Q4. By the end of Q1 2011 the average rate dropped 7¢ to \$2.31 per square foot. Speculative construction in the region was low, with only 263,516 square feet under construction.

From an historical perspective, the Downtown sub-market has outperformed the overall market in vacancy, absorption and asking rental rates. Please refer to *Downtown Office Market* and *Sacramento Area Office Market Overviews* on the facing page. While both the Sacramento Area and Downtown sub-market have experienced increasing vacancy rates since Q4 2007, the overall market area has rocketed to 22.5% in Q4 2010 whereas the Downtown submarket is significantly lower at 15.1% for the same period. Additionally, while the overall market has experienced negative net absorption for each of the last three years, the Downtown submarket had positive net absorption in 2008 and 2009 while venturing into negative territory in 2010.

In general, the Downtown submarket has outperformed the overall market with respect to rental rates and vacancy rates since 2006. 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 vacant, rectangular parcel at 408 J Street in Sacramento. Please refer to the *Assessor Parcel Map and Satellite Image* on the following pages. The *Assessor's Parcel Map* depicts the site with a depth of ~110 feet, a width of ~211 feet, and an area of ±23,218 square feet, or 0.53 acre.



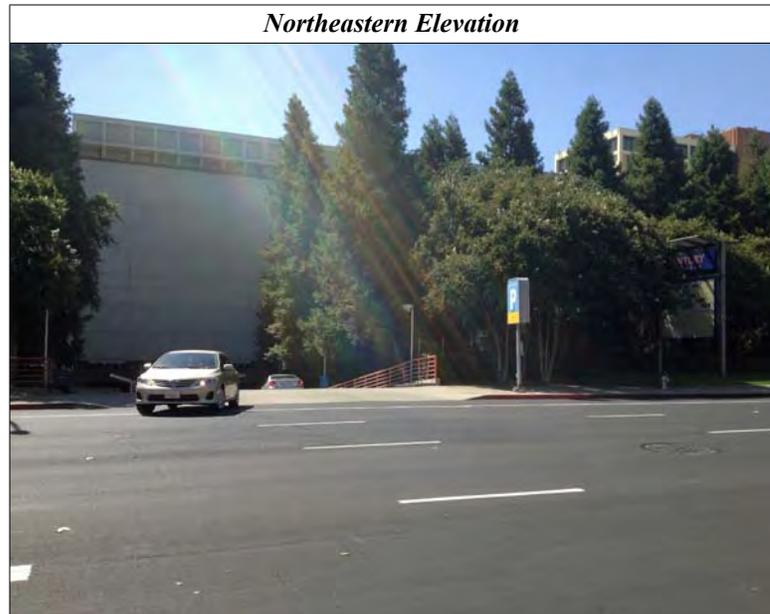
Satellite Image



Notably, there is no vehicular ingress/egress to the property, which is common for properties in the neighborhood.

In addition to a grove of redwood trees, on-site improvements include a pole sign and historical monument (identifying a former landmark). Reportedly, the trees may be removed without restriction, the historical monument may be moved (but remain on the property), and the pole sign may be removed for development. Off-site improvements include asphalt paving along with concrete curbs and sidewalks along J and 4th Streets as well as a bus stop kiosk on J Street and contemporary street lighting along 4th Street.

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 G which was dated December 8, 2008 and has been found to lie within an unshaded Zone X, which is defined by the FEMA as "*Areas determined to be outside the 0.2% annual chance floodplain.*"

Environmental

Physical inspection of the site found the topography to be level on the northern portion and steeply sloping on the



southern portion. Given its size and scale of the most likely development, the property will need excavation for a basement foundation or subterranean parking. As a result, the property's topography does not have a negative impact. 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. Accordingly, it is assumed for purposes of this appraisal the subsoil conditions are similar to those found in the general area and do not pose any particular hazard to the existing improvements. Reports on ground water contamination regarding the subject site have also not been submitted for review.

Sloping Topography



Easements, Encroachments & Rights of Way

The *Preliminary Title Report* notes a number of title exceptions for the subject. The exceptions of note, by exception number in the *Preliminary Title Report*, are summarized in the following:

9 - Easement for ingress/egress of pedestrian and vehicular traffic between J Street and the property to the subject's south. The easement is a 46' wide strip of land that is nearly 16' west of the property's eastern perimeter. As a result, the easement effectively precludes construction of any structures in the property's easterly 62' (46' + 16' = 62').

10 - Easement for 10' wide aerial encroachment along the property's southern perimeter. The owner of the subject may remove the encroachment, at their cost, to accommodate development of the property.

11 & 12 - Revocable easements for historical marker between the Redevelopment Agency of the City of Sacramento and the City of Sacramento.

The impact of exception #9 is that it effectively renders the eastern 62' of the property unusable. The Sacramento County Assessor reports the property has a depth of 109.86' and width of 211.31 feet. Consequently, the property effectively has a depth of 109.86' and width of 149.31 feet. The net area of the subject is 16,403 square feet, or ±0.38 acre.

Exception #10 may be revoked to accommodate development of the subject. The costs to remove the encroaching improvements and repair the building that is encroaching are to be paid by the owner's of the subject. However, those costs are negligible in relation to the total development costs.

Exceptions #11 & #12 were revocable easements for temporary uses and are no longer applicable. Additionally, inasmuch as the property was transferred from the easement grantor to the easement holder on the *Effective Date of Value*, the easements could readily be extinguished with no impacts on the property's marketability and/or value.

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 forth in the SPD Ordinance adopted specifically for the area and the SPD section of the zoning ordinance.”

The property is an area of the CBD-SPD that stipulates development of the property include retail uses for at least 75% of the ground floor. Further, the property is in an Incentive Zone that makes the property eligible for the “Fast Track” development procedure as outlined in the zoning ordinance. Notably, residential uses are also allowed in the C-3 district.

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.
Maximum Lot Coverage/Building Size - A special permit shall be required for any building constructed or expanded to exceed 75,000 square feet of gross floor area.
Density - No requirement.
Parking Requirement - Multi-family: 1 space per dwelling unit and 1 guest space per 15 units; retail: 1 space per 250 gross square feet for areas in excess of 9,600 square feet; office: exempt from parking requirements for redevelopment projects and projects under contract with the City of Sacramento.

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.

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 75% 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.

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

As of the *Effective Date of Value*, the office, retail and residential sectors are all exemplified by low rents, high vacancies and low values.

The most recent reports identify the Downtown Office and South Sacramento Retail sub-markets with 15.8% and 17.3% vacancy rates, respectively. At these rates, it is not *Financially Feasible* for speculative development.

On the other hand, the residential sector had an overabundance of existing housing units available for sale. This resulted in property values dropping to a point where new development was not *Financially Feasible*. Additionally, there was a larger, unquantified number of homes that have been foreclosed on, as well as a large number that was in the process of foreclosure by the financial institutions. Many of these homes were still held by the lenders for sale in the future. Lastly, the horizon for residential development was extended by a large supply of finished residential lots that were ready for home building.

While it is not *Financially Feasible* for speculative development as of the *Effective Date of Value*, the subject's locational characteristics, as well as those of the commercial and residential markets, are such that I believe it will be *Financially Feasible* for office development sooner than it will be for residential development. As a result, it is my opinion the *Highest & Best Use - As If Vacant* is for a build-to-suit office or office/residential mixed use development (either needing a ground floor retail component) or a program of land banking until such time as it is *Financially Feasible* for development.

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SECTION II

VALUATION ANALYSIS

LAND VALUATION

The purpose of this *Appraisal Assignment* is to develop and report my opinion of *Market Value* in the *Fee Simple Estate* of the subject. The four procedures to value land are:

- 1 - Sales Comparison
- 2 - Allocation
- 3 - Extraction
- 4 - Income Capitalization, divided into
 - Direct Capitalization Techniques
 - Land Residual & Ground Rent Capitalization
 - Yield Capitalization Techniques
 - Discounted Cash Flow Analysis (subdivision development analysis)

The *Sales Comparison Approach* is the best method to develop an opinion of the subject's land value.

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 an indication of value for the property.

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

I have concluded the most appropriate *Unit of Comparison* is the *Price Per Square Foot* of land area.

There are few transactions in the immediate vicinity that have characteristics which match those of the subject. I have reviewed the market area for sales activity from as long ago as 2001. In this time frame, I have identified ~50 transfers of properties that have potential for mixed-use office, retail and/or residential development.

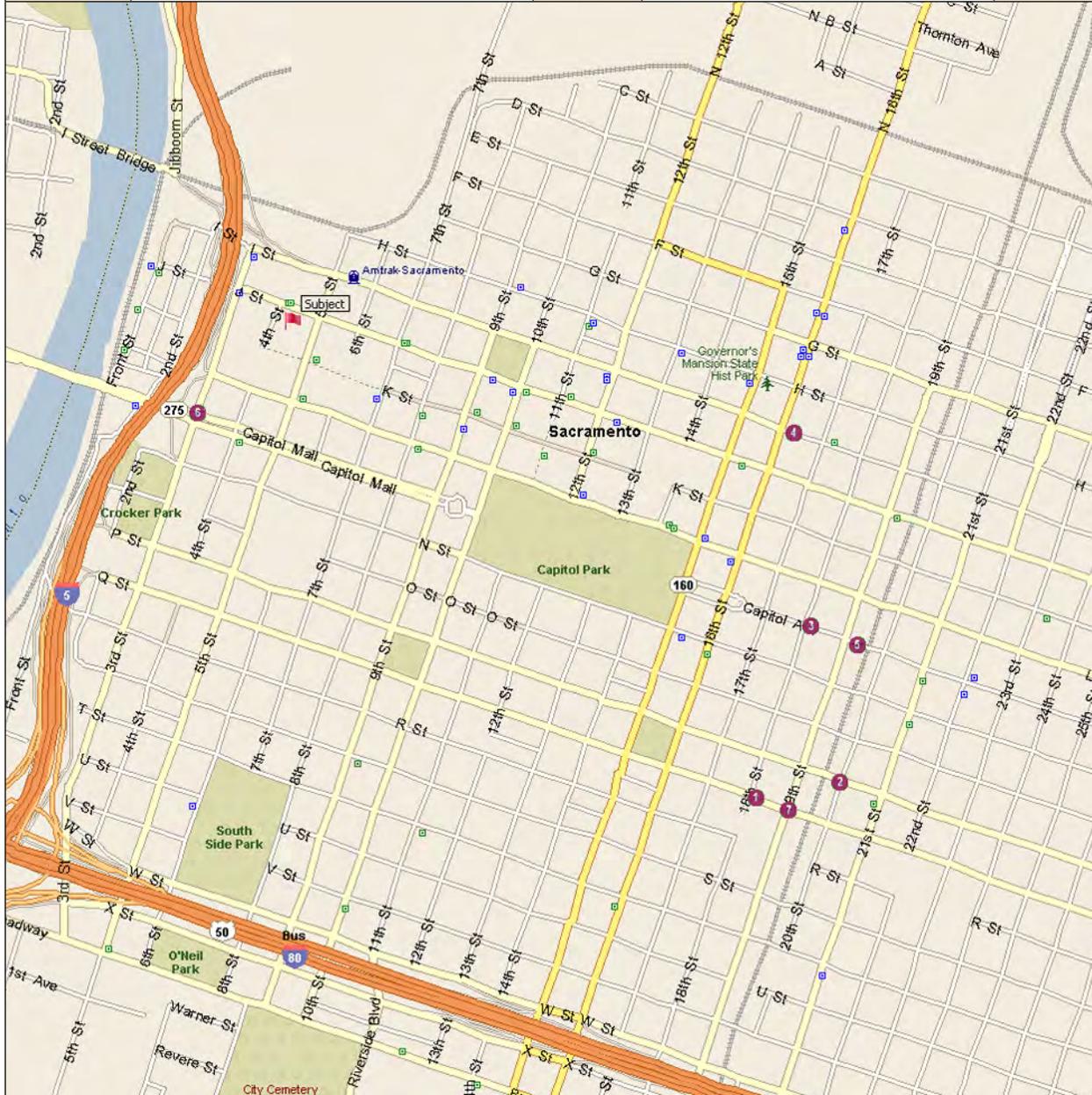
It should be noted, a number of the property transfers were between parties with the same *Beneficial Control* and/or were not negotiated sales. These transfers are not included as comparables in my analysis.

The properties that transferred were from 0.07 acre to 2.39 acres with the large majority being smaller than 1.00 acre. The subject is 0.53 acre. One of the most important attributes of a property as large as the subject is its ability to support construction of a building that can integrate a parking structure into its development. While a full city block is ideal for incorporation of structured parking in a development, a ½ or even ¼ city block is also suitable, so long as its dimensions are sufficient. On the other hand, the development potential of smaller properties is radically different. As a result, the likely buyers for smaller properties have much different capacities for acquisition as well as development skills.

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.

Comparables Summary & Location Map

Comparable Number	Property Location	Recording		Site Area		Zoning	Price Per Square Foot
		Date	Sale Price	Acres	Square Feet	Maximum FAR	
1	1816 Q Street Sacramento, CA	May 2009	\$725,000	0.29 Acre	12,537 Square Feet	RMX 6.0:1.0	\$58
2	1607 20th Street Sacramento, CA	February 2009	\$520,000	0.22 Acre	9,600 Square Feet	C-2 3.0:1.0	\$54
3	1813 Capitol Avenue Sacramento, CA	May 2008	\$900,000	0.15 Acre	6,534 Square Feet	C-2 6.0:1.0	\$138
4	1630 I Street Sacramento, CA	April 2008	\$3,600,000	0.73 Acre	31,999 Square Feet	C-2 6.0:1.0	\$113
5	1926 Capitol Avenue Sacramento, CA	February 2008	\$1,300,000	0.37 Acre	16,000 Square Feet	C-2 3.0:1.0	\$81
6	301 Capitol Mall Sacramento, CA	June 2005	\$20,500,000	2.39 Acres	104,108 Square Feet	C-3 15.0:1.0	\$197
7	NEC 19th & Q Streets Sacramento, CA	Offered For Sale	\$2,400,000	0.62 Acre	27,000 Square Feet	C-2 3.0:1.0	\$89



Comparable 1 Summary

- Property Information -		
Location/Address/Proximity: 1816 Q Street Sacramento, CA 1 mile southeast		
Assessor Parcel Number/s: 007-0312-006, -007 & -008		
Zoning & General Plan Designations: Zoning - RMX (Residential Mixed Use) General Plan - Urban Corridor High		
Topography & Shape: Generally level and irregularly shaped.		
- Transaction Information -		
Site Area: 0.29 acre / 12,537 square feet	Recording Date:	May 28, 2009
Floor Area Ratio (FAR): Minimum - 3.0:1.0 / Maximum - 6.0:1.0	Transfer Document:	Grant Deed - No. 20090528-708
On-Site Improvements: Vacant.	Sale Price:	\$725,000
Off-Site Improvements: All in place.	Unit Price:	\$58 per square foot of land area
Outstanding Bond Assessments: No significant assessments assumed.	Grantee:	City of Sacramento
Proposed Use: Public Park.	Grantor:	Lawrence P. Huey
	Property Rights:	Fee Simple Estate
	Sale Conditions:	Buyer & Seller both typically motivated.
	Financing Terms:	Seller receiving all cash.
Comments:		
Reportedly, the property was subject to soil remediation costs of \$75,000 which were to be paid by the buyer. The buyer purchased the property for assemblage with an adjacent parcel to construct a public park.		

Comparable 2 Summary

- Property Information -		
Location/Address/Proximity:		
Assessor Parcel Number/s:		
Zoning & General Plan Designations:		
Topography & Shape:		
- Transaction Information -		
Site Area:	Recording Date:	February 20, 2009
Floor Area Ratio (FAR):	Transfer Document:	Grant Deed - Document: 20090220-889
On-Site Improvements:	Sale Price:	\$520,000
Off-Site Improvements:	Unit Price:	\$54 per square foot of land area
Outstanding Bond Assessments:	Grantee:	Thian K. Sha & Phuong N. Tien
Proposed Use:	Grantor:	J.P. Morgan Chase Bank
	Property Rights:	Fee Simple Estate
	Sale Conditions:	Buyer typically motivated; seller atypically motivated
	Financing Terms:	Seller receiving all cash.
Comments:		
<p>The seller is a financial institution that previously acquired the property through foreclosure and was extraordinarily motivated to sell. One of the three parcels was improved with a 3,200 square foot office building. Reportedly, the buyer intends to occupy the office building as an interim use then redevelop the property with a larger building when it becomes <i>Financially Feasible</i>.</p>		

Comparable 3 Summary

- Property Information -		
Location/Address/Proximity: 1813 Capitol Avenue Sacramento, CA ¾ mile southeast		
Assessor Parcel Number/s: 007-0141-015		
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor High		
Topography & Shape: Generally level and rectangular.		- Transaction Information -
Site Area: 0.15 acre / 6,534 square feet	Recording Date:	May 19, 2008
Floor Area Ratio (FAR): Minimum - 3.0:1.0 / Maximum - 6.0:1.0	Transfer Document:	Grant Deed - No. 20080519-579
On-Site Improvements: Surface parking lot.	Sale Price:	\$900,000
Off-Site Improvements: All in place.	Unit Price:	\$138 per square foot of land area
Outstanding Bond Assessments: No significant assessments assumed.	Grantee:	Young Clifford, LLC
Proposed Use: Develop w/mixed-use retail/residential.	Grantor:	Frichette Family Trust
	Property Rights:	Fee Simple Estate
	Sale Conditions:	Buyer & seller both typically motivated.
	Financing Terms:	Seller receiving all cash.
Comments:		
At the time of sale, the property was being used for surface parking. Reportedly, the property sold with development approvals for a 3-story, mixed-use retail/residential project (including 4 residential and 1 retail condominium units, building area was not reported).		

Comparable 4 Summary

- Property Information -		
Location/Address/Proximity: 1630 I Street Sacramento, CA ½ mile east		
Assessor Parcel Number/s: 006-0064-013		
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor High		
Topography & Shape: Generally level and rectangular.		- Transaction Information -
Site Area: 0.73 acre / 31,999 square feet	Recording Date: April 25, 2008	Transfer Document: Grant Deed - No. 20080425-1023
Floor Area Ratio (FAR): Minimum - 3.0:1.0 / Maximum - 6.0:1.0	Sale Price: \$3,600,000	Unit Price: \$113 per square foot of land area
On-Site Improvements: Mixed-use building & structured parking.	Grantee: 301 19th Street, LLC	Grantor: 1630 I Street, LLC
Off-Site Improvements: All in place.	Property Rights: Fee Simple Estate	Sale Conditions: Buyer & seller both typically motivated.
Outstanding Bond Assessments: No significant assessments assumed.	Financing Terms: Seller receiving all cash.	
Proposed Use: Interim use with eventual redevelopment.		
Comments: The property was improved with a 4,000 square foot retail/office structure, an 8,000 square foot steel-frame warehouse and a 20,000 square foot concrete tilt-up parking garage. The buyer intends to use the existing improvements on an interim basis and redevelop the property with a larger building when it is <i>Financially Feasible</i> . Redevelopment would include razing the existing structure in favor of a new mid-rise building. The selling broker reports the property sold for its land value based upon its redevelopment potential.		

Comparable 5 Summary

- Property Information -	
Location/Address/Proximity: 1926 Capitol Avenue Sacramento, CA 1 mile southeast	
Assessor Parcel Number/s: 007-0144-006 & -007	
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor Low	
Topography & Shape: Generally level and rectangular.	
- Transaction Information -	
Site Area: 0.37 acre / 16,000 square feet	Recording Date: February 11, 2008
Floor Area Ratio (FAR): Maximum - 3.0:1.0	Transfer Document: Grant Deed - No. 20080211-1376
On-Site Improvements: Auto repair building.	Sale Price: \$1,300,000 Unit Price: \$81 per square foot of land area
Off-Site Improvements: All in place.	Grantee: Tribute Partners, LLC Grantor: Shepard, Roberts & Parell
Outstanding Bond Assessments: No significant assessments assumed.	Property Rights: Fee Simple Estate Sale Conditions: Buyer & Seller both typically motivated.
Proposed Use: Redevelop with an office building.	Financing Terms: Seller receiving all cash.
Comments:	
The property was improved with an 8,683 square foot auto repair building. Reportedly, the property was contaminated and the buyer was granted a \$100,000 credit in escrow for remediation costs. Subsequent to the sale, the improvements were demolished as part of the buyer's intent to develop the property with a 47,700 square foot mixed-use retail/office building. However, development was put on hold until redevelopment became <i>Financially Feasible</i> .	

Comparable 6 Summary	
- Property Information -	
Location/Address/Proximity: 301 Capitol Mall Sacramento, CA ½ mile west	
Assessor Parcel Number/s: 006-0141-043	
Zoning & General Plan Designations: Zoning - C-3 (Central Business District) General Plan - Central Business District	
Topography & Shape: Level and rectangular.	
- Transaction Information -	
Site Area: 2.39 acres / 104,108 square feet	Recording Date: June 29, 2005
Floor Area Ratio (FAR): Minimum - 3.0:1.0 / Maximum - 15.0:1.0	Transfer Document: Grant Deed - No. 20050629-2739
On-Site Improvements: Office building.	Sale Price: \$20,500,000 Unit Price: \$197 per square foot of land area
Off-Site Improvements: All in place.	Grantee: Anton & Ilham Saca Grantor: RMS/301 Capitol Mall
Outstanding Bond Assessments: No significant assessments assumed.	Property Rights: Fee Simple Estate Sale Conditions: Buyer & seller both typically motivated.
Proposed Use: Mixed use development	Financing Terms: Seller receiving all cash.
Comments:	
The property was improved with a 120,000 square foot office building. Subsequent to the sale, the buyer demolished the improvements for redevelopment with two 53-story mixed-use towers. Reportedly, the proposed 2,120,000 square foot project included 765 residential condominium units, a 276-room hotel, a 40,000 square foot gym plus a 10,000 square foot spa, and 1,100 parking spaces. While the general plan designation allows for a maximum FAR of 15.00:1.00, the project was approved with an FAR in excess of 20.0:1.0. The site was excavated with an extensive number of pilings driven for the foundation. While the proposed development faltered, an office development would likely have been <i>Financially Feasible</i> . The developer eventually lost the property through foreclosure.	

Comparable 7 Summary	
- Property Information -	
Location/Address/Proximity: NEC 19th & Q Streets Sacramento, CA 1 mile southeast	
Assessor Parcel Number/s: 007-0313-005, -013, -014, -015, & -016	
Zoning & General Plan Designations: Zoning - C-2 (General Commercial) General Plan - Urban Corridor Low	
Topography & Shape: Level and irregular.	
- Transaction Information -	
Site Area: 0.62 acre / 27,000 square feet	Recording Date: Not Applicable
Floor Area Ratio (FAR): Maximum - 3.0:1.0	Transfer Document: Not Applicable
On-Site Improvements: Vacant.	Asking Price: \$2,400,000
Off-Site Improvements: All in place.	Unit Price: \$89 per square foot of land area
Outstanding Bond Assessments: No significant assessments assumed.	Grantee: Not Applicable
Proposed Use: Mixed-use development.	Grantor: Cemo Midtown LLC
	Property Rights: Fee Simple Estate
	Sale Conditions: Offered for sale as of <i>Effective Date of Value</i>
	Financing Terms: Not Applicable
Comments:	
This property was originally listed for sale on December 1, 2008 and was offered for sale as of the <i>Effective Date of Value</i> . Reportedly, the property's <i>Highest & Best Use</i> is for mixed-use development. Notably, the property was previously purchased in November 2006 for \$1,900,000 based on a unit price of \$68 per square foot.	

MARKET COMPARABLES ANALYSIS

I have analyzed the comparable properties in relation to the subject and have taken the relevant factors into consideration. The most appropriate *Unit of Comparison* for the subject is *Price Per Square Foot*.

I have considered the use of an adjustment grid and have determined there isn't adequate information from which to base logical and consistent adjustments. As a result, I have considered the comparables in a *Qualitative Ranking Analysis*. The prices of the comparables are arrayed from highest to lowest, with the subject in its relative position, in the following table:

<i>Qualitative Ranking Analysis Summary - Price Per Square Foot</i> <i>It should be noted, with the exception of the subject, the prices in this table do not take into consideration downward adjustments for changes in Market Conditions.</i>			
Comparable Property	Price per Square Foot	Comparison to Subject	Comments
Comparable 6	\$197	Substantially Superior	2.39 Acres - FAR @ 15.0:1.0 - June 2005 - Superior location & larger parcel with superior development potential.
Comparable 3	\$138	Superior	0.15 Acre - FAR @ 6.0:1.0 - May 2008 - Inferior location that sold with development approvals, however, is a much smaller parcel. This property has inferior development potential.
Comparable 4	\$113	Similar	0.73 Acre - FAR @ 6.0:1.0 - April 2008 - Slightly inferior location and has inferior development potential.
Subject	\$100	Subject	0.38 Acre (net) - FAR @ 15.0:1.0 - June 2011
Comparable 7	\$89	Slightly Inferior	0.62 Acre - FAR @ 3.0:1.0 - June 2011 - Active Listing, inferior location, and has vastly inferior development potential.
Comparable 5	\$81	Inferior	0.37 Acre - FAR @ 3.0:1.0 - January 2008 - Inferior location and has vastly inferior development potential.
Comparable 1	\$58	Substantially Inferior	0.29 Acre - FAR @ 6.0:1.0 - May 2009 - Inferior location and has inferior development potential.
Comparable 2	\$54	Substantially Inferior	0.22 Acre - FAR @ 3.0:1.0 - February 2009 - Extraordinarily motivated seller, inferior location, and has vastly inferior development potential.

All of the comparables are *Fee Simple Estates* that were purchased, or are expected to be purchased, with conventional financing. As a result, no adjustments are required for differentials in *Property Rights* or *Financing Terms*.

With the exceptions of Comparables 2 and 7, the properties were negotiated (or are anticipated to be negotiated) between typically motivated buyers and sellers. Consequently, no adjustments are required to these sales for *Conditions of Sale*. On the other hand, the seller of Comparable 2 was a financial institution that was likely extraordinarily motivated to sell. Comparable 7 was offered for sale as of the *Effective Date of Value*. As a result, Comparables 2 and 7 require downward adjustment for *Conditions of Sale*.

Excepting Comparable 7, the comparables sold during periods when prices were generally higher than those prevailing as of the *Effective Date of Value*. Notably, Comparables 1 and 2 sold when prices were lower than those of when Comparables 3 through 6 sold. Consequently, Comparables 1 through 6 require downward adjustments for changes in *Market Conditions*. On the other hand, Comparable 7 was offered for sale as of the *Effective Date of Value* and does not require adjustment for this *Element of Comparison*.

Comparable 6 (\$197 per square foot) sold in June 2005. This property is a significantly superior *Location* on Capitol Mall and is a larger parcel with a much higher development potential. Given the changes in *Market Conditions* as well as its superior *Physical Characteristics*, I expect the subject's value to be substantially lower than this property's sale price.

Comparable 3 (\$138 per square foot) sold in May 2008. While this property is an inferior *Location* in relation to the subject, it needs to be adjusted down for changes in *Market Conditions*. While this property needs to be adjusted down for development approvals, it also requires an adjustment up for inferior development potential. Overall, this property is superior to the subject and it is my opinion the subject's value is lower than this property's sale price.

Comparable 4 (\$113 per square foot) sold in April 2008. This property is in a slightly inferior *Location* in the Midtown district. While the property was already improved, reportedly, the purchase price was based on its redevelopment potential. Given the size of this property being nearly twice as big as the subject, despite their differences in zoning, its development potential is only slightly less than the subject's and requires a small upward adjustment for this *Element of Comparison*. Overall, the downward adjustment for changes in *Market Conditions* is offset by the upward adjustments for inferior *Location* and *Development Potential*, resulting in this property being slightly superior to the subject

Comparable 7 (offered price of \$89 per square foot) was offered for sale as of the *Effective Date of Value* and requires a downward adjustment for *Conditions of Sale*. Notably, this property had been offered for sale for more than 2½ years prior to the *Effective Date of Value* suggesting its offered price is too high in relation to its *Market Value*. This property is an inferior *Location* and has vastly inferior development potential. Despite requiring a large downward adjustment for *Conditions*, overall, this property is slightly inferior to the subject and it is my opinion the subject's value is slightly higher than this property's asking price.

Comparable 5 (\$81 per square foot) sold in January 2008. This property is an inferior *Location* and has vastly inferior development potential. Additionally, this property requires an upward adjustment for the buyer's *Expenditures After Sale*. Despite the downward adjustment for changes in *Market Conditions*, this property is inferior to the subject and I expect the subject's value to be higher than this property's sale price.

Comparables 1 and 2 (\$58 and \$54 per square foot, respectively) sold in May and February 2009. These properties are inferior *Locations* as compared to the subject in addition to having inferior development potential. Additionally, Comparable 2 was sold by an extraordinary motivated financial seller, a financial institution. Both of these properties are substantially inferior to the subject, and, as a result it is my opinion the subject's value is substantially higher than these properties' sale prices.

The properties' prices are from \$54 to \$197 per square foot with an average of \$104. The range is \$143 with a standard deviation of \$50. Notably, *Market Conditions* had been changing from the latter half of 2008 through the *Effective Date of Value* with property values declining. Additionally, my research did not reveal any relevant sales in 2010 and 2011, which also suggests declining property values. Inasmuch as the comparables sold during periods when prevailing prices were generally higher (with the exception of Comparable 7 which was offered for sale at the time), I would expect the comparables' average sale price to be generally higher than my opinion of the subject's value. On the other hand, most of the comparables are in inferior locations, which mitigates the magnitude of, or offsets, the adjustment for *Market Conditions*. I have concluded, the subject's value is less than the prices of Comparables 6, 3, & 4 but more than those of Comparables 7, 5, 1 & 2. Therefore, it is my opinion the subject's value is equivalent to \$100 per square foot. Based on the subject's net area of ±16,403 square feet (±0.38 acre), it is my opinion the *Market Value* of the subject is \$1,640,000 after rounding.

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



October 18, 2013

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 proposals regarding the request for appraisal services in connection with the Downtown Arena Project.

The fee for this service, as submitted by your firm via proposals dated September 30, 2013, and October 14, 2013 is to be a total of \$44,000, and the completion date is estimated to be 45 to 60 days for appraisals 1-4 listed below and 60 to 75 days for appraisals 5 and 6 listed below. 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 June 20, 2011, of the fee interest in the following described real properties in order to facilitate the acquisition 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 June 20, 2011 of subject properties.
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:
- | | |
|--|--|
| <u>For City</u> | <u>For Craig Owyang Real Estate.</u> |
| Bill Sinclair | Craig Owyang, MAI |
| Ph. (916)808-1905 | Ph. (916)429-8615 |
| bsinclair@cityofsacramento.org | craig@owyang.com |
10. Copies: Provide 2 copies of each report.
11. The subject properties and required appraisals are detailed below:

Appraisal #1

APN 006-0087-054
4th Street & J Street

Appraisal #2

APN 006-0135-030
SWC 3rd Street and Capitol Mall

Appraisal #3

APN's 006-0098-003; -004; -006; -007; -008; -022; & -024
SEC 8th Street and K Street

Appraisal #4

APN's 006-0098-014 & -021
NEC 8th Street and L Street

Appraisal #5

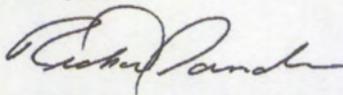
APN's 006-0134-038 & -039
NWC 3rd Street and Capitol Mall

Appraisal #6

APN's 006-0096-002 thru -010; -018; & -019
700 block of K Street

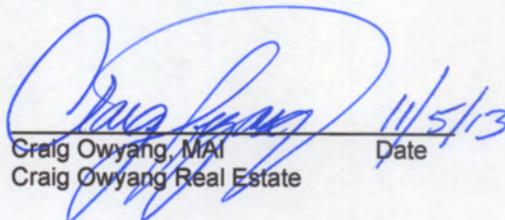
Please sign and return this engagement letter to accept the appraisal assignment.

Thank you,



Richard Sanders
Real Property Agent
City of Sacramento
Facilities & Real Property Management

10/18/2013
Date



11/5/13
Date

Craig Owyang, MAI
Craig Owyang Real Estate



Fidelity National Title Company

PRELIMINARY REPORT

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

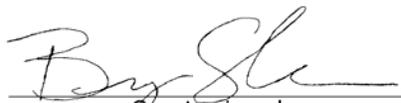
The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable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

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

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

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

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


Countersigned



Fidelity National Title Company

BY  President

ATTEST  Secretary



Fidelity National Title Company

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

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

PRELIMINARY REPORT

Amended

Title Officer: Craig Donner
Escrow Officer: Paul Avila
Escrow No.: 13-**5014932**-PA

Title No.: 13-**5014932**-A-CD
Locate No.: CAFNT0934-0934-0010-0005014932

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

ATTN: Bill Sinclair

PROPERTY ADDRESS: 408 J Street, Sacramento, California

EFFECTIVE DATE: September 27, 2013, 07:30 A.M.

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

CLTA Standard Coverage Policy - 1990

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

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

The City of Sacramento, successor agency to the Redevelopment Agency of the City of Sacramento

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

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

CS\CS 10/18/2013

LEGAL DESCRIPTION

EXHIBIT "A"

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

ALL THAT PORTION OF LOTS 1, 2 & 3, IN THE BLOCK BOUNDED BY J, K, 4TH AND 5TH STREETS OF THE CITY OF SACRAMENTO, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF SAID LOT 1; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHEASTERLY LINES OF LOT 1, 2 & 3, RESPECTIVELY, SOUTH 71°24'54" EAST 211.31 FEET; THENCE SOUTH 18°28'47" WEST 109.85 FEET; THENCE NORTH 71°24'54" WEST 211.29 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 1; THENCE ALONG SAID NORTHWESTERLY LINE NORTH 18°28'07" EAST 109.86 FEET TO THE POINT OF BEGINNING.

ALSO DESCRIBED AS PARCEL NO. 1 ON THAT CERTAIN CERTIFICATE OF COMPLIANCE RECORDED NOVEMBER 7, 1990, IN BOOK 90-11-07 PAGE 1108, OFFICIAL RECORDS.

APN: 006-0087-054-0000

APN: 54-060-24

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

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2013-2014.
2. **The lien of supplemental taxes**, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.
3. 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.

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: 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

5. **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.

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

A) Amendment recorded May 26, 1967, in Book 670526, Page 685, Official Records.

B) Amendment recorded June 2, 1971, in Book 710602, Page 461 and Recorded July 15, 1971, in Book 710715, Page 259, Official Records.

C) Amendment recorded July 25, 1972, in Book 720725, Page 250, Official Records.

By Ordinance 86-065 recorded July 29, 1986, in Book 860729, Page 1731, Official Records, said redevelopment project area and plan were **amended, merged and consolidated into the "Merged Downtown Sacramento Redevelopment Project"**.

Resolution No. 86-031 - Certifying the Completion of and Making Findings on the Final Environmental Impact Report for the Amended Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project and Implementation Strategy dated June 17, 1986, executed by the Redevelopment Agency of the City of Sacramento recorded July 29, 1986, Book 860729, Page 1587, of Official Records.

Resolution No. 86-33 of the redevelopment Agency of the City of Sacramento Approving the Merged Downtown Sacramento Implementation Strategy recorded July 29, 1986 in Book 860729, Page 1598, of Official Records.

Resolution No. 86-458 - Adopting the Findings on the Final Environmental Impact Report for the Amended Redevelopment Plan for the Merged Downtown Sacramento Redevelopment Project and Implementation Strategy" dated June 17, 1986, executed by the Redevelopment Agency of the City of Sacramento recorded July 29, 1986, Book 860729, Page 1599, of Official Records.

Any additional amendments to the project area or plan, whether or not shown by the public record.

The Company reserves the right to add additional exceptions.

7. **Matters** contained in that certain document entitled "Contract for Sale of Land for Private Redevelopment" dated June 17, 1968, executed by and between the Redevelopment Agency of the City of Sacramento and Downtown Plaza Properties, a joint venture recorded June 2, 1969, Book 690602, Page 307, of Official Records.

Reference is hereby made to said document for full particulars.

An amendment thereto recorded June 2, 1969 in Book 690602, Page 557, of Official Records.

An amendment thereto recorded June 2, 1969 in Book 690602, Page 566, of Official Records.

An amendment thereto recorded March 16, 1971 in Book 710316, Page 293, of Official Records.

An amendment thereto recorded October 10, 1975 in Book 751010, Page 1106, of Official Records.

An amendment thereto recorded October 26, 1977 in Book 771026, Page 413, of Official Records.

An amendment thereto recorded November 5, 1979 in Book 791105, Page 24, of Official Records.

8. Matters contained in document entitled "Property Rehabilitation Standard For Satisfactory Rehabilitation of Properties", dated March 28, 1968, recorded January 31, 1969, in Book 690131, Page 328 of Official Records; and Amendments or Revisions thereto:

Recorded:

June 10, 1971, in Book 710610, Page 232, February 15, 1973, in Book 730215 Page 394, and August 23, 1978, in Book 780823, Page 1222, all of Official Records.

9. **Matters** contained in that certain document entitled "Easement Agreement" dated November 26, 1991, executed by and between the Redevelopment Agency of the City of Sacramento and DPA, L.P. recorded November 26, 1991, Book 911126, Page 1073, of Official Records.

Reference is hereby made to said document for full particulars.

10. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to:	DPA, L.P., a California limited partnership
Purpose:	Construction, repair, maintenance and continual presence of an overhang
Recorded:	November 26, 1991, Book 911126, Page 1073, of Official Records
Affects:	A 10 foot strip in the southerly portion as described therein.

11. **Matters** contained in that certain document entitled "Grant of Revocable Easement and Temporary Construction License" dated June 17, 1968, executed by and between the Redevelopment Agency of the City of Sacramento recorded February 2, 2005, Book 20050202, Page 1704, of Official Records.

Reference is hereby made to said document for full particulars.

- 12.** Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: The City of Sacramento
 Purpose: The temporary placement and maintenance of an historical marker commemorating a Pony Express related event.
 Recording Date: February 2, 2005
 Recording No.: Book 20050202, Page 1704 of Official Records
 Affects: The Westerly one foot of the Northerly three feet.

END OF ITEMS

- Note 1.** 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 2.** Wiring instructions for Fidelity National Title Company, Sacramento, CA, are as follows:

Receiving Bank: Citibank (West), F.S.B.
 1116 Alhambra Blvd.
 Sacramento, CA 95816
 ABA Routing No.: 321171184
 Credit Account Name: Fidelity National Title Company - Sacramento Commercial & Industrial
 8950 Cal Center Drive, Bldg. 3, Suite 100, Sacramento, CA 95826
 Credit Account No.: 202125712
 Escrow No.: 13-**5014932**-PA

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

- Note 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 requirements 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 land

This 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 \$ <u>2,500.00</u> (whichever is less)	\$ <u>10,000.00</u>
Covered Risk 15:	1.00% of Policy Amount or \$ <u>5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 16:	1.00% of Policy Amount or \$ <u>5,000.00</u> (whichever is less)	\$ <u>25,000.00</u>
Covered Risk 18:	1.00% of Policy Amount or \$ <u>2,500.00</u> (whichever is less)	\$ <u>5,000.00</u>

**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.

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End of Appraisal Report