

**A Narrative Appraisal Presented in
A Summary Format of**

Buena Vista Mobile Home Park
3980 El Camino Real
Palo Alto, CA 94306

Valuation As of

February 10, 2013

Date of Report

April 18, 2013

Prepared For

Mr. Joe Jisser

Prepared By

SMITH & ASSOCIATES, INC.

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April 18, 2013

Mr. Joe Jisser
Buena Vista Mobile Home Park
3980 El Camino Real
Palo Alto, CA 94306

Dear Mr. Jisser:

RE: Narrative, Summary Appraisal
Buena Vista Mobile Home Park
3980 El Camino Real
Palo Alto, CA 94306

This appraisal assignment is presented utilizing a summary format. It is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the 2012-2013 Uniform Standards of Professional Appraisal Practice. As such, it presents a summary of the data, reasoning, and analysis that were used in the process to develop the appraiser's opinion of value.

The subject property is generally located along the southeast corner of El Camino Real and Los Robles Avenue in the City of Palo Alto. This property is currently improved with the Buena Vista Mobile Home Park located at 3980 El Camino Avenue, Palo Alto, 94306. It is currently identified by the Santa Clara County Assessor as parcels 137-11-071, 091, 101, 102 and 137-12-001. This description was predicated on the total project area encompassing portions beyond the scope of this assignment.

Currently, this property is improved with the Buena Vista Mobile Home Park. This facility includes 104 onsite spaces, as well as an older 12-unit multi-family structure and a single-family residential home. The mobile home park is currently operating at 95% occupancy according to the February 2013 rent roll. This property has been operating as this use for decades.

There is an agreement to purchase this property by The Prometheus Real Estate Group. They intend on acquiring a portion of the property, while the current owner will retain a portion of this project. According to documentation provided for review in preparation of this assignment, the total land area acquired for this project is 4.47 AC. Ultimately, this project is proposed for demolition of the existing uses for the development to a residential use. The current zoning for this property is RM-15, which allows low-density multiple-family residential development with densities ranging from eight to fifteen units per acre. This land use is proposed for 67 units under this scenario.

Also, the developer of this project is considering a zoning change for this property to RM-40. This district allows high-density multiple-family residential development with densities ranging from thirty-one to forty units per acre. This land use is proposed for 179 units under this scenario.

Mr. Joe Jisser

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The purpose of this report is to provide an opinion of value under multiple scenarios as illustrated below. This includes analysis of the leased fee estate on an "As Is" basis, whereas the fee simple estate is valued for the land components.

- ⇒ **MARKET VALUE "AS IS" – EXISTING USE AS MOBILE HOME PARK**
- ⇒ **MARKET VALUE "AS IS" – BASED ON THE HIGHEST AND BEST USE**
- ⇒ **HYPOTHETICAL LAND VALUE "AS VACANT" – BASED ON CURRENT RM-15 ZONING**
- ⇒ **HYPOTHETICAL LAND VALUE "AS VACANT" – BASED ON PROPOSED RM-40 ZONING**

The intended use of this report is for an aid in development planning. The only intended users of this report are the owner of the property, Prometheus Real Estate Group and the City of Palo Alto. This appraisal is not authorized for any other use without the prior written consent of the appraisers.

OPINION OF MARKET VALUE "AS IS"

Based on all pertinent data described herein, our opinion of the market value, "As Is", subject to the assumptions and limiting conditions, as of the effective date of valuation, February 10, 2013 is as follows:

ITEM	OPINION OF VALUE
Current Use (As Mobile Home Park)	\$14,500,000
Based on Highest and Best Use	\$28,835,000

The two value conclusions are summarized below for both the current use as an existing mobile home park, as well as based on the highest and best use. This is predicated on the underlying land value as though vacant (existing zoning) less the applicable demolition costs. The later value provides a higher value conclusion and represents the highest and best use for this property. Based on the opinion of value, developed in conjunction with the highest and best use, a reasonable marketing/exposure period of 6 months is identified.

OPINION OF HYPOTHETICAL LAND VALUE "AS VACANT"

Based on all pertinent data described herein, our opinion of the Hypothetical Land Value "As Vacant", subject to the assumptions and limiting conditions, as well as the Hypothetical Conditions, as of the effective date of valuation, February 10, 2013 is as follows.

ITEM	SITE AREA (AC)	HYPOTHETICAL MARKET VALUE "AS VACANT"
Current RM-15 Zoning	4.47 AC	\$29,225,000
Proposed RM-40 Zoning	4.47 AC	\$29,225,000

*The opinions of value identified above are presented in conjunction with the **Hypothetical Condition** that the subject site is vacant and the applicable zoning allows development of the proposed land uses under each classification as of the effective date of valuation. A reasonable marketing/exposure period of 6 months is identified under either scenario.*

Mr. Joe Jisser
Page Three

The following report contains the factual data and reasoning upon which the opinions of value are based. The assumptions and limiting conditions are a vital part of this report. In addition to conforming with the 2012-2013 Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal is also in conformance with FIRREA appraisal regulations, most notably 12CFR, part 34, section 34.44, and Appraisal Standards of the Office of the Comptroller of the Currency (as modified June 7, 1994).

Our experience with respect to the valuation of proposed residential properties is quite extensive. Furthermore, we have the appropriate education to have completed this assignment in a competent manner. This appraisal assignment was not based on condition of loan approval or a requested minimum value. Please feel free to call if there are any questions regarding this assignment.

Respectfully Submitted,

SMITH & ASSOCIATES, INC.

A blue ink signature of John E. Carrothers, consisting of a stylized 'J' and 'C'.

John E. Carrothers, MAI
Certified General Real Estate Appraiser
AG014187, Expiration 04/11/13

A blue ink signature of Dennis L. Smith, consisting of a stylized 'D' and 'S'.

Dennis L. Smith, MAI
Certified General Real Estate Appraiser
AG002792, Expiration 01/01/14

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SUBJECT PHOTOGRAPHS



Eastern Entrance



South Entrance

SUBJECT PHOTOGRAPHS



Interior View



Interior View

SUBJECT PHOTOGRAPHS



Typical View Looking Northwest on El Camino Real



Typical View Looking Northwest on El Camino Real

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

- ⇒ The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
- ⇒ Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
- ⇒ The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made therefore.
- ⇒ Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
- ⇒ The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
- ⇒ Information, estimates and opinions furnished to the Appraiser, and contained in this report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
- ⇒ Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.
- ⇒ Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower, if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public relations, news, sales, or other media, without the written consent and approval of the Appraiser. Any party who uses or relies upon any information, without the preparer's written consent does so at their own risk.
- ⇒ On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
- ⇒ Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
- ⇒ The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

EXTRAORDINARY ASSUMPTIONS

The opinions of value presented in this report are in conjunction with the following extraordinary assumptions.

- ⇒ The land area for this project was based on exhibits prepared by Civil Engineering Associates. The opinions of value identified in this report are prepared in conjunction with the Extraordinary Assumption that this land area is true and correct.
- ⇒ This assignment includes valuation of the real estate only including land and the improvements affixed to the property.
- ⇒ It was identified that the subject property is currently under contract to the Prometheus R&E Group. A copy of this contract was not provided for review in preparation of this assignment.

HYPOTHETICAL CONDITIONS

The opinions of value presented in this report are in conjunction with the following hypothetical conditions.

- ⇒ The opinion of market value “As Vacant” for the underlying land as vacant is predicated on the hypothetical condition that the applicable zoning allows the proposed land uses under each classification as of the effective date of valuation.

CERTIFICATION

The Appraiser certifies and agrees that:

- ⇒ I have no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property. The appraisal was not based on a required minimum valuation, specific valuation, or the approval of a loan.
- ⇒ I have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Opinions of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
- ⇒ I have personally inspected the property and have made an exterior inspection of all comparable sales listed in the report. To the best of my knowledge and belief, all statements and information in this report are true and correct, and I have not knowingly withheld any significant information.
- ⇒ All assumptions and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analysis, opinions, and conclusions contained in the report).
- ⇒ This appraisal report was completed in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. As of the effective date of this report, I have met the Standards and Ethics Education requirement of the Appraisal Institute for Designated Members.
- ⇒ The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the effective date of this report, I have met the continuing education requirements for Designated Members of the Appraisal Institute.
- ⇒ My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Office of the Controller of the Currency's (OCC) Minimum Appraisal Standards.
- ⇒ All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report. No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
- ⇒ My educational background, appraisal experience and knowledge are sufficient to appraise the type of property being valued in this report, and that no other appraiser has provided significant professional assistance in the completion of this report unless otherwise noted.
- ⇒ I have made an independent value judgment of the subject property. I was responsible for the collection and analysis of data in this document to produce the opinions of value presented in this report.
- ⇒ I have no current, or potential, conflict of interest involving, but not limited to; existing/former relationships/affiliations of any kind with listing/selling brokers, leasing agents, major tenants, past present or contemplated litigation or other situations/facts that might create an appearance contrary to an absolutely independent report and opinion of value.
- ⇒ I possess the knowledge and required ability to appraise the subject property. It is within Smith & Associates, Inc. defined general service area and the appraiser has the required resources to appraise the subject property. Over the years, I have appraised numerous proposed residential properties throughout northern and central California, and in Northern Nevada.
- ⇒ I have not performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



John E. Carrothers, MAI
Certified General Real Estate Appraiser
AG014187, Expiration: 04/11/13

April 18, 2013

Date

CERTIFICATION

The Appraiser certifies and agrees that:

- ⇒ I have no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property. The appraisal was not based on a required minimum valuation, specific valuation, or the approval of a loan.
- ⇒ I have no personal interest in or bias with respect to the subject matter of the appraisal report or the participants to the sale. The "Opinions of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
- ⇒ I have not personally inspected the subject property. To the best of my knowledge and belief, all statements and information in this report are true and correct, and I have not knowingly withheld any significant information.
- ⇒ All assumptions and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analysis, opinions, and conclusions contained in the report).
- ⇒ This appraisal report was completed in accordance with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. As of the effective date of this report, I have met the Standards and Ethics Education requirement of the Appraisal Institute for Designated Members.
- ⇒ The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. As of the effective date of this report, I have met the continuing education requirements for Designated Members of the Appraisal Institute.
- ⇒ My analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Office of the Controller of the Currency's (OCC) Minimum Appraisal Standards.
- ⇒ All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report. No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.
- ⇒ My educational background, appraisal experience and knowledge are sufficient to appraise the type of property being valued in this report, and that no other appraiser has provided significant professional assistance in the completion of this report unless otherwise noted.
- ⇒ I have made an independent value judgment of the subject property. I was responsible for the collection and analysis of data in this document to produce the opinions of value presented in this report.
- ⇒ I have no current, or potential, conflict of interest involving, but not limited to; existing/former relationships/affiliations of any kind with listing/selling brokers, leasing agents, major tenants, past present or contemplated litigation or other situations/facts that might create an appearance contrary to an absolutely independent report and opinion of value.
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- ⇒ I have not performed services as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Dennis L. Smith, MAI
Certified General Real Estate Appraiser
AG002792, Expiration 02/01/14

April 18, 2013

Date

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Project Name:	3980 El Camino Real – The Buena Vista Mobile Home Park, proposed for 4.47 AC of residential land uses.
Property Location:	The subject property is generally located along the southeast corner of El Camino Real and Los Robles Avenue in the City of Palo Alto. This property is currently improved with the Buena Vista Mobile Home Park located at 3980 El Camino Avenue, Palo Alto, 94306. This property is located Census Tract 5106.
APN/Legal Description:	<p>This property is currently identified by the Santa Clara County Assessor's Office as parcels 137-11-071, 091, 101, 102 and 137-12-001. This description was predicated on the total project area encompassing portions beyond the scope of this assignment. The legal description for this property on an "As Is" basis is identified in the preliminary title report prepared by First American Title Company, dated May 8, 2012. This description is lengthy and a copy of this document is included in the addenda of this report.</p> <p>This project encompasses a total area of 4.47 acres and represents a portion of the parcels depicted above. This land area was based on exhibits provided by the developer as prepared by Civil Engineering Associates.</p>
Site Description:	<p>This property is currently being utilized in conjunction with a mobile home park identified as the Buena Vista Mobile Home Park. This facility includes 104 onsite spaces, as well as an older 12-unit multi-family structure and a single-family residential home. The mobile home park is currently operating at 95% occupancy according to the February 2013 rent roll. This property has been operating as this use for decades. There is an agreement to purchase this property by The Prometheus Real Estate Group. They intend on acquiring a portion of the property, while the current owner will retain a portion of this project. According to documentation provided for review in preparation of this assignment, the total land area acquired for this project is 4.47 AC. Ultimately, this project is proposed for demolition of the existing uses for the development to a residential use. The current zoning for this property is RM-15, which allows low-density multiple-family residential development with densities ranging from eight to fifteen units per acre. Also, the developer of this project is considering a zoning change for this property to RM-40. This district allows high-density multiple-family residential development with densities ranging from thirty-one to forty units per acre.</p>
Flood Zone:	According to the Federal Emergency Management Agency Flood Insurance Rate Map (FIRM), Community-Panel Number 060348-0017, with an effective date of May 18, 2009, the subject is located in Zone X, Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood. Flood insurance is not required.

Summary of Salient Facts and Opinions of Value (Continued)

Unusual Seismic Hazards: Special Publication 42 (Interim Revision 2007), Fault Rupture Hazard Zones in California, prepared by the California Department of Conservation, California Geological Survey, describes active faults and fault zones pursuant to the Alquist-Priolo Earthquake Fault Zoning Act. According to Special Publication 42, the subject property is not within an Alquist-Priolo special study zone.

Highest and Best Use: The highest and best use for the subject property is for demolition of the existing improvements for development to a higher residential use.

Effective Date(s) of Valuation: February 10, 2013

Date of the Appraisal: April 18, 2013

OPINION OF VALUE CONCLUSIONS

Appraisal Premise: Market Value "As Is"

Property Rights Appraised: Fee Simple Estate

Effective Date of Valuation: February 10, 2013

ITEM	OPINION OF VALUE
Current Use (As Mobile Home Park)	\$14,500,000
Based on Highest and Best Use	\$28,835,000

The two value conclusions are summarized below for both the current use as an existing mobile home park, as well as based on the highest and best use. This is predicated on the underlying land value as though vacant (existing zoning) less the applicable demolition costs. The later value provides a higher value conclusion and represents the highest and best use for this property. Based on the opinion of value, developed in conjunction with the highest and best use, a reasonable marketing/exposure period of 6 months is identified.

Premise: Hypothetical Market Value "As Vacant" – 4.47 AC

Property Rights Appraised: Fee Simple Estate

Effective Date of Valuation: February 10, 2013

ITEM	SITE AREA (AC)	HYPOTHETICAL MARKET VALUE "AS VACANT"
Current RM-15 Zoning	4.47 AC	\$29,225,000
Proposed RM-40 Zoning	4.47 AC	\$29,225,000

*The opinions of value identified above are presented in conjunction with the **Hypothetical Condition** that the subject site is vacant and the applicable zoning allows development of the proposed land uses under each classification as of the effective date of valuation. A reasonable marketing/exposure period of 6 months is identified under either scenario.*

PART 1 – INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is generally located along the southeast corner of El Camino Real and Los Robles Avenue in the City of Palo Alto. This property is currently improved with the Buena Vista Mobile Home Park located at 3980 El Camino Avenue, Palo Alto, 94306. This property is located Census Tract 5106. It is currently identified by the Santa Clara County Assessor's Office as parcels 137-11-071, 091, 101, 102 and 137-12-001. This description was predicated on the total project area encompassing portions beyond the scope of this assignment. The legal description for this property on an "As Is" basis is identified in the preliminary title report prepared by First American Title Company, dated May 8, 2012. This description is lengthy and a copy of this document is included in the addenda of this report.

This project encompasses a total area of 4.47 acres and represents a portion of the parcels depicted above. This land area was based on exhibits provided by the developer as prepared by Civil Engineering Associates.

PROPERTY RIGHTS APPRAISED

The property rights appraised for the subject property reflect the fee simple interest. This is defined in **The Appraisal of Real Estate, Thirteenth Edition**, Appraisal Institute, page 114, as follows.

"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".

DEFINITION OF MARKET VALUE

Market Value is defined by the federal financial institutions regulatory agencies as follows:

"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 knowledgeable, 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 US dollars or in terms of financial arrangements compatible 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."

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, subpart C-appraisals, 34.42 Definitions (g).)

Definitions applicable to this appraisal are as follows.

Market Value "As Is"

The estimate of market value of real property in its current physical condition, use, and zoning as of the appraisal date (Proposed Interagency Appraisal and Evaluation Guidelines). **The Dictionary of Real Estate Appraisal, Fifth Edition, The Appraisal Institute, Page 12.**

Hypothetical Conditions

That which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in the analysis". **The Dictionary of Real Estate Appraisal, Fifth Edition, The Appraisal Institute, Page 97.**

PURPOSE AND INTENDED USE/INTENDED USER OF THE APPRAISAL

The purpose of this report is to provide an opinion of value under multiple scenarios as illustrated below. This includes analysis of the leased fee estate on an "As Is" basis, whereas the fee simple estate is valued for the land components.

- ⇒ **MARKET VALUE "AS IS" – EXISTING USE AS MOBILE HOME PARK**
- ⇒ **MARKET VALUE "AS IS" – BASED ON THE HIGHEST AND BEST USE**
- ⇒ **HYPOTHETICAL LAND VALUE "AS VACANT" – BASED ON CURRENT RM-15 ZONING**
- ⇒ **HYPOTHETICAL LAND VALUE "AS VACANT" – BASED ON PROPOSED RM-40 ZONING**

The intended use of this report is for an aid in development planning. The only intended users of this report are the current owner, Prometheus Real Estate Group and the City of Palo Alto. This appraisal is not authorized for any other use without the prior written consent of the appraisers.

EFFECTIVE DATE OF VALUATION

As Is	February 10, 2013
Date of Report	April 18, 2013

SCOPE OF THE APPRAISAL

This report is a summary appraisal report prepared in compliance with the 2012-2013 Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Foundation, FIRREA appraisal regulations, most notably 12CFR, part 34, section 34.44, and Appraisal Standards of the Office of the Comptroller of the Currency (as modified June 7, 1994). The specific steps in the valuation process include the following:

- ⇒ Review of all documentation provided to determine the purpose, intended use and intended user of the report/appraisal.
- ⇒ Identify the appraisal problem and appropriate approaches to value necessary to provide credible results.
- ⇒ A physical inspection of the subject property on February 10, 2013. An exterior inspection was performed for the subject property given the condition of the property.
- ⇒ Research of neighborhood, city and county factors that might impact the subject property and its value, appeal and marketability.
- ⇒ Review and analyze all pertinent data to determine the subject's Highest and Best Use. Select, review, and drive-by of all sales comparables and competing projects.
- ⇒ Complete the sales comparison approach and the income approach (DCF Analysis) to derive an opinion of value for this property on an "As Vacant" basis for the underlying land. The sales comparison approach and the income approach were utilized in the analysis of the current use as a mobile home park.

OWNERSHIP AND HISTORY OF THE PROPERTY

Title to the subject property is currently vested to Toufic Jisser, as Trustee of the Toufic and Eva Jisser Revocable Trust, dated October 16, 2000. Based on review of Santa Clara County public records, there have been no transfers of ownership of the subject property in the past three years. In addition, Prometheus R&E Group has an option to purchase which was recorded in September 2012. The purchase price was not disclosed in preparation of this assignment.

EXPOSURE/MARKETING TIME

An important concept in the definition of market value includes references to exposure time. The definition of exposure time as defined in the **2012-2013 Uniform Standards of Professional Appraisal Practice**, is as follows.

“Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.”

Exposure time is always presumed to occur prior to the effective date of the appraisal. It is substantiated by related facts in the appraisal process including supply/demand conditions as of the effective date of the appraisal; the use of current cost information, the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy projected from the date of the appraisal. In the context of this assignment, the exposure period is discussed and concluded after the reconciliation of value.

The definition of marketing time as defined in the **2012-2013 Uniform Standards of Professional Appraisal Practice**, is as follows.

“An opinion of the amount of time it might take to sell a real property interest at the concluded market value level during the period immediately after the effective date of an appraisal.”

Marketing time is always after the effective date of valuation. In the context of this assignment, the marketing period is discussed and concluded after the reconciliation of value.

PART 2 – FACTUAL DESCRIPTIONS

REGIONAL ANALYSIS – BAY AREA

The subject property is located within Santa Clara County that is located in the northern portion of the State of California, and in the southern section of the San Francisco Bay Area. This county, as well as eight other surrounding counties comprises the San Francisco Bay Area. The other counties are Alameda, Contra Costa, San Francisco, San Mateo, Marin, Napa, Sonoma, and Solano Counties.

Population

The population of the San Francisco Bay Area is estimated to be over 8.0 million residents (2020), according to the Association of Bay Area Governments (ABAG) “Projections 2009”, a forecast of the San Francisco Bay Area to the year 2035. This data source identified the total population for the Bay Area at 7,341,700 residents by 2010 in the 2009 publication. Currently, the total population as identified from the State of California for the various counties is identified as follows.

LOCATION	2010 CENSUS	2011 PROJECTIONS	2012 PROJECTIONS	% CHANGE (2011-2012)
Alameda County	1,509,240	1,517,756	1,532,137	0.7%
Contra Costa County	1,047,948	1,036,306	1,065,117	0.9%
Marin County	252,279	253,040	254,790	0.7%
Napa County	136,316	137,232	138,255	0.7%
San Francisco County	804,989	808,768	812,538	0.5%
San Mateo County	718,614	722,372	729,443	1.0%
Santa Clara County	1,781,427	1,794,337	1,816,486	1.2%
Solano County	413,268	413,391	413,786	0.1%
Sonoma County	482,961	485,082	487,011	0.4%
Region	7,147,042	7,168,284	7,249,563	0.8%

Source: State of California Department of Finance

The actual population identified for the region was slightly over 7.1 million residents in 2010, which increased slightly less than 1% in 2011 to slightly under 7.2 million residents. According to population estimates released on April 1, 2012, the total population increased approximately 0.8% over the past year to the current estimate of 7,249,563 residents. The subject property is located in Santa Clara County which is approaching 2.0 million residents.

Job Growth

According to ABAG, Projections 2009 there were 3,753,460 total jobs in the San Francisco Bay Area as of 2000. Most recent estimates compiled by ABAG show 3,475,840 total jobs for 2010 reflecting a net loss for the decade. This is likely due to the significant job losses at the end of the decade in the last recession. The Bay Area's economy is expected to generate a demand for about 564,850 new jobs over the next ten years according to these projections. Recently, the employment picture has turned positive with job recovery and positive forecasts after a recessionary environment toward the end of the past decade. There is job formation in the various jurisdictions and the following table identifies the current labor force and unemployment in the Bay Area Counties through December 2012, according to data from the State of California.

LOCATION	DEC-2012 LABOR FORCE	DEC-2012 EMPLOYMENT	DEC-2012 UE RATE	2011 EMPLOYMENT	% CHANGE (2011-2012)
Alameda County	776,200	712,300	8.2%	682,000	4.4%
Contra Costa County	534,200	490,500	8.2%	469,600	4.4%
Marin County	140,600	132,800	5.5%	125,400	5.9%
Napa County	74,700	68,800	7.9%	69,600	-1.1%
San Francisco County	478,700	447,800	6.5%	422,700	5.9%
San Mateo County	394,800	371,000	6.0%	350,200	5.9%
Santa Clara County	926,300	857,200	7.5%	809,300	5.9%
Solano County	219,700	199,200	9.3%	190,800	4.4%
Sonoma County	261,700	241,600	7.7%	232,100	4.1%
REGION	3,806,900	3,521,200	7.5%	3,351,700	5.1%

Total employment in the Bay Area is on the rise. Data from the annual average employment for 2011 shows an increase of 5.1% or approximately 169,500 jobs through the end of 2012. Granted, total employment is still below levels attained toward the mid point of the past decade, but nonetheless is improving and driving the local economies, especially in the South Bay.

Housing Elements

The Bay Area housing market experienced strong growth over the first part of the past decade, but the last four years saw significant reductions in demand and deterioration of pricing. The perfect storm of unsustainable lending practices along with price escalation that became increasingly divorced from income levels has created a bruising period for new home builders and related industries over this time frame. Much of the reduction in building was caused by excess supply of existing homes due to foreclosures. The total foreclosures in the region have slowed in the past two years as market conditions for residential homes is gaining momentum. Market forces started recover in the later half of 2011 and 2012 was positive for residential construction in 2012.

The number of California homeowners pushed into the foreclosure process fell last quarter to the lowest level in six years, the result of rising home values, an improving economy and a shift toward short sales, according to Data Quick. During fourth-quarter 2012 lenders recorded a total of 38,212 Notices of Default (NoDs) on California houses and condos. That was down 22.1 percent from 49,026 during the prior three months, and down 37.9 percent from 61,517 in fourth-quarter 2011. Last quarter's number was the lowest since 37,994 NoDs were recorded in fourth-quarter 2006. New foreclosure filings (NoDs) peaked in first-quarter 2009 at 135,431. The following table summarizes the total number of "Notices of Default" identified in the Bay Area Region according to DataQuick.

COUNTY	2008	2009	2010	2011	2012
San Francisco	1,493	2,230	1,885	1,749	1,128
Alameda	12,851	15,378	10,883	9,174	6,398
Contra Costa	17,002	18,391	12,622	10,750	7,629
Santa Clara	11,740	15,040	9,538	8,069	5,073
San Mateo	3,425	4,681	3,546	3,181	2,077
Marin	1,050	1,459	1,198	1,143	819
Solano	7,870	8,561	6,153	5,137	3,897
Sonoma	4,598	4,771	3,696	3,313	2,427
Napa	1,069	1,316	915	866	598
Bay Area	63,106	73,836	52,446	43,382	32,058
California	404,487	456,250	304,165	257,668	198,111
% of Total	15.1%	15.7%	16.6%	16.8%	16.2%

Source: Dataquick: www.dqnews.com

The total Notices of Default were over 43,000 units in the Bay Area in 2011, or approximately 16.8% of all units in California. This level has dropped in 2012 to 16.2% as total foreclosures are down by approximately 11,000 units.

While there appear to be reductions in the total number of units with Notices of Default, inventory levels are likely influenced by these homes which have to be reabsorbed back into the market. Further reductions are noted in the fourth quarter of 2012 as this level dropped to 5,399 units, an overall reduction of 46.1% from the fourth quarter of 2011.

This element is beginning to take shape in the resale market, especially with positive trends noted over the past 12 months. According to DataQuick (December 2012), the pace at which the Bay Area housing market is making up for lost ground quickened at the end of 2012 as sales increased year-over-year for the 18th month in a row and the median price rose at its fastest rate in more than 25 years. The market remained constrained by a tight supply of homes for sale, according to DataQuick.

The median price paid for a home in the nine-county Bay Area was \$442,750 in December. That was up 1.1 percent from \$438,000 in November and up 32.0 percent from \$335,500 in December a year ago. Last month's median was the highest since August 2008 when it was \$447,000. The 32.0 percent year-over-year increase in the median is the highest in DataQuick's statistics, which go back to 1988. At least half that increase is due to a change in market mix, with sales shifting away from low-cost distress homes toward more mid-market and move-up homes.

The median reached a high of \$665,000 in June/July 2007 and then fell to a low of \$290,000 in March 2009. On a year-over-year basis it dropped more than 30 percent each month from August 2008 through May 2009. At the median's current rate of increase, sometime this spring it will have recovered about half of its loss since its summer 2007 peak. "Prices are in the midst of bouncing off bottom right now, and nobody really knows what the trajectory of this bounce will be beyond this point. So far, supply has been a bottleneck, but as prices go up, more homes will be put up for sale," said John Walsh, DataQuick president. "Another bottleneck these days is that mortgage lenders are swamped. Not only by home buyers, but by homeowners who want to refinance. Rising home prices also mean higher appraisals, and tens of thousands of homeowners who couldn't refinance half a year ago, now can," Walsh said.

The number of new and resale houses and condos sold last month in the Bay Area was 7,832. That was up 7.3 percent from 7,296 in November, and up 4.5 percent from 7,494 for December 2011. The following table depicts sales and pricing trends according to Dataquick (December 2012) for the Bay Area.

	SALES VOLUME			MEDIAN PRICE		
All Homes	Dec-11	Dec-12	% Change	Dec-11	Dec-12	% Change
Alameda	1,584	1,623	2.5%	\$328,000	\$410,000	25.0%
Contra Costa	1,534	1,530	-0.3%	\$259,000	\$333,500	28.8%
Marin	280	291	3.9%	\$517,818	\$660,750	27.6%
Napa	132	129	-2.3%	\$317,500	\$350,000	10.2%
Santa Clara	1,611	1,822	13.1%	\$440,000	\$544,500	23.8%
San Francisco	499	646	29.5%	\$594,500	\$720,000	21.1%
San Mateo	602	626	4.0%	\$500,000	\$600,000	20.0%
Solano	714	610	-14.6%	\$182,250	\$218,000	19.6%
Sonoma	538	555	3.2%	\$279,500	\$345,000	23.4%
Bay Area	7,494	7,832	4.5%	\$335,500	\$442,750	32.0%

The overall demand for new homes is escalating improving in the Bay Area. The average price of a new home ranges from \$355,248 (Solano County) to \$811,959 (Napa County) in the Bay Area by the end of 2012. According to the Gregory Group (New Housing Trends), 4th Quarter 2012, the historic pricing for the Bay Area Counties are identified on the following table. This pricing is for attached and detached housing.

COUNTY	4Q 2009	4Q 2010	4Q 2011	4Q 2012	%Δ 09-12	%Δ 11-12
Alameda	\$559,354	\$593,499	\$559,259	\$614,353	9.8%	9.8%
Contra Costa	\$651,578	\$589,847	\$544,051	\$640,837	-1.6%	15.6%
Napa	\$621,534	\$660,662	\$747,009	\$811,959	30.6%	8.7%
Solano County	\$460,799	\$382,669	\$384,747	\$355,248	-22.8%	-7.6%
Sonoma County	\$693,223	N/A	N/A	\$417,386	-39.9%	N/A
Santa Clara County	\$649,673	\$564,490	\$667,583	\$677,344	4.3%	1.5%
San Mateo County	\$871,666	\$908,848	\$792,912	\$801,270	-8.1%	1.1%

Pricing changes from 2009 to 2012, as well as over the past 12 months are identified on the table above. This information shows a mix in pricing since 2009. Alameda, Napa, and Santa Clara Counties show improvement since this time, with declines in the remaining counties. Pricing is trending upward in most Bay Area regions with the exception of Solano County in the past year. Annualized sales are trending upward, most notably in 2012, when 4,407 total sales were registered. The following table shows historic trends in the overall sales for the Bay Area counties since 2009 based on information derived from the Gregory Group. This includes a mix of detached and attached new housing units.

COUNTY	2009	2010	2011	2012
Alameda	1,092	714	928	1,502
Contra Costa	1,276	687	596	1,094
Napa	117	130	38	84
Solano County	529	327	246	428
Sonoma County	85	6	0	151
Santa Clara County	1,525	587	660	1,112
San Mateo County	370	51	32	36
TOTALS	4,994	2,502	2,500	4,407

The total sales in the region were slightly improved from 2010 to 2011. Both years are below 2009 when 4,624 sales were registered. In 2012, total sales were 4,407 units, approximately 76% higher than the past two years. The new home market is starting to gain momentum. While well below peak levels, it is gaining velocity especially as compared to the past two years.

Income Levels

Income levels for the San Francisco Bay Area are higher than most regions of California. Median Income levels identified for the various regions are illustrated as follows from 2009-2012 as derived from the US Department of Housing and Urban Development are displayed below.

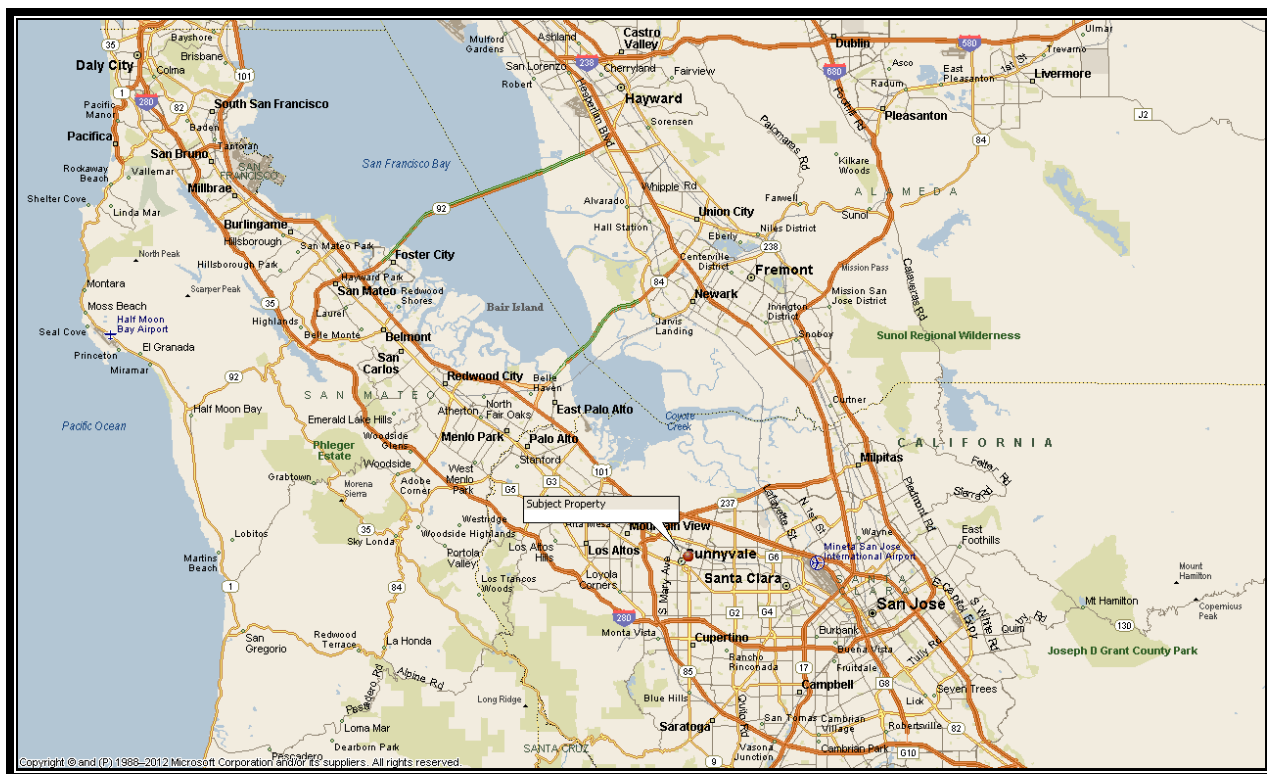
AREA	2009	2010	2011	2012
San Jose MSA (Santa Clara County)	\$102,500	\$103,500	\$103,600	\$105,000
San Francisco MSA (Marin, San Francisco, San Mateo)	\$96,800	\$99,400	\$101,600	\$103,000
Oakland MSA (Alameda, Contra Costa County)	\$89,300	\$90,300	\$92,300	\$93,500
Vallejo-Fairfield-Napa MSA (Solano, Napa County)	\$81,800	\$81,800	\$85,000	\$86,100
Santa Rosa PMSA (Sonoma County)	\$80,200	\$80,400	\$81,500	\$82,600
CALIFORNIA	\$70,400	\$71,000	\$70,400	\$71,400

As of 2012, the San Jose MSA shows a median income level at \$105,000 which is the highest level in the entire region. Income levels have improved 2.4 percent since 2009 and 1.3 percent over the past year as reported from the US Department of Housing and Urban Development.

Conclusion

The San Francisco Bay Area is expected to increase in population and household growth through the next twenty five years, which will ultimately increase demand for housing. This area has some of the highest wages in California, but qualifying for home ownership is still very difficult, especially for the first time buyer. Recently employment growth has shifted back into positive territory, lowering levels of unemployment in the region. This is having positive impacts on the housing market showing increasing levels of pricing. With inventory levels at low levels for existing homes, new home demand is starting to capture demand, most noted by the improvement in sales in the past year, almost doubling the totals in 2011. Continued improvement in the local economy is having positive impacts on the housing market, likely to continue over time.

REGIONAL MAP



AREA DESCRIPTION

City of Palo Alto

The subject property lies in the City of Palo Alto in Santa Clara County. It is situated in the heart of the Silicon Valley and borders San Mateo County. The City encompasses an area of approximately 26 square miles and is approximately 35 miles south of San Francisco and 14 miles north of San Jose. The City's boundaries extended from San Francisco Bay on the east to the Skyline Ridge of the coastal mountains on the west, with Menlo Park to the north and Mountain View to the south. Approximately one-third of the 26 square miles is open space. The overall proximity to Stanford University with its cultural and educational offerings add to the desirability of Palo Alto.

Transportation

Santa Clara County's main source of transportation is the automobile. As a result, its freeway and expressway system is very important. Palo Alto is strategically located and easily accessible to major surface routes, including Interstate 280, Highway 101, Highway 84 – the Dumbarton Bridge and Highway 92 – the Hayward-San Mateo Bridge. Air transportation is easily accessible by bus, automobile or shuttle service to San Francisco, San Jose and Oakland International Airports. Within the City, commuter rail transportation is conveniently located and the Palo Alto stop is one of the most used in the CalTrain system. Alternative transportation options include numerous bike paths throughout the City and an internal shuttle service is also available. All local transportation improvements have been made in an effort to lighten auto traffic, but they only have had moderate success.

Population

Santa Clara County is the most populous region in the Bay Area. The following chart illustrates the historic population for Santa Clara County, as well as for each individual city.

CITY	2011	2012	% CHANGE (2011-2012)
Campbell	39,664	39,882	0.5%
Cupertino	58,747	59,022	0.5%
Gilroy	49,391	50,158	1.6%
Los Altos	29,176	29,460	1.0%
Los Altos Hills	7,980	8,027	0.6%
Los Gatos	29,651	29,854	0.7%
Milpitas	67,476	66,966	-0.8%
Monte Sereno	3,364	3,373	0.3%
Morgan Hill	38,309	39,127	2.1%
Mt. View	74,723	75,275	0.7%
Palo Alto	64,943	65,544	0.9%
San Jose	958,789	971,372	1.3%
Santa Clara	118,169	118,813	0.5%
Saratoga	30,195	30,363	0.6%
Sunnyvale	141,099	142,896	1.3%
Unincorporated	85,699	86,354	0.8%
Santa Clara County	1,797,375	1,816,486	1.1%

Source: State of California Department of Finance

The actual population identified for Santa Clara County was identified at approximately 1.82 million residents as of 2012, which grew slightly more than 1% over the past year. The subject is located in the City of Palo Alto which experienced minor growth over the past year at 0.9%.

Employment Trends

Employment within San Jose area is a diverse mix of biotech, retail, executive office, research and development and professional services. It is generally an employment center in the Silicon Valley. This is most noted by the

current industry employment for various incorporated cities in Santa Clara County as depicted on the following table and derived from the California Employment Development Department (December 2012).

SANTA CLARA COUNTY – CITY UNEMPLOYMENT RATE				
City	Labor Force	Employment	Unemployment	Unemployment %
Campbell	23,800	22,300	1,500	6.4%
Cupertino	25,700	24,500	1,200	4.8%
Los Altos	13,500	13,000	500	3.8%
Los Gatos	16,300	15,500	800	4.9%
Milpitas	33,500	30,900	2,600	7.7%
Mountain View	44,500	42,000	2,400	5.5%
Palo Alto	33,400	32,100	1,300	4.0%
San Jose	485,300	444,900	40,400	8.3%
Santa Clara	59,800	55,700	4,100	6.8%
Saratoga	14,200	13,700	500	3.7%
Sunnyvale	79,500	74,400	5,100	6.4%
Santa Clara County	926,300	857,200	69,100	7.5%

San Jose is the largest employment center in Santa Clara County. The overall unemployment rate in Santa Clara County is currently identified at 7.5%. Current unemployment in Palo Alto is currently 4.0% and jobs have been tracking in a positive direction since 2011. This city represents approximately 4.0% of the workforce of Santa Clara County. By way of comparison, the total population reflects 3.6% of the total population of Santa Clara County.

Housing Characteristics

Palo Alto has historically been development with high density housing. According to the State of California, Department of Finance, Palo Alto currently includes 28,380 housing units (As of 1-1-2012), allocated as follows.

HOUSING UNITS	TOTALS	% OF TOTAL
Single Detached	16,368	57.7%
Single Attached	1,228	4.3%
2 to 4 Units	1,842	6.5%
5+ Units	8,843	31.2%
Mobile Homes	99	0.3%
TOTALS	28,380	100.0%
Occupancy	26,646	93.9%

The majority of housing units in Palo Alto are single-family detached housing units representing 57.7% of the current housing stock. The 5+ Unit categories are second representing 31.2%. According to this data, there are 99 mobile home units in Palo Alto, or less than 1% of the total housing units. In fact, there are 19,049 mobile home units identified in all of Santa Clara County, or approximately 3.0% of the total housing stock. The majority of these units are located in San Jose with 10,959 units.

Development has been fairly constant over the past ten years, but has tailed off in recent years. The issuance of building permits for Palo Alto since 2012 according to the US Census is depicted as follows.

	PALO ALTO		
Year	Single-Family	Multi-Family	Total Units
2008	102	10	112
2009	55	0	55
2010	146	1	147
2011	82	2	84
2012	89	18	107

Source: US Census Bureau

Building in Palo Alto is at a moderate pace noted by the issuance of permits over the time frame noted above. The highest level of activity occurred in 2010 when 147 units were brought to Palo Alto. In 2011, the level of permits decreased to 84 units, while 2012 was at 107 units. With over 28,000 existing housing units, new development does not occur frequently in the region other than redevelopment of older properties.

There are minimal home developments in Palo Alto as buyers are subject to resale homes in the region. Typical pricing for resale homes in Palo Alto is identified on the following table.

TIME	# OF SALES	AVERAGE PRICE	MEDIAN PRICE	% LP
2000	682	\$1,175,627	\$900,000	110.0%
2001	472	\$1,040,130	\$813,500	97.3%
2002	652	\$1,018,130	\$825,500	99.5%
2003	680	\$975,579	\$829,500	98.2%
2004	789	\$1,155,019	\$965,000	103.6%
2005	706	\$1,328,661	\$1,160,000	104.7%
2006	662	\$1,349,226	\$1,200,000	101.8%
2007	592	\$1,644,554	\$1,400,000	103.5%
2008	460	\$1,556,859	\$1,389,000	98.6%
2009	479	\$1,375,325	\$1,250,000	97.3%
2010	574	\$1,381,335	\$1,250,000	98.3%
2011	593	\$1,494,707	\$1,288,444	100.1%
2012	628	\$1,749,607	\$1,550,000	103.8%
Active	27	\$2,862,440	\$2,490,000	N/A

Active data as of February 12, 2013

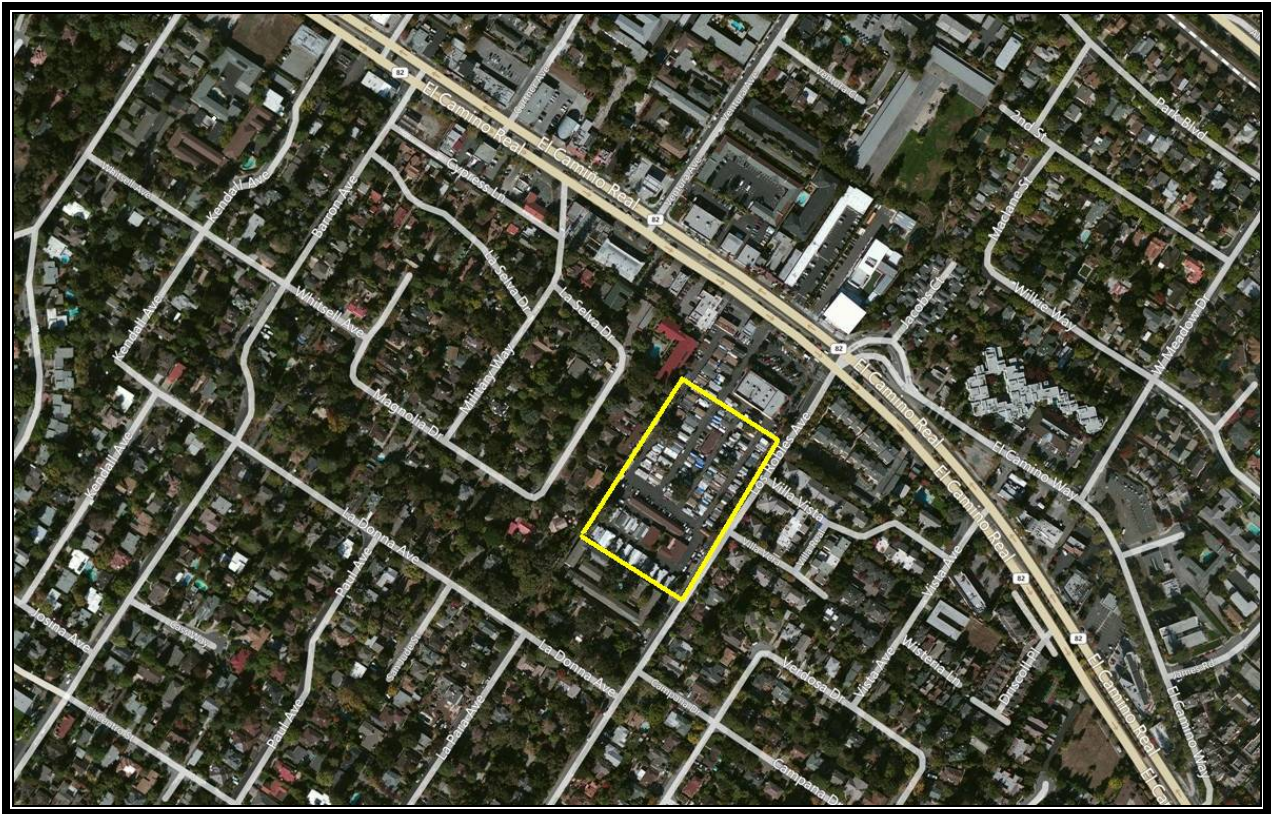
The median and average pricing characteristics in Palo Alto show significant improvement in 2012. The average pricing increased 17.1%, whereas the median price increased 20.3% as both indicators reached the highest points in the past decade. In addition, there are currently 27 homes on the market at a median price of \$2,490,000. Based on sales trends for 2012, this reflects an overall inventory of approximately 0.5 months. With low levels of inventory pricing levels are likely to show continued increases.

Similar elements are occurring in the rental market. According to Cassidy Turley Apartment Market Report (4Q 2012), as of the close of the 4th quarter of 2012, the vacancy for Santa Clara County's multi-family market stood at 4.5%. This is down from 4.7% just three months ago, though it is up from the reading of 4.0% recorded one-year ago. The current average asking rent of \$1,954 per month is slightly down slightly from the \$1,980 rate posted last quarter – reflecting the first time in over three years that this metric has not increased. However, average rents are up 9.6% over the past year and 22.9% over the past two years. The pace of rental growth is clearly starting to slow. Looking back over the past three years, rents have increased over 30%.

The Bay Area is in the midst of a construction boom. There were 5,300 new multi-family units delivered in 2012 and another 19,000 units are in the pipeline. San Francisco and Santa Clara Counties are the epicenter of this growth. Santa Clara County added 1,900 new units in the past year, with 334 of those in the 4th quarter. In Santa Clara County, vacancy is low and the region continues to deal with a housing shortage while maintaining the fastest growing local economy in the United States. The down side is that with additional projects coming online, vacancy is likely to creek upward while double-digit rent growth is coming to an end.

Immediate Area Description

The subject property is located along the southern side of El Camino Real, west of Los Robles Avenue. The 4.47 acre site proposed for this project reflects an interior site along Los Robles Avenue. It is currently improved with an existing mobile home park (Buena Vista), which represents the last mobile home park in Palo Alto. Access to this property is convenient as the property is centrally located in Palo Alto with Highway 101 approximately 2 miles to the north, whereas Interstate 280 is 3 miles to the south. The Stanford campus is 2 miles west of this property. Land uses include retail and commercial uses along El Camino Real with older detached single family residential uses south of the project. These uses are depicted on the following aerial representation of the region.

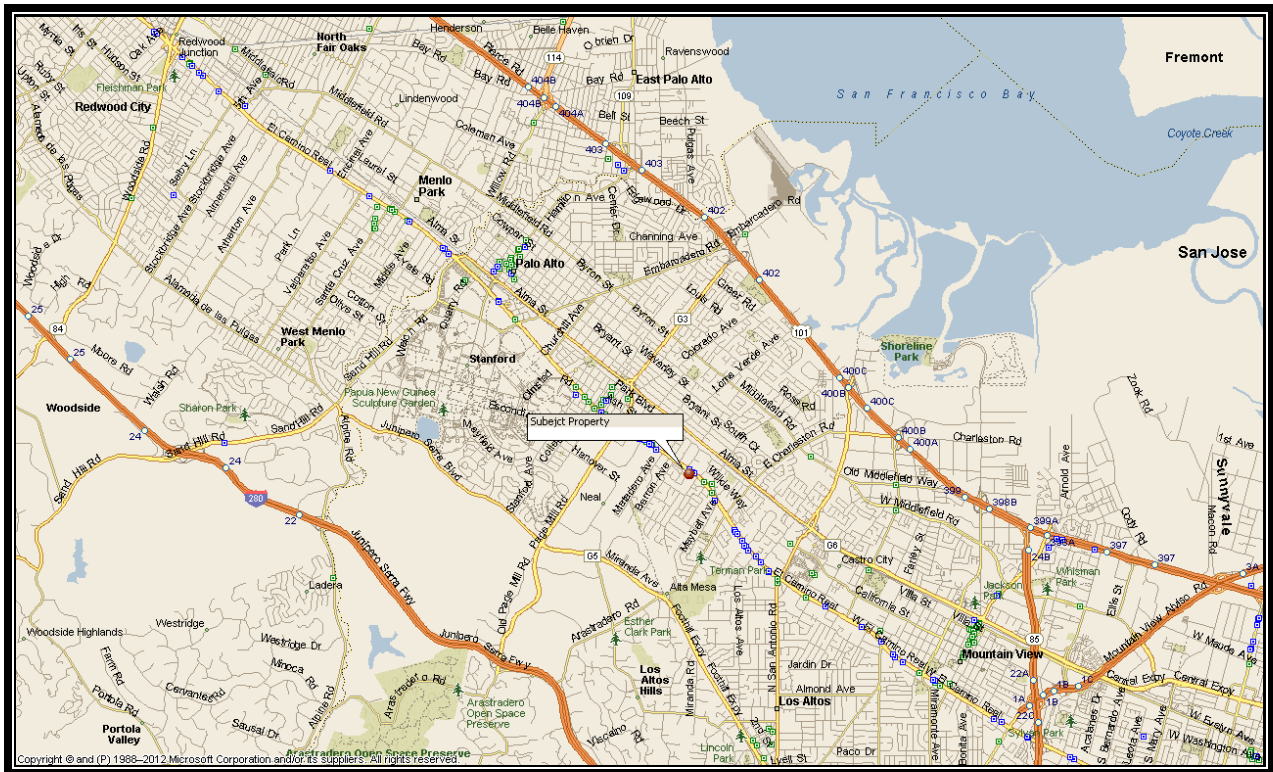


Land uses in the immediate area vary. The subject property is located in the Barron Park neighborhood of Palo Alto. Land uses east of this property include the three-story Montage Apartments and the two-story Villa de Las Plazas apartments. The western border of the property is adjacent to a 16-unit apartment building and one and two-story single-family homes. The southern boundary includes a two-story affordable housing complex owned by the Palo Alto Housing Corporation, where as the northern border is shared with an existing retail building occupied with Baja Fresh, Jamba Juice, C2 Education Center, Imperial Spa (former Blockbuster Video) and a Valero Gas Station.

On November 9, 2012, an application was submitted by the current owner of the property to close the park in accordance with the City's Mobile Home Park Conversion Ordinance Chapter 9.76 of the Palo Alto Municipal Code. By ordinance, the Park owner and the City are required to follow a set of rules for determining the potential impacts of the closure on the mobile home owners residing in the park and to determine appropriate relocation assistance for the Park Residents. Effectively, the earliest possible timing for redevelopment is over a 12-month period as the project is heard by the city and residents are given at least 6 months notice for relocation.

The overall location of this property near existing freeways, as well as public transportation is a positive attribute in the current market climate. Accompanied with the desirable market environment for residential development, the overall salability of the subject site is very positive.

AREA MAP



SITE DESCRIPTION

As of the effective date of valuation, the subject property reflects an existing 115 unit mobile home park identified as the Buena Vista Mobile Home Park. This property has been utilized in this operation for decades. As noted, this property is currently under contract to the Prometheus Real Estate Group for the development of multi-family uses. Pertinent characteristics for the subject site are identified in this section based on review of public records and data provided by the developer.

Location / Access

The subject property is generally located along the southeast corner of El Camino Real and Los Robles Avenue in the City of Palo Alto. This property is currently improved with the Buena Vista Mobile Home Park located at 3980 El Camino Avenue, Palo Alto, 94306. This property is located Census Tract 5106. Access to this project will be from Los Robles Avenue, as well as from El Camino Real through the owners existing property. The aerial photograph below depicts the current location of the subject property.



Approximate depiction of subject property

The subject property is analyzed under three scenarios. This includes the current value of the property as an operating mobile home park. In addition, the underlying land value is presented based on the current zoning (RM-15) which would allow up to 67 units, as well as a proposed zoning change to RM-40, allowing up to 179 units. The conceptual map identified below shows the overall orientation of this project based on the proposed configuration (RM-40)

CONCEPTUAL MAP (RM-40)



Topography/Drainage

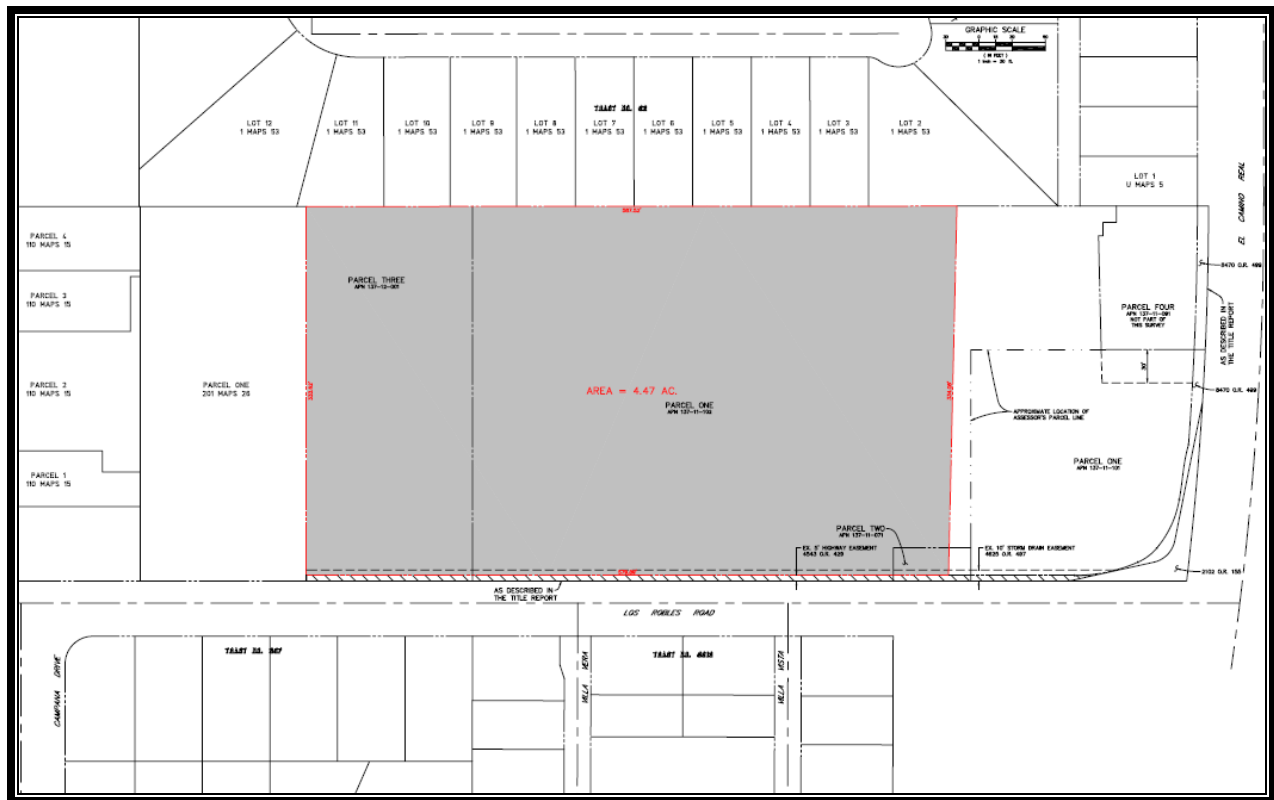
The property is generally level and at street grade. Drainage appears adequate upon inspection of this property.

APNs/Legal Description

The subject property is currently identified by the Santa Clara County Assessor's Office as parcels 137-11-071, 091, 101, 102 and 137-12-001. This description was predicated on the total project area encompassing portions beyond the scope of this assignment. The legal description for this property on an "As Is" basis is identified in the preliminary title report prepared by First American Title Company, dated May 8, 2012. This description is lengthy and a copy of this document is included in the addenda of this report.

This project encompasses a total area of 4.47 acres and represents a portion of the parcels depicted above. This land area was based on exhibits provided by the developer as prepared by Civil Engineering Associates. Current Santa Clara County Assessor's Parcel Maps are depicted on the following page.

This project encompasses a total area of 4.47 acres and represents a portion of the parcels depicted above. This land area was based on exhibits provided by the developer as prepared by Civil Engineering Associates. The opinions of value identified in this report are prepared in conjunction with the Extraordinary Assumption that this land area is true and correct. This map is depicted below.



Land Area / Density

The total area for the subject property is approximately 4.47 acres or 194,844 square feet. As noted, this property is analyzed under various scenarios. Under the existing zoning (RM-15) with 67 units, the underlying density is 15.0 units per acre. Under the proposed zoning (RM-40) with 179 units, the density is 40 units per acre.

Utilities/Site Improvement Costs

Municipal water, gas and electricity, sanitary sewer, telephone and other commonly used services are available to the subject property. These improvements will be extended to the subject properties in conjunction with site development to this project.

Soil Conditions

A Geotechnical Exploration prepared by TRC dated June 21, 2012 was provided for review in preparation of this assignment. According to the conclusions noted in this report "From a geotechnical engineering viewpoint, the proposed residential development may be constructed as planned, in our opinion, provided the design and construction are performed in accordance with the recommendations presented in the report". The primary geotechnical and geologic concerns at the site are as follows.

- ⇒ Strong Seismic Shaking
- ⇒ Ground Rupture
- ⇒ Liquefaction-Induced Settlement
- ⇒ Shallow Ground Water
- ⇒ Undocumented Fill
- ⇒ Surface Water Drainage

The opinions of value presented for the subject property assume that the site is capable of supporting the proposed improvements for this property from a geotechnical standpoint and that development follows the recommendations of this report. Refer to the assumptions and limiting conditions of this report.

Nuisances and Hazards

A Phase I Environmental Site Assessment prepared by PII Environmental dated July 9, 2012 was provided for review in preparation of this assignment. According to the conclusions of this report "This assessment did not reveal any Recognized Environmental Conditions (REC) at the subject property. PII Environmental did not review any evidence or observe any significant environmental issues related to the subject property". It is noted that the appraiser is not a recognized expert in this field and the information is a summary of the report prepared for this property. The opinions of value presented for the subject property assume that there is no surface or subsurface conditions which would prohibit the development of the subject property. Refer to the assumptions and limiting conditions of this report.

Easements, Encroachments & Adverse Conditions

A Preliminary Title Report prepared by First American Title Insurance Company, dated May 8, 2012 was provided for review in preparation of this assignment. These documents cited typical utility easements of record with no adverse easements, encroachments, or adverse conditions. The opinions of value presented in this report assume marketable title with no atypical easements, encroachments, or adverse conditions. Refer to assumptions and limiting conditions for further documentation. A copy of this report is contained in the addenda of this report.

Flood Zone

According to the Federal Emergency Management Agency Flood Insurance Rate Map (FIRM), Community-Panel Number 060348-0017, with an effective date of May 18, 2009, the subject is located in Zone X, Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood. Flood insurance is not required.

Seismic Hazard

Special Publication 42 (Interim Revision 2007), Fault Rupture Hazard Zones in California, prepared by the California Department of Conservation, California Geological Survey, describes active faults and fault zones pursuant to the Alquist-Priolo Earthquake Fault Zoning Act. According to Special Publication 42, the subject property is not within an Alquist-Priolo special study zone. However, as noted in the Geotechnical Report prepared by TRC dated June 21, 2012, the site is adjacent to, but not located within an area zoned by the State of California as having the potential for induced liquefaction hazards (CGS, 2006 – Palo Alto Quadrangle). The site is not located within a Santa Clara County Geologic Hazard Zone (2002) for liquefaction.

Zoning/Entitlements

The subject property is currently zoned RM-15, low-density, multiple-family residence district. It is intended to create, preserve and enhance areas for a mixture of single-family and multiple-family housing which is compatible with lower density and residential districts nearby, including single-family residence districts. The RM-15 residence district also serves as a transition to moderate density multiple-family districts or districts with non-residential uses. Permitted densities in the RM-15 residence district range from eight to fifteen units per acre. The current use as a mobile home park is a permitted use in this district.

18.13.040		Development Standards		
	RM-15	RM-30	RM-40	Subject to Regulations in:
RESIDENTIAL USES				
Single-Family	P ⁽¹⁾	P ⁽¹⁾	P ⁽²⁾	
Two-Family	P ⁽¹⁾	P ⁽¹⁾	P ⁽¹⁾	
Multiple-Family	P	P	P	
Village Residential	P	(3)	(3)	18.13.050
Mobile Homes	P	P	P	
Residential Care Homes	P	P	P	

As noted above, multi-family construction is an allowable under the current zoning. As noted, the proposed buyer of this project is proposing a change in zoning to RM-40, High-Density, Multiple-Family Residence District. This district is intended to create, preserve and enhance locations for apartment living at the highest density deemed appropriate for Palo Alto. The most suitable locations for this district are in the downtown area, in select sites in the California Avenue area and along major transportation corridors which are close to mass transportation facilities and major employment and service centers. Permitted densities in the RM-40 residence district range from thirty-one to forty dwelling units per acre.

It is noted in the context of this assignment, the value for the land component is predicated on the assumption that the zoning for this property allows the proposed land uses under each classification as of the effective date of valuation.

The entitlement process has started for this property. On November 9, 2012, an application was submitted by the owner of the Buena Vista Mobile Home Park owner in accordance with the city's Mobile Home Park Conversion Ordinance (Ordinance) Chapter 9.76 of the Palo Alto Municipal Code. By Ordinance, the Park owner and the city are required to follow a set of rules for determining the potential impacts of the closure on mobile home owners residing the Park and to determine appropriate relocation assistance for the Park residents. The Ordinance includes the following basis steps in the process as identified below.

1. Applicant files closure application.
2. Applicant retains with City's approval, a Relocation Specialist and an Appraiser.
3. Applicant distributes a Resident Questionnaire to all residents, outlining their particular circumstances (mobile home ownership and value, family and special needs, etc.)
4. Relocation specialist meets individually (generally multiple times) with each household to outline options for relocations and financial assistance.

5. A Relocation Impact Report (RIR) is provided to the City, to address the proposed relocation assistance to be provided to each eligible household.
6. An appraisal of the value of the Park is provided to the City.
7. A hearing with a City-selected Hearing Office is conducted to determine whether residents have agreed upon relocation assistance terms or to adjudicate disputes.
8. If desired by any resident, an appeal to the City Council is available to considered individual relocation concerns, or objections; and
9. Following financial determinations, a Notice of Relocation is issued and a minimum of six (6) months is afforded to residents in order to relocate from the Park and for the park owner to provide the relocation assistance required by the city as a condition of conversion.

While these steps are not necessarily related to the value of the property, it shows the timeline necessary for the approvals of this project. Review of these elements shows that all of the necessary steps must be take to provide relocation assistance and approved by city council, then the residents have a minimum period of 6 months to find alternative housing. The earliest possible time for redevelopment of this project is over a 12 month period.

Taxes and Assessments

The subject property is presently identified on the tax roll of Santa Clara County Assessor's Office as parcels 137-11-071, 091, 101, 102 and 137-12-001. Current property taxes for this property are identified as follows.

PARCEL REFERENCE	137-11-071	137-11-091	137-11-101	137-11-102	137-12-001
Assessed Value (Land)	\$64,230	\$487,871	\$2,610,882	\$2,948,022	\$1,034,468
Assessed Value (Improvements)	\$0	\$132,608	\$825,968	\$154,558	\$157,250
Total Assessed Value	\$64,230	\$620,479	\$3,436,850	\$3,102,580	\$1,191,718
TOTAL BASE TAXES (1.1875%)	\$762.74	\$7,368.20	\$40,812.58	\$36,843.14	\$14,151.66
Direct Levies					
--PAUSD Parcel Tax 11-12	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00
--PAUSD Parcel Tax	\$613.00	\$613.00	\$613.00	\$613.00	\$613.00
--SCVWD Clean Safe Creeks	\$27.80	\$108.46	\$403.52	\$1,204.06	\$367.72
--SCCO Vector Control	\$5.08	\$10.38	\$18.00	\$25.40	\$25.40
--Mosquito Assessment #2	\$2.08	\$8.36	\$20.90	\$79.42	\$25.08
--SCVWD Flood Control	\$23.66	\$94.62	\$352.02	\$1,400.52	\$427.72
TOTAL DIRECT LEVIES	\$683.62	\$846.82	\$1,419.44	\$3,334.40	\$1,470.92
TOTAL TAXES AND ASSESSMENTS	\$1,446.36	\$8,215.02	\$42,232.02	\$40,177.54	\$15,622.58
Status	Paid	Paid	Paid	Paid	Paid

The overall base tax rate is currently 1.1875% of the total assessed value. There are no special assessments for the subject property.

Comments

Overall, the subject's physical characteristics are conducive for residential development. There are no physical conditions observed that would impede the development of the site, under the assumption of a vacant site. The main obstacle for development of this property is the closure of the existing mobile home park and the steps necessary for relocation of the existing residents.

IMPROVEMENT DESCRIPTION

The subject property currently reflects a mobile home park identified as the Buena Vista Mobile Home Park. This facility has been in continuous operation for decades and is comprised of 104 mobile home spaces, as well as 12 multi-family units and a single family residential home. The following exhibit provides an overall layout of the park.



Black line depicts approximate orientation of subject property

This property is comprised of a mix of mobile home spaces and studio apartments. It is noted for purposes of this analysis as the property represents 4.47 acres of land, mobile home spaces 1-4, 29-32, as well as cottages 21-23 are excluded from this analysis as they are located beyond the boundary of this property. As such, the value for the property in its "As Is" condition is based on 96 mobile home units, 10 studio apartments, and a single-family residential home.

Descriptions for the improvements are based upon physical inspections of the property and discussions with the ownership of the property.

Building Type

The predominant use for this property reflects pads for mobile homes. They are single-wide units with some double wide units. The studio apartments and the single-family home reflect wood construction with composition roof materials.

Quality / Condition

The overall property is in average condition. Maintenance levels are typical of a property of this age.

Effective Age

The improvements were constructed circa 1930 resulting in an actual age of approximately 80+ years. The property is adequately maintained well an effective age of 30 years.

Building Type

This property includes a mix of studio apartments, a single-family home, and mobile home spaces. Property also includes onsite laundry facilities and a common restroom. Currently, there are two vacancies in the park and some of the units are identified as non-paying tenants. The current rent roll is identified below as recreated by the appraiser(s). This is based on the project in its entirety including the properties outside the boundaries of the subject property.

UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS	UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS	UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS
5	Leased	M-Home	\$675	\$268	\$943	\$46	Leased	M-Home	\$695	\$271	\$966	\$83	Leased	M-Home	\$695	\$108	\$803			
6	Leased	M-Home	\$695	\$273	\$968	\$47	Leased	M-Home	\$695	\$231	\$926	\$84	Leased	M-Home	\$675	\$182	\$857			
7	Leased	M-Home	\$695	\$284	\$979	\$48	Leased	M-Home	\$675	\$241	\$916	\$85	Leased	M-Home	\$675	\$282	\$957			
8	Leased	M-Home	\$675	\$277	\$952	\$49	Leased	M-Home	\$675	\$214	\$889	\$86	Leased	M-Home	\$695	\$142	\$837			
9	Leased	M-Home	\$675	\$225	\$900	\$50	Leased	M-Home	\$675	\$93	\$768	\$87	Leased	M-Home	\$675	\$239	\$914			
10	Leased	M-Home	\$675	\$241	\$916	\$51	Leased	M-Home	\$675	\$264	\$939	\$88	Leased	M-Home	\$675	\$177	\$852			
11	Leased	M-Home	\$675	\$127	\$802	\$52	Leased	M-Home	\$675	\$242	\$917	\$89	Leased	M-Home	\$675	\$228	\$903			
12	Vacant	M-Home	\$0	\$0	\$0	\$53	Vacant	M-Home	\$0	\$0	\$0	\$101	Leased	M-Home	\$675	\$270	\$945			
13	Leased	M-Home	\$695	\$205	\$900	\$54	Leased	M-Home	\$675	\$144	\$819	\$102	Leased	M-Home	\$695	\$133	\$828			
14	Vacant	M-Home	\$0	\$255	\$255	\$55	Leased	M-Home	\$675	\$247	\$922	\$103	Leased	M-Home	\$675	\$305	\$980			
15	Leased	M-Home	\$675	\$238	\$913	\$56	Leased	M-Home	\$695	\$227	\$922	\$104	Leased	M-Home	\$675	\$371	\$1,046			
16	Leased	M-Home	\$675	\$227	\$902	\$57	Leased	M-Home	\$675	\$287	\$962	\$105	Leased	M-Home	\$675	\$131	\$806			
17	Leased	M-Home	\$675	\$264	\$939	\$58	Leased	M-Home	\$695	\$298	\$993	\$106	Leased	M-Home	\$695	\$24	\$719			
18	Leased	M-Home	\$675	\$264	\$939	\$59	Leased	M-Home	\$675	\$232	\$907	\$107	Leased	M-Home	\$675	\$114	\$789			
19	Leased	M-Home	\$675	\$239	\$914	\$60	Leased	M-Home	\$675	\$393	\$1,068	\$108	Leased	M-Home	\$695	\$277	\$972			
20	Leased	M-Home	\$675	\$244	\$919	\$61	Leased	M-Home	\$675	\$328	\$1,003	\$109	Leased	M-Home	\$675	\$170	\$845			
21	Leased	M-Home	\$695	\$309	\$1,004	\$62	Leased	M-Home	\$675	\$199	\$874	\$110	Leased	M-Home	\$695	\$279	\$974			
22	Leased	M-Home	\$675	\$206	\$881	\$63	Leased	M-Home	\$695	\$252	\$947	\$111	Leased	M-Home	\$675	\$267	\$942			
23	Leased	M-Home	\$675	\$133	\$808	\$64	Leased	M-Home	\$695	\$267	\$962	\$112	Leased	M-Home	\$695	\$311	\$1,006			
24	Leased	M-Home	\$675	\$265	\$940	\$65	Leased	M-Home	\$675	\$172	\$847	\$113	Leased	M-Home	\$695	\$255	\$950			
25	Leased	M-Home	\$695	\$237	\$932	\$66	Leased	M-Home	\$675	\$175	\$850	\$114	Leased	M-Home	\$695	\$334	\$1,029			
26	Leased	M-Home	\$695	\$193	\$888	\$67	Leased	M-Home	\$675	\$124	\$799	\$115	Leased	M-Home	\$695	\$252	\$947			
27	Leased	M-Home	\$695	\$271	\$966	\$68	Leased	M-Home	\$675	\$143	\$818	\$116	Leased	Cottage	\$795	\$0	\$795			
28	Leased	M-Home	\$675	\$176	\$851	\$69	Leased	M-Home	\$675	\$329	\$1,004	\$117	Leased	Cottage	\$795	\$0	\$795			
33	Leased	M-Home	\$675	\$304	\$979	\$70	Leased	M-Home	\$675	\$190	\$865	\$118	Leased	Cottage	\$895	\$0	\$895			
34	Leased	M-Home	\$675	\$172	\$847	\$71	Leased	M-Home	\$675	\$265	\$940	\$119	Leased	Cottage	\$795	\$0	\$795			
35	Leased	M-Home	\$675	\$186	\$861	\$72	Leased	M-Home	\$695	\$281	\$976	\$120	Leased	Cottage	\$795	\$0	\$795			
36	Leased	M-Home	\$675	\$245	\$920	\$73	Leased	M-Home	\$675	\$241	\$916	\$121	Leased	Cottage	\$795	\$0	\$795			
37	Leased	M-Home	\$675	\$255	\$930	\$74	Leased	M-Home	\$675	\$262	\$937	\$122	Leased	Cottage	\$795	\$0	\$795			
38	Leased	M-Home	\$675	\$270	\$945	\$75	Leased	M-Home	\$675	\$77	\$752	\$123	Leased	Cottage	\$795	\$0	\$795			
39	Leased	M-Home	\$695	\$0	\$695	\$76	Leased	M-Home	\$695	\$260	\$955	\$124	Leased	Cottage	\$795	\$0	\$795			
40	Leased	M-Home	\$675	\$184	\$859	\$77	Leased	M-Home	\$695	\$251	\$946	\$125	Leased	Cottage	\$795	\$0	\$795			
41	Leased	M-Home	\$675	\$213	\$888	\$78	Leased	M-Home	\$675	\$317	\$992	\$126	Home	Leased	SFD	\$2,800	\$0	\$2,800		
42	Leased	M-Home	\$675	\$124	\$799	\$79	Leased	M-Home	\$675	\$225	\$900	\$127								
43	Vacant	M-Home	\$0	\$0	\$0	\$80	Leased	M-Home	\$675	\$120	\$795	\$128								
44	Leased	M-Home	\$675	\$271	\$946	\$81	Leased	M-Home	\$695	\$115	\$810	\$129								
45	Vacant	M-Home	\$0	\$0	\$0	\$82	Leased	M-Home	\$695	\$331	\$1,026	\$130								

The mobile home portion of this project is currently operating at 95% occupancy as there were five units identified on the rent-roll provided for review in preparation of this assignment as vacant units or non-paying tenants.

Design and Layout

The improvements are oriented throughout the property as primary access is from Los Robles Avenue. Additional access is via El Camino Real by way of access through the commercial properties fronting this thoroughfare. The studio apartments, single-family home and office are near the point of access to the property along Los Robles Avenue. Streets in this project are designed with access in either direction.

Personal Property, FF&E

The analysis of the subject property is based on the real estate only. Specifically, this includes the land and the mobile home spaces, as well as the studio apartments, and the single-family home.

Site Improvements

The site improvements for this property were in average condition as of the effective date of valuation. Asphalt paving was adequate and there are common landscaping elements, interspersed throughout the project.

Conclusion

This project is configured in a very good location in Palo Alto. Improvements along El Camino Real are commercial and residential units which have been rehabilitated in the past few years. The uses fronting this thoroughfare include retail uses and a gas station which conform to the immediate area. The subject property is currently improved with a mobile home park and presently operated as the Buena Vista Mobile Home Park. While this property generates adequate income to justify the current use, the overall land values for similarly zoned land shows otherwise. These elements are addressed in the analysis of this property and in the Highest and Best Use section of this report.

The next section of this report illustrates supply and demand characteristics for this property.

PART 3 – MARKET ANALYSIS AND HIGHEST AND BEST USE

A market analysis has been undertaken in conjunction with this appraisal. Its function is to estimate market demand relative to the project.

APARTMENT MARKET CHARACTERISTICS

National Apartment Market

According to the Korpacz Real Estate Investor Survey 4th Quarter 2012, vigorous investor interest in US apartment assets led this sector coveting the top spot with respect to investment prospects in Emerging Trends in Real Estate, scoring 6.58 on a scale of 1 (abysmal) to 9 (excellent). The noted strengths of the national apartment market included positive demographics, homeownership displacement from the housing bust, and migration to infill areas for those seeing a pedestrian lifestyle.

Reinforcing the positive investor sentiment, 75.0% of the survey participants believe that this sector's current market conditions favor sellers. However, this figure is down a bit from last quarter, reflecting some investors' opinion that "rents may have peaked for now," and certain markets have become "overpriced". Moreover, this market's average initial-year market rent change dips for the second consecutive quarter, suggesting less upside in the market.

In light of these concerns, investors remain attentive to the near-term impact of new construction. "We are watching absorption trends given the supply pipeline and a slow job growth environment," states an investor. REIS predicts new supply of 127,222 units in 2013 and 171,018 units in 2014, well above the new units estimated for 2012.

The following table shows the overall trends of the national apartment market as of the first quarter of 2011.

ITEM	CURRENT QUARTER 4Q 12	LAST QUARTER 3Q 12	YEAR AGO 4Q 11
DISCOUNT RATE			
Range	5.25% to 14.00%	5.25% to 14.00%	4.75% to 14.00%
Average	8.17%	8.28%	8.27%
Change (Basis Points)		-11	-10
OVERALL CAP RATE (OAR)			
Range	3.75% to 10.00%	3.75% to 10.00%	3.75% to 10.00%
Average	5.72%	5.74%	5.80%
Change (Basis Points)		-2	-8
RESIDUAL CAP RATE			
Range	4.50% to 9.75%	4.50% to 9.75%	4.50% to 9.75%
Average	6.17%	6.20%	6.24%
Change (Basis Points)		-3	-7
MARKET RENT CHANGE RATE			
Range	(2.00%) to 8.00%	(2.00%) to 10.00%	(2.00%) to 8.00%
Average	2.57%	2.73%	2.43%
Change (Basis Points)		-16	+14
EXPENSE CHANGE RATE			
Range	1.00% to 3.50%	1.00% to 3.50%	1.00% to 4.00%
Average	2.71%	2.69%	2.63%
Change (Basis Points)		+2	+8
AVERAGE MARKETING TIME			
Range	0.00 to 18.0 Mo.	0.00 to 18.0 Mo.	0.00 to 18.0 Mo.
Average	5.1 Mo.	5.3 Mo.	5.2 Mo.

Source: Korpacz Real Estate Investor Survey

Local Market Conditions (Apartment Characteristics)

The subject is located in Palo Alto, an urban community in Santa Clara County. The following characteristics were developed through analysis of published information from RealFacts, Costar, and Cassidy Turley.

According to Cassidy Turley 4th Quarter 2012 Apartment Market Report, deal activity surged in the 4th quarter of 2012. Cassidy Turley tracked a total of 54 million deals accounting for just over \$634 million in total sales volume. This compares to 44 sales that closed in Q3 that equated to \$238 million in volume. While the number of transactions increased by just 23%, total dollar volume nearly tripled as a flood of Class A properties moved. For most of the year, the biggest challenge in the marketplace has been one of supply. Investor demand for multifamily product is white hot, with the Bay Area ranking at the top of many lists. However, with rental rate growth remaining strong, few owners have been willing to part with these assets – especially projects deemed core or core-plus. This trend abated somewhat in Q4, thank largely to concerns over policy issues. Fear of “taxmageddon” on the eve of the Fiscal Cliff debate, resulted in a surge of deals. Many sellers were suddenly looking to close deals before the tax increases of 2013 kicked in. All told, 175 major sales took place in Santa Clara County in 2012 as nearly \$1.5 billion of multifamily properties changed hands. This is more than double the \$710 million posted in 2011 and reflects the strongest deal volume levels tracked over the past 10 years. Cassidy Turley noted that 2013 may even surpass these levels.

Vacancy and Rent Trends

As of the close of Q4 2012, the vacancy for Santa Clara County’s multi-family market stood at 4.5%. This is down from a reading of 4.7% just three months ago, though it is up from the reading of 4.0% recorded one year ago. The current average asking rent of \$1,954 per month is actually down slightly from the \$1,980 rate posted last quarter – reflecting this first time in over three years that this metric has not increased. However, average rents are up 9.6% over the last year and 22.9% over the past two years. The pace of rental rate growth is clearly starting to slow. Looking back over the past three years, rents have increased over 30%. The fact is that this level of growth is simply not sustainable for very long. Keep in mind that this trend started before the current development trend of new development began to hit. New deliveries will only intensify in the months ahead. This will further slow growth, if not stall it, by the end of the year. Rents are now at, or very near their peak.

In terms of unit types, studio apartments have seen the greatest rental rate growth over the past couple of years. The current average asking rent of \$1,357 per month is up over 12.0% over last year and has increased 25.7% over the past 24 months. One bedroom/one bath units are now averaging \$1,756 per month (up 9.4% over the past year), while the average asking rent for two bedroom/one bath units now stands at \$1,892 per month (up 11.0% over the past 12 months). Both of these unit types have seen rent growth in the neighborhood of 25% over the past two years.

Most of the region’s Class B and C product is concentrated in Santa Clara County’s smaller apartment complexes. These projects typically offer cheaper rents and so, with affordable housing at a premium, it should come as no surprise that smaller complexes in the region (those with 99 units or less) are currently boasting a vacancy rate of 3.3% (up slightly from Q3’s 3.2% rate). Meanwhile the vacancy rate for larger construction (100 units or more) now stands at 4.8% (down from last quarter’s reading of 5.0% despite the addition of a new 300-unit project in Q4). The following table shows the historic rental rates for Santa Clara County since the fourth quarter of 2010.

	4Q 10	1Q 11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
AVERAGE	\$1,590	\$1,650	\$1,761	\$1,792	\$1,783	\$1,857	\$1,961	\$1,980	\$1,954
Studio	\$1,080	\$1,094	\$1,167	\$1,195	\$1,212	\$1,244	\$1,297	\$1,364	\$1,357
1/1	\$1,413	\$1,474	\$1,568	\$1,594	\$1,605	\$1,670	\$1,759	\$1,781	\$1,756
2/1	\$1,514	\$1,594	\$1,674	\$1,710	\$1,704	\$1,762	\$1,863	\$1,907	\$1,892
2/2	\$1,856	\$1,924	\$2,074	\$2,090	\$2,061	\$2,158	\$2,287	\$2,282	\$2,250
3/2	\$2,238	\$2,294	\$2,418	\$2,494	\$2,441	\$2,542	\$2,692	\$2,703	\$2,644
Vacancy	4.3%	3.50%	3.20%	3.90%	4.00%	3.60%	3.20%	4.70%	4.50%

Development Trends

The Bay Area is in the midst of a construction boom. There were 5,300 new multi-family units delivered in 2012 and another 19,000 units are in the development pipeline. San Francisco and Santa Clara Counties are the epicenter of this growth. Santa Clara County added 1,990 new units in the past year, with 334 of those coming in Q4. The most significant recent delivery was the completion of the Irvine Company's 300-unit Crescent Village Phase III project in the Oak Creek submarket of San Jose. But while 2012's deliveries place it as the strongest growth year since the recession, the full wave has yet to hit.

Cassidy Turley is tracking 32 major projects that will add at least 7,975 new multi-family units to the region's inventory through the end of 2014. Should current development levels hold, over 4,900 new units will come online in 2013, with an additional 3,000+ salted for delivery slated for next year. However, with a number of other projects moving forward in the entitlement process, the number is expected to increase over the months ahead. The good news is that current vacancy is low and Santa Clara County continues to deal with a housing shortage while maintaining the fastest growing major local economy in the United States. The bad news is that vacancy will creep upward in 2013 as new projects come online. But the double-digit rental rate growth of the past two years is coming to an end. By late 2013 or early 2014 rents will likely be flat. This will not necessarily have dire repercussions on the investment market as some of the strongest demand is from institutional players with long-term hold strategies. The real challenge will be for the not-so-savvy investors purchasing properties at 4% capitalization rates and banking on continued aggressive rental rate growth a quick return. Likewise an uptick in interest rates could wreak havoc on some investor balance sheets.

Sales Trends

Of the deals that close in Q4 in Santa Clara County, the average price per unit was \$231,000, although Class A properties are typically trading above that level. This quarter's average cap rate of 4.9% is down from Q3's reading of 5.2%. Cap rates continue to compress for all Classes of apartment product. Though Class A product is now regularly trading with cap rates in the 5% range or below, deals are increasingly seen in the 4% range. Class B projects are now trading in the 5% to 6% range. Class C and value-add product is achieving cap rates as low as 7%. But local rents are now nearing their peak. The pace of growth has already begun to slow and the wave of new development that is starting to hit the area will further slow rental growth in the months ahead. Despite this, investor demand will remain robust. The coming year will be one in which sellers will be able to achieve top pricing and most buyers will still be comfortable with low cap rates. This will entice sellers in 2012 and should result in greater sales volume in the months ahead.

The following table shows the overall trends of sales volume of multi-family properties in Santa Clara County for the Fourth Quarter of 2012, as well as historic information dating back to the Fourth Quarter of 2011.

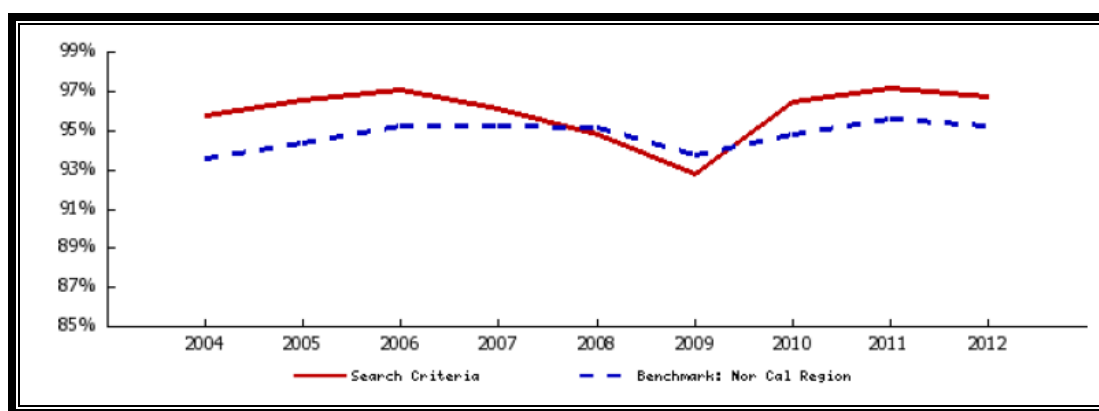
SAN MATEO COUNTY	Q4- 2011	Q1 – 2012	Q2 – 2012	Q3 – 2012	Q4 – 2012
Sales Volume	\$418.1 M	\$294.3 M	\$304.0 M	\$238.2 M	\$633.5 M
Total Units	2,005	1,204	1,127	1,091	2,748
Price/Unit	\$208,505	\$244,469	\$269,730	\$218,290	\$230,543
Price/SF	\$228.66	\$270.80	\$300.89	\$248.68	\$261.81
Cap Rate	4.41%	4.84%	5.17%	5.15%	4.85%
GRM	11.35	10.43	11.22	10.81	12.05

Local Trends – City of Palo Alto

According to RealFacts, 4Q 2012, Palo Alto has the highest average rents in Santa Clara County with occupancy levels currently at 95.5%. There are 2,720 multi-family units in Palo Alto and the following table shows the overall characteristics of the units as of the fourth quarter 2012.

ITEM	TOTALS
Properties / Units	14 / 2,750
--Class A	0
--Class B	1 / 628
--Class C	13 / 2,122
Average Units/Property	196
Average Year Built	1968
Size Range (Units)	51-759
Age Range	1930-2000

According to this survey, there are 2,750 units in Palo Alto with the newest project constructed in 2000. With no additions to supply over this time frame, occupancy has ranged from 94% to 97% over the past thirteen years. The following chart shows these changes since 2004.



With stable occupancy levels, rents have risen sharply, including a 9% gain over the past year. The following table shows the historic rental rates for Menlo Park since the third quarter of 2010.

	4Q 10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1 Yr. Change
AVERAGE	\$2,259	\$2,275	\$2,450	\$2,572	\$2,489	\$2,535	\$2,767	\$2,810	\$2,714	9.0%
Studio	\$1,414	\$1,437	\$1,532	\$1,561	\$1,584	\$1,603	\$1,677	\$1,718	\$1,677	5.9%
1/1	\$2,004	\$2,047	\$2,202	\$2,283	\$2,193	\$2,247	\$2,402	\$2,417	\$2,375	8.3%
2/1	\$1,742	\$1,888	\$1,978	\$2,199	\$2,051	\$2,056	\$2,136	\$2,420	\$2,334	13.8%
2/2	\$2,691	\$2,689	\$2,873	\$2,953	\$3,028	\$3,067	\$3,349	\$3,348	\$3,219	6.3%
2TH	\$2,723	\$2,723	\$2,883	\$2,883	\$2,883	\$2,971	\$2,971	\$2,971	\$2,971	3.1%
3/2	\$3,249	\$3,258	\$3,325	\$3,372	\$3,256	\$3,486	\$3,577	\$3,515	\$3,490	7.2%
3TH	\$3,676	\$3,676	\$3,839	\$3,838	\$3,838	\$3,979	\$3,979	\$4,022	\$4,022	4.8%

The average rent in Palo Alto is currently \$2,714 per unit. This rate increased 9.0% over the past year. There are currently 2,750 units identified in the existing supply in Menlo Park according to RealFacts. The overall distribution of units is identified as follows.

TOTALS	# OF UNITS	AVERAGE SF	AVERAGE RENT	RENT/SF
ALL	2,750	889 SF	\$2,714	\$3.05
Studio	269	487 SF	\$1,677	\$3.44
Jr. 1 BD	14	625 SF	\$1,865	\$2.98
1/1	1,084	764 SF	\$2,375	\$3.11
2/1	225	845 SF	\$2,334	\$2.76
2/1.5	305	1,024 SF	\$3,572	\$3.49
2/2	490	1,057 SF	\$3,219	\$3.05
2TH	154	1,100 SF	\$2,971	\$2.70
3/2	111	1,307 SF	\$3,490	\$2.67
3/3	32	1,415 SF	\$2,888	\$2.04
3TH	66	1,348 SF	\$4,022	\$2.98

Average rents in Menlo Park are currently running from \$2.04 to \$3.44 per square foot with an average rent near \$3.05 per square foot. The City of Palo Alto is an established apartment market that is currently experiencing moderate rent growth and stable occupancy. The overall location is desirable compounded by population growth, as well as the overall orientation to public transportation and education facilities. Currently rents in Palo Alto are averaging \$3.05 per square foot and with the lack of potential competition in the foreseeable future, acceptance of a new project would likely include repaid absorption. No new projects have been introduced in Palo Alto in the past decade and coupled with the overall orientation in close proximity to the downtown core area, the overall salability of this project from an investment standpoint is highly positive.

FOR-SALE MARKET CHARACTERISTICS

The Bay Area housing market experienced strong growth over the first part of the past decade, but the last four years saw significant reductions in demand and deterioration of pricing. The perfect storm of unsustainable lending practices along with price escalation that became increasingly divorced from income levels has created a bruising period for new home builders and related industries over this time frame. Much of the reduction in building was caused by excess supply of existing homes due to foreclosures. The total foreclosures in the region have slowed in the past two years as market conditions for residential homes is gaining momentum. Market forces started recover in the later half of 2011 and 2012 was positive for residential construction in 2012.

The number of California homeowners pushed into the foreclosure process fell last quarter to the lowest level in six years, the result of rising home values, an improving economy and a shift toward short sales, according to Data Quick. During fourth-quarter 2012 lenders recorded a total of 38,212 Notices of Default (NoDs) on California houses and condos. That was down 22.1 percent from 49,026 during the prior three months, and down 37.9 percent from 61,517 in fourth-quarter 2011. Last quarter's number was the lowest since 37,994 NoDs were recorded in fourth-quarter 2006. New foreclosure filings (NoDs) peaked in first-quarter 2009 at 135,431. The following table summarizes the total number of "Notices of Default" identified in the Bay Area Region according to DataQuick.

COUNTY	2008	2009	2010	2011	2012
San Francisco	1,493	2,230	1,885	1,749	1,128
Alameda	12,851	15,378	10,883	9,174	6,398
Contra Costa	17,002	18,391	12,622	10,750	7,629
Santa Clara	11,740	15,040	9,538	8,069	5,073
San Mateo	3,425	4,681	3,546	3,181	2,077
Marin	1,050	1,459	1,198	1,143	819
Solano	7,870	8,561	6,153	5,137	3,897
Sonoma	4,598	4,771	3,696	3,313	2,427
Napa	1,069	1,316	915	866	598
Bay Area	63,106	73,836	52,446	43,382	32,058
California	404,487	456,250	304,165	257,668	198,111
% of Total	15.1%	15.7%	16.6%	16.8%	16.2%

Source: Dataquick: www.dqnews.com

The total Notices of Default were over 43,000 units in the Bay Area in 2011, or approximately 16.8% of all units in California. This level has dropped in 2012 to 16.2% as total foreclosures are down by approximately 11,000 units. While there appear to be reductions in the total number of units with Notices of Default, inventory levels are likely influenced by these homes which have to be reabsorbed back into the market. Further reductions are noted in the fourth quarter of 2012 as this level dropped to 5,399 units, an overall reduction of 46.1% from the fourth quarter of 2011.

This element is beginning to take shape in the resale market, especially with positive trends noted over the past 12 months. According to DataQuick (December 2012), the pace at which the Bay Area housing market is making up for lost ground quickened at the end of 2012 as sales increased year-over-year for the 18th month in a row and the median price rose at its fastest rate in more than 25 years. The market remained constrained by a tight supply of homes for sale, according to DataQuick.

The median price paid for a home in the nine-county Bay Area was \$442,750 in December. That was up 1.1 percent from \$438,000 in November and up 32.0 percent from \$335,500 in December a year ago. Last month's median was the highest since August 2008 when it was \$447,000. The 32.0 percent year-over-year increase in the median is the highest in DataQuick's statistics, which go back to 1988. At least half that increase is due to a change in market mix, with sales shifting away from low-cost distress homes toward more mid-market and move-up homes.

The median reached a high of \$665,000 in June/July 2007 and then fell to a low of \$290,000 in March 2009. On a year-over-year basis it dropped more than 30 percent each month from August 2008 through May 2009. At the median's current rate of increase, sometime this spring it will have recovered about half of its loss since its summer 2007 peak. "Prices are in the midst of bouncing off bottom right now, and nobody really knows what the trajectory of this bounce will be beyond this point. So far, supply has been a bottleneck, but as prices go up, more homes will be put up for sale," said John Walsh, DataQuick president. "Another bottleneck these days is that mortgage lenders are swamped. Not only by home buyers, but by homeowners who want to refinance. Rising home prices also mean higher appraisals, and tens of thousands of homeowners who couldn't refinance half a year ago, now can," Walsh said.

The number of new and resale houses and condos sold last month in the Bay Area was 7,832. That was up 7.3 percent from 7,296 in November, and up 4.5 percent from 7,494 for December 2011. The following table depicts sales and pricing trends according to Dataquick (December 2012) for the Bay Area.

	SALES VOLUME			MEDIAN PRICE		
All Homes	Dec-11	Dec-12	% Change	Dec-11	Dec-12	% Change
Alameda	1,584	1,623	2.5%	\$328,000	\$410,000	25.0%
Contra Costa	1,534	1,530	-0.3%	\$259,000	\$333,500	28.8%
Marin	280	291	3.9%	\$517,818	\$660,750	27.6%
Napa	132	129	-2.3%	\$317,500	\$350,000	10.2%
Santa Clara	1,611	1,822	13.1%	\$440,000	\$544,500	23.8%
San Francisco	499	646	29.5%	\$594,500	\$720,000	21.1%
San Mateo	602	626	4.0%	\$500,000	\$600,000	20.0%
Solano	714	610	-14.6%	\$182,250	\$218,000	19.6%
Sonoma	538	555	3.2%	\$279,500	\$345,000	23.4%
Bay Area	7,494	7,832	4.5%	\$335,500	\$442,750	32.0%

Supply Constraints

Development has been fairly constant over the past ten years, but has tailed off in recent years. The issuance of building permits for Palo Alto since 2012 according to the US Census is depicted as follows.

	PALO ALTO		
Year	Single-Family	Multi-Family	Total Units
2008	102	10	112
2009	55	0	55
2010	146	1	147
2011	82	2	84
2012	89	18	107

Source: US Census Bureau

Building in Palo Alto is at a moderate pace noted by the issuance of permits over the time frame noted above. The highest level of activity occurred in 2010 when 147 units were brought to Palo Alto. In 2011, the level of permits decreased to 84 units, while 2012 was at 107 units. With over 28,000 existing housing units, new development does not occur frequently in the region other than redevelopment of older properties.

Demand Characteristics

The overall demand for new homes is improving in the Bay Area. The average price of a new home ranges from \$355,248 (Solano County) to \$811,959 (Napa County) in the Bay Area by the end of 2012. According to the Gregory Group (New Housing Trends), 4th Quarter 2012, the historic pricing for the Bay Area Counties are identified on the following table. This pricing is for attached and detached housing.

COUNTY	4Q 2009	4Q 2010	4Q 2011	4Q 2012	%Δ 09-12	%Δ 11-12
Alameda	\$559,354	\$593,499	\$559,259	\$614,353	9.8%	9.8%
Contra Costa	\$651,578	\$589,847	\$544,051	\$640,837	-1.6%	15.6%
Napa	\$621,534	\$660,662	\$747,009	\$811,959	30.6%	8.7%
Solano County	\$460,799	\$382,669	\$384,747	\$355,248	-22.8%	-7.6%
Sonoma County	\$693,223	N/A	N/A	\$417,386	-39.9%	N/A
Santa Clara County	\$649,673	\$564,490	\$667,583	\$677,344	4.3%	1.5%
San Mateo County	\$871,666	\$908,848	\$792,912	\$801,270	-8.1%	1.1%

Pricing changes from 2009 to 2012, as well as over the past 12 months are identified on the table above. This information shows a mix in pricing since 2009. Alameda, Napa, and Santa Clara Counties show improvement since this time, with declines in the remaining counties. Pricing is trending upward in most Bay Area regions with the exception of Solano County in the past year. Annualized sales are trending upward, most notably in 2012, when 4,407 total sales were registered. The following table shows historic trends in the overall sales for the Bay Area

counties since 2009 based on information derived from the Gregory Group. This includes a mix of detached and attached new housing units.

COUNTY	2009	2010	2011	2012
Alameda	1,092	714	928	1,502
Contra Costa	1,276	687	596	1,094
Napa	117	130	38	84
Solano County	529	327	246	428
Sonoma County	85	6	0	151
Santa Clara County	1,525	587	660	1,112
San Mateo County	370	51	32	36
TOTALS	4,994	2,502	2,500	4,407

The total sales in the region were slightly improved from 2010 to 2011. Both years are below 2009 when 4,624 sales were registered. In 2012, total sales were 4,407 units, approximately 76% higher than the past two years. The new home market is starting to gain momentum. While well below peak levels, it is gaining velocity especially as compared to the past two years.

The subject property is located in Palo Alto and demand is driven though the sales of secondary homes. With the lack of new homes consistently entered to the market, buyers and sellers typically trade homes in the resale market. Historic sales dating back to 2000 are shown on the following table. This is provided for all housing types.

TIME	# OF SALES	AVERAGE PRICE	MEDIAN PRICE	% LP
2000	682	\$1,175,627	\$900,000	110.0%
2001	472	\$1,040,130	\$813,500	97.3%
2002	652	\$1,018,130	\$825,500	99.5%
2003	680	\$975,579	\$829,500	98.2%
2004	789	\$1,155,019	\$965,000	103.6%
2005	706	\$1,328,661	\$1,160,000	104.7%
2006	662	\$1,349,226	\$1,200,000	101.8%
2007	592	\$1,644,554	\$1,400,000	103.5%
2008	460	\$1,556,859	\$1,389,000	98.6%
2009	479	\$1,375,325	\$1,250,000	97.3%
2010	574	\$1,381,335	\$1,250,000	98.3%
2011	593	\$1,494,707	\$1,288,444	100.1%
2012	628	\$1,749,607	\$1,550,000	103.8%
Active	27	\$2,862,440	\$2,490,000	N/A

Active data as of February 12, 2013

The median and average pricing characteristics in Palo Alto show significant improvement in 2012. The average pricing increased 17.1%, whereas the median price increased 20.3% as both indicators reached the highest points in the past decade. In addition, there are currently 27 homes on the market at a median price of \$2,490,000. Based on sales trends for 2012, this reflects an overall inventory of approximately 0.5 months. With low levels of inventory pricing levels are likely to show continued increases.

Conclusion – For Sale Housing Market

The for-sale housing market is currently experiencing peak levels. New home projects are rapidly being absorbed as developers are trying to get projects out-of-ground to meet the high levels of demand. Still, the lack of vacant land for future expansion is causing developer's to seek redevelopment opportunities, which is pressing land values upward.

MOBILE HOME MARKET CHARACTERISTICS

The mobile home market in the Bay Area is generally limited to existing projects. With land values commanding a premium, new construction of this type of facility is not typical. Currently, competition is limited to the current supply of projects. Currently, Santa Clara County includes 19,049 mobile home units and San Mateo County includes 3,166 mobile home units according to the State of California Department of Finance. Combined, the 22,215 mobile home units reflect 2.4% of the total housing stock of 908,906 units in both counties. The 2012 estimate of housing units is similar to those identified in the 2010 census at 22,216 units. In fact, these numbers are declining as the 2000 census measured the total mobile home units in the counties combined at 23,662 units. The total inventory declined 6.1% over this ten year period.

The majority of the existing supply in the subject's area has been constructed between the 1940s and the 1970s. Redwood City includes very few projects and the subject property reflects the only project in Palo Alto. East Palo Alto includes 1 project, where the majority of competition is from Mountain View and Sunnyvale. The parks included in the vacancy survey range in size from 99 spaces to 613 spaces. The following chart summarizes mobile home park developments that are considered to compete with the subject property.

NO.	PROJECT	TYPE	NO. UNITS	OCCUPANCY
1	Palo Mobile Estates	All-Age	613	100.0%
2	Santiago Villa MHP	All-Age	358	98.6%
3	TL MHP	All-Age	143	99.3%
4	Moorpark MHP	All-Age	138	100.0%
5	Sunset Estates MHP	55+	144	100.0%
6	New Frontier MHP	All-Age	117	100.0%
7	Sahara Mobile Village	All-Age	206	97.1%
8	Mary Manor MHP	All-Age	116	100.0%
9	Fox Hollow MHP	55+	99	98.9%
10	Cape Cod Village	55+	99	99.4%

The subject's submarket includes an overall market occupancy rate at or above 99.0%. Similar occupancy rates are found throughout the surrounding areas. Currently, all but five of the subject spaces are generating space rent according to the rent roll. Based on the rent roll, the subject is 95% occupied and slightly below stabilized occupancy levels.

CONCLUSIONS

Both the multi-family market and the for-sale housing market in the subject's area are showing strong demand with limited supply. Rents are at peak levels for the multi-family market, whereas the average and median home prices for for-sale housing has reached peak levels. Currently this project is improved with a mobile home park, which is underdeveloped based on the metrics for development of either housing type. With 4.47 acres of potential land for future development, the overall salability of the subject real estate is highly positive in the current market climate.

HIGHEST AND BEST USE

"Highest and best use may be defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value".¹

The highest and best use of a specific parcel of land is not determined through subjective analysis of the property owner, the developer, or the appraiser; rather highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property. The use that maximizes value represents the highest and best use.

Highest and Best Use Analysis

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site as though vacant as it relates to legality of use, physical possibilities, financial feasibility, and maximal productivity.

Legally Permissible

This criterion considers the legal restrictions to the subject property. The subject property is currently zoned RM-15, low-density, multiple-family residence district. It is intended to create, preserve and enhance areas for a mixture of single-family and multiple-family housing which is compatible with lower density and residential districts nearby, including single-family residence districts. The RM-15 residence district also serves as a transition to moderate density multiple-family districts or districts with non-residential uses. Permitted densities in the RM-15 residence district range from eight to fifteen units per acre. The current use as a mobile home park is a permitted use in this district.

18.13.040		Development Standards		
	RM-15	RM-30	RM-40	Subject to Regulations in:
RESIDENTIAL USES				
Single-Family	P ⁽¹⁾	P ⁽¹⁾	P ⁽²⁾	
Two-Family	P ⁽¹⁾	P ⁽¹⁾	P ⁽¹⁾	
Multiple-Family	P	P	P	
Village Residential	P	(3)	(3)	18.13.050
Mobile Homes	P	P	P	
Residential Care Homes	P	P	P	

As noted above, multi-family construction is an allowable under the current zoning. As noted, the proposed buyer of this project is proposing a change in zoning to RM-40, High-Density, Multiple-Family Residence District. This district is intended to create, preserve and enhance locations for apartment living at the highest density deemed appropriate for Palo Alto. The most suitable locations for this district are in the downtown area, in select sites in the California Avenue area and along major transportation corridors which are close to mass transportation facilities and major employment and service centers. Permitted densities in the RM-40 residence district range from thirty-one to forty dwelling units per acre.

Multi-family development reflects a conforming use to the current zoning. With respect to the current use of this property as a Mobile Home Park, several steps need to be performed to remove this facility. The entitlement process has started for this property. On November 9, 2012, an application was submitted by the owner of the Buena Vista Mobile Home Park owner in accordance with the city's Mobile Home Park Conversion Ordinance (Ordinance) Chapter

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute.

9.76 of the Palo Alto Municipal Code. By Ordinance, the Park owner and the city are required to follow a set of rules for determining the potential impacts of the closure on mobile home owners residing the Park and to determine appropriate relocation assistance for the Park residents. The Ordinance includes the following basis steps in the process as identified below.

1. Applicant files closure application.
2. Applicant retains with City's approval, a Relocation Specialist and an Appraiser.
3. Applicant distributes a Resident Questionnaire to all residents, outlining their particular circumstances (mobile home ownership and value, family and special needs, etc.)
4. Relocation specialist meets individually (generally multiple times) with each household to outline options for relocations and financial assistance.
5. A Relocation Impact Report (RIR) is provided to the City, to address the proposed relocation assistance to be provided to each eligible household.
6. An appraisal of the value of the Park is provided to the City.
7. A hearing with a City-selected Hearing Office is conducted to determine whether residents have agreed upon relocation assistance terms or to adjudicate disputes.
8. If desired by any resident, an appeal to the City Council is available to considered individual relocation concerns, or objections; and
9. Following financial determinations, a Notice of Relocation is issued and a minimum of six (6) months is afforded to residents in order to relocate from the Park and for the park owner to provide the relocation assistance required by the city as a condition of conversion.

While these steps are not necessarily related to the value of the property, it shows the timeline necessary for the approvals of this project. Review of these elements shows that all of the necessary steps must be take to provide relocation assistance and approved by city council, then the residents have a minimum period of 6 months to find alternative housing. The earliest possible time for redevelopment of this project is over a 12 month period.

Physically Possible

The subject property consists of 4.47 acres of land currently housing a mobile home park. The physical characteristics for this project are conducive for development. The overall size of this property is conducive for a variety of land uses, including residential development. The next two criterion, financially feasible and maximally productive, will determine if development of this use is feasible in the current market.

Financially Feasible/Maximally Productive

Any use of the subject site that provides a financial return to the land in excess of that required satisfying operating expenses, financial expenses, and capital amortization is considered financially feasible. The cost of land limits those uses that are financially feasible for the site. The maximally productive criterion considers the specific use that is physically possible, legally permissible, and financially feasible and produces the greatest rate of return to the property. As mentioned in the prior physically possible and legally permissible discussions, the most probable use of the subject is development of a single-family residential subdivision.

Additionally, as noted in the **Market Overview Section** of this report, the subject property is operating near stabilized levels for a mobile home park. The project generates sufficient income at market levels and the overall return is positive to the underlying land. However, there is a housing shortage in the area as real estate values are some of the highest in the country. As depicted later in this report, the comparable land sales support a value for the subject land, as though vacant, in excess of \$100 per square foot. Even at this level, there is adequate return to justify development of the subject property with multi-family uses.

Conclusion – Highest and Best Use (As if Vacant)

The highest and best use, as if vacant, for the subject property is for multi-family development at the densities allowed by current zoning.

Highest and Best Use – As Improved

The highest and best use, as improved, is for demolition of the existing improvements for the development in conjunction with the highest and best use, as if vacant. This is not to be considered an opinion, but consistent with highest and best use analysis. Simplistically, the value for the property as an ongoing mobile home park as developed in this appraisal assignment is \$14,500,000. The value for the subject's land component, as though vacant is well above this total and was concluded at \$28,835,000 (based on current zoning). As such, this shows that the current use of the subject property is an under-improvement and should be razed.

The highest at best use for the subject property, as improved, is for demolition of the existing improvements for development of uses in connection with the highest and best use, as vacant.

PART 4 – VALUATION

Methodology

The valuation process is the orderly program in which the data used to derive an opinion of value for the subject property as it is acquired, classified, analyzed and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the opinion of market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value; the Cost Approach, the Sales Comparison Approach and the Income Approach. The first step in the appraisal of proposed subdivisions is to examine different value scenarios for the proposed development. In the case of the subject property, the purpose of this appraisal is to provide an opinion to the market value based on the following scenarios:

- ⇒ **MARKET VALUE “AS IS” – EXISTING USE AS MOBILE HOME PARK**
- ⇒ **MARKET VALUE “AS IS” – BASED ON THE HIGHEST AND BEST USE**
- ⇒ **HYPOTHETICAL LAND VALUE “AS VACANT” – BASED ON CURRENT RM-15 ZONING**
- ⇒ **HYPOTHETICAL LAND VALUE “AS VACANT” – BASED ON PROPOSED RM-40 ZONING**

Valuation

In order to value this property, the first step is to identify the opinion of market value “As Is” based on the existing use as a mobile home park. While development of the subject site was the identified highest and best use of this property, this section shows the overall calculations of the value for the property in its existing use. The analysis of this property is based on the sales comparison approach and the income approach to value. In the Sales Comparison Approach, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would sell if offered in the open market. This is a good indication of value assuming the market data considered is recent and reliable. In the Income Capitalization Approach, value is based on the present value of the anticipated net income stream from the subject property. Two common techniques are typically utilized, direct capitalization and yield capitalization. In direct capitalization, the current or pro-forma rental income is projected with deductions for vacancy and collection loss and operating expenses. A conclusion about the prospective net operating income of the property is developed. In support of this net operating income, operating statements for previous years may be reviewed, together with available operating costs of similar properties. An applicable capitalization method and appropriate capitalization rates are developed for use in computations that lead to an indication of value by the Income Capitalization Approach. In yield capitalization (or discounted cash flow analysis), the net income stream is projected over a typical investment holding period for the property type being appraised, with a reversion at the end of the holding period. The income stream and reversion are then discounted to a present value utilizing a discount rate, typically derived from market analysis and investor surveys. In most cases, the Income Capitalization approach is considered to be the best method of determining value for an income producing property. Both approaches to value are reconciled in arriving at the value conclusion “As Is” based on the underlying use as a mobile home park.

The analysis of the land component on a Hypothetical “As Vacant” basis, the sales comparison approach to value is presented. This approach includes the analysis of similar transactions throughout the immediate and extended market areas. This includes sales identified for residential uses. All of these sales have occurred within the past two years and are the most relative indicators to value for comparison to the subject. The final step in the valuation process is the reconciliation or correlation of the value indications. In the reconciliation, the appraiser considers the relative applicability of each of the approaches used, examines the range of the value indications, and gives most weight to the approach that appears to produce the most reliable solution to the appraisal problem.

SALES COMPARISON APPROACH

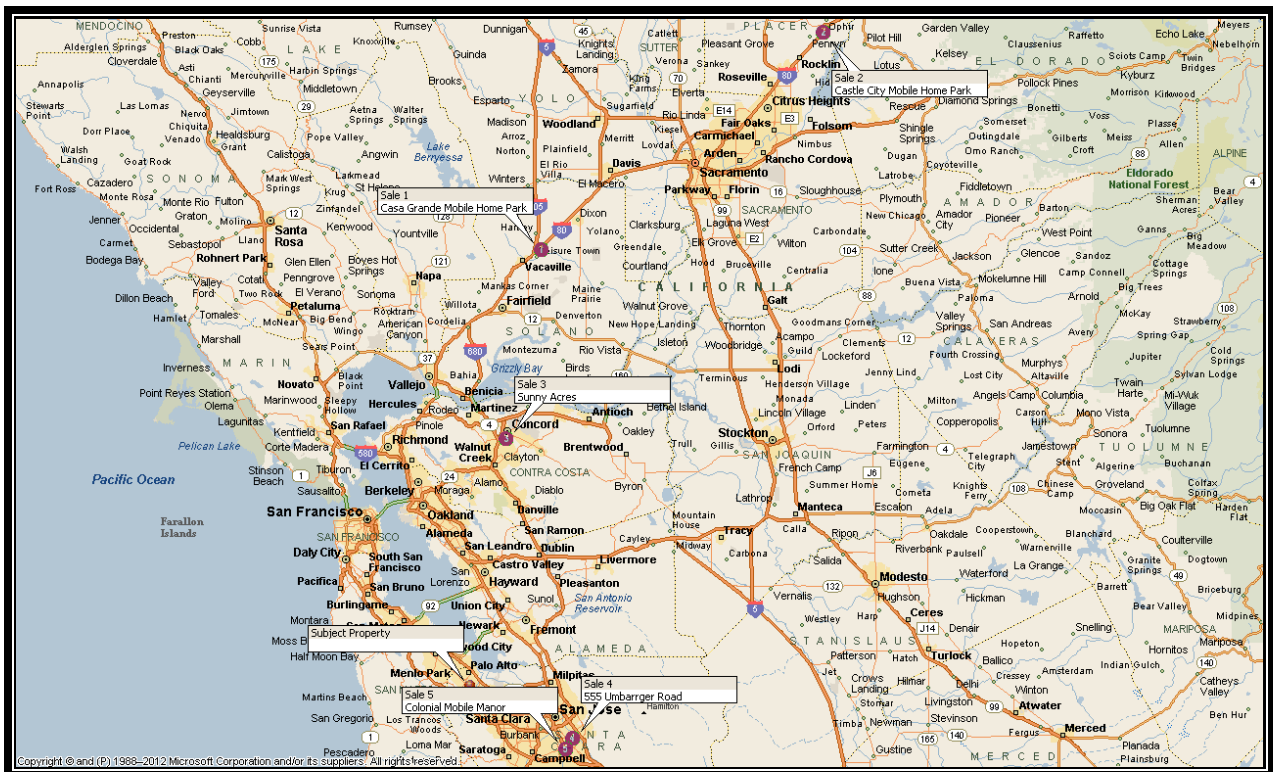
MARKET VALUE “AS IS”

EXISTING USE AS A MOBILE HOME PARK

The first method identified for the analysis of the “As Is” value based on the existing use as a mobile home park is the sales comparison approach. This approach involves a comparison of the subject property with other properties which have been sold or have been offered for sale in the open, competitive market. Such data ideally results from sales transactions of properties similar in type and market location to the subject property, though volatile markets or limited data may require the inclusion of asking and offering price data from property listings.

The subject property is valued under the assumption of 96 mobile-home spaces, 10 studio apartments, and a single-family residential home. As depicted in the Improvement Section of this report, the subject property is includes 4.47 acres of land. Mobile home spaces 1-4, 29-32, as well as cottages 21-23 are located outside the boundary of this property and are excluded from this analysis. The search for comparable properties focused on similar mobile home parks in the subject’s submarket. However, this land use is somewhat specialized and the focus was on properties throughout northern California. As illustrated by the foregoing analysis and given the data available, the unit of comparison that was determined most applicable in the valuation of the subject property was the price per space. The following pages summarize the comparable sales identified for review in this assignment.

LOCATION MAP – COMPARABLE SALES



No.	Address APN	Sales Price	Sale Date Doc #	Buyer Seller	Spaces Year Built	Exp % GI/EGI	NOI Per Space	GIM OAR	Price Per Space
1	1002 Poplar Road Vacaville, CA 95687 0133-150-080	\$13,350,000	14-Mar-12 23757	Caritas Acquis. Vacaville Mobile Home Park LLC	153 1960s	N/A N/A	\$5,846	N/A 6.7%	\$87,255
This property consists of 153 mobile home spaces identified as the Casa Grande Mobile Home Park in Vacaville. It is configured on a 19.02 acre property along the fringe of the City of Vacaville. There is an affordable housing element on this property as 20% are rented to low income residents and 30-40% to moderate to low-income. Remaining units are market rate. Is sold in March 2012 for all cash terms with a 6 month marketing period. Income parameters include an OAR at 6.7% which equates to an average NOI/space at \$5,846 per annum. The underlying indicator is \$87,255 per space.									
2	1588 Lisa Drive Newcastle, CA 95658 042-021-001, 002, 005 032-162-001, 002, 014	\$14,428,280	14-Mar-12 22566	Caritas Acquis. Dennis M. Colman Living Trust	200 1960s	N/A N/A	\$5,049	N/A 7.0%	\$72,141
This property consists of 200 mobile home spaces identified as the Castle City Mobile Home Park in Newcastle. The sale of this property was in conjunction with tax exempt revenue bonds. This property is an all seniors park with affordable housing requirements. There were 2 units vacant at the time of sale showing occupancy at 99%. It sold in March 2012 with a 6 month marketing period. Income parameters reported for this transaction include an OAR at 7.0% which equates to an average NOI/Space at \$5,049 per annum. The underlying indicator is \$72,141 per space.									
3	1080 San Miguel Road Concord, CA 94518 130-343-001	\$9,300,000	9-Jan-12 4089	Lee-Wei Family Trust Sunny Acres Associates, LLC	178 1959	42% N/A	\$4,264	N/A 8.2%	\$52,247
This property consists of 178 mobile home spaces identified as Sunny Acres in Concord. Rental rates in this project range from \$595 to \$836 per month with an average rent at \$620 per space. The lower end of the rental range is for the RV spaces as the project includes 91 mobile home spaces and 87 RV spaces. No income restrictions are identified for this property. It was on the market for approximately 2 months prior to sale and sold below the asking price of \$9,800,000. Terms were all cash and income parameters include an OAR at 8.2% and an average NOI/Space at \$4,264 per annum.									
4	555 Umbarger Road San Jose, CA 95111 497-36-004	\$14,300,000	17-Dec-10 21009519	SJ Verde LP Marilyn M Kirby 2003 Trust	149 1971	42% N/A	\$5,228	N/A 5.5%	\$95,973
This property is an older transaction presented based on the overall location in Santa Clara County. It consists of 149 single-wide and double-wide spaces as part of the San Jose Verde Mobile Home Park. No income restrictions were identified for this property. It was on the market for approximately 2 months prior to sale. Rental rates were from \$517 to \$838 per space, per month. Terms of this sale were all cash and income parameters at the time of sale were based on an overall rate at 5.5%. The average NOI/Space is \$5,228 per unit and the property sold at \$95,973 per space.									
5	3300 Narvaez Avenue San Jose, CA 95136 462-15-006	\$14,000,000	29-Apr-09 2028891	Colonial Mobile Manor LP Peter Picollo, et al	207 1950s	N/A N/A	\$4,227	N/A 6.3%	\$67,633
This property is an older transaction presented based on the overall location in Santa Clara County. It consists of 207 single-wide and double-wide spaces as part of Colonial Mobile Manor. No income restrictions were identified for this property. It was on the market for approximately 3 months prior to sale. Rental rates were \$487 per space, per month. Terms of this sale were all cash and income parameters at the time of sale were based on an overall rate at 6.3%. The average NOI/Space is \$4,227 per unit and the property sold at \$67,633 per space.									

COMPARABLE SALES PHOTOGRAPHS



SALE 1 – Casa Grande Mobile Home Park, Vacaville, CA



SALE 2 – Castle City Mobile Home Park, Newcastle, CA

COMPARABLE SALES PHOTOGRAPHS



SALE 3 – Sunny Acres, Concord, CA



SALE 4 – San Jose Verde Mobile Home Park, San Jose, CA

COMPARABLE SALES PHOTOGRAPHS



SALE 5 – Colonial Mobile Manor, San Jose, CA

APPLICATION OF ADJUSTMENTS

Prior to adjustments to the comparable sales, the adjusted price per unit ranged from \$52,247 to \$95,973 per unit. The comparable sales selected for comparison reflect similar properties within the subject property's competitive area. Given the lack of recent transactions in the immediate vicinity, the search was expanded to the northern California market area. The adjustments are applied to the subject property inclusive of 107 total units (96 mobile home spaces and 11 apartment units).

The adjustment process analyzes various elements to the subject property including factors inherent with specific elements to the transaction, as well as physical characteristics. The adjustment process for this analysis is based on variance in the net operating income per unit for the sales relative to the subject property. This is an all encompassing adjustment for this analysis, however, it reduces the subjectivity for this analysis. Basically, the total variance in the net operating income per unit for the comparable sales relative to the subject is analyzed, then applied to the corresponding price per unit. Essentially, this is an alternative function of the income approach, but provides additional support to the income approach. These adjustments are identified as follows.

ELEMENTS OF COMPARISON	SUBJECT	1	2	3	4	5
PRICE PER SPACE		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
<i>Property Rights Conveyed</i>	Leased Fee	Similar	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
<i>Financing Terms</i>	Cash Equiv.	Similar	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
<i>Conditions of Sale</i>	Arms-Length	Similar	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0	\$0
-Adjusted Base		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
<i>Market Conditions</i>	Feb-13	Mar-12	Mar-12	Jan-12	Dec-10	Apr-09
-Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
-Adjusted Base		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
Adjusted Price per Space		\$87,255	\$72,141	\$52,247	\$95,973	\$67,633
Physical Characteristics						
NOI/Space/Annum		\$5,846	\$5,049	\$4,264	\$5,228	\$4,227
Subject NOI/Space/Annum		\$7,215	\$7,215	\$7,215	\$7,215	\$7,215
VARIANCE		23.40%	42.9%	69.2%	38.0%	70.70%
CONCLUDED PRICE/SPACE		\$107,673	\$103,089	\$88,402	\$132,443	\$115,450

CONCLUSION – SALES COMPARISON APPROACH

After adjustments, the comparable sales demonstrate an overall range from approximately \$88,402 to \$132,443 per unit. Comparables 4 and 5 are the most similar in terms of location although they reflect transactions noted a few years ago. Recognizing these sales, the opinion of value is concluded at \$130,000 per unit. As the subject property includes 96 mobile home spaces, as well as 11 multi-family units (10 cottage units / 1 single-family home), this conclusion is realistic.

107 Units @ \$130,000 per Unit

\$13,910,000

INCOME CAPITALIZATION APPROACH
MARKET VALUE "AS IS"
EXISTING USE AS A MOBILE HOME PARK

The income capitalization approach is based on the assumption that there is a direct relationship between income producing capability and value. There are several steps in analyzing value by the income approach. The appraiser identified the gross potential income of the subject property by analyzing current rental rates of similar properties that are considered to be in direct competition with the subject. A deduction must be made for loss in income associated with vacancy and collection. The vacancy and collection loss factor is estimated from the performance of the subject as well as the competing buildings in the area. The effective gross income is estimated by deducting the vacancy and collection loss from the potential gross income. All operating expenses associated with the production of the subject's income stream must be estimated by examining the current rental market for similar properties and analyzing typical expenses. Subtraction of the operating expenses from the effective gross income results in an estimate of the subject's net operating income. An appropriate overall capitalization rate is derived from the marketplace by one or more methods. For the purposes of this report, only Direct Capitalization will be utilized.

Typically, the first step in the income capitalization approach is to conclude the gross potential income for the subject property. This includes comparison of the contract rent to market rent. These elements are summarized as follows.

CONTRACT RENT

The subject property is valued under the assumption of 96 mobile-home spaces, 10 studio apartments, and a single-family residential home. As depicted in the Improvement Section of this report, the subject property includes 4.47 acres of land. Mobile home spaces 1-4, 29-32, as well as cottages 21-23 are located outside the boundary of this property and are excluded from this analysis. Current rents for these homes are summarized as follows.

UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS	UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS	UNIT NO.	STATUS	TYPE	BASE RENT	UTILITY	REIMB.	TOTALS
5	Leased	M-Home	\$675		\$268	\$943	46	Leased	M-Home	\$695		\$271	\$966	83	Leased	M-Home	\$695		\$108	\$803
6	Leased	M-Home	\$695		\$273	\$968	47	Leased	M-Home	\$695		\$231	\$926	84	Leased	M-Home	\$675		\$182	\$857
7	Leased	M-Home	\$695		\$284	\$979	48	Leased	M-Home	\$675		\$241	\$916	85	Leased	M-Home	\$675		\$282	\$957
8	Leased	M-Home	\$675		\$277	\$952	49	Leased	M-Home	\$675		\$214	\$889	86	Leased	M-Home	\$695		\$142	\$837
9	Leased	M-Home	\$675		\$225	\$900	50	Leased	M-Home	\$675		\$93	\$768	87	Leased	M-Home	\$675		\$239	\$914
10	Leased	M-Home	\$675		\$241	\$916	51	Leased	M-Home	\$675		\$264	\$939	88	Leased	M-Home	\$675		\$177	\$852
11	Leased	M-Home	\$675		\$127	\$802	52	Leased	M-Home	\$675		\$242	\$917	89	Leased	M-Home	\$675		\$228	\$903
12	Vacant	M-Home	\$0		\$0	\$0	53	Vacant	M-Home	\$0		\$0	\$0	101	Leased	M-Home	\$675		\$270	\$945
13	Leased	M-Home	\$695		\$205	\$900	54	Leased	M-Home	\$675		\$144	\$819	102	Leased	M-Home	\$695		\$133	\$828
14	Vacant	M-Home	\$0		\$255	\$255	55	Leased	M-Home	\$675		\$247	\$922	103	Leased	M-Home	\$675		\$305	\$980
15	Leased	M-Home	\$675		\$238	\$913	56	Leased	M-Home	\$695		\$227	\$922	104	Leased	M-Home	\$675		\$371	\$1,046
16	Leased	M-Home	\$675		\$227	\$902	57	Leased	M-Home	\$675		\$287	\$962	105	Leased	M-Home	\$675		\$131	\$806
17	Leased	M-Home	\$675		\$264	\$939	58	Leased	M-Home	\$695		\$298	\$993	106	Leased	M-Home	\$695		\$24	\$719
18	Leased	M-Home	\$675		\$264	\$939	59	Leased	M-Home	\$675		\$232	\$907	107	Leased	M-Home	\$675		\$114	\$789
19	Leased	M-Home	\$675		\$239	\$914	60	Leased	M-Home	\$675		\$393	\$1,068	108	Leased	M-Home	\$695		\$277	\$972
20	Leased	M-Home	\$675		\$244	\$919	61	Leased	M-Home	\$675		\$328	\$1,003	109	Leased	M-Home	\$675		\$170	\$845
21	Leased	M-Home	\$695		\$309	\$1,004	62	Leased	M-Home	\$675		\$199	\$874	110	Leased	M-Home	\$695		\$279	\$974
22	Leased	M-Home	\$675		\$206	\$881	63	Leased	M-Home	\$695		\$252	\$947	111	Leased	M-Home	\$675		\$267	\$942
23	Leased	M-Home	\$675		\$133	\$808	64	Leased	M-Home	\$695		\$267	\$962	112	Leased	M-Home	\$695		\$311	\$1,006
24	Leased	M-Home	\$675		\$265	\$940	65	Leased	M-Home	\$675		\$172	\$847	113	Leased	M-Home	\$695		\$255	\$950
25	Leased	M-Home	\$695		\$237	\$932	66	Leased	M-Home	\$675		\$175	\$850	114	Leased	M-Home	\$695		\$334	\$1,029
26	Leased	M-Home	\$695		\$193	\$888	67	Leased	M-Home	\$675		\$124	\$799	115	Leased	M-Home	\$695		\$252	\$947
27	Leased	M-Home	\$695		\$271	\$966	68	Leased	M-Home	\$675		\$143	\$818	116	Leased	Cottage	\$795		\$0	\$795
28	Leased	M-Home	\$675		\$176	\$851	69	Leased	M-Home	\$675		\$329	\$1,004	117	Leased	Cottage	\$795		\$0	\$795
29	Leased	M-Home	\$675		\$304	\$979	70	Leased	M-Home	\$675		\$190	\$865	118	Leased	Cottage	\$895		\$0	\$895
30	Leased	M-Home	\$675		\$172	\$847	71	Leased	M-Home	\$675		\$265	\$940	119	Leased	Cottage	\$795		\$0	\$795
31	Leased	M-Home	\$675		\$186	\$861	72	Leased	M-Home	\$695		\$281	\$976	120	Leased	Cottage	\$795		\$0	\$795
32	Leased	M-Home	\$675		\$245	\$920	73	Leased	M-Home	\$675		\$241	\$916	121	Leased	Cottage	\$795		\$0	\$795
33	Leased	M-Home	\$675		\$255	\$930	74	Leased	M-Home	\$675		\$262	\$937	122	Leased	Cottage	\$795		\$0	\$795
34	Leased	M-Home	\$675		\$270	\$945	75	Leased	M-Home	\$675		\$77	\$752	123	Leased	Cottage	\$795		\$0	\$795
35	Leased	M-Home	\$695		\$0	\$695	76	Leased	M-Home	\$695		\$260	\$955	124	Leased	Cottage	\$795		\$0	\$795
36	Leased	M-Home	\$675		\$184	\$859	77	Leased	M-Home	\$695		\$251	\$946	125	Leased	Cottage	\$795		\$0	\$795
37	Leased	M-Home	\$675		\$213	\$888	78	Leased	M-Home	\$675		\$317	\$992	126	Home	SFD	\$2,800		\$0	\$2,800
38	Leased	M-Home	\$675		\$124	\$799	79	Leased	M-Home	\$675		\$225	\$900							
39	Vacant	M-Home	\$0		\$0	\$0	80	Leased	M-Home	\$675		\$120	\$795							
40	Leased	M-Home	\$675		\$271	\$946	81	Leased	M-Home	\$695		\$115	\$810							
41	Vacant	M-Home	\$0		\$0	\$0	82	Leased	M-Home	\$695		\$331	\$1,026							

Parameters for the 96 mobile home units include the following.

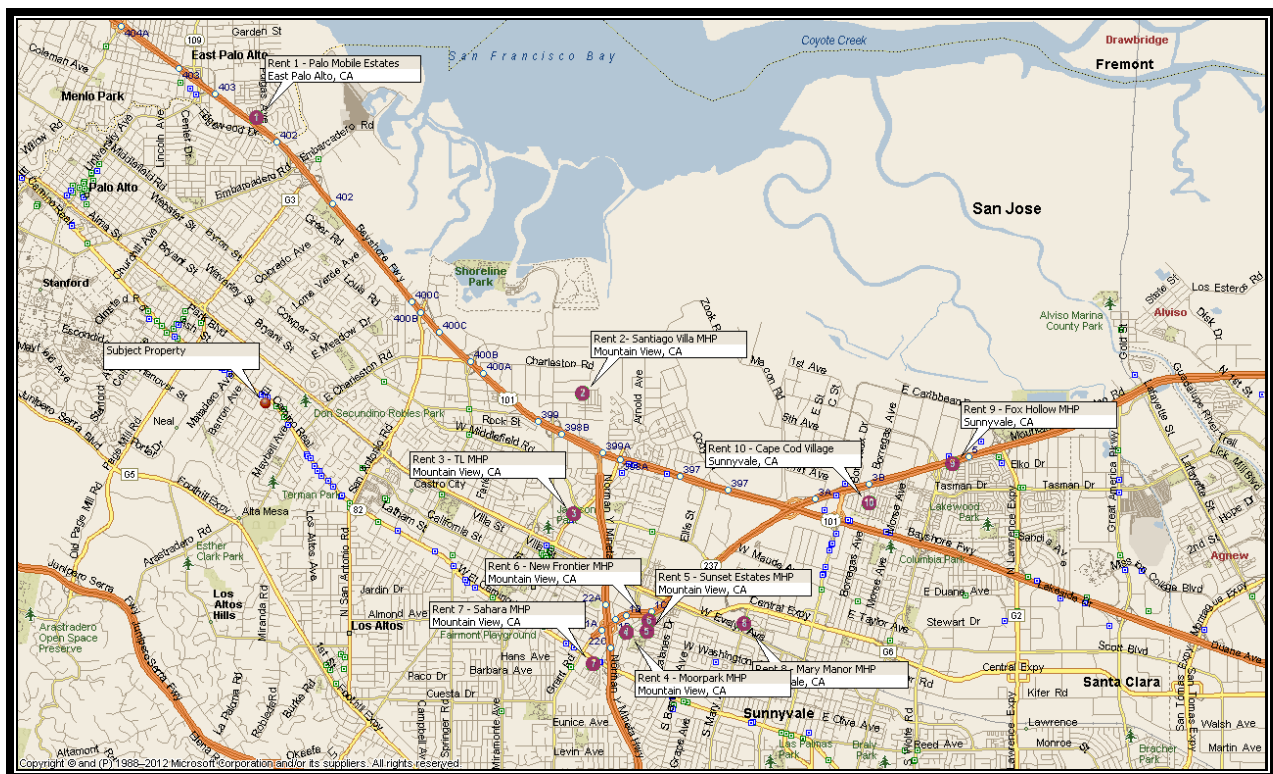
ITEM	TOTALS
Total Number of Units	96 Units
Occupied Units	91 Units
Occupancy	95%
Rental Range (Base Rent)	\$675-695/Mo.
Total Occupied Rent (91 Units)	\$62,005
Average Occupied Rent	\$681/Mo.

The average occupied rent for the mobile home spaces is identified at \$681 per unit, per month. In addition, as noted there are currently five vacant units. These are identified on the rent roll, as well as non-paying tenants. Also, there is additional income for this property generated through the studio apartments, as well as the single-family home. Parameters for these units include the following.

ITEM	TOTALS
Total Number of Units	11 Units
Occupied Units	11 Units
Occupancy	100%
Rental Range (Base Rent)	\$795-\$2,800/Mo.
Total Occupied Rent (11 Units)	\$10,850
Average Occupied Rent	\$986/Mo.

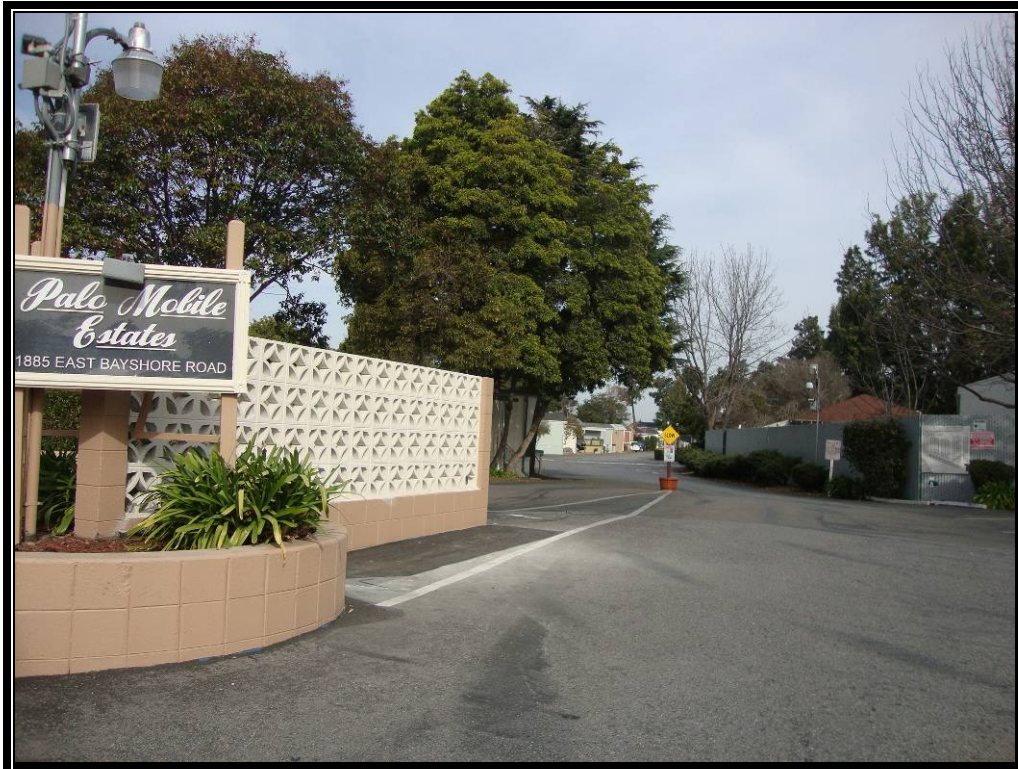
The average occupied rent for the cottages/SFD units is identified at \$986 per unit, per month. All of these units were occupied as of the effective date of valuation. In order to determine if the current rents for this project are at market, the area was surveyed for similar mobile home facilities. These projects are summarized on the following table.

LOCATION MAP – COMPARABLE RENTALS



No.	NAME/ADDRESS LOCATION	TYPE	NO. UNITS	SITE-MIX	AMENITIES	OCCUPANCY	RENT RANGE	UTILITIES	AVERAGE RENT
1	Palo Mobile Estates 1885 E. Bayshore Road East Palo Alto, CA	All-Age	613	70% Double-Wide 30% Single-Wide	Asphalt Streets, Street Lights	100%	\$860/Mo.	In Rent	\$860
2	Santiago Villa MHP 1075 Space Park Way Mountain View, CA	All-Age	358	96% Double-Wide 4% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	98.6%	\$865/Mo.	Paid by Tenant	\$865
3	TL MHP 440 Moffett Boulevard Mountain View, CA	All-Age	143	70% Double-Wide 30% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	99.3%	\$675/Mo.	Paid by Tenant	\$675
4	Moorpark MHP 501 Moorpark Way Mountain View, CA	All-Age	138	80% Double-Wide 20% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	100.0%	\$575/Mo.	Paid by Tenant	\$575
5	Sunset Estates MHP 433 Sylvan Avenue Mountain View, CA	55+	144	90% Double-Wide 10% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	100.0%	\$960/Mo.	In Rent	\$960
6	New Frontier MHP 325 Sylvan Avenue Mountain View, CA	All-Age	117	40% Double-Wide 60% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	100.0%	\$500/Mo.	Paid by Tenant	\$500
7	Sahara Mobile Village 191 El Camino Real Mountain View, CA	All-Age	206	60% Double-Wide 40% Single-Wide RV Spaces	Asphalt Streets, Street Lights, Pool Community Room	97.1%	\$850/Mo.	Paid by Tenant	\$850
8	Mary Manor MHP 125 N. Mary Avenue Sunnyvale, CA	All-Age	116	95% Double-Wide 5% Single Wide	Asphalt Streets, Street Lights, Pool Community Room	100.0%	\$920/Mo.	In Rent	\$920
9	Fox Hollow MHP 690 Persian Drive Sunnyvale, CA	55+	99	100% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	98.9%	\$900-\$1,000/Mo.	Paid by Tenant	\$900
10	Cape Cod Village 1050 Borregas Avenue Sunnyvale, CA	55+	99	40% Double-Wide 60% Single-Wide	Asphalt Streets, Street Lights, Pool Community Room	99.4%	\$878-\$1,039/Mo.	Paid by Tenant	\$980

COMPARABLE RENTAL PHOTOGRAPHS



RENTAL 1 – Palo Mobile Estates, Palo Alto, CA



RENTAL 2 – Santiago Villa MHP, Mountain View, CA

COMPARABLE RENTAL PHOTOGRAPHS



RENTAL 3 – TL Mobile Home Park, Mountain View, CA



RENTAL 4 – Moorpark MHP, Mountain View, CA

COMPARABLE RENTAL PHOTOGRAPHS



RENTAL 5 – Sunset Estates MHP, Mountain View, CA



RENTAL 6 – New Frontier MHP, Mountain View, CA

COMPARABLE RENTAL PHOTOGRAPHS



RENTAL 7 – Sahara Mobile Village, Mountain View, CA



RENTAL 8 – Mary Manor MHP, Sunnyvale, CA

COMPARABLE RENTAL PHOTOGRAPHS



RENTAL 9 – Fox Hollow MHP, Sunnyvale, CA



RENTAL 10 – Cape Cod Village, Sunnyvale, CA

ANALYSIS OF RENTALS

The ten projects identified on the prior table were surveyed for rental characteristics, as well as occupancy trends. They show an overall range in potential rent from \$500 to \$980 per space, per month, whereas occupancy ranges from 97.1% to 100%. Occupancy in these facilities is generally near 100% as the type of space offers affordable housing in the region.

The subject rentals are structured on a base rental basis, as well as monthly reimbursement of the utilities by the individual tenants. The majority of the properties surveyed are on a similar basis, with the exception of Rental 1 (Palo Mobile Estates), Rental 5 (Sunset Estates MHP) and Rental 8 (Mary Manor MHP). These properties include the utilities in the rent, but also tend to show the upper end of the range showing rental rates from \$860 to \$960 per space, per month. In addition the rentals identified as age-restricted projects tend to command a premium noted by Rental 5 (Sunset Estates MHP), Rental 9 (Fox Hollow MHP), and Rental 10 (Cape Cod Village) with rents from \$900 to \$980 per space, per month. The most similar properties for comparison to the subject are showing rents from \$500 to \$865 per space, per month. These elements are depicted below.

RENTAL	AVERAGE RENT/SPACE	COMPARABILITY
Rental 1 – Palo Mobile Estates	\$860/Space	High Indicator – Utilities in Rent
Rental 2 – Santiago Villa MHP	\$865/Space	Good Indicator
Rental 3 – TL MHP	\$675/Space	Good Indicator
Rental 4 – Moorpark MHP	\$575/Space	Good Indicator
Rental 5 – Sunset Estates MHP	\$960/Space	High Indicator – Age Restricted and Utilities
Rental 6 – New Frontier MHP	\$500/Space	Good Indicator
Rental 7 – Sahara Mobile Village	\$850/Space	Good Indicator
Rental 8 – Mary Manor MHP	\$920/Space	High Indicator – Utilities in Rent
Rental 9 – Fox Hollow MHP	\$900/Space	High Indicator – Age Restricted
Rental 10 – Cape Cod Village	\$980/Space	High Indicator – Age Restricted

The subject units are currently rents from \$675 to \$695 per space, per month. The comparables most similar to the subject show an overall range from \$500 to \$865 per space, per month. The subject rentals offer a superior location to these properties due to the Palo Alto address, however lacks common amenities as these projects such as a pool, clubhouse, etc. Still, it was identified that contract rents have not been escalated in the past five years in the subject and market rent is likely higher. This is identified at \$825 space, per month. Furthermore, contract rent for the cottage units and the single-family home are assigned. These elements result in a potential gross income for the subject property as follows.

ITEM	MONTHLY RENT	ANNUALIZED
Market Rent – 96 Mobile Home Spaces	\$78,375	\$940,500
Occupied Rent – 11 Cottages	\$10,850	\$130,200
TOTALS	\$89,225	\$1,070,700

The total rent for the subject property achieved from rental proceeds is identified at \$1,070,700.

POTENTIAL GROSS INCOME

The potential gross income identified for this property is achieved through proceeds from the rental of mobile home spaces and cottage rentals. In addition, the leases structured for this property include utilities reimbursed to the landlord per month. Currently, the tenants for the mobile home spaces reimburse utilities whereas they are included in the cottages and the single-family homes. According to the rent roll provided for review in preparation of this assignment, utility reimbursements range from \$24 to \$393 per space, per month. The average reimbursement is identified at \$225 per space, per month. This is based on the 91 occupied units. As such, average utility reimbursements are identified at \$225 per space, per month, resulting in an annualized income of \$21,600 for this revenue source. The potential gross income for the subject property is displayed below.

POTENTIAL GROSS INCOME		Monthly	Year
TOTAL RENTAL REVENUE			
--Market Rent - Mobile Homes		\$79,200	
--Occupied Properties - Cottages		\$10,850	
--Average Utility Reimbursements		\$21,600	
POTENTIAL GROSS INCOME		\$111,650	\$1,339,800

VACANCY AND COLLECTION LOSS/EFFECTIVE GROSS INCOME

The mobile home spaces for the subject are currently operating at 95%. The total income for the property is operating at a similar basis. As depicted in the prior analysis, the comparable rental properties were surveyed for current occupancy rates. These rates are isolated on the table below.

NO.	PROJECT	TYPE	NO. UNITS	OCCUPANCY
1	Palo Mobile Estates	All-Age	613	100.0%
2	Santiago Villa MHP	All-Age	358	98.6%
3	TL MHP	All-Age	143	99.3%
4	Moorpark MHP	All-Age	138	100.0%
5	Sunset Estates MHP	55+	144	100.0%
6	New Frontier MHP	All-Age	117	100.0%
7	Sahara Mobile Village	All-Age	206	97.1%
8	Mary Manor MHP	All-Age	116	100.0%
9	Fox Hollow MHP	55+	99	98.9%
10	Cape Cod Village	55+	99	99.4%

The current occupancy rates from the competing mobile home parks show occupancy from 97.1% to 100%. Based on review of these projects, as well as the nature of the subject property, vacancy of 2% of potential gross income is identified. In addition, a collection loss factor of 0.5% is included in the overall analysis.

The only other addition to income for the subject is for the laundry income. The current rent roll identifies total laundry income at \$544 per month. This is allocated among all of the units in this project (including those excluded from the analysis) or over 118 units resulting in \$4.61 per unit, per month. This equates to \$493.27 per month and is rounded to \$500 per month, or \$6,000 per annum for this property.

The effective gross income for the subject property is concluded at \$1,312,305. Calculations are identified on the following table.

POTENTIAL GROSS INCOME	Monthly	Year
TOTAL RENTAL REVENUE		
--Market Rent - Mobile Homes	\$79,200	
--Occupied Properties - Cottages	\$10,850	
--Average Utility Reimbursements	\$21,600	
POTENTIAL GROSS INCOME	\$111,650	\$1,339,800
VACANCY AND COLLECTION LOSS		
Vacancy and Collection Loss	2.5%	\$ (33,495)
OTHER INCOME		
Laundry Income	\$	6,000
EFFECTIVE GROSS INCOME	\$	1,312,305

OPINION OF OPERATING EXPENSES

The subject's operating expenses are structured on a full service basis with the landlord paying all of the operating expenses. Historic income and expenses were provided for review in preparation of this assignment, which are depicted below. They are predicated on all of the units in this project and have been reallocated by the appraiser to include items inherent with the real estate. Provisions for interest and depreciation have been omitted for this element. The past three years income and expenses are summarized as follows.

	2010	2011	2012
INCOME			
Total Income	\$ 1,226,015	\$ 1,244,589	\$ 1,256,715
OPERATING EXPENSES			
--Management	\$ -	\$ -	\$ (42,000)
--Maintenance	\$ (12,820)	\$ (22,262)	\$ (14,110)
--Licenses and Permits	\$ (1,992)	\$ (3,356)	\$ (2,011)
--Professional Fees	\$ (1,030)	\$ (4,385)	\$ (6,986)
--Property Tax	\$ (77,063)	\$ (54,056)	\$ (55,661)
--Repairs	\$ (15,406)	\$ (30,338)	\$ (4,750)
--Supplies	\$ (8,000)	\$ (11,599)	\$ (3,989)
--Telephone	\$ (2,578)	\$ (2,528)	\$ (2,502)
--Insurance	\$ (7,024)	\$ (6,876)	\$ (14,114)
--Utilities	\$ (250,887)	\$ (250,583)	\$ (266,649)
TOTAL OPERATING EXPENSES	\$ (376,800)	\$ (385,983)	\$ (412,772)
% of Income	30.7%	31.0%	32.8%
NET OPERATING INCOME	\$ 849,215	\$ 858,606	\$ 843,943

The historic operating expenses show operating expenses ranging from 30.7% to 32.8% of total income. Overall, the operating expenses projected for this property are likely higher primarily due to property taxes. The subject benefits from a low basis in the property based on the nature in which property taxes are calculated. Inherent in the definition of market value is the assumption of a sale. Based on this element, the property taxes are reassessed based on the sales price (or in the case of the income approach market value) and will likely be higher. Calculations of the operating expenses for the subject property are identified as follows.

Property Taxes – As noted earlier, property taxes are reassessed based on the opinion of value concluded by the income approach. The base tax rate for the subject property is identified at 1.1875%. Mathematically, this is calculated by analyzing the net operating income for the subject property excluding property taxes. The base tax rate is then added to the overall rate and the net operating income is capitalized at the imputed rate. Once this value is identified, it is multiplied by the base tax rate at 1.1875% for the derivation of the annual property taxes. Property taxes are concluded at **\$174,618 per annum**.

Direct Levies – This expense is based on actual charges for the subject property. They are calculated at **\$5,500 per annum** and are predicated on the direct levies for parcels 137-11-071, 102, and 137-12-001. These parcels reflect the land area proposed for the subject property.

Insurance – This expense is identified at \$7,100 per unit. It is consistent with historic expenses, although the charge for 2012 was twice as much as the prior years. It was identified that two years insurance expense were included in this projection.

Utilities – This expense is based on actual charges. As noted, the past three years show total utility expenses at \$250,888 (2010), \$250,583 (2011), and \$266,649 (2012). The 2012 expense for utilities trended upward approximately 6.5% from the prior years totals. This is based on the operating expenses for mobile home spaces or approximately \$2,563 per space per annum. Based on the upward trending in utilities, this expense is identified at \$2,600 per unit, per annum. This expense is applied to the 96 mobile home spaces or **\$249,600 per annum**. Utilities are paid by the tenants for the cottages and single-family home.

Repairs/Maintenance – This expense is based on actual charges. As noted, the past three years show total repairs/maintenance expenses at \$28,226 (2010), \$52,600 (2011), and \$18,860 (2012). The average expense over the past three years is approximately \$33,339 per annum. This expense is applied at **\$35,000 per annum**. It is slightly higher than the average expenses, but considering the age of the complex, as well as the inclusion of part of the complex in the valuation is reasonable.

Marketing/Promotion/G&A – This expense is based on historic costs for this project. It includes elements for licensing and permits, professional fees, supplies, and telephone costs. It is projected at **\$16,000 per annum**.

Management – This expense represents the expenses incurred to obtain quality management for properties. Management is a key ingredient in the successful operation of a property and the appraisers assume management to be competent. General administration include items such as expenses for accounting and legal fees, marketing costs, obtaining competent management, and other administrative costs were included in the costs for marketing and promotion. Management ranges from 3% to 6% of the effective gross income depending upon the total project size. This expense is projected at 4% of effective gross income. It results in an expense of **\$52,492 per annum**.

CONCLUSION OF OPERATING EXPENSES

The total operating expenses for the subject property equate to \$540,310 per annum. It is approximately 41.2% of effective gross income or approximately \$5,050 per unit based on the 107 units identified in this analysis. This is primarily due to property taxes included in the overall totals. This expense is identified at \$130,751 per annum, when actual taxes (parcels 137-11-071, 102, and 137-12-001) show current totals near \$52,000. Nonetheless, the majority of expenses is based on actual charges for the complex (allocated for the unit count) and is utilized for this assignment. These operating expenses are summarized below.

NET OPERATING INCOME

Based on the factors illustrated in this section, the net operating income for the subject property is \$771,995 or approximately \$7,214 per unit. These calculations are shown below.

POTENTIAL GROSS INCOME	Monthly	Year
TOTAL RENTAL REVENUE		
--Market Rent - Mobile Homes	\$79,200	
--Occupied Properties - Cottages	\$10,850	
--Average Utility Reimbursements	\$21,600	
POTENTIAL GROSS INCOME	\$111,650	\$1,339,800
VACANCY AND COLLECTION LOSS		
Vacancy and Collection Loss	2.5% \$	(33,495)
OTHER INCOME		
Laundry Income	\$	6,000
EFFECTIVE GROSS INCOME	\$	1,312,305
OPERATING EXPENSES		
Property Taxes (1.1875%)	\$	(174,618)
Direct Levies	\$	(5,500)
Insurance	\$	(7,100)
Utilities	\$	(249,600)
Repairs/Maintenance	\$	(35,000)
Marketing/Promotion/G&A	\$	(16,000)
Management (4% of EGI)	\$	(52,492)
TOTAL OPERATING EXPENSES	\$	(540,310)
(% of EGI)		-41.2%
NET OPERATING INCOME	\$	771,995

OVERALL CAPITALIZATION RATE

The overall capitalization rate is typically derived from analysis of comparable sales utilized in the sales comparison approach and from recent sales in the area. The 2012 indicators from the comparable sales show an overall rate from approximately 6.7% to 8.2%, whereas the two older sales reflect an overall rate from 5.5% to 6.3%. Other transactions of mobile home parks were considered which show overall rates from 5.0% to 5.5%. These transactions were completed in 2013 and were not presented based on locational variances in relation to the subject. The subject property has adequate rent durability based on the assumption of an ongoing mobile home park at market rent. Still, this complex benefits from a strong location in Palo Alto. Based on this element, an overall rate of 5.25% is adequate for this analysis.

The overall calculations identified in the income approach are displayed below.

POTENTIAL GROSS INCOME	Monthly	Year
TOTAL RENTAL REVENUE		
--Market Rent - Mobile Homes	\$79,200	
--Occupied Properties - Cottages	\$10,850	
--Average Utility Reimbursements	\$21,600	
POTENTIAL GROSS INCOME	\$111,650	\$1,339,800
VACANCY AND COLLECTION LOSS		
Vacancy and Collection Loss	2.5%	\$ (33,495)
OTHER INCOME		
Laundry Income	\$	6,000
EFFECTIVE GROSS INCOME	\$	1,312,305
OPERATING EXPENSES		
Property Taxes (1.1875%)	\$	(174,618)
Direct Levies	\$	(5,500)
Insurance	\$	(7,100)
Utilities	\$	(249,600)
Repairs/Maintenance	\$	(35,000)
Marketing/Promotion/G&A	\$	(16,000)
Management (4% of EGI)	\$	(52,492)
TOTAL OPERATING EXPENSES	\$	(540,310)
(% of EGI)		-41.2%
NET OPERATING INCOME	\$	771,995
Overall Rate		5.25%
OPINION OF VALUE	\$	14,704,663
ROUNDED	\$	14,700,000

The opinion of value as noted for the income approach is **\$14,700,000** (rounded from \$14,704,663).

**RECONCILIATION
MARKET VALUE "AS IS"
EXISTING USE AS A MOBILE HOME PARK**

Two approaches to value were utilized to develop an opinion of value as an existing mobile home park, the sales comparison approach and the income approach. These results are displayed below.

MARKET VALUE "AS IS" (EXISTING MOBLE HOME PARK)

Sales Comparison Approach	\$13,910,000
Income Approach (Direct Capitalization)	\$14,700,000

OPINION OF VALUE **\$14,500,000**

Both approaches were based on good quality data. The Sales Comparison Approach was based on the analysis of sales that offered slight variances in degree of comparability to the subject. The adjusted range in value was consistent and the resulting value conclusion had reasonable support. The Income Approach had recent lease comparables from the surrounding area that provided an accurate market rate for the subject property.

As the subject is an investment property any potential purchaser of the subject would most typically utilize the Income Approach to value. The sales comparison approach is a secondary approach to value, but supportive of the overall conclusion. The Cost Approach was not utilized in this analysis due to the age of the improvements and difficulties in accurately estimating all forms of accrued depreciation. Based on all pertinent data described herein, our opinion of the market value, "As Is", (leased fee estate) subject to the assumptions and limiting conditions, as of the effective date of valuation, February 10, 2013 is as follows:

**FOURTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS
\$14,500,000**

The opinion of value noted above is based on the current use of the subject property as a mobile home park. This value was presented in preparation of this assignment in analyzing the highest and best use of the subject property.

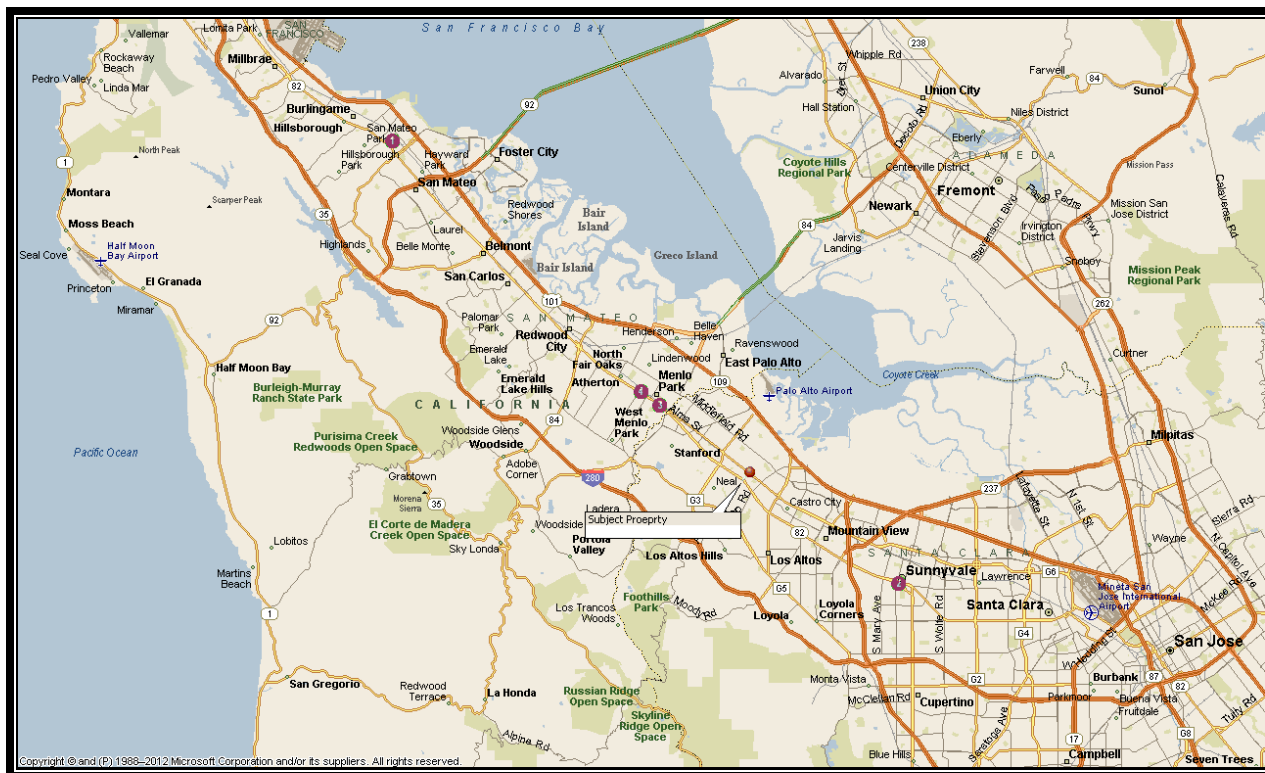
EXPOSURE AND MARKETING TIME

A reasonable exposure and marketing times for the subject has been estimated based on analysis of comparable sales of a similar nature with market participants including owners and brokers. Discussions with active brokers revealed a range of probable marketing times from three to six months for the subject property under the current use as a mobile home park. Based on a review of comparable transactions and discussions with active brokers; it appears that there is some demand for reasonably priced properties in the immediate area. Based on the prior discussion and analysis, a reasonable exposure/marketing period is projected at 6 months.

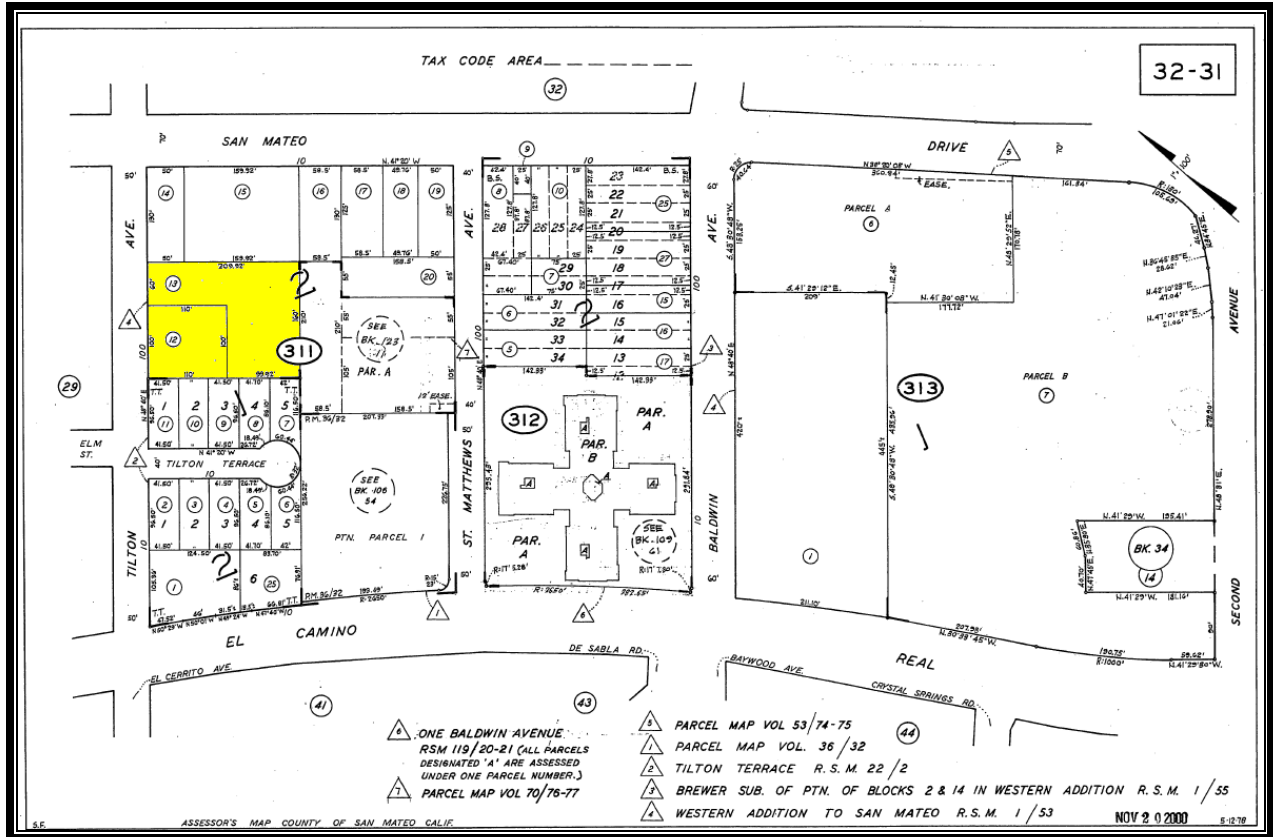
LAND VALUATION **SALES COMPARISON APPROACH** **MARKET VALUE “AS IS”** **4.47 AC – RM-15 ZONING**

This approach utilized for determining the market value for the subject site includes comparable sales for residential uses. Sales of a similar nature were sought in the immediate area as the subject property. Residential land in the region typically sells based on the price per square foot. While the price per unit is typically noted as the most common method for residential properties, it transfers on this basis in this region. As such, valuation will be considered on this basis. The following table summarizes these sales followed by detailed sales sheets.

Sale No.	Location	Sale Date Doc #	Sales Price	Total SF Total AC	Zoning	Density	Price/SF	Current Use Demolition Costs	Proposed Use
1	E. side of Tilton Avenue, N. of El Camino Real San Mateo, CA 94401 032-311-120, 130	November 12, 2012 165299	\$4,505,000	33,572 0.77	R5 Conceptual	36-38 du/ac	\$134.19	15,494 sf of Improvements Estimated at \$155,000 and in the price	SFD Development
2	660 W. El Camino Real Sunnyvale, CA 94087 201-22-011, 201-23-029	Pending (Closed March 8, 2013) 13146482	\$20,965,000	276,606 6.35	C2-ECR	16.2 du/ac	\$75.79	Vacant Land N/A	TH/SF Development
3	389 El Camino Real Menlo Park, CA 94025 071-412-170, 220, 230, 250, 430	September 11, 2012 N/A	\$12,200,000	53,579 1.23	Rm/CH Mixed-Use	21.1 du/ac	\$227.70	Vacant Land N/A	TH/SF Development
4	1300 El Camino Real Menlo Park, CA 94025 061-430-420, 450	March 30, 2012 42839	\$24,500,000	148,165 3.40	CH Mixed-Use	32 to 50 du/ac	\$165.36	Vacant Land N/A	Mixed Use Development
SP	3980 El Camino Real Palo Alto, CA 94306		N/A	194,713 4.47	RM-15	15.0 du/ac		Assumed Vacant N/A	TH/SF Development



COMPARABLE LAND SALE NUMBER ONE



IDENTIFICATION

Location: 106, 110, and 120 Tilton Avenue
San Mateo, CA 94401

APN: 032-311-120, 130

Grantor: Tilton Avenue Partners LLC

Grantee: Tilton Place LP

SITE CHARACTERISTICS

Zoning: R5 – Multi-Family Residential

Land Area: 0.77 AC / 33,572 SF

Current Use: Improved with MF Property

Proposed Units: Proposed for 28 to 30 Units

Density: 36-38 DU/AC

Topography: Level at street grade

Offsite Improvements: To the site

Proposed Use: Construction of a mixed-use development

Demolition Costs: Projected at \$155,000 or \$4.62 psf of Site Area

Comparable Land Sale Number 2 (Continued)

SALE CHARACTERISTICS

Property Rights Transferred:	Fee Simple Estate
Conditions of Sale:	Arms-Length
Sale Date/Doc #:	November 12, 2012 COE / 165299
Prior Sales History (3 Years):	None Noted
Sale Price:	\$4,350,000 + \$155,000 demo = \$4,505,000
Terms:	Cash equivalent

Price per SF:	\$134.19
Price Per Unit:	N/A

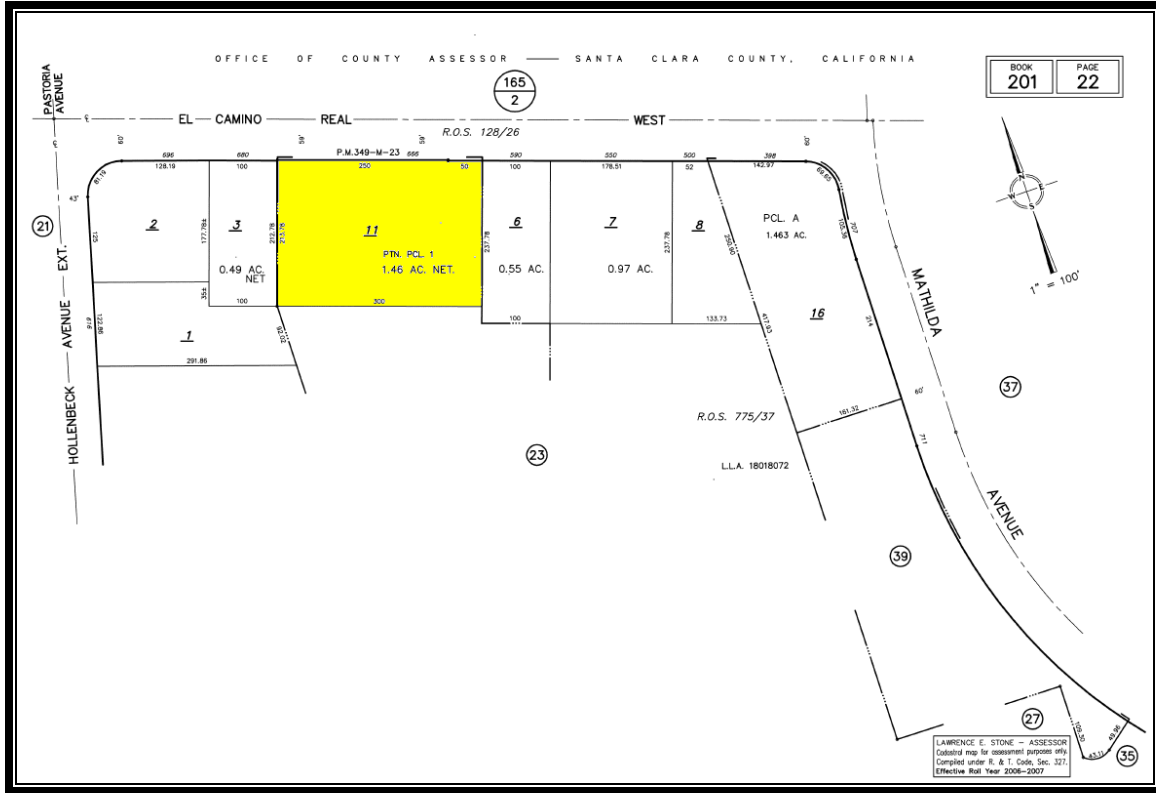
Confirmed By:	Broker / County Records
Market Time:	N/A

COMMENTS

This sale represents a transaction of 0.77 acres in San Mateo for residential development. This property currently includes entitlements for 52 condominium units, although it was identified that the pending buyer will change the project to accommodate 28-30 detached units. This property is currently improved with several structures including a MF building and 2 smaller single-family homes. Proposed density is from 36 to 38 units per acre.



COMPARABLE LAND SALE NUMBER TWO



IDENTIFICATION

Location: 660 W. El Camino Real
Sunnyvale, CA 94087
APN: 201-22-011 and 201-23-029
Grantor: Miller Family Trust
Grantee: Summerhill 660 W. El Camino LLC

SITE CHARACTERISTICS

Zoning: C2-ECR, Special Development Permit
Land Area: 8.29 AC / 361,112 SF
Current Use: Vacant
Proposed Units: Current entitlements for 103 townhouse units on 6.35 AC and hotel construction on 1.94 AC
Density: 16.2 du/ac (based on residential portion)
Topography: Level at street grade
Offsite Improvements: To the site
Proposed Use: Construction of a mixed-use development
Demolition Costs: N/A

Comparable Land Sale Number 2 (Continued)

SALE CHARACTERISTICS

Property Rights Transferred:	Fee Simple Estate
Conditions of Sale:	Arms-Length
Sale Date/Doc #:	March 8, 2013 COE / 13146482
Prior Sales History (3 Years):	None Noted
Sale Price:	Identified at \$20,965,000 for residential component (See Comments)
Terms:	Cash equivalent

Price per SF: **\$75.79 (Based on Residential Component)**

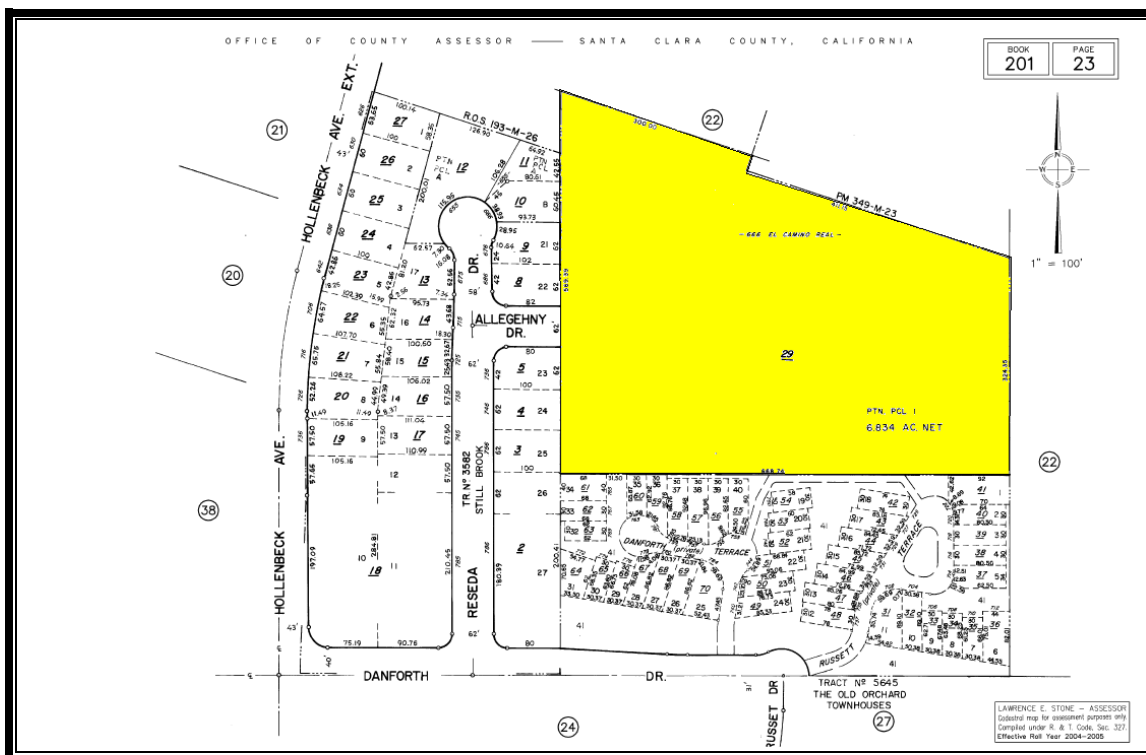
Price Per Unit: **N/A**

Confirmed By: Broker / County Records

Market Time: N/A

COMMENTS

This sale represents a pending sale of 8.29 acres of vacant land in Sunnyvale. This price was established approximately 2 years ago as the buyer secured entitlements for development. The total price was based on the total acquisition price at \$24,000,000 allocated at \$20,965,000 for the 6.35 AC residential component. This project is proposed for the development of 103 townhouse units demonstrating a density at 16.2 du/ac. Furthermore, this project includes an affordable housing component requiring that 13 of the 103 units be sold to low and moderate income residents. This property is scheduled to close in the first part of 2013. The property was formerly improved with a Chevy dealership which was demolished.

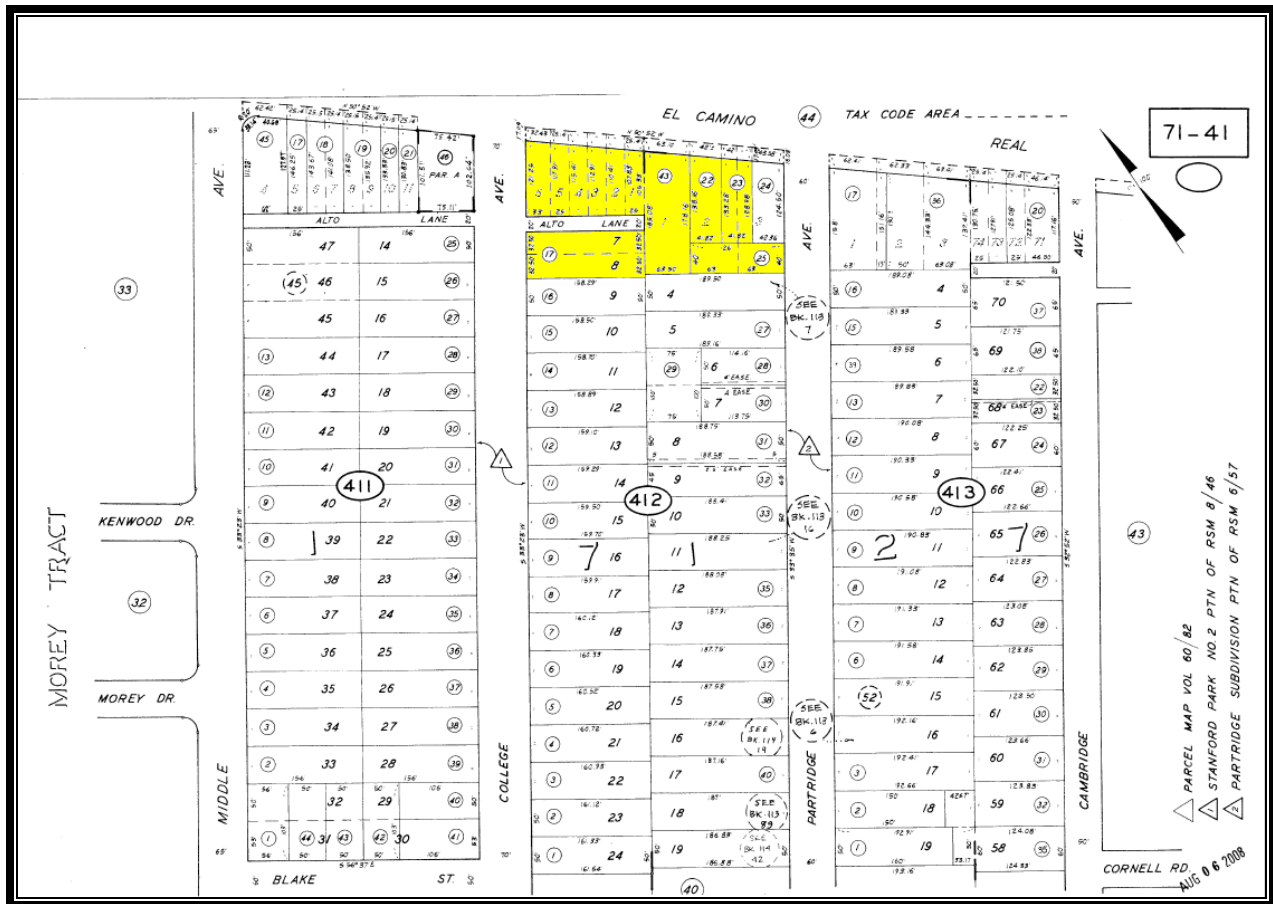


Comparable Land Sale Number 2 (Continued)



Improvements have been demolished. Older depiction of property.

COMPARABLE LAND SALE NUMBER THREE



IDENTIFICATION

Location: 389 El Camino Real
Menlo Park, CA 94025

APN: 071-412-170, 220, 230, 250, 430

Grantor: 389 El Camino Associates LLC

Grantee: DR Horton, Inc.

SITE CHARACTERISTICS

Zoning: RM/CH – Residential

Land Area: 1.23 AC / 53,579 SF

Current Use: Improved with nominal older structures.

Proposed Units: 26 Lots - 17 townhouse lots & 9 Single-Family Lots

Density: 21.1 du/ac

Topography: Level at street grade

Offsite Improvements: To the site

Proposed Use: Construction of a mixed-use development

Demolition Costs: Nominal

Comparable Land Sale Number 3 (Continued)

SALE CHARACTERISTICS

Property Rights Transferred:	Fee Simple Estate
Conditions of Sale:	Arms-Length
Sale Date/Doc #:	September 11, 2012 / Doc #: N/A
Prior Sales History (3 Years):	None Noted
Sale Price:	\$12,200,000
Terms:	All cash transaction

Price per SF:	\$227.70
Price Per Unit:	\$451,852

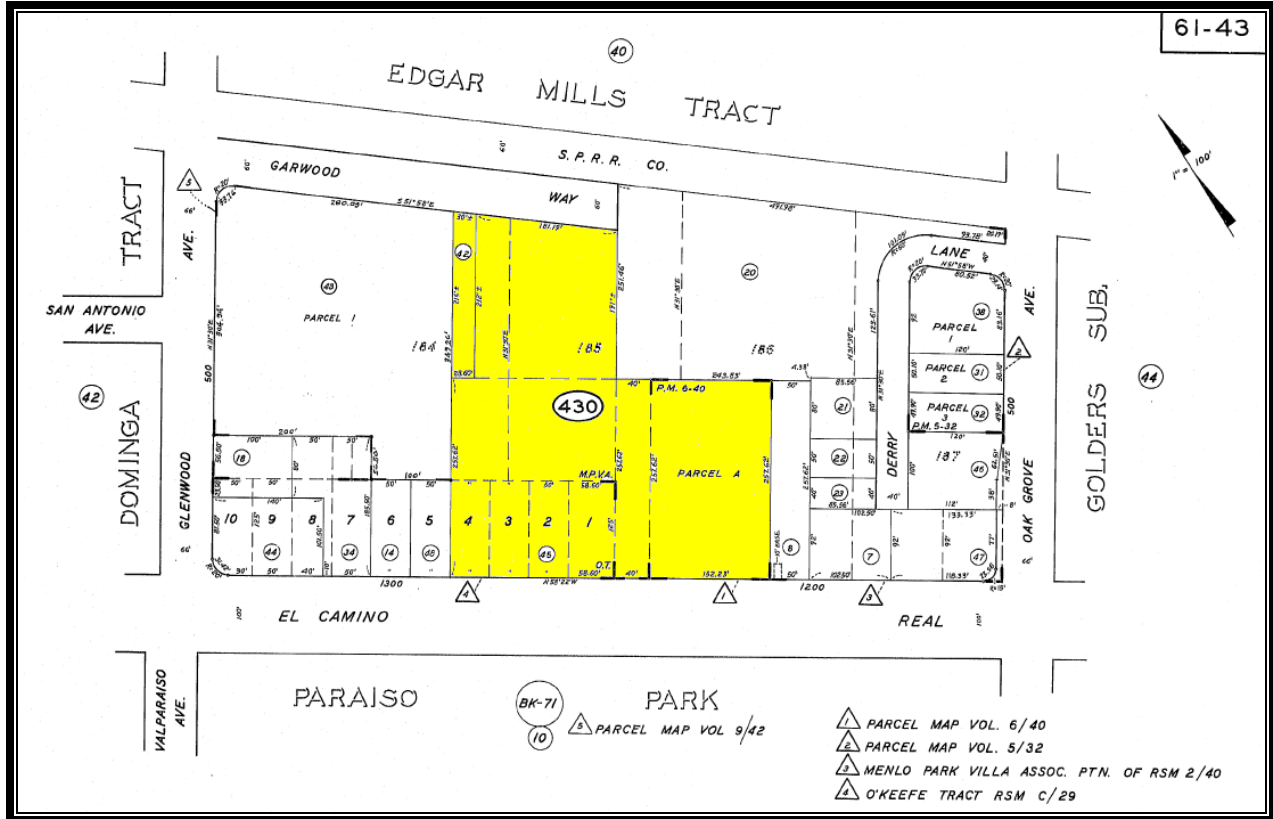
Confirmed By:	Broker / County Records
Market Time:	N/A

COMMENTS

This sale represents a sale to DR Horton of a 1.23 acre site proposed for the development of 17 townhouse lots and 9 single family lots. There were minimal improvements on the property at the time of sale. The property has tentative map approval and the zoning is in place to accommodate the proposed use. The broker reported that the negotiation process was quick for this property once it was noted that the property was for sale given current demand variables in the Bay Area.



COMPARABLE LAND SALE NUMBER FOUR



IDENTIFICATION

Location: 1300 El Camino Real
Menlo Park, CA 94025
APN: 061-430-420, 450
Grantor: SHP Los Altos
Grantee: Bayfront Investments, LLC

SITE CHARACTERISTICS

Zoning: CH
Land Area: 3.4 AC / 148,165 SF
Current Use: Former Auto Dealership (Demolished)
Proposed Units: Mixed Use Development (32 to 50 du/ac)
Density: 32 to 50 du/ac
Topography: Level at street grade
Offsite Improvements: To the site
Proposed Use: Construction of a mixed-use development
Demolition Costs: None

Comparable Land Sale Number 4 (Continued)

SALE CHARACTERISTICS

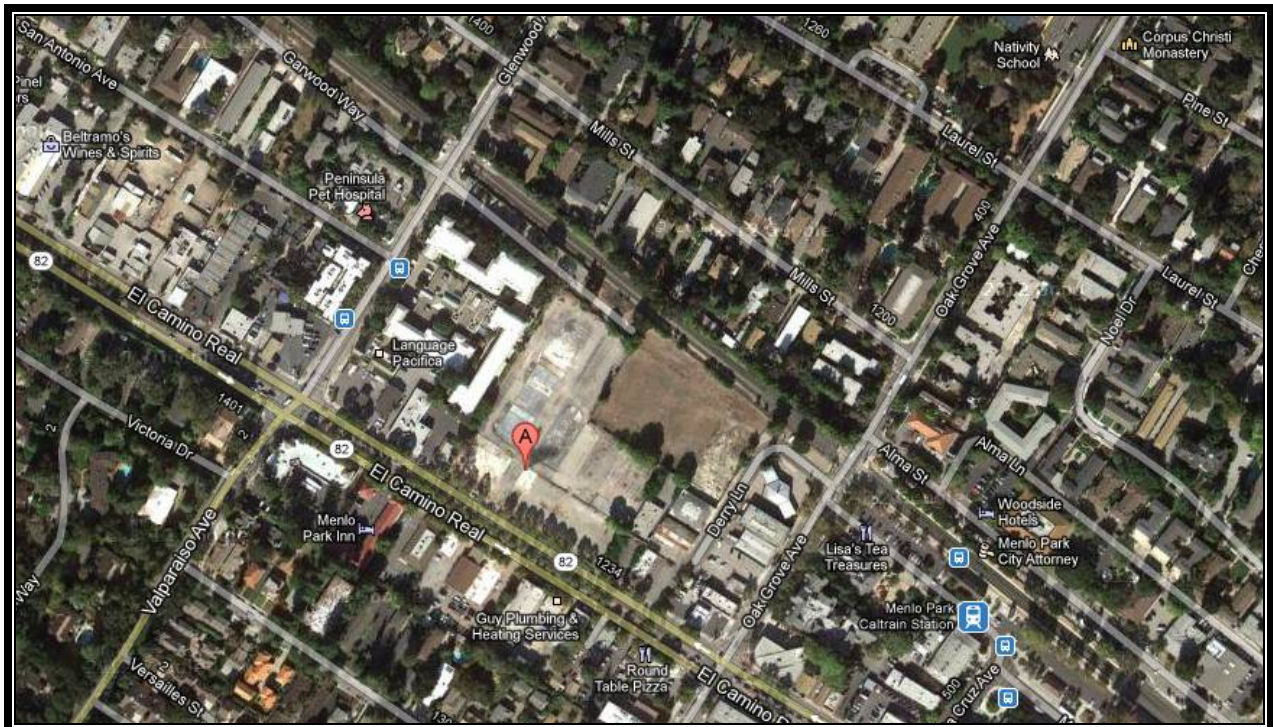
Property Rights Transferred:	Fee Simple Estate
Conditions of Sale:	Arms-Length
Sale Date/Doc #:	March 30, 2012 / 042839
Prior Sales History (3 Years):	None Noted
Sale Price:	\$24,500,000
Terms:	All cash transaction

Price per SF:	\$165.36
Price Per Unit:	N/A

Confirmed By:	Broker / County Records
Market Time:	N/A

COMMENTS

This sale represents a sale to Bayfront Investments LLC of a 3.4-acre property in Menlo Park. This property was the former Cadillac Dealership and improvements were razed at the time of sale. It is ultimately identified for the development of a mixed commercial/residential project which under current specific plan guidelines allows from 32 to 50 units per acre.



Application of Adjustments

Prior to adjustments to the comparable sales, the price per square foot, the typical unit of comparison ranged from \$75.79 to \$227.70 per square foot. The following is a discussion of the adjustments made to the comparable sales. In addition, other transactions are considered in this analysis which is applicable to this property.

- ⇒ Classic Communities tied up the property at 4310 W. El Camino in Palo Alto for the development of the Classics at Monroe Place project in June 2011. They were responsible for securing entitlements for the development of 10 single-family homes and 16 duplexes on 1.95 acres. Demolition and offsite costs were the responsibility of the seller. The total price negotiated in June 2011 was \$9,230,000 or \$108.66 per square foot. The buyer estimated that the land price is approximately 50% higher than the acquisition price based on the demand for homes and the price they secured in 2011.
- ⇒ A larger development secured a smaller site in Menlo Park in March 2012 for \$8,500,000. This project was slated for the development of a 25,000 +/- square foot office building on 0.90 acres of land and 16 townhomes on 0.69 acres. The total acreage acquired was 1.59 acres and the underlying price was identified at \$122.73 per square foot.
- ⇒ The Palo Alto Housing Group recently purchased a site at 567-575 Maybell Avenue in Palo Alto in November 2011. This property is zoned R1 and the underlying price was reported at \$15,580,000 for 2.46 acres of land. It equates to a transaction price of \$145.39 per square foot.

These additional sales are considered in the opinion of value. The following is a summary of the adjustments to the comparable sales presented in this assignment.

Property Rights Conveyed

Each of the comparable sales represents a conveyance of the fee simple estate, and therefore no adjustments are necessary.

Financing

Each of the comparables represents all cash transactions and no adjustments are necessary.

Conditions of Sale

No adjustments are identified for the conditions of sale.

Expenditures After Purchase

Several of the transactions presented for review were improved at the time of sale. While the improvements were generally sold for the identified land value, the demolition costs are considered to these properties. The overall costs of demolition are included in the underlying price as identified in each specific property and the costs are included in the overall price.

Market Conditions

The transactions provided for review in preparation of this assignment reflect transaction dates from March 2012 to current transactions. No adjustments are applied for this element.

Location

The subject property benefits from a good location in Palo Alto. With respect to the overall location, comparables 3 and 4 are similar in location and no adjustments are applied for this element. Comparable 1 is located in San Mateo and is slightly inferior with respect to Palo Alto and the underlying prices commanded in this area. The same is true for Comparable 2 in Sunnyvale. Upward adjustments were applied to these transactions.

Density

The subject property represents an overall density of approximately 15.0 units per acre. No adjustments were applied in this analysis for the overall density. The higher than density in this market area typically requires podium construction and parking below grade. This significantly increases the overall costs of construction and any benefit from having a higher density is mitigated by the higher construction costs.

Land Area

The subject property includes a total area of 4.47 acres. The comparable sales reflect an overall range from 0.77 to 6.35 acres in size. The comparables are smaller projects and downward adjustments are applied to the comparable sales smaller than 2.0 acres in size.

Entitlements/Site Improvements

The subject property has residential zoning and no adjustments were applied to these transaction.

A grid depicting the previous adjustments is now presented.

ELEMENTS OF COMPARISON	SUBJECT	1	2	3	4
Price per SF		\$134.19	\$75.79	\$227.70	\$165.36
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
-Adjustment		\$0	\$0	\$0	\$0
-Adjusted Base		\$134.19	\$75.79	\$227.70	\$165.36
Financing Terms	Cash Equiv.	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0
-Adjusted Base		\$134.19	\$75.79	\$227.70	\$165.36
Conditions of Sale	Arms-Length	Similar	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0
-Adjusted Base		\$134.19	\$75.79	\$227.70	\$165.36
Expenditures After Purchase	Assumed Vacant	In Price	Similar	Similar	Similar
-Adjustment		\$0	\$0	\$0	\$0
-Adjusted Base		\$134.19	\$75.79	\$227.70	\$165.36
Market Conditions	Feb-13	Nov-13	Pending	Sep-12	Mar-12
-Adjustment		0.0%	0.0%	0.0%	0.0%
-Adjusted Base		\$134.19	\$75.79	\$227.70	\$165.36
Adjusted Price per SF		\$134.19	\$75.79	\$227.70	\$165.36
Physical Characteristics					
Location	Good	Inferior	Inferior	Similar	Similar
-Adjustment		15%	25%	0%	0%
Density	15.0 du/ac	36-38 du/ac	16.2 du/ac	21.1 du/ac	32 to 50 du/ac
-Adjustment		0%	0%	0%	0%
Land Area	4.47 AC	0.77 AC	6.35 AC	1.23 AC	3.4 AC
-Adjustment		-5%	0%	-5%	0%
Entitlements/Site Improvements	Zoning	Similar	Similar	Similar	Similar
-Adjustment		0%	0%	0%	0%
TOTAL ADJUSTMENTS (%)		10%	25%	-5%	0%
CONCLUDED PRICE/SF		\$147.61	\$94.74	\$216.32	\$165.36

CONCLUSION - SALES COMPARISON APPROACH

After adjustments to the comparable sales, the overall range is identified from \$94.74 to \$216.32 per square foot. The overall analysis of these sales provides an adequate reflection for the potential value. The comparable sales were adjusted under the assumption of a vacant site for the subject. Four sales were selected based on the recent dates of sale. Comparable 1 is a smaller site which required adjustments for the overall smaller parcel size and the inferior location relative to the subject. Comparable 2 is a recent closing, but the buyers were able to secure this property in 2011 and established the necessary entitlements for development. While there were no adjustments applied for market conditions, this element shows that this property is a lower indicator to the potential value. Furthermore, the overall location in Sunnyvale is rated inferior to the subject and while an adjustment was made for this element, it is likely higher for the end units based on the premium location in Palo Alto. Comparables 3 and 4 offer a similar location in Menlo Park and are credible indicators to the potential value.

The additional sales presented for review in this section are also considered. This includes to properties sold in Palo Alto at transaction prices from \$108.66 to \$145.39 per square foot. The lower end of this range reflects a property sold (contract date) in 2011 where the buyer processed the entitlements for development. The upper end of the range is a recent indicator for vacant land in Palo Alto.

Based on review of these elements, the underlying land value for this property is identified at \$150.00 per square foot.

CONCLUSION – LAND VALUE

194,844 SF @ \$150.00/psf	\$29,226,600
Rounded	\$29,225,000

The underlying land value noted above reflects the Hypothetical Land Value for this property “As Vacant”. The analysis of the property on an “As Is” condition would require demolition costs for the site improvements. No detailed costs were identified for this element and costs are based on review of Marshall Valuation Service. These costs range from \$0.50 to \$2.16 per square foot based on removal of the site improvements. As this analysis is predicated on the real estate only, the allowance is identified at \$2.00 per square foot, or \$390,000 (rounded from \$389,688). This equates to an overall value on an “As Is” basis of \$28,835,000. This element is utilized in the analysis of the highest and best use, as vacant for this property.

In addition as part of the scope of this assignment, the property is also valued under the assumption of RM-40 zoning proposed for this property. The concluded value noted above reflects the value for the property at the RM-15 zoning, which equates to \$436,194 per unit based on the allowable 67 units in this project. Under the RM-40 district, this equates to \$163,268 per unit. Overall, there is no change in the land value based on the higher density as high density projects typically require podium development. Direct construction costs are significantly higher for this element (\$180 to \$240 psf), whereas traditional residential project without this element are lower (\$80 to \$120 psf). The higher construction costs tend to offset any additional premium in the land for higher density construction.

Based on all pertinent data described herein, our opinion of the Hypothetical Land Value “As Vacant”, subject to the assumptions and limiting conditions, as well as the Hypothetical Conditions, as of the effective date of valuation, February 10, 2013 is as follows.

ITEM	SITE AREA (AC)	HYPOTHETICAL MARKET VALUE “AS VACANT”
Current RM-15 Zoning	4.47 AC	\$29,225,000
Proposed RM-40 Zoning	4.47 AC	\$29,225,000

EXPOSURE AND MARKETING TIME

A reasonable exposure and marketing times for the subject has been estimated based on analysis of comparable sales of a similar nature with market participants including owners and brokers. Discussions with active brokers revealed a range of probable marketing times from three to six months for the subject property under this use. Based on a review of comparable transactions and discussions with active brokers; it appears that there is some demand for reasonably priced properties in the immediate area. Based on the prior discussion and analysis, a reasonable exposure/marketing period is projected at 6 months.

Qualifications of the Appraiser

John E. Carrothers, MAI

State Certification #AG014187

SUMMARY

Certified General Appraiser with over seventeen years of appraisal experience in Sacramento, Placer, Solano, Sutter, Yolo, Stanislaus, Contra Costa and Alameda Counties. Extensive experience focusing on the analysis of residential subdivisions over the past ten years.

Property types valued and analyzed include the following:

- *Single & Multi-Family Residential*
- *Commercial (Retail and Industrial)*
- *Subdivision (Feasibility and Valuation)*
- *Vacant Land (Improved and Unimproved)*

EXPERIENCE

1998 - Present	Manager/Sr. Appraiser	Smith & Associates, Inc.
1991 - 1998	Staff Appraiser	Smith Denton Associates, Inc.
1990 - 1991	Staff Appraiser	Professional Appraisal Services, Inc.

EDUCATION

Bachelor of Science Degree *University of California at Davis*

Appraisal Institute Courses:

Real Estate Appraisal Principles; Valuation Procedures; Capitalization Theory and Techniques, A; Capitalization Theory and Techniques, B; Farm Valuation Seminar; Standards of Professional Practice A and B; Real Estate Principles; Subdivision Analysis; Assessment Bond Mello Roos Seminar; Report Writing; Advanced Sale Comparison and Cost Approach.

AFFILIATIONS

MAI, Appraisal Institute # 10195, As of November 1, 2010



Business, Transportation & Housing Agency
OFFICE OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

John E. Carrothers

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 014187

Effective Date: April 12, 2013
Date Expires: April 11, 2015


Jim Martin, Director, OREA

3006362

Dennis L. Smith, MAI

California State Certification #AG002792

Montana State Certification #822

SUMMARY

Over thirty-five years of appraisal experience in Northern California. Areas of emphasis include Alameda, Contra Costa, Santa Clara, Solano and Sacramento Counties.

Property types valued and analyzed include the following:

- * *Single and Multi-Family Residential*
- * *Vacant Land (Improved and Unimproved)*
- * *Commercial (Retail, Industrial and Office)*
- * *Subdivision (Feasibility and Valuation)*
- * *Rental and Market Surveys*
- * *Base Closure Appraisals*
- * *Litigation Support & Expert Witness Testimony*

WORK HISTORY

1998 - Present	Owner	Smith & Associates, Inc.
1985 - 1998	Owner/Partner	Smith Denton Associates, Inc.
1983 - 1985	Owner/Partner	Cypress Valuation Group, Inc.
1980 - 1983	Owner	Smith Associates
1979 - 1980	Staff Appraiser	T.A. Burns Company
1972 - 1979	Asst. V.P.	Bank of America, Appraisal Dept.

EDUCATION

Bachelor of Arts, Industrial Technology *Cal. State University, Chico*

Appraisal Institute / AIREA Courses: *Principals and Practice of Real Estate; Capitalization Theory Part B (Exam 1B-B); Case Studies in Real Estate Valuation; Industrial Valuation; Valuation Analysis & Report Writing (Exam 2-2); Demonstration Appraisal Report; Preparation and Use of the UCIAR Form; Valuation of Leases; Subdivision Analysis; Easement Valuation; Appraisal Regulations of the Federal Banking Agencies; Standards of Professional Practice, Parts A & B; Highest and Best Use and Market Analysis - course 520; Appraisal Practices for Litigation; Eminent Domain; Federal and State Laws and Regulations Workshop*

SREA and College Coursework: *Introduction to Appraising Real Property; Principles of Income Property Appraising; Legal Aspects of Real Estate; Real Estate Economics; Real Estate Financing*

AFFILIATIONS

The Appraisal Institute, MAI #7954

FNMA Level IV Classification #1131111

Approved by the Department of Corporation, State of California

Qualified as Legal Expert Witness - Contra Costa, Alameda, Napa and Sacramento Counties

Business, Transportation & Housing Agency

OFFICE OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

DENNIS L. SMITH

has successfully met the requirements for a license as a general real estate appraiser in the State of California and is, therefore, entitled to use the title "Certified General Real Estate Appraiser".

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER

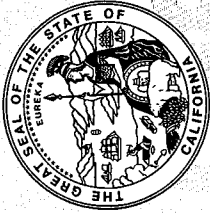
AG002792

Date Issued: February 2, 2012

Date Expires: February 1, 2014


Director, OREA

Audit No. 136744



Preliminary Title Report



First American Title Insurance Company
National Commercial Services
1850 Mt. Diablo Blvd., Suite 300
Walnut Creek, CA 94596

May 15, 2012

Pat Calihan
Prometheus Real Estate Group, Inc
201 North Civic Drive, Suite 140
Walnut Creek, CA 94596-3762
Phone: (925)947-2978
Fax: (925)937-1728

Order Number: NCS-542686-CC

Escrow Officer: Roni Sloan Loftin
Phone: (925)927-2127
Email: rsloan@firstam.com

Owner: Toufic Jisser

Property: 3972, 3980, 3990 El Camino Real, and 630 Los Robles Avenue,
Palo Alto, CA

Attached please find the following item(s):

Commitment

Thank You for your confidence and support. We at First American Title Insurance Company maintain the fundamental principle:

Customer First!

First American Title INFORMATION

The Title Insurance Commitment is a legal contract between you and the company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the policy.

The Company will give you a sample of the Policy form, if you ask.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

This information is not part of the title insurance commitment.

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Conditions	

**YOU SHOULD READ THE COMMITMENT VERY CAREFULLY.
If you have any questions about the Commitment,
please contact the issuing office.**

COMMITMENT FOR TITLE INSURANCE

Issued by

First American Title

Agreement to Issue Policy

We agree to issue a policy to you according to the terms of this Commitment.

When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

The Provisions in Schedule A.

The Requirements in Schedule B-1.

The Exceptions in Schedule B-2.

The Conditions.

This Commitment is not valid without Schedule A and Sections 1 and 2 of Schedule B.

SCHEDULE A

1. Commitment Date: May 08, 2012 at 7:30 A.M.

2. Policy or Policies to be issued:	Amount
(A) ALTA Extended Owner Policy - 2006	\$6,500,000.00

Proposed Insured:

Prometheus Real Estate Group, Inc.

(B) To Be Determined	\$To Be Determined
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Proposed Insured:

To Be Determined

3. (A) The estate or interest in the land described in this Commitment is:

FEE

(B) Title to said estate or interest at the date hereof is vested in:

TOUFIC JISSER, AS TRUSTEE OF THE TOUFIC AND EVA JISSER REVOCABLE TRUST, DATED OCTOBER 16, 2000

4. The land referred to in this Commitment is situated in the City of Palo Alto, County of Santa Clara, State of California, and is described as follows:

PARCEL ONE:

Beginning at a point on the Southwesterly line of the San Francisco and San Jose Road, as the same now exists being shown as the State Highway and as Road IV, Santa Clara County, Route A Section A, where the same is intersected by the Southeasterly line of that certain 27.302 acre tract of land conveyed by J. E. Reiter, et al, to Sebastian C. Jones, by Deed dated February 14, 1923 and recorded March 13, 1923 in the Office of the Recorder of the County of Santa Clara, State of California, in Liber 18 of Official Records, Page 260, Records of said County, and from which point of beginning Station "A2" 167+46.42 P.O.C. of Survey for the relocation of the State Highway from Palo Alto to San Jose, known as Road IV, Santa Clara County, Route 2, Section A bears N. 33 deg. 21' 33" E., 50 feet; thence running along the Southwesterly line of said State Highway on a curve to the right from a tangent bearing S. 56 deg. 38' 27" E., with a radius of 2950 feet for a distance of 339.44 feet to the center line of ditch; thence running along the center line of said ditch S. 33 deg. 05' W., 196.04 feet; thence leaving the center line of said ditch and running N. 56 deg. 55' W., and parallel to the Southwesterly line of the original San Francisco and San Jose Road, 30 feet; thence running S. 33 deg. 05' W., 70 feet; thence running S. 56 deg. 55' E., 30 feet to a point in the center line of aforesaid ditch; thence running along the center line of said ditch S. 33 deg. 05' W., 380 feet to the most Easterly corner of that certain 2.332 acre tract of land conveyed by J. E. Reiter, et al, to W.S. Hamilton by Deed dated December 21, 1928 and recorded June 27, 1929 in the Office of the County Recorder of the County of Santa Clara, State of California, in Liber 466 of Official Records, Page 407, Records of said County; thence running along the Northeasterly line of said 2.332 acre tract of land N. 56

deg. 55' W., 338.67 feet to the point of intersection of the Northeasterly line of said 2.332 acre tract of land with the Southeasterly line of the 27.302 acre tract of land hereinabove referred to; thence running along the Southeasterly line of said 27.302 acre tract of land N. 33 deg. 05' E., 666 feet to the point of beginning and being a portion of the lands formerly of Driscoll, Reiter and Driscoll, in the Rancho Rincon de San Francisquito.

EXCEPTING THEREFROM that portion thereof conveyed by Sepherin Weiler, et al, to the State of California, by Deed dated September 14, 1950 and recorded November 24, 1950 in Book 2102 of Official Records, Page 155.

ALSO excepting therefrom that portion as granted to Francis J. Weiler, et al, by Deed recorded September 22, 1958, Book 4180 of Official Records, Page 698.

ALSO excepting therefrom that portion of land as described in the final Judgment of Condemnation to the County of Santa Clara, a certified copy of which recorded March 19, 1969, Instrument No. 3586567, Book 8470 of Official Records, Page 499.

PARCEL TWO:

BEGINNING at a point in the center line of Dry Creek or Ditch within that certain tract of land commonly known and referred to as, and hereinafter designated as the Driscoll and Reiter Tract, being the land described in Deed by Edward Barron Estate Company to J.E. Reiter, B.L. Driscoll and R.F. Driscoll dated December 8, 1919 and recorded December 11, 1919 in the Office of the County Recorder of the County of Santa Clara, State of California in Book 496 of Deeds, at Page 432, Records of said County, which said point is on the Southeasterly boundary line of that certain 5.392 acre tract of land described in Deed by J.E. Reiter, et al, to A. Clark, recorded November 5, 1923 in the Office of said County Recorder in Vol. 47 of Official Records, Page 586, Records of said County, which said point of beginning is distant upon said Southeasterly boundary line and center line of said Dry Creek S. 33 deg. 05' W., 250.00 feet from the original Southwesterly line of the San Francisco and San Jose Road, which line is the Northeasterly boundary of said land as described in said Deed by Edward Barron Estate Company, to J.E. Reiter, et al, thence from the above described point of beginning on and along the center line of said Dry Creek, S. 33 deg. 05' W., 70.00 feet, thence at right angles and parallel with said original Southwesterly line of San Francisco and San Jose Road, N. 56 deg. 5' W., 30.00 feet; thence at right angles N. 33 deg. 05' E., 70.00 feet; thence at right angles S. 56 deg. 55' E., 30.00 feet to the point of beginning.

PARCEL THREE:

BEGINNING at a point on the center line of Dry Creek or Ditch within the tract of land as described in Deed of Edward Barron Estate Company, to J.E. Reiter, B.L. Driscoll and R.F. Driscoll, dated December 8, 1919 and recorded December 11, 1919 in Book 496 of Deeds, Page 432, Records of Santa Clara County, California, which point of beginning is distant 700.00 feet Southwesterly, at right angles, from the Southwesterly line of the State Highway, formerly the San Francisco and San Jose Road, which line of the Highway is the Northeasterly boundary of said land so conveyed to Reiter, Driscoll and Driscoll, and which point of beginning is distant 1040.52 feet Northwesterly, at right angles, from the Southeasterly boundary of said land so conveyed to Reiter, Driscoll and Driscoll; thence from said point of beginning along the center line of Dry Creek; South 33 deg. 08' West 150.00 feet; thence parallel with the State Highway North 56 deg. 55' West 338.54 feet to the Southerly line of that certain tract of land, as conveyed to Sebastian C. Jones; thence along the Southeasterly boundary line of said land of Jones, North 33 deg. 05' East 150.00 feet; thence parallel with the State Highway South 56 deg. 55' East 338.67 feet to the point of beginning, being a part of said land as conveyed to Reiter, Driscoll and Driscoll hereinabove referred to, and being a portion of the Santa Rita Rancho.

PARCEL FOUR:

BEGINNING at a point on the Southwesterly line of the San Francisco and San Jose Road, as the same now exists, being known as the State Highway and as Road IV, Santa Clara County, Route

2, Section A, where the same is intersected by the Southeasterly line of that certain 27.302 acre tract of land conveyed by J.E. Reiter, et al, to Sebastian C. Jones, by Deed dated February 14, 1923 and recorded March 13, 1923 in the Office of the County Recorder of the County of Santa Clara, State of California, in Book 18 of Official Records, Page 260, Records of said County, and from which point of beginning Station "A2" 167-46.42 P.O.C. of survey for the relocation of the State Highway from Palo Alto to San Jose, known as Road IV, Santa Clara County, Route 2, Section A, bears North 33 deg. 21' 33" East 50 feet, thence running Southeasterly along said State Highway on a curve to the right from a tangent bearing South 56 deg. 38' 27" East with a radius of 2950 feet an arc distance of 130.00 feet; thence running parallel with said Southeasterly line of the 27.302 acre tract of land, South 33 deg. 17' West 94.00 feet; thence North 58 deg. 01' 25" West 103.16 feet; thence parallel with said Southeasterly line of the 27.302 acre tract of land, North 33 deg. 17' East 4.11 feet; thence at right angles, North 56 deg. 43' West 12.00 feet; thence at right angles North 33 deg. 17' East 12.00 feet; thence at right angles, North 56 deg. 43' West 14.82 feet to a point in the said Southeasterly line of the 27.302 acre tract of land; thence along said Southeasterly line, North 33 deg. 17' East 83.28 feet to the point of beginning, and being a portion of the lands formerly of Driscoll, Reiter and Driscoll in the Ranch Rincon de San Francisquito.

EXCEPTING THEREFROM that portion of land as described in the Final Judgment of Condemnation to the County of Santa Clara, a certified copy of which recorded March 19, 1969, Instrument No. 3586567, Book 8470 Official Records, Page 499.

APN: 137-11-071 (Affects Parcel Two); 137-11-102 (Affects portion of Parcel One); 137-12-001 (Affects Parcel Three); 137-11-101 (Affects portion of Parcel One) and 137-11-091 (Affects Parcel Four)

ARB: 137-11-071, 137-11-091, 137-11-092 and 137-12-001

SCHEDULE B

SECTION ONE REQUIREMENTS

The following requirements must be met:

- (A) Pay the agreed amounts for the interest in the land and/or the mortgage to be insured.
- (B) Pay us the premiums, fees and charges for the policy.
- (C) Documents satisfactory to us creating the interest in the land and/or the mortgage to be insured must be signed, delivered and recorded.
- (D) You must tell us in writing the name of anyone not referred to in this Commitment who will get an interest in the land or who will make a loan on the land. We may then make additional requirements or exceptions.
- (E) Releases(s) or Reconveyance(s) of Item(s): 15
- (F) Other: None
- (G) You must give us the following information:
 - 1. Any off record leases, surveys, etc.
 - 2. Statement(s) of Identity, all parties.
 - 3. Other:

With respect to the trust referred to in the vesting:

- a. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
- b. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
- c. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require.

The following additional requirements, as indicated by "X", must be met:

- ☒ (H) Provide information regarding any off-record matters, which may include, but are not limited to: leases, recent works of improvement, or commitment statements in effect under the Environmental Responsibility Acceptance Act, Civil Code Section 850, et seq.

The Company's Owner's Affidavit form(as provided by company) must be completed and submitted prior to close in order to satisfy this requirement. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.

- ☒ (I) An ALTA/ACSM survey of recent date, which complies with the current minimum standard detail requirements for ALTA/ACSM land title surveys, must be submitted to the Company for review. This Commitment will then be subject to such further exceptions and/or requirements as may be deemed necessary.

- ☐ (J) The following LLC documentation is required:
 - (i) a copy of the Articles of Organization
 - (ii) a copy of the Operating Agreement, if applicable
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Company Consent to the current transaction
- ☐ (K) The following partnership documentation is required :
 - (i) a copy of the partnership agreement, including all applicable amendments thereto
 - (ii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iii) express Partnership Consent to the current transaction
- ☐ (L) The following corporation documentation is required:
 - (i) a copy of the Articles of Incorporation
 - (ii) a copy of the Bylaws, including all applicable Amendments thereto
 - (iii) a Certificate of Good Standing and/or other evidence of current Authority to Conduct Business within the State
 - (iv) express Corporate Resolution consenting to the current transaction
- ☐ (M) Based upon the Company's review of that certain partnership/operating agreement dated **Not disclosed** for the proposed insured herein, the following requirements must be met:

Any further amendments to said agreement must be submitted to the Company, together with an affidavit from one of the general partners or members stating that it is a true copy, that said partnership or limited liability company is in full force and effect, and that there have been no further amendments to the agreement. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☐ (N) A copy of the complete lease, as referenced in Schedule A, #3 herein, together with any amendments and/or assignments thereto, must be submitted to the Company for review, along with an affidavit executed by the present lessee stating that it is a true copy, that the lease is in full force and effect, and that there have been no further amendments to the lease. This Commitment will then be subject to such further requirements as may be deemed necessary.
- ☒ (O) Approval from the Company's Underwriting Department must be obtained for issuance of the policy contemplated herein and any endorsements requested thereunder. This Commitment will then be subject to such further requirements as may be required to obtain such approval.
- ☐ (P) Potential additional requirements, if ALTA Extended coverage is contemplated hereunder, and work on the land has commenced prior to close, some or all of the following requirements, and any other requirements which may be deemed necessary, may need to be met:
- ☐ (Q) The Company's "Mechanic's Lien Risk Addendum" form must be completed by a Company employee, based upon information furnished by the appropriate parties involved.
- ☐ (R) The Company's "Indemnity Agreement I" must be executed by the appropriate parties.
- ☐ (S) Financial statements from the appropriate parties must be submitted to the Company for review.
- ☐ (T) A copy of the construction contract must be submitted to the Company for review.

- ☐ (U) An inspection of the land must be performed by the Company for verification of the phase of construction.

SCHEDULE B

SECTION TWO

EXCEPTIONS

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction. The printed exceptions and exclusions from the coverage of the policy or policies are set forth in Exhibit A attached. Copies of the policy forms should be read. They are available from the office which issued this Commitment.

1. General and special taxes and assessments for the fiscal year 2012-2013, a lien not yet due or payable.
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. Water rights, claims or title to water, whether or not shown by the public records.
4. Rights of the public in and to that portion of the land lying within Los Robles Road.
5. An easement for underground water pipe line and incidental purposes, recorded November 05, 1923 as Book 47, Page 586 of Official Records.
In Favor of: B. L. Driscoll and Emma M. Driscoll, his wife and J. E. Reiter and
Julia C. Reiter, his wife and R. F. Driscoll and Margaret O.
Driscoll, his wife
Affects: as described therein

(Affects Parcel One)

6. An easement for ingress, egress and the maintenance of two underground water pipe lines and incidental purposes, recorded March 05, 1931 as Book 556, Page 380 of Official Records.
In Favor of: W. S. Hamilton, a single man
Affects: as described therein

The location of the easement cannot be determined from record information.

(Affects Parcel Three)

7. A waiver of any claims for damages by reason of the location, construction, landscaping or maintenance of a contiguous freeway, highway, roadway or transit facility as contained in the document recorded November 24, 1950 as Book 2102, Page 155 of Official Records.

(Affects Parcels One and Four)

8. Terms, conditions and provisions
By: Joseph Weiler and Francis J. Weiler
Recorded: January 9, 1958 in Book 3979, Page 73, Official Records.

Reference is hereby made to the record for further particulars.

(Affects Parcel Three)

9. A lease dated May 15, 1958, executed by Francis J. Weiler and Mary R. Weiler, his wife as joint tenants, as to an undivided 4/12 interest; Joseph Weiler and Carol Weiler, his wife as joint tenants, as to an undivided 4/12 interest; Francis J. Weiler, as his separate property as to an undivided 2/12 interest; Joseph A. Weiler, as to an undivided 2/12 interest as lessor and Standard Oil Company of California as lessee, recorded September 22, 1959 as Book 4180, Page 700 of Official Records.

Defects, liens, encumbrances or other matters affecting the leasehold estate, whether or not shown by the public records.

(Affects Parcel Four)

10. An easement for ingress and egress and incidental purposes, recorded September 22, 1959 as Book 4180, Page 700 of Official Records.
In Favor of: Standard Oil Company of California
Affects: as described therein

Said easement will terminate upon the termination of the lease shown in Exception No. 9

(Affects Parcel Four)

11. An easement for construction and maintenance of a public highway and incidental purposes, recorded September 14, 1959 as Book 4543, Page 429 of Official Records.
In Favor of: County of Santa Clara
Affects: as described therein

The location of the easement cannot be determined from record information.

(Affects Parcels One, Two and Three)

12. An easement for a covered storm drain in, over, upon and across and incidental purposes, recorded December 03, 1959 as Book 4625, Page 497 of Official Records.
In Favor of: Santa Clara County Flood Control and Water Conservation District
Affects: as described therein

(Affects Parcels One, Two and Three)

13. An easement for right of way for public utility and incidental purposes, recorded November 30, 1979 as Book E984, Page 550 of Official Records.
In Favor of: City of Palo Alto, a municipal corporation
Affects: as described therein

The location of the easement cannot be determined from record information.

(Affects Parcels One and Four)

14. The terms and provisions contained in the document entitled "Agreement to Enter into Housing Assistance Payment Contract Moderate Rehabilitation" recorded July 29, 1994 as Book N542, Page 036 as Instrument No. 12600188 of Official Records.

15. A deed of trust to secure an original indebtedness of \$6,000,000.00 recorded June 30, 2000 as Instrument No. 15297300 of Official Records.

Dated:	June 12, 2000
Trustor:	Toufic J. Jisser and Eva G. Jisser, husband and wife
Trustee:	American Securities Company, a corporation
Beneficiary:	Wells Fargo Bank, National Association

A document recorded October 10, 2001 as Instrument No. 15903731 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded June 30, 2003 as Instrument No. 17146347 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

A document recorded February 18, 2005 as Instrument No. 18239417 of Official Records provides that the deed of trust or the obligation secured thereby has been modified.

16. Any facts, rights, interests or claims which would be disclosed by a correct ALTA/ACSM survey.
17. Rights of parties in possession.

INFORMATIONAL NOTES

1. Taxes for proration purposes only for the fiscal year 2011-2012.

First Installment: \$682.54, PAID
Second Installment: \$682.54, PAID
Tax Rate Area: 06 059
APN: 137-11-071

(Affects Parcel Two)

2. Taxes for proration purposes only for the fiscal year 2011-2012.

First Installment: \$3,873.08, PAID
Second Installment: \$3,873.08, PAID
Tax Rate Area: 06 059
APN: 137-11-091

(Affects Parcel Four)

3. Taxes for proration purposes only for the fiscal year 2011-2012.

First Installment: \$19,902.03, PAID
Second Installment: \$19,902.03, PAID
Tax Rate Area: 06 059
APN: 137-11-101

(Affects portion of Parcel One)

4. Taxes for proration purposes only for the fiscal year 2011-2012.

First Installment: \$18,979.34, PAID
Second Installment: \$18,979.34, PAID
Tax Rate Area: 06 059
APN: 137-11-102

(Affects portion of Parcel One)

5. Taxes for proration purposes only for the fiscal year 2011-2012.

First Installment: \$7,375.40, PAID
Second Installment: \$7,375.40, PAID
Tax Rate Area: 06 059
APN: 137-12-001

(Affects Parcel Three)

6. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Multi Family Residence known as 3980 and 3990 El Camino Real and 630 Los Robles Avenue, Palo Alto, California.

(Affects Parcels One and Three)

7. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 3972 El Camino Real, Palo Alto, California.

(Affects Parcel Four)

8. The property covered by this report is vacant land.

(Affects Parcel Two)

9. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None

10. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

******To obtain wire instructions for deposit of funds to your escrow file please
contact your Escrow Officer.******

CONDITIONS

1. DEFINITIONS

(a)"Mortgage" means mortgage, deed of trust or other security instrument.

(b)"Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

2. LATER DEFECTS

The Exceptions in Schedule B - Section Two may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B - Section One are met. We shall have no liability to you because of this amendment.

3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements shown in Schedule B - Section One

or

eliminate with our written consent any Exceptions shown in Schedule B - Section Two.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this commitment and is subject to its terms.



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

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 notice 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, which are 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.

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) 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 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 their 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.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions of area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
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 and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (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.

3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

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.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are 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 public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

**4. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH A.L.T.A. ENDORSEMENT FORM 1 COVERAGE
SCHEDULE OF EXCLUSIONS FROM COVERAGE**

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
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 and not shown by the public records but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder, (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy (except to the extent insurance is afforded herein as to any statutory lien for 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).
4. Unenforceability of the lien of the insured mortgage because of failure of the insured at Date of Policy or of any subsequent owner of the indebtedness to comply with applicable "doing business" laws of the state in which the land is situated.

**5. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1970
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association Lenders Policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy, the exclusions set forth in paragraph 4 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One

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.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are 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 public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**6. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992
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) 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 (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 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 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 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 judgment or lien creditor.

7. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 1992 WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 6 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

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.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are 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 public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

8. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992 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 judgment or lien creditor.

**9. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 1992
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 8 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

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 One:

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.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are 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 public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material theretofore or hereafter furnished, imposed by law and not shown by the public records.

**ALTA 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:
 - (a) and use
 - (b) improvements on the land
 - (c) and division
 - (d) 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) a notice of exercising the right appears in the public records on the Policy Date
 - (b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
 - (a) that are created, allowed, or agreed to by you
 - (b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - (c) that result in no loss to you
 - (d) 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:
 - (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
 - (b) in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

11. EAGLE PROTECTION OWNER'S POLICY

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE - 1998**

Covered Risks 14 (Subdivision Law Violation). 15 (Building Permit). 16 (Zoning) and 18 (Encroachment of boundary walls or fences) are subject to Deductible Amounts and Maximum Dollar Limits of Liability

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 the 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. 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.

12. THIRD GENERATION EAGLE LOAN POLICY AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (1/01/08)

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 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 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.

13. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006

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).

14. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY - 2006 WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 13 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

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. (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.

15. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006 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.

- (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 Risks 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.

**16. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY - 2006
WITH REGIONAL EXCEPTIONS**

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 15 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

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. (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.