

STAFF REPORT



ITEM NO. 9
CITY OF OCEANSIDE

DATE: March 21, 2007

TO: Honorable Mayor and City Councilmembers

FROM: Public Works Department

SUBJECT: **PURCHASE OF COUNTRY CLUB APARTMENT AT 201 COUNTRY CLUB LANE FOR CONVERSION TO MULTIFAMILY AFFORDABLE RENTAL HOUSING**

SYNOPSIS

Staff recommends that the City Council approve a purchase and sale agreement with Jorbon, LLC, in the amount of \$10.2 million for the acquisition of the 90-unit Country Club Apartments at 201 Country Club Lane for conversion to a multifamily affordable rental project; authorize the Mayor to execute the agreement; approve appropriation and authorize the expenditure of \$10,235,000 from Inclusionary Housing In-Lieu Trust Funds to cover the costs associated with the transaction; and authorize staff to open escrow and conclude the transaction.

BACKGROUND

On December 13, 2006, staff discussed the possibility of acquiring the property and pursuant to direction received from the City Council, negotiated a purchase and sale agreement with the owner, Jorbon, LLC.

The purchase of the property will be made through Inclusionary Housing In-Lieu Housing Trust Funds with additional funding to be obtained for the rehabilitation of the building and other improvements.

In March 1998, the property was purchased by Peter and Bonita Jordan ("Seller"). Subsequently in 2001, the property was transferred to the Jorbon, LLC (the "LLC"), of which the Jordans are the managing members. In order for a property to qualify for the low-income-housing tax credit ("LIHTC") financing, according to §42 of the Internal Revenue Code of 1986, as amended (the "Code"), including the LIHTC for existing buildings pursuant to, *inter alia*, Code §42(d) (2) it must be held by the same owner for a 10-year period prior to receiving tax credit funding.

To comply with the LIHTC provision of the Code with respect to the 10-year hold period, staff has been working with the Seller and Wakeland Housing Development Corporation ("Wakeland"), a nonprofit housing development corporation based in San Diego, for Wakeland to become the managing members of the LLC as of the close of escrow.

Wakeland in turn would own the property, which is the sole asset of the LLC, and be able to apply for LIHTC financing to rehabilitate the property after April 1, 2008, at the end of the 10-year hold period. In the meantime, Wakeland will operate and manage the property at market rents and work to abate the current blighted conditions at the site in a “fair but firm” approach.

The rehabilitation and conversion of the property to affordable rental housing units will require temporary relocation of tenants and the permanent displacement of non-qualifying persons and households. Additional financial assistance from the City may be needed to assist in these relocation efforts.

The acquisition and rehabilitation of existing rental units, such as Country Club Apartments, is also one recommendation included in the Affordable Housing Strategy adopted by the City Council in 2004 and assists the City in meeting its 5-year State-mandated Housing Element goal of providing over 2,400 additional affordable units by 2010. This 90-unit project will join other previously approved or pending affordable housing projects which include La Mision Village (80 units), Cape Cod Villas (36 units), Lil Jackson Senior Community (80 units) and Libby Lake Village (20 units) in attempting to meet this goal. Together these projects total 306 dwelling units being made available to low and moderate income persons and households at affordable rates.

ANALYSIS

The terms and conditions of the proposed purchase and sale agreement (the “Agreement”) are summarized as follows:

- Property:** The term “Property” as used in the Agreement includes the real property, being Tract 9 of Maxson and Giffin’s Subdivision, according to Map No. 433 as filed in the office of the County Recorder on December 29, 1887, consisting of a 90-unit multifamily apartment complex, including the land, improvements, fixtures and personalty.
- Parties:** Peter and Bonita Jordan, managing members of the Jorbon, LLC, are the Sellers; City of Oceanside is the Buyer; and Wakeland is the Designated Assignee.
- Purpose:** The Designated Assignee (Wakeland) shall become the majority in interest in the LLC, and Seller shall take all actions necessary, pursuant to the articles of organization, the operating agreement or the provisions of Title 2.5, being §17000 *et seq.* of the California Corporations Code (the Beverly-Killea Limited Liability Company Act), to admit Wakeland as a member of record of the LLC, to transfer or assign 100 percent of the economic interest and majority interest of the members of the LLC to

Wakeland, to ensure that Wakeland be elected and qualified as the managing member of the LLC, and to transfer control of the business and affairs of the LLC and the Property to Wakeland as of the close of escrow.

Purchase Price: Ten Million Two Hundred Thousand Dollars (\$10,200,000).

Ownership: At the close of escrow the LLC will retain ownership of the Property, and Wakeland will become the managing member of the LLC, holding 100 percent of the economic and majority interest therein.

Feasibility Studies: Wakeland shall have 90 days from the effective date (date of City Council approval) of the Agreement to complete physical and visual inspections and testing of the buildings, structures and other improvements on or about the Property, including but not limited to, soils, environmental factors, such as asbestos, lead-based paint, mold, and hazardous substances.

Close of Escrow: Escrow to close 30 days following the removal of all contingencies, i.e., Wakeland is in control of the LLC, existing taxes, liens and encumbrances on title to the Property have been removed, and the physical condition of the Property has been approved as acceptable.

Title to the property will not be vested in the City at the close of escrow, as title will remain in the LLC, with Wakeland becoming the managing member and holding 100 percent of its economic and majority interest. There will not be a deed conveyance in this transaction.

Additional Tasks

The purchase price and closing costs paid by the City will become a lien against the property as of the close of escrow. This lien will be set forth in a loan agreement and promissory note and secured by a deed of trust under which the LLC (owned and controlled by Wakeland) will be the borrower and trustor. During the 90-day feasibility period, staff will be working with Wakeland to develop the terms and conditions of these and other documents and instruments necessary to protect the public investment in the property. The other documents may include, but will not necessarily be limited to, a disposition and development agreement and regulatory agreement.

These additional documents will be presented to the City Council for consideration and approval prior to the close of escrow.

FISCAL IMPACT

The purchase price and closing costs related to the transaction will be paid from the Inclusionary Housing In-Lieu Trust Funds, Account 284.2510.03565. As of February 28, 2007, the account had an available balance of \$11,862,041.81. The estimated amount needed for the purchase of the property and related escrow closing costs is \$10,235,000. This transaction will reduce the account balance to \$1,627,041.81.

Therefore, the City Council is requested to allocate and authorize the expenditure of up to \$10,235,000 from the Inclusionary Housing In-Lieu Trust Funds to cover the acquisition costs associated with this transaction.

COMMISSION OR COMMITTEE REPORT

The purchase and sale agreement was negotiated pursuant to City Council direction. Timing constraints did not provide for a review of the agreement by the Housing Commission prior to presentation to the City Council for consideration and action. However, the Housing Commission has received status reports on the transaction and supports the acquisition of the property for affordable housing. The Housing Commission will be provided an opportunity to review the pending disposition and development agreement and related documents prior to consideration by the City Council, which is anticipated to be in the June-July timeframe.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

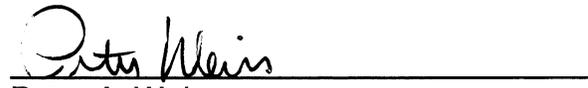
RECOMMENDATION

Staff recommends that the City Council approve the Purchase and Sale Agreement with Jorbon, LLC, in the amount of \$10.2 Million for the acquisition of the Country Club Apartments at 201 Country Club Lane for conversion to an affordable multifamily rental project; authorize the Mayor to execute the agreement; approve appropriation and authorize the expenditure of \$10,235,000 from the Inclusionary Housing In-Lieu Trust Funds to cover the purchase of the property and estimated closing costs; and authorize staff to open escrow and conclude the transaction.

PREPARED BY:


William F. Marquis
Senior Property Agent

SUBMITTED BY:


Peter A. Weiss
Interim City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



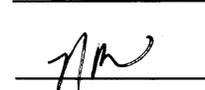
Margery M. Pierce, Neighborhood Services Director



Joseph Arranaga, Acting Deputy Public Works Director



Douglas E. Eddow, Real Property Manager



Nita McKay, Financial Services Director

PURCHASE AND SALE AGREEMENT
[and Joint Escrow Instructions]

This PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into as of _____, 2007 ("Effective Date"), by and between the CITY OF OCEANSIDE, a municipal corporation of the State of California (hereinafter referred to as the "Buyer"), and JORBON, LLC, a California limited liability company, the managing members of which are Peter Julius Jordan and Bonita Henrietta Jordan (hereinafter referred to as the "Seller"). The Effective Date shall be the date this Agreement is approved by the Oceanside City Council and signed by Buyer.

WHEREAS, Seller as owner of that certain real property located at 201 Country Club Lane, Oceanside, California, as more particularly described in Exhibit "A" and as shown on a sketch thereof marked Exhibit "B", attached hereto and incorporated herein by reference, said real property consist of a 90 unit multi-family apartment complex, including, but not limited to, the Land, Improvements, Fixtures, and Personalty appurtenant thereto;

WHEREAS, Buyer desires to purchase the Property for the purpose of securing, preserving, and providing affordable rental housing stock within the City of Oceanside, consistent with the provisions of the City's "Comprehensive Affordable Housing Strategy", approved by the City Council on March 3, 2004. The Comprehensive Affordable Housing Strategy, as in effect or may have been amended through the Effective Date hereof, is incorporated herein by reference and made a part hereof as though fully set forth herein;

WHEREAS, Buyer has determined that purchasing the property for the purposes set forth herein would be a benefit to the public and is in the furtherance of the public purposes of Buyer, including, without limitations, the purposes set forth herein; and

WHEREAS, Seller acknowledges and agrees that Buyer intends to manage, operate and rehabilitate the Property through a nonprofit housing development corporation, which will become the majority in interest (100%) of Jorbon, LLC (the "LLC"), and its managing member.

NOW THEREFORE, in consideration of the mutual covenants hereinafter contained and for other valuable consideration, the parties hereto agree as follows:

**ARTICLE I
RECITALS**

101. Description of Property. Seller is the owner of the fee simple interest in that certain real property situated in the City of Oceanside, County of San Diego, State of California, which is more particularly described in Exhibit "A" and as illustrated and delineated on a sketch thereof marked Exhibit "B", respectively incorporated herein and made a part hereof. For the purposes of this Agreement said real property consist of a

90 unit multi-family apartment complex, including, but not limited to, the Land, Improvements, Fixtures, and Personalty appurtenant thereto, are collectively referred to as the ("Property"). The following terms, when used in this Agreement referring to the Property (including when used in the above recitals), shall have the following meanings:

(a) **"Fixtures"** means all property which is so attached to the Land or the Improvements as to constitute a fixture under applicable law, including, but not limited to: machinery, equipment, engines, boilers, incinerators, installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring, and conduits used in connection with radio, television, security, fire prevention, of fire detection or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposals, washers, dryers and other appliances; light fixtures, awnings, windows and doors; pictures, screens, blinds, shades, curtains and curtain rods; mirrors; cabinets, paneling, rugs and floor and wall coverings; fences, trees and plants; swimming pools; and exercise equipment.

(b) **"Improvements"** means the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including future replacements and additions.

(c) **"Land"** means the land described in Exhibit "A".

(d) **"Personalty"** means all furniture, furnishings, equipment, machinery, building materials, appliances, goods, supplies, tools, books, records (whether in written or electronic form), computer equipment (hardware and software) and other tangible personal property (other than Fixtures) which are used now or in the future in connection with the ownership, management or operation of the Land or the Improvements or are located on the Land or in the Improvements, and any operating agreements, relating to the Land or the Improvements, and any surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements and all other tangible property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities of the Land.

102. Status and Powers of Seller. Seller is a California limited liability company and is authorized by the laws of the State of California to enter into this Agreement and perform the actions and duties of the Seller more particularly described in this Agreement.

103. Status and Powers of Buyer. Buyer is a municipal corporation of the State of California, organized and existing pursuant to the Constitution and statutes of the State of California and is authorized to purchase the Property from Seller and perform the actions and duties of the Buyer more particularly described in this Agreement. It is acknowledged and agreed to by Seller that Buyer's intent is to have the Property managed, operated and rehabilitated by a nonprofit housing development

corporation and that Buyer has the right to assign and transfer its interest in and to this Agreement to such nonprofit entity which Buyer may designate prior to the Close of Escrow (the "Designated Assignee").

104. Purpose of Agreement. Buyer desires to purchase the Property from Seller and Seller desires to sell the Property to Buyer on the terms and conditions in this Agreement. It is the intent of Buyer and Seller, under the terms and provisions of this Agreement, that the Designated Assignee shall become the majority in interest in the LLC and that Seller agrees, as of the Close of Escrow, to take all actions necessary, pursuant to the articles of organization, the operating agreement or the provisions of Title 2.5, being §17000 *et seq.* of the California Corporations Code (the Beverly-Killea Limited Liability Company Act"), to admit the Designated Assignee as a member of record of the LLC, transfer or assign one hundred percent (100%) of the economic interest and majority interest of the members of the LLC to the Designated Assignee, that the Designated Assignee be elected and qualified as the manager of the LLC, and carry out any and all other acts necessary to transfer control of the business and affairs of the LLC and the Property to the Designated Assignee.

105. Public Benefit. This Agreement is for the benefit of the public and is in the furtherance of the public purposes of Buyer.

ARTICLE II DEFINITIONS AND GENERAL PROVISIONS

201. Agreement. For good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as set forth herein.

202. Definitions in General. The terms defined in Exhibit "C" attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Agreement, have the meanings ascribed to them in said Exhibit "C", unless the context clearly requires some other meaning. In addition, the term "Agreement" as used herein means this Purchase and Sale Agreement.

203. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Agreement, refer to this Agreement.

ARTICLE III PURCHASE AND SALE OF PROPERTY

301. Sale of Property. Seller agrees to sell and Buyer agrees to purchase the Property on the terms and conditions in this Agreement. Seller hereby represents and warrants that the Property is the sole asset of the LLC.

302. Purchase Price. The purchase price of the Property is **Ten Million Two Hundred Thousand Dollars (\$10,200,000.00)** the ("Purchase Price"). The Purchase Price shall be distributed to Seller as set forth in Article VII of this Agreement.

**ARTICLE IV
CONDITIONS PRECEDENT**

401. Conditions Precedent to Closing. Buyer's obligation to purchase the Property from Seller is subject to the following conditions precedent set forth in Sections 402 through 409 inclusive ("Conditions Precedent"). Subject to Buyer's rights under Article VII "ESCROW", if any of the Conditions Precedent have not been fulfilled within the applicable time periods or if Buyer disapproves, pursuant to this Article IV, any matter for which Buyer's approval is required, Buyer may:

- (a) Waive the condition or disapproval and close Escrow with respect to the Property in accordance with this Agreement, without adjustment or rebate in the Purchase Price;
- (b) Cure the failure of the condition or representation and reduce the Purchase Price by the amount equal to the cost to cure; or
- (c) Terminate this Agreement by written notice to Seller.

402. Title. Unless otherwise specified in this Agreement, title in the Property shall remain vested in that of the LLC upon the Close of Escrow. Notwithstanding the foregoing, Seller shall, pursuant to Section 104 of this Agreement, and in accordance with the articles of organization, operating agreement or the provisions of the Beverly-Killea Limited Liability Company Act, take all actions necessary to assign or transfer the economic interest, the majority interest of the members and management of the LLC to the Designated Assignee.

403. Preliminary Title Report. A preliminary title report has been obtained and issued by Commonwealth Land Title Company (the "Title Company"), dated December 6, 2006, and having Order/File No. 04611176-54 (the "Preliminary Report"), a copy of which (without supporting documents) is attached hereto as Attachment No. 1 and made a part hereof by reference.

Seller shall not alter the condition of title as stated in the Preliminary Report, or any amendment thereof, without the express written consent of Buyer. Notwithstanding the foregoing, the parties recognize that Seller shall pay all outstanding property taxes, including general and special taxes, personal property taxes, if any, and any assessments collected with taxes, and discharge exception items 7 through 12, inclusive, as set forth in Schedule B of the Preliminary Report, through Escrow. Notwithstanding the giving of any notice or any failure to give any notice with respect to said exception items, or any other encumbrances against the Property as disapproved by Buyer, they shall be discharged through Escrow as provided in this Agreement.

404. Title Policy. On or before the Close of Escrow, Buyer shall have received evidence that Title Company is ready, willing, and able to issue, upon payment of the Title Company's regularly scheduled premium a California Land Title Association (CLTA) standard policy of title insurance showing title to the Property vested in the LLC subject only to:

(a) Non-delinquent general, special, and supplemental property taxes or assessments constituting a lien at Close of Escrow, except as set forth pursuant to Section 502 herein; and

(b) The matters described in the printed form portion of the Policy of Title Insurance to the extent that such matters do not conflict with the provisions of this Agreement; and

(c) Covenants, conditions, reservations, restrictions, easements or other matters appearing as exceptions in the Preliminary Report as approved by Buyer pursuant to this Agreement; and

(d) Any lien or restriction voluntarily imposed by Buyer as of the Close of Escrow.

405. Physical Condition of the Property. Buyer shall, pursuant to Section 801 herein, review and approve or disapprove of the physical condition of the Property. Seller shall not cause the physical condition of the Property to deteriorate or change after the date of the inspection, normal wear and tear excepted, without the prior written consent of Buyer. Buyer agrees that the Property is being sold in its "As-Is" and "Where-Is" condition, except as expressly provided for elsewhere herein. Buyer is obligated to investigate, inspect and analyze the condition of title to the Property to its own satisfaction and expressly agrees that in entering into this Agreement, it is relying on its own investigation as to the condition of the Property except as expressly provided herein.

406. Property Documents. Within five (5) calendar days after the date of this Agreement, Seller shall deliver to Buyer current copies of the articles of organization, operating agreement and all other instruments, accounts and records related to the formation, business and affairs of the LLC and any amendments or modifications thereto, all permits, soils tests, hazardous or toxic waste reports, geological studies, environmental impact studies, topographical maps, licenses, maintenance contracts, service contracts, utility contracts, operating contracts, leases or rental agreements, ~~maintenance contracts,~~ ~~service contracts,~~ and other documents pertaining to the Property ("Property Documents"). Prior to the close of Feasibility Period pursuant to Section 801 herein, Buyer shall review and approve or disapprove each Property Document. On or before the Close of Escrow, Seller shall assign to Buyer all of Seller's rights and remedies under the Property Documents, to the extent assignable, pursuant to an assignment of contracts, warranties, guarantees, and other intangible property in form and substance satisfactory to Buyer. At the request of Buyer, the assignment of contracts shall exclude Seller's rights under any Property Documents designated by Buyer. At the request of Buyer, Seller shall use its best good faith efforts to obtain the consent to assignment of any other parties to the Property Documents as specified by Buyer. At the request of Buyer, Seller shall terminate any Property Document designated by Buyer as authorized by the Property Document, by delivering notices to the other party under the Property Document in sufficient time to terminate the Property Document prior to the Close of Escrow. Except for the articles of organization, the operating agreement and all other instruments related to the formation and business affairs of the LCC provided to Buyer from Seller, Seller makes no representations or warranties, expressed or otherwise, regarding the condition of title to the Property or the condition of the Property. Buyer is obligated to investigate, inspect and analyze the condition of title to the Property and the condition of the Property to its own satisfaction and expressly agrees that in entering into the Agreement, it is relying on

its own investigation as to the condition of title to the Property and the condition of the Property, except as expressly provided herein.

407. Non-foreign Affidavit. If applicable, on or before the Close of Escrow, Seller shall deliver to Buyer a non-foreign affidavit as required by the Foreign Investment In Real Property Tax Act (FIRPTA) [42 USC § 1445] executed by Seller.

408. Seller's Obligations. Seller is obligated to Buyer for performance by Seller of every material covenant, agreement, and promise to be performed by Seller pursuant to this Agreement and the related documents executed or to be executed by Seller.

409. Seller's Representations. Seller represents to Buyer the truth and accuracy of all Seller's representations and warranties as set forth in this Agreement or in documents provided by Seller under this Agreement.

410. Buyer's Obligations. Buyer is obligated to Seller for performance by the Buyer of every material covenant, agreement, and promise to be performed by Buyer pursuant to this Agreement and the related documents executed or to be executed by Buyer.

ARTICLE V SELLER'S REPRESENTATIONS AND WARRANTIES

501. Time. The representations and warranties by Seller in this Article are made as of the date of this Agreement and as of the Close of Escrow and will survive the Close of Escrow and the assignment or transfer of the controlling interest in the LLC to the Designated Assignee.

502. Title. As of the date of this Agreement, Seller is or will be the legal and equitable owner of a fee interest in the Property, with full right to convey said interest. Seller has not previously conveyed title to the Property to any other person. Seller has not granted any options or rights of first refusal or rights of first offer to third parties to purchase or otherwise acquire an interest in the Property. The Property is free and clear of all liens, encumbrances, claims, demands, easements, leases, agreements, covenants, conditions, or restrictions of any kind, except for the letting of the individual apartment units to residents and the exceptions set forth in the Preliminary Report. Seller has obtained (or will obtain as of Close of Escrow) all required consents, permissions or releases to convey good and marketable title in the Property and majority interest of the members of the LLC to the Designated Assignee, as set forth in Section 104 of this Agreement and in accordance with the articles of organization, operating agreement or provisions of the Beverly-Killea Limited Liability Company Act.

503. Hazardous Substances. To the best of Seller's knowledge the Property is free and has always been free from Hazardous Substances and is not and has never been in violation of any Environmental Laws. Seller has received no notice, warning, notice of violation, administrative complaint, judicial complaint, or other formal or informal notice alleging that conditions on the Property are or have been in violation of any Environmental Law, or informing Seller that the Property is subject to investigation or inquiry regarding Hazardous Substances on the Property or the potential violation of any Environmental Law.

504. Violation of Law. To the best of Seller's knowledge, no condition on the Property violates any health, safety, fire, environments, building, zoning or other federal, state, or local law, code, ordinance, or regulation.

505. Litigation. To the best of Seller's knowledge, there is no pending or threatened litigation, administrative proceeding, or other legal or governmental action or condemnation with respect to the Property or which may adversely affect Seller's ability to fulfill the obligations of this Agreement.

506. Bankruptcy. No filing or petition under the United States Bankruptcy Law or any insolvency laws, or any laws for composition of indebtedness or for the reorganization of debtors has been filed with regard to Seller.

507. No Defaults. Seller is not in default of Seller's obligations or liabilities pertaining to the Property. There are no facts, circumstances, conditions or events, which after notice or lapse of time would constitute default. Seller has not received any notice of any default and has no reason to believe that there is likely to be any breach or default of any of Seller's obligations or liabilities pertaining to the Property.

508. Special Studies Zone. The Property is not within a special studies zone under the Alquist-Priolo Geologic Hazard Act [Pub. Res. Code §§ 2621.9 et seq.] (which generally requires sellers to inform purchasers if property is within a special studies zone, which zones are generally near potentially or recently active earthquake faults).

509. Foreign Investment Real Property Tax Act. Seller is not a "foreign person" within the meaning of 42 USC § 1445(f)(3). Seller understands and agrees that the certification made in this Section 509 may be disclosed to the Internal Revenue Service by Buyer and that any false statement contained herein could be punished by fine, imprisonment or both. This certification is made under penalty of perjury under the laws of the State of California.

510. Disclosure. Any information that Seller has delivered to Buyer either directly or through Seller's agents or employees, is complete and accurate. Seller has disclosed to Buyer all material facts with respect to the Property to which Seller has access.

ARTICLE VI COVENANTS

601. Power to Enter into Agreements.

(a) Buyer is duly authorized to enter into this Agreement and to enter into the transactions contemplated by this Agreement. Buyer has duly authorized and executed this Agreement.

(b) Seller is duly authorized to enter into this Agreement. The provisions of this Agreement are and will be the valid and legally enforceable obligations of Seller in accordance with their terms and the terms of this Agreement.

602. No Violation of Other Agreements.

(a) Buyer hereby represents that neither the execution and delivery of this Agreement, nor the fulfillment of and compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of terms or violation of any other agreement to which Buyer is a party or by which Buyer is bound, or constitutes a default under any of the foregoing.

(b) Seller hereby represents that neither the execution and delivery of this Agreement, nor the fulfillment of and compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of terms or violation of any other agreement to which Seller is a party or by which Seller is bound, or constitutes a default under any of the foregoing.

603. Payment of Seller's Obligations. To the extent Seller is authorized by the Property Documents, Seller shall discharge all obligations and liabilities under the Property Documents before the Close of Escrow with respect to the Property.

604. Brokers. Seller and Buyer agree that there are brokers or real estate agents with the firm of Marcus & Millichap involved in this transaction representing Seller that would be entitled to a fee or commission, and that Seller shall be solely responsible for the payment of said fee or commission. Seller shall hold Buyer harmless from any claims for such fees or commissions claimed by said brokers or real estate agents, another broker, real estate agent or other third party claiming through Seller.

605. Litigation. Seller shall immediately notify Buyer of any lawsuits, condemnation proceedings, rezoning, or other governmental order or action, or any threat thereof, of which Seller has actual knowledge, which might affect the Property or any interest of Buyer with respect to the Property.

606. Indemnification.

(a) Seller shall indemnify, defend and hold Buyer harmless from all liability, loss, or claim for damages, and any costs and reasonable attorney's fees associated therewith, arising from breach of Seller's covenants under this Agreement and any other related documents, or from Seller's false representations under this Agreement or in any other related documents, except for any liability, loss, or claims for damages resulting from the sole and active negligence or willful misconduct of Buyer or Buyer's officers, agents or employees.

(b) Buyer shall indemnify, defend and hold Seller harmless from all liability, loss, or claim for damages, and any costs and reasonable attorney's fees associated therewith, arising from breach of Buyer's covenants under this Agreement and any other related documents, or from Buyer's false representations under this Agreement or in any other related documents, except for any liability, loss, or claims for damages resulting from the sole and active negligence or willful misconduct of Seller or Seller's officers, agents or employees.

The provisions of this Section 606 shall survive the Close of Escrow with respect to the Property.

**ARTICLE VII
ESCROW**

701. Establishment of Escrow. Within seven (7) days after the date this Agreement is approved by the Oceanside City Council, Buyer and Seller shall establish an Escrow for the close of the sale of the Property with the Escrow Department of Commonwealth Land Title Company ("Escrow Agent"). If the Escrow Agent is unwilling or unable to perform, Buyer shall designate another escrow agent. Escrow Agent shall notify both parties in writing of the specific date on which the Escrow has opened. This Agreement shall constitute Escrow Instructions, provided however, that Escrow Agent shall prepare general instructions as may be deemed necessary by the Escrow Agent for the fulfillment of this Agreement and deliver those general instructions to Seller and Buyer. Buyer and Seller shall each execute the general instructions, or propose changes thereto, within five (5) days after receipt of the instructions. If there is any conflict between the terms of the general instructions and this Agreement, the provisions of this Agreement shall prevail unless the conflicting provision is specifically identified as an amendment to this Agreement.

702. Disbursement of Purchase Price. The Purchase Price of \$10,200,000.00 shall be disbursed to Seller at the Close of Escrow.

703. Closing. Subject to the provisions of this Agreement and no later than ~~sixty~~ thirty (6030) days after the opening of Escrow ("Closing Deadline") and after Buyer has either approved or waived each Condition Precedent, the following shall have occurred:

- (a) Seller shall have assigned all management duties and obligations in the Property to the Designated Assignee.
- (b) The Designated Assignee shall have been admitted as a member of record of the LLC and become the majority in interest in the LLC;
- (c) Seller shall have transferred or assigned one hundred percent (100%) of the economic interest and majority interest of the members of the LLC to the Designated Assignee;
- (d) The Designated Assignee shall have been elected and qualified as the manager of the LLC, and all other acts necessary to transfer control of the LLC from Seller to the Designated Assignee, pursuant to the provisions of the Beverly-Killea Limited Liability Company Act, have occurred; and
- (e) The total amount of the Purchase Price has been disbursed by the Escrow Agent; and
- (f) The Title Company is in position to issue the policy of title insurance as set forth in Article IV of this Agreement.

Upon the occurrence of the events set forth hereinabove, the Escrow shall be deemed closed ("Close of Escrow").

Unless the Close of Escrow is extended by written agreement of the parties, Escrow shall close no later than the Closing Deadline.

704. Closing Deposits. On or before the Close of Escrow, Seller and Buyer shall deposit with Escrow Agent the following documents and shall close Escrow as follows:

- (a) Seller shall deposit with Escrow Agent the following:
 - (i) Documentation, satisfactory to Buyer, showing that the Designated Assignee has been assigned or transferred majority control and management duties of the LLC and the Property;
 - (ii) The original Non-Foreign Affidavit executed by Seller;
 - (iii) The originals of all Property Documents, except for those documents rejected by Buyer or terminated at the request of Buyer;
 - (iv) A certificate acknowledging that all conditions to the Close of Escrow that Buyer was to satisfy or perform have been satisfied and performed, and that Seller's representations, covenants, and warranties made in or pursuant to this Agreement are correct as of the Close of Escrow; and
 - (v) Any other documents or funds required of Seller to close Escrow in accordance with this Agreement.
- (b) Buyer shall deposit with Escrow Agent the following:
 - (i) The total sum of the Purchase Price for the Property;
 - (ii) A certificate executed by Buyer providing that all conditions to Close of Escrow that Seller was to satisfy or perform have been satisfied and performed and Buyer's representations, covenants, and warranties made in and pursuant to this Agreement are correct as of the Close of Escrow;
 - (iii) Any other document or funds required of Buyer to close Escrow in accordance with this Agreement.

705. Closing Costs. Buyer shall pay the premium for a CLTA Standard Policy of Title Insurance and the customary and usual Escrow Agent's fee. Seller shall be responsible for any extraordinary Escrow charges incurred at Seller's request.

706. Property Taxes, Withholding Taxes, and Prorations. Seller shall be solely responsible for bringing the Property's real property taxes current as of the Close of Escrow and Buyer shall have no liability for payment of taxes. Seller shall pay any sales, use, ad valorem, or withholding taxes connected with the Close of Escrow for the Property. It is recognized that Buyer is a tax-exempt governmental agency. To the extent that Seller is obligated to pay for gas, electricity, water or other utility charges Seller will cause all utility meters to be read as of the Close of Escrow and will be responsible for the cost of all utilities used before Close of Escrow, unless otherwise set forth in this Agreement.

707. Possession. Right to possession of the Property (subject to the rights of tenants under the Leases) and the controlling interest in the LLC shall transfer at the Close of Escrow.

**ARTICLE VIII
MISCELLANEOUS AND ADMINISTRATIVE PROVISIONS**

801. Inspection and Feasibility Period. Seller hereby consents to entry upon the Property by Buyer and/or the Designated Assignee, their officers, employees, contractors and agents for the purpose of conducting physical inspections and tests from the Effective Date of this Agreement to the Close of Escrow. Buyer shall have ninety (90) calendar days from the Effective Date of this Agreement ("Feasibility Period") in which to complete its inspections, testing and feasibility studies of the Property, including but not limited to, inspection and examination of structures, buildings and other improvements, soils, environmental factors (including but not limited to, asbestos, lead based paint and mold), Hazardous Substances, if any, and archeological information relating to the Property; and a review and investigation of the effect of any zoning, map, permits, reports, engineering data, regulations, ordinances, and laws effecting the Property. Within five (5) working days following the full execution of this Agreement, Seller shall deliver to Buyer copies of all architectural plans, surveys, specifications, and other documents pertaining to the Property that are owned by or in the possession of Seller. If Buyer disapproves of the results of the inspection and review, Buyer may elect, prior to the last day of the Feasibility Period, to terminate this Agreement by giving Seller written notification prior to the last day of the Feasibility Period. If Buyer fails to properly notify Seller of the intent to terminate this Agreement, Buyer shall be deemed to be satisfied with the results of the inspection and shall be deemed to have waived the right to terminate this Agreement pursuant to this provision.

Buyer agrees to defend, indemnify and hold Seller harmless from all liabilities, costs and expenses resulting directly from Buyer's or its officers', employees', contractors' or agents' inspections and tests. Buyer agrees that its independent inspection of the Property is its sole basis to determine the suitability of the Property for its purposes and Buyer acknowledges that it is not relying on any representations by Seller regarding suitability of the Property and by executing this Agreement, Buyer acknowledges that it has made or will make its own independent inspection of the Property. If Buyer alters the physical conditions of the Property and Escrow does not close, Buyer shall restore the Property to the condition existing before Buyer's inspections or tests.

802. Further Assurances. Whenever requested by the other party, each party shall execute, acknowledge, and deliver any further conveyances, assignments, confirmations, satisfactions, releases, instruments of further assurance, approvals, consents and any other instrument or document as may be necessary, expedient or proper to complete the transaction contemplated by this Agreement, and to do any other acts and to execute, acknowledge, and deliver any requested document to carry out the intent and purpose of this Agreement.

803. Assignment.

(a) Seller shall have no right, power, or authority to assign or mortgage this Agreement or any portion of this Agreement, or to delegate any duties or obligations

arising under this Agreement, voluntarily, involuntarily, or by operation of law, without the prior written consent of Buyer.

(b) Except for an assignment to the Designated Assignee, which assignment shall not require Seller's approval, Buyer shall have no right, power, or authority to assign this Agreement or any portion of this Agreement or to delegate any duties or obligations arising under this Agreement, voluntarily, involuntarily or by operation of law without Seller's prior written approval.

Neither party shall unreasonably withhold approval to any assignment.

804. Preservation and Inspection of Documents. Documents received by Seller or Buyer under the provisions of this Agreement shall be retained in their respective possessions and shall be subject at all reasonable times to the inspection of the other party hereto and its assigns, agents and representatives, any of whom may make copies thereof.

805. Parties of Interest. Nothing in this Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than Seller and Buyer any rights, remedies or claims under or by reason of this Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Agreement made by or on behalf of Seller or Buyer shall be for the sole and exclusive benefit of Seller and Buyer.

806. No Recourse Under Agreement. All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for any claim based on or under this Agreement against any member, officer, employee or agent of the parties hereto.

807. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail with First Class postage fully prepaid:

If to Buyer:

City of Oceanside
ATTN: William F. Marquis
300 North Coast Highway
Oceanside, CA 92054

Copy to:

City Attorney
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

If to Seller:

Jorbon, LLC
c/o Peter Julius Jordan
41900 Parado Del Sol Drive
Temecula, CA 92592

Copy to:

The parties hereto, by notice given hereunder, may, respectively designate different addresses to which subsequent notices, certificates or other communications will be sent.

808. Binding Effect. Without waiver of section 803, this Agreement shall inure to the benefit of and shall be binding upon Seller, Buyer, and their respective successors and assigns.

809. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Agreement on the part of Seller or Buyer to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Agreement.

810. Headings. Any headings preceding the text of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

811. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

812. Seller and Buyer Representatives. Whenever under the provisions of this Agreement the approval of Seller or Buyer is required, or Seller or Buyer are required to take some action at the request of the other, such approval of such request may be given for Seller by an Authorized Officer/Representative of Seller and for Buyer by an Authorized Officer of Buyer, and any party hereto shall be authorized to rely upon any such approval or request.

813. Form of Certificate of Officers. Every certificate with respect to compliance with a condition or covenant provided for in this Agreement and which is precedent to the taking of any action under this Agreement shall include:

- (a) A statement that the person making or giving such certificate has read such covenant or condition and the definitions herein relating thereto;
- (b) A brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based;
- (c) A statement that, in the opinion of the signer, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) A statement as to whether, in the opinion of the signer, such condition or covenant has been complied with.

A certificate may be based, insofar as its relates to legal matters, upon a certificate or opinion of or representations by counsel, unless the persons provided the certificate

know that the certificate or representations with respect to the matters upon which the certificate may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

814. Amendment. This Agreement may be amended, modified, or changed only in writing as mutually agreed to and duly executed by the parties hereto.

815. Counterpart. This Agreement may be executed in counterpart.

816. Time of the Essence. Time is of the essence in this Agreement and every provision contained in this Agreement.

817. Integration. This Agreement, and all attachments and exhibits hereto constitute the entire agreement of the parties. There are no oral or parol agreements, which are not expressly set forth in the Agreement or the related documents being executed in connection with this Agreement.

818. Waivers. No waiver or breach of any provision shall be deemed a waiver of any other provision, and no waiver shall be valid unless it is in writing and executed by the waiving party. No extension of time for performance of any obligation or act shall be deemed an extension of time for any other obligation or act.

819. Attorney Fees, Litigation Costs and Related Matters. If any legal action or other proceeding, including arbitration or an action for declaratory relief, is brought to enforce this Agreement or because of a dispute, breach, default, or misrepresentation in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees and other costs in addition to any other relief. Venue for enforcement of this Agreement shall be in the Superior Court of San Diego County, North County Branch. The parties agree that before either party commences any legal or equitable action, action for declaratory relief, suit, proceeding, or arbitration that the parties shall first submit the dispute to mediation through a mutually acceptable professional mediator in San Diego County, or if a mediator cannot be agreed upon by a mediator appointed by the Judicial Arbitration and Mediation Service in San Diego County. The cost of mediation shall be shared equally by the parties.

820. Exhibits. All exhibits referred to in this agreement and attached hereto are made a part hereof and are incorporated herein by this reference.

821. Survival. Seller's representations and warranties, Buyer's representations and warranties, all covenants and obligations to be performed at a time or times after Close of Escrow, and indemnities shall survive the Close of Escrow, ~~and delivery and recordation of the Grant Deed.~~

822. Merger. All of the terms, provisions, representations, warranties, and covenants of the parties under this Agreement shall survive the Close of Escrow and shall not be merged in ~~the Deed or any~~ other documents.

ARTICLE IX SPECIAL PROVISIONS

901. Assignment of Rents. As part of the consideration for the purchase of the Property by Buyer from Seller, Seller shall, as of the Close of Escrow, absolutely and unconditionally assign and transfer to Buyer all Rents (whether from residential or non-residential space), including but not limited to, revenues and other income of the Property, including parking fees, laundry and vending machine income and fees and charges and other services provided at the Property, whether now due, past due, or to become due, and deposits forfeited by tenants ("Rents"). It is the obligation of Seller, as of the Close of Escrow, to establish a present, absolute and irrevocable transfer and assignment to the Designated Assignee of all Rents and to authorize and empower the Designated Assignee to collect and receive all Rents without the necessity of further action on the part of Seller. Promptly upon request of Buyer, Seller agrees to execute and deliver such further assignments as Buyer may from time to time require. Seller and Buyer intend this assignment of Rents to be immediately effective as the Close of Escrow and to constitute an absolute present assignment and not an assignment for security purposes. For purposes of giving effect to this absolute assignment of Rents, and for no other purpose, Rents shall be deemed to be a part of the Property.

(a) Seller represents and warrants to Buyer that Seller has not executed any prior assignment of Rents (other than an assignment of Rents securing indebtedness that will be paid off and discharged with the proceeds of the Purchase Price as of the Close of Escrow), that Seller has not performed, and Seller covenants and agrees that it will not perform, any acts and has not executed, and shall not execute, any instrument which would prevent Seller from exercising its right under this Section 901, and that at the time of execution of this Agreement there has been no anticipation or prepayment of any Rents for more than two (2) months prior to the due dates of such Rents. Seller shall not collect or accept payment of any Rents more than two (2) months prior to the due dates of such Rents.

(b) All Rents collected (whether current or past due) from the Property subsequent to the Close of Escrow shall remain with the Property, including net profits, after monthly expenses of the Property have been met, and no member of the LLC shall be entitled to nor receive a disbursement or distribution of Rents as an asset of, or the member's economic interest in, the LLC. Notwithstanding the foregoing, the Designated Assignee shall be entitled to receive a management fee for its performance of the management duties associated with the Property, which management fee shall be considered an expense of the Property.

902. Assignment of Leases. As part of the consideration for the purchase of the Property by Buyer from Seller, Seller shall, as of the Close of Escrow, absolutely and unconditionally assign and transfer to Buyer all of Seller's rights, title and interest in, to and under the Leases, including but not limited to, all present and future leases, subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Property, or any portion of the Property, and all modifications, extensions or renewals ("Leases"), including Seller's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of Seller to establish a present, absolute and irrevocable transfer and assignment to Buyer of all of Seller's right, title and interest in, to and under the Leases. Seller and Buyer intend this assignment of the Leases to be immediately effective as of the Close of Escrow and to constitute an absolute present assignment and not an assignment

for security purposes. For purposes of giving effect to this absolute assignment of the Leases, and for no other purpose, the Leases shall be deemed to be a part of the Property.

(a) Seller represents and warrants to Buyer that Seller has not executed any prior assignment of the Leases (other than an assignment of the Leases securing indebtedness that will be paid off and discharged with the proceeds of the Purchase Price as of the Close of Escrow), that Seller has not performed, and Seller covenants and agrees that it will not perform, any acts and has not executed, and shall not execute, any instrument which would prevent Seller from exercising its right under this Section 902, and that at the time of execution of this Agreement there has been no anticipation or prepayment of any Rents due under the Leases for more than two (2) months prior to the due dates of such Rents. Seller shall not collect or accept Rent under any Lease (whether residential or non-residential) for more than two (2) months in advance.

903. The Property. As an amplification and not to limit or diminish the definition of the "Property" as set forth in Article I of this Agreement, for the purpose of this Agreement the term "Property" means and includes all of Seller's present and future right, title and interest in and to all of the following:

- (a) the Land;
- (b) the Improvements;
- (c) the Fixtures;
- (d) the Personalty;
- (e) all current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances relating to or benefiting the Land or the Improvements, or both, and all rights-of-way streets, alleys and roads which may have been or may in the future be vacated;
- (f) all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Property, whether or nor the Seller obtained the insurance pursuant to any Seller's lender's requirements;
- (f) all awards, payments and other compensation made or to be made by any municipality, state or federal authority with respect to the Land, the Improvements, the Fixtures, the Personalty or any other part of the Property, including any awards or settlements resulting from condemnation proceedings or the total or partial taking of the Land, the Improvements, the Fixtures, the Personalty of any other part of the Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof;
- (g) all contracts, options and other agreements for the sale of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Property

entered into by Seller now or in the future, including cash or securities deposited to secure performances by parties of their obligations;

(h) all proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds;

(i) all Rents and Leases;

(j) all earnings, royalties, accounts receivable, issues and profits from the Land, the Improvements or any other part of the Property;

(k) all Imposition Deposits (as said term is defined in Section 7(a) of that certain Multifamily Deed of Trust against the Property as filed in the Office of the County Recorder of San Diego County on November 15, 2001, as Document No. 2001-0834130 (i.e. Exception Item No. 9 of the Preliminary Report));

(l) all refunds of Impositions (as defined in said Section 7(a) of said Deed of Trust) by any municipality, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Agreement is dated);

(m) all tenant security deposits which have not been forfeited by any tenant under any Lease; and

(n) all names or by which any of the above Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Property.

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY
[Signatures on following Page]

IN WITNESS WHEREOF, this Agreement constitutes an offer to purchase the Property on the terms and conditions contained in this Agreement and the parties hereto have caused this Agreement to be executed in their respective names by their duly authorized officers as of the date first above written.

Buyer:
City of Oceanside, a municipal corporation

Seller:
Jorbon, LLC, a California limited liability company

By: _____
Mayor

By: *Peter Julius Jordan*
Peter Julius Jordan
Its: Managing Member

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

Date: 3/10/07

By: *Barbara D. Hamilton, ASST.*
City Attorney

By: *Bonita Henrietta Jordan*
Bonita Henrietta Jordan
Its: Managing Member

Date: 3/10/07

BUYER'S-SELLER'S SIGNATURE(S) MUST BE NOTARIZED. NOTARY USE APPROPRIATE ACKNOWLEDGEMENT

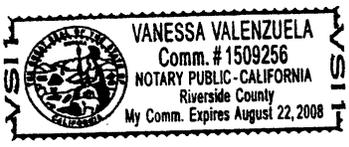
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Riverside } ss.

On March 10, 2007 before me, Vanessa Valenzuela, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Peter Julius Jordan and Bonita Henrietta Jordan
Name(s) of Signer(s)

personally known to me
 proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
Vanessa Valenzuela
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Purchase and Sale Agreement
Document Date: 3/10/07 Number of Pages: 21
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

Signer Is Representing: _____

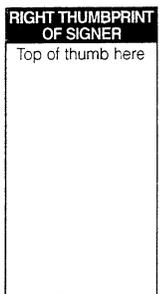
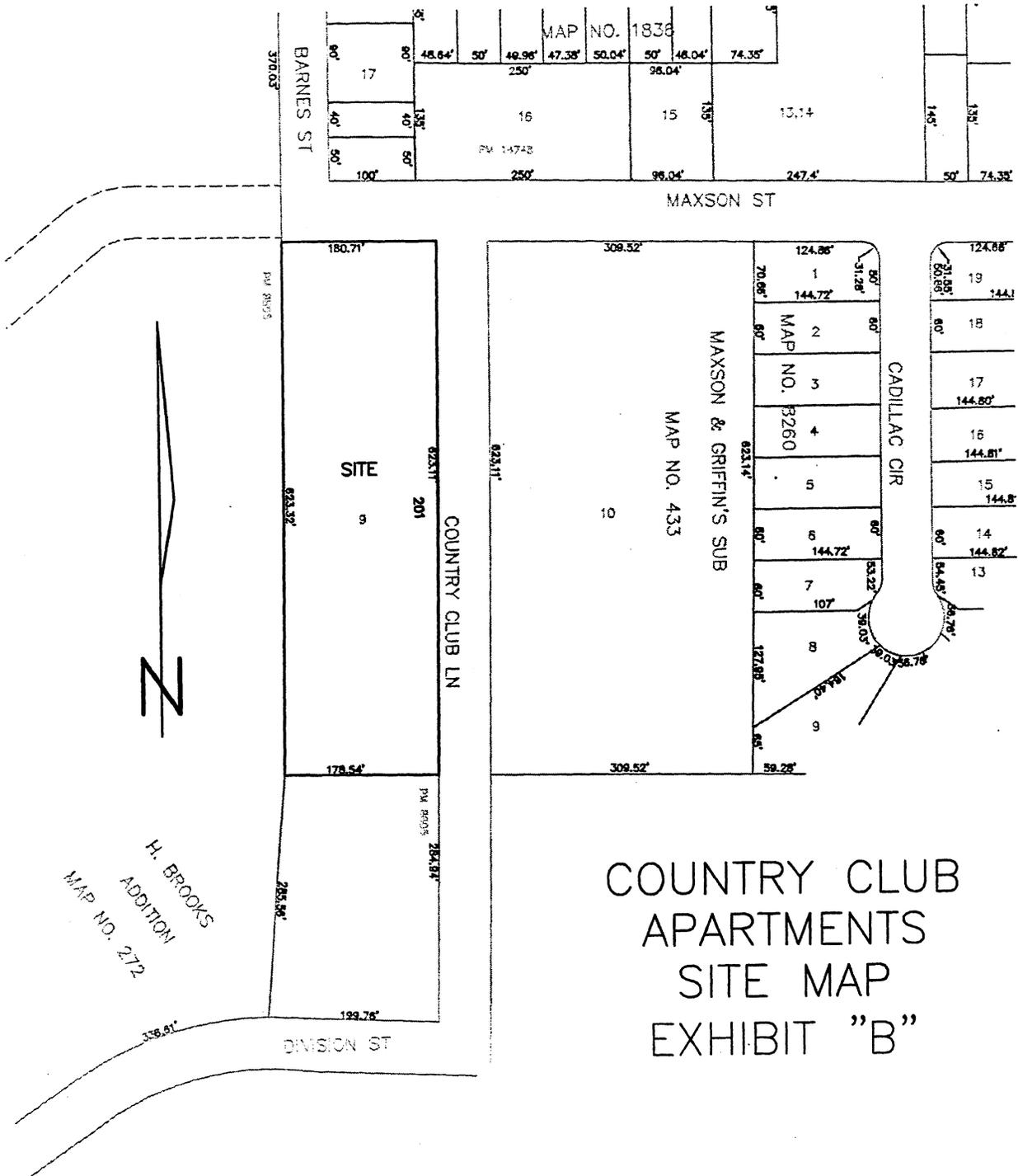


EXHIBIT "A"

All that certain real property situated in the County of San Diego, State of California, described as follows:

Tract 9 of Maxson and Griffin's Subdivision, in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 433, filed in the Office of the County Recorder of San Diego County, December 29, 1887.

Assessor's Parcel Number: **148-291-03**



COUNTRY CLUB APARTMENTS
SITE MAP
EXHIBIT "B"

For Illustrative Purposes Only
Not To Be Considered A Survey
Compiled From Record Data

EXHIBIT "C"

DEFINITIONS

Seller. The term "Seller" means the Jorbon, LLC, a California limited liability company, its managing members being Peter Julius Jordan and Bonita Henrietta Jordan.

Buyer. The term "Buyer" means the City of Oceanside, a municipal corporation of the State of California.

Authorized Officer. The term "Authorized Officer", when used with respect to Buyer, means the Mayor, City Manager or any employee designated by the City Manager as an Authorized Officer. The term "Authorized Officer", when used with respect to Seller, means Peter Julius Jordan or any other person or representative designated in writing by Peter Julius Jordan.

Environmental Laws. The term Environmental Laws means all federal, state, local, or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any government authority regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Substance, or pertaining to occupational health or industrial hygiene, to the extent that such relate to matters on, under, or about the Property, occupational or environmental conditions on, under, or about the Property, as now or may at any later time be in effect, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) [42 USC § 9601 et seq.]; the Resource Conservation and Recovery Act of 1976 (RCRA) [42 USC § 6901 et seq.]; the Clean Water Act, also known as the Federal Water Pollution control Act (FWPCA) [33 USC § 1251 et seq.]; the Hazardous Materials Transportation Act (HMTA) [49 USC § 1801 et seq.]; the Insecticide, Fungicide, Rodenticide Act [7 USC § 136 et seq.]; the Superfund Amendments and Reauthorization Act [42 USC § 6901 et seq.]; the Clean Air Act [42 USC § 7401 et seq.]; the Safe Drinking Water Act [42 USC § 300f et seq.]; the Surface Mining Control and Reclamation Act [30 USC § 1201 et seq.]; the Emergency Planning and Community Right to Know Act [42 USC § 11001 et seq.]; the Occupational Safety and Health Act [29 USC § 655 and 657]; the California Underground Storage of Hazardous Substances Act [Health and Safety Code § 25280 et seq.]; the California Hazardous Substances Account Act [Health and Safety Code § 25300 et seq.]; the California Safe Drinking Water and Toxic Enforcement Act [Health and Safety Code § 24249.5 et seq.]; the Porter-Cologne Water Quality Act [Water Code § 13000 et seq.] together with any amendments of or regulations promulgated under the statutes cited above and any other federal, state, or local law, statute, ordinance, or regulation now in effect or later enacted that pertains to the protection of the environment as such apply to matters on, under, or about the Property.

Hazardous Substances. The term "Hazardous Substances" includes without limitation:

- (a) Those substances included within the definitions of "hazardous substance," "hazardous waste," "hazardous material," "toxic substance," "solid waste." or "pollutant or contaminant" in any Environmental Law;
- (b) Those substances listed in the United States Department of Transportation Table [49 CFR 172.101], or by the Environmental Protection Agency, or any successor agency, as hazardous substances [40 CFR Part 302];
- (c) Other substances, materials, and wastes that are or become regulated or classified as hazardous or toxic under federal, state, or local laws or regulations; and
- (d) Any material, waste, or substance that is a petroleum or refined petroleum product, asbestos, polychlorinated biphenyl, designated as a hazardous substance pursuant to 33 USC § 1321 or listed pursuant to 33 USC § 1317, a hazardous substance or toxic material designated pursuant to any State Statute, a flammable explosive or a radioactive material.

Property. The term "Property" means that certain real property within the City of Oceanside, California, as more fully described in Exhibit "A" attached hereto, and defined in Article I and IX of this Agreement.

State. The term "State" means the State of California.



Commonwealth Land Title Company
3131 Camino del Rio N., #1400
San Diego, CA 92108

Phone: (619) 686-6000

**City of Oceanside, City Hall South
300 North Coast Highway
Oceanside, CA 92054**

Our File No: 04611176 - 54
Title Officer: Linda Slavik
(lslavik@landam.com)
Phone: (619) 686-2192
Fax: (619) 725-3248

Attn: **Bill Marquis**

Your Reference No: Country Club Apts.

Property Address: 201 Country Club Lane, Oceanside, California

PRELIMINARY REPORT

Dated as of December 6, 2006 at 7:30 a.m.

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

The printed Exceptions and Exclusion from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Exhibit B attached. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit B. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit B of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered. It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

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

ATTACHMENT NO. 1

SCHEDULE A

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

CLTA Standard Owners

ALTA Loan 1992

The estate or interest in the land hereinafter described or referred to covered by this report is:

A FEE

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

Jorbon, LLC, a California limited liability company

The land referred to herein is situated in the County of San Diego, State of California, and is described as follows:

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

EXHIBIT "A"

All that certain real property situated in the County of San Diego, State of California, described as follows:

Tract 9 of Maxson and Griffin's Subdivision, in the City of Oceanside, County of San Diego, State of California, according to Map thereof No. 433, filed in the Office of the County Recorder of San Diego County, December 29, 1887.

Assessor's Parcel Number: **148-291-03**

SCHEDULE B

At the date hereof Exceptions to coverage in addition to the printed exceptions and exclusions in said policy form would be as follows:

- A. Property taxes, including general and special taxes, personal property taxes, if any, and any assessments collected with taxes, for the fiscal year 2006 - 2007.

1st Installment:	\$25,002.78 Open
Penalty:	\$2,500.28 Due with installment amount if paid after December 10
2nd Installment:	\$25,002.78 Open
Penalty (including cost):	\$2,510.28 Due with installment amount if paid after April 10
Exemption:	\$0.00
Code Area:	07000
Assessment No.:	148-291-03

- B. Supplemental or escaped assessments of property taxes, if any, assessed pursuant to the Revenue and Taxation Code of the State of California.

1. An easement in favor of the public over any existing roads lying within said land.
2. An easement for the purpose shown below and rights incidental thereto as set forth in a document
Granted to: San Diego Consolidated Gas and Electric Company, a Corporation
Purpose: public utilities
Recorded: May 25, 1926 in Book 1173, Page 340 of Official Records

Affects: Portions of the herein described land, the exact location of which can be determined by examination of the above-mentioned instrument, which contains a complete legal description of the affected portions of said land.

3. An easement for the purpose shown below and rights incidental thereto as set forth in a document
Granted to: The City of Oceanside, a Municipal Corporation
Purpose: street purposes
Recorded: May 19, 1953 in Book 4860, Page 402 of Official Records
Affects: Said land more particularly described therein
4. An easement for the purpose shown below and rights incidental thereto as set forth in a document
Granted to: San Diego Gas and Electric Company
Purpose: pole lines and underground conduits
Recorded: June 12, 1973 as Instrument No. 73-159683 of Official Records
Affects: Said land more particularly described therein

5. An easement for the purpose shown below and rights incidental thereto as set forth in a document
- | | |
|-------------|--|
| Granted to: | Pacific Telephone and Telegraph Company |
| Purpose: | pole lines and underground conduits |
| Recorded: | January 14, 1974 as Instrument No. 74-009247 of Official Records |
| Affects: | said land more particularly described therein. |

6. An easement for the purpose shown below and rights incidental thereto as set forth in a document
- | | |
|-------------|---|
| Granted to: | The City of Oceanside |
| Purpose: | gas monitoring wells |
| Recorded: | June 29, 1987 as Instrument No. 87-363411 of Official Records |

The exact location and/or extent of said easement is not disclosed in the public records.

7. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein.

Lessor:	Immelmann Venture, Ltd.
Lessee:	Apartment Coin Laundries, a General Partnership
Disclosed by:	Lease
Recorded:	September 9, 1987 as Instrument No. 87-511345 of Official Records

The present ownership of the leasehold created by said lease and other matters affecting the interest of the lessee are not shown herein.

8. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein.

Lessor:	Reliable Company
Lessee:	Country Club Apartments
Disclosed by:	unrecorded lease
Recorded:	November 15, 1996 as Instrument No. 1996-0578590 of Official Records

The present ownership of the leasehold created by said lease and other matters affecting the interest of the lessee are not shown herein.

9. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby.

Amount:	\$3,000,000.00
Dated:	November 15, 2001
Trustor:	Jorbon, LLC, a California limited liability company
Trustee:	Commonwealth Land Title Company
Beneficiary:	GMAC Commercial Mortgage Corporation, a California corporation
Recorded:	November 15, 2001 as Instrument No. 2001-0834130 of Official Records

An assignment of the beneficial interest under said deed of trust which names

As Assignee:	Federal Home Loan Mortgage Corporation, a corporation
Recorded:	November 15, 2001 as Instrument No. 2001-0834132 of Official Records

A First Amendment to Assignment of Security Agreement, by GMAC Commercial Mortgage Corporation, a California corporation in favor of Federal Home Loan Mortgage Corporation, recorded December 28, 2001 as Instrument No. 2001-0968480 of Official Records.

10. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein.

Lessor: Jorbon, LLC, successor in interest to Country Club Apartments
Lessee: Coin Mach, Inc., successor in interest to Reliable Company
Disclosed by: Subordination and Non-Disturbance and Attornment Agreement
Recorded: November 15, 2001 as Instrument No. 2001-0834131 of Official Records

The present ownership of the leasehold created by said lease and other matters affecting the interest of the lessee are not shown herein.

11. A document subject to all the terms, provisions and conditions therein contained.

Entitled: Subordination and Non-Disturbance and Attornment Agreement
Dated: November 15, 2001
By and between: GMAC Commercial Mortgage Corporation, a California Corporation and Coin Mach, Inc., successor in interest to Reliable Company
Recorded: November 15, 2001 as Instrument No. 2001-0834131 of Official Records

Reference is made to said document for full particulars.

12. A financing statement filed in the office of the county Recorder, showing:

Debtor: Jorbon, LLC, a California limited liability company
Secured Party: Federal Home Loan Mortgage Corporation
Date: Not Set Out
Recorded: November 15, 2001 as Instrument No. 2001-0834133 of Official Records
Property Covered: fixtures

A Transition Continuation Statement referring to the above was
Recorded: June 7, 2006 as File No. 2006-0404063 of Official Records

END OF SCHEDULE B EXCEPTIONS

PLEASE REFER TO THE "NOTES AND REQUIREMENTS SECTION" WHICH FOLLOWS FOR INFORMATION NECESSARY TO COMPLETE THIS TRANSACTION

REQUIREMENTS SECTION:

REQ NO.1: The Company will require that it be provided with the following with respect to the California limited liability company named below:

- A. A copy of its operating agreement and any amendments thereto;
- B. A certified copy of its articles of organization (LLC-1), any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles or organization (LLC-10); and
- C. A copy of the current Statement of Information form (LLC-12) filed with the Secretary of State.

Limited Liability Company: Jorbon, LLC, a California limited liability company

INFORMATIONAL NOTES SECTION

NOTE NO. 1: The information on the attached plat is provided for your convenience as a guide to the general location of the subject property. The accuracy of this plat is not guaranteed, nor is it a part of any policy, report or guarantee to which it may be attached.

NOTE NO. 2: California insurance code section 12413.1 regulates the disbursement of escrow and sub-escrow funds by title companies. The law requires that funds be deposited in the title company escrow account and available for withdrawal prior to disbursement. Funds deposited with the company by wire transfer may be disbursed upon receipt. Funds deposited with the company via cashier's check or teller's check drawn on a California based bank may be disbursed on the next business day after the day of deposit. If funds are deposited with the company by other methods, recording and/or disbursement may be delayed. All escrow and sub-escrow funds received by the company will be deposited with other escrow funds in one or more non-interest bearing escrow accounts of the company in a financial institution selected by the company. The company may receive certain direct or indirect benefits from the financial institution by reason of the deposit of such funds or the maintenance of such accounts with such financial institution, and the company shall have no obligation to account to the depositing party in any manner for the value of, or to pay to such party, any benefit received by the company. Those benefits may include, without limitation, credits allowed by such financial institution on loans to the company or its parent company and earnings on investments made with the proceeds of such loans, accounting, reporting and other services and products of such financial institution. Such benefits shall be deemed additional compensation of the company for its services in connection with the escrow or sub-escrow.

WIRING INSTRUCTIONS FOR THIS OFFICE ARE:

Union Bank
530 "B" Street
San Diego, CA 92101
ABA # 122-000-496
Credit To: Commonwealth Land Title Company – San Diego County
Account #9100899563

RE: 04611176 675 - 54

PLEASE INDICATE COMMONWEALTH LAND TITLE COMPANY ESCROW OR TITLE ORDER NUMBER

NOTE NO. 3: The charges which the company will make for next day messenger services (i.e. Federal Express, UPS, DHL, Airborne, Express mail, etc.) Are \$15.00 per letter, standard overnight service, and \$25.00 for larger size packages and/or priority delivery services. Such charges include the cost of such messenger service and the company's expenses for arranging such messenger service and its overhead and profit. Special messenger services will be billed at the cost of such services. There will be no additional charge for pick-up or delivery of packages via the company's regularly scheduled messenger runs.

NOTE NO. 4: None of the items shown in this report will cause the Company to decline to attach CLTA Endorsement Form 100 to an ALTA Loan Policy, when issued.

NOTE NO. 5: The following information will be included in the CLTA form 116 endorsement to be issued pursuant to this order:

there is located on

said land: multiple family residence

known as: 201 Country Club Lane, Oceanside, California

NOTE NO. 6: There are no conveyances affecting said land recorded within 24 months of the date of this report.

NOTE NO. 7: If taxes are posted paid less than 45 days, the Company will hold the tax amount plus delinquency amount until 45 days have elapsed. If taxes have been paid through an impound account or if a copy of the cancelled check can be provided to us, this requirement can be waived.

Typist: 814

Date Typed: December 14, 2006

Exhibit B (Revised 06-17-06)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY – 1990

EXCLUSIONS FROM COVERAGE

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

- (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or 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.
- 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.
- Defects, liens, encumbrances, adverse claims or other matters:
 - whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - 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;
 - resulting in no loss or damage to the insured claimant;
 - attaching or created subsequent to Date of Policy; or
 - 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.
- 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.
- 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.
- Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

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:

- Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
- 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.
- Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
- 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.
- (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.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10/22/03)

ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE

EXCLUSIONS

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

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

- 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.
- The right to take the Land by condemning it, unless:
 - a notice of exercising the right appears in the Public Records at the Policy Date; or
 - the taking happened before the Policy Date and is binding on You if You bought the Land without knowing of the taking.
- Risks:
 - that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
 - that are known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
 - that result in no loss to You; or
 - 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.
- Failure to pay value for Your Title.
- Lack of a right:
 - to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - in streets, alleys, or waterways that touch the Land.

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

LIMITATIONS ON COVERED RISKS

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

- For Covered Risk 14, 15, 16 and 18, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A. The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 14:	1% of Policy Amount or \$2,500 (whichever is less)	\$10,000
Covered Risk 15:	1% of Policy Amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 16:	1% of Policy Amount or \$5,000 (whichever is less)	\$25,000
Covered Risk 18:	1% of Policy Amount or \$2,500 (whichever is less)	\$5,000

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

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - land use
 - improvements on the land
 - land division
 - environmental protectionThis exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date. This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
 - a notice of exercising the right appears in the public records on the Policy Date
 - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
 - that are created, allowed, or agreed to by you
 - that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - that result in no loss to you
 - that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
 - to any land outside the area specifically described and referred to in Item 3 of Schedule A
 - OR
 - in streets, alleys, or waterways that touch your landThis exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

**AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
WITH ALTA ENDORSEMENT-FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE**

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, 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.

**2006 ALTA LOAN POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE**

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

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

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

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

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
- (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
- (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, 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.

2006 ALTA OWNER'S POLICY (06-17-06)
EXCLUSIONS FROM COVERAGE

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

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
- (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;
- or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
- (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
- (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

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

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to 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 areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.

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



Commonwealth Land Title Company
3131 Camino del Rio N., #1400
San Diego, CA 92108

Phone: (619) 686-6000

File No: 04611176

Notice to Customers

You may be eligible for a \$20.00 reduction in your title or escrow fees in this transaction charged by **Commonwealth Land Title Insurance Company** pursuant to the Final Judgments entered in People of the State of California v. LandAmerica Financial Group, Inc., et al., Sacramento Superior Court Case No. 92 AS 06111, and Taylor, et al. v. LandAmerica Financial Group, Inc., et al., Los Angeles Superior Court Case No. BC 231917. You are eligible for this \$20.00 reduction in your title or escrow fees if you meet the following requirements:

1. You are a natural person or trust;
2. Your transaction involves the purchase, sale or refinancing of residential real property containing one-to-four-dwelling units;
3. You previously purchased title insurance or escrow services involving a transaction which closed between May 19, 1995 and October 8, 2002 from one of the following companies:

LandAmerica Financial Group, Inc.
 Commonwealth Land Title Insurance Company or
 Commonwealth Land Title Company
 Lawyers Title Insurance Corporation or Lawyers Title Company
 First American Title Insurance Company, First American Title Company, First American Title Guarantee Company
 Fidelity National Financial, Inc.
 Fidelity National Title Insurance Company
 Fidelity National Title Company
 Fidelity National Title Insurance Company of California, Inc.
 Fidelity National Loan Portfolio Services
 Ticor Title Insurance Company
 Security Union Title Insurance Company
 Chicago Title Insurance Company
 Chicago Title Company
 Chicago Title and Trust Company
 Rocky Mountain Support Services, Inc.
 California Tracking Service, Inc.
 Title Accounting Services Corporation

- 4 You did not receive a \$65.00 cash payment from LandAmerica Financial Group, Inc. in the reconveyance fee claims process pursuant to the Final Judgments entered in People of the State of California v. LandAmerica Financial Group, Inc., et al., Sacramento Superior Court Case No. 92 AS 06111, and Taylor, et al. v. LandAmerica Financial Group, Inc., et al., Los Angeles Superior Court Case No. BC 231917.

If you meet the foregoing requirements and want the \$20.00 fee reduction complete this form and return it to your **Commonwealth Land Title Insurance Company** escrow or title officer. **NOTE: If you are eligible for the \$20.00 fee reduction please complete and return this form. You must advise us of your eligibility prior to closing in order to receive the \$20.00 fee reduction.**

Name: _____

Address: _____

Telephone No: _____



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3. You previously purchased title insurance or escrow services involving a transaction which closed between May 19, 1995 and October 8, 2002 from one of the following companies:

LandAmerica Financial Group, Inc.
 Commonwealth Land Title Insurance Company or
 Commonwealth Land Title Company
 Lawyers Title Insurance Corporation or Lawyers Title Company
 First American Title Insurance Company, First American Title Company, First American Title Guarantee Company
 Fidelity National Financial, Inc.
 Fidelity National Title Insurance Company
 Fidelity National Title Company
 Fidelity National Title Insurance Company of California, Inc.
 Fidelity National Loan Portfolio Services
 Ticor Title Insurance Company
 Security Union Title Insurance Company
 Chicago Title Insurance Company
 Chicago Title Company
 Chicago Title and Trust Company
 Rocky Mountain Support Services, Inc.
 California Tracking Service, Inc.
 Title Accounting Services Corporation

4. You did not receive a \$65.00 cash payment from LandAmerica Financial Group, Inc. in the reconveyance fee claims process pursuant to the Final Judgments entered in People of the State of California v. LandAmerica Financial Group, Inc., et al., Sacramento Superior Court Case No. 92 AS 06111, and Taylor, et al. v. LandAmerica Financial Group, Inc., et al., Los Angeles Superior Court Case No. BC 231917.

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