

*Utah Dept*



**Fidelity National Title Company  
OF CALIFORNIA**

**PRELIMINARY REPORT**

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

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

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

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

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

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

FIDELITY NATIONAL TITLE COMPANY OF CALIFORNIA



BY *Robert M. [Signature]*  
President

ATTEST *John C. [Signature]*  
Secretary

*Stephen D. [Signature]*  
Countersigned

**Resolution 2009-01  
SCHEDULE A**

Visit Us on our Website: [www.fnbc.com](http://www.fnbc.com)



**Fidelity National Title Company  
OF CALIFORNIA**

704 E. Perkins Street, Suite C • Ukiah, CA 95482  
707 463-3474 • FAX 707 463-3477

**PRELIMINARY REPORT**

Title Officer: Charlene Testa  
Escrow Officer: Presale Ukiah  
Escrow No.: 06-230101882-P

Title No.: 06-230101882-T  
Locate No.: CAFNT0923-0923-0001-0230101882

TO: Christopher Neary, Attorney At Law  
110 South Main Street, Suite C  
Willits, CA 95490

ATTN: Jennifer O'Brien

SHORT TERM RATE:  $\frac{1}{8}$   
SHORT TERM RATE:  $\frac{1}{8}$

~~PROPERTY ADDRESS: 308 Perkins Street and 200 Clay Street, Ukiah~~  
~~PROPERTY ADDRESS: 309 Perkins Street and 200 Clay Street, Ukiah~~

**EFFECTIVE DATE: December 5, 2006, 07:30 A.M.**

The form of Policy or Policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:  
  
A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:  
  
**North Coast Railroad Authority, a Local Agency created by the California Legislature**
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:  
  
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

DB\DB 12/27/2006

**Resolution 2009-01  
SCHEDULE A**

Title No. 06-230101882-CT  
Locate No. CAFNT0923-0923-0001-0230101882

**LEGAL DESCRIPTION**

**EXHIBIT "A"**

The land referred to herein is situated in the State of California, County of Mendocino, City of Ukiah, and is described as follows:

All that portion as described in the Deed to the Cloverdale and Ukiah Railroad Company by Deed recorded April 14, 1888 in Book 43 of Deeds at Page 420, Mendocino County Records.

Excepting therefrom that portion thereof described as follows:

Beginning at the intersection of the Southerly line of Perkins Street, 50 feet wide, with the Southerly prolongation of the Easterly line of land described in Parcel 8 of deed recorded November 16, 1892 in Book 57 of Deeds at Page 58, Mendocino County Records; thence Easterly along said Southerly line of Perkins Street, 362 feet to the Northeast corner of the land described in said deed recorded in Book 43 of Deeds at Page 420; thence Southerly along the Easterly line of the last said land, 1089 feet to the Southeast corner thereof; thence Westerly along the Southerly line thereof to a line distance 225 feet parallel with said Easterly line thereof; thence Northerly along last said parallel line, 800 feet; thence Northwesterly in a direct line 280 feet to the point of beginning.

APN: 002-232-13, 002-282-19

Resolution 2009-01  
SCHEDULE A

Title No. 06-230101882-CT  
Locate No. CAFNT0923-0923-0001-0230101882

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

1. Any taxes which may be owing or shown on the public utility tax roll.
2. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.
3. Any adverse claim based upon the assertion that:
  - a. Some portion of said land has been created by artificial means, or has accreted to such portion so created.
  - b. Some portion of said land has been brought within the boundaries thereof by an avulsive movement of Gibson Creek, or has been formed by accretion to any such portion.
4. Rights and easements for navigation and fishery which may exist over that portion of said land lying beneath the waters of Gibson Creek.
5. Any rights in favor of the public which may exist on said land if said land or portions thereof are or were at any time used by the public.
6. Water rights, claims or title to water, whether or not disclosed by the public records.
7. Easements for sewer and water pipelines as disclosed by that certain unrecorded railroad map on file in the County of Mendocino Assessors Office.
8. Terms, conditions and provisions of that certain Purchase Agreement dated April 11, 1996 by and between Southern Pacific Transportation Company and North Coast Railroad Authority, a Local Agency created by the California Legislature as evidenced by document recorded April 30, 1996 in Book 2328 at Page 251, Mendocino County Records.
9. Easement(s) for the purpose(s) shown below and rights incidental thereto as reserved in a document:

Reserved by:	Southern Pacific Transportation Company
Purpose:	mineral rights, fiber optics communication systems lines and facilities, "Caipella Access Easement" and "Laughlin Access Easement".
Recorded:	April 30, 1996, Book 2328, Page 251, of Official Records
10. Terms, conditions and provisions of that certain Fiber Optics Easement Agreement by and between Southern Pacific Transportation Company and North Coast Railroad Authority, a Local Agency created by the California Legislature as evidenced by document recorded April 30, 1996 in Book 2328 at Page 293, Mendocino County Records.

**Resolution 2009-01  
SCHEDULE A**

**ATTACHMENT ONE**

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

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

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

This exclusion does not apply to violations of the enforcement of these matters which appear in the public records at policy date.  
This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
  - a notice of exercising the right appears in the public records on the Policy Date
  - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowledge of the taking

3. Title Risks:
  - that are created, allowed, or agreed to by you
  - that are known to you, but not to us, on the Policy Date unless they appeared in the public records
  - that result in no loss to you
  - that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
  - to any land outside the area specifically described and referred to in Item 3 of Schedule A
  - or
  - in streets, alleys, or waterways that touch your land

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

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

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

3. Any facts about the land which a correct survey would disclose and which were not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.
4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

**CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1998  
EXCLUSIONS FROM COVERAGE**

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

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

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

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

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

**PART I**

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

Attachment One (11/17/04)

ATTACHMENT ONE  
(CONTINUED)

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

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

- (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.
- 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:
  - 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 (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 in 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.
- Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured or 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.
- 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 practice or truth in lending law.
- 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.
- Any claim, which arises out of the transaction creating the interest of the mortgage insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - the transaction creating the interest of the insured mortgage being deemed a fraudulent conveyance or fraudulent transfer; or
  - the subordination of the interest of the insured mortgage as a result of the application of the doctrine of equitable subordination; or
  - the transaction creating the interest of the insured mortgage being deemed a preferential transfer except where the preferential transfer results from the failure:
    - to timely record the instrument of transfer; or
    - of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

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:

- (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.
- 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:
  - 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;
  - 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 in the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or

- (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;
- 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 estate or interest insured by this policy.
- 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:
  - the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
  - 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:
    - to timely record the instrument of transfer; or
    - of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above ALTA policy forms, dated 10-17-92, 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:

- 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.
- Unpaid or unperfected 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.

Resolution 2009-01  
SCHEDULE A

ATTACHMENT ONE  
(CONTINUED)

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

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
    - a. building
    - b. zoning
    - c. Land use
    - d. improvements on Land
    - e. Land division
    - f. environmental protection
  2. 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.
  3. This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
  4. 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.
  5. The right to take the Land by condoning it, unless:
    - a. notice of exercising the right appears in the Public Records at the Policy Date; or
    - b. the taking happened before the Policy Date and is binding on You if You bought the Land without knowing of the taking.
  6. Risks:
    - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
    - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
    - c. that result in no loss to You; or
    - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8, d, 22, 23, 24 or 25.
  7. Failure to pay value for Your Title.
  8. Lack of a right:
    - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
    - b. in streets, alleys, or waterways that touch the Land.
- This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

LIMITATIONS ON COVERED RISKS

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

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

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

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

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/1/01)  
EXCLUSIONS FROM COVERAGE

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) created, suffered, assumed or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (this paragraph does 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 notice shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:
  - (a) The time of the advance; or
  - (b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

Attachment One (11/17/04)



Resolution 2009-01  
SCHEDULE B

00007018  
Recorded at the request of  
NORTH COAST RAILROAD AUTHORITY  
Book 2328 Page 347  
04/30/1996 08:50A  
Fee: \$0.00 No of Pages:9

After recording return to:

North Coast Railroad Authority  
4 West 2nd Street  
Eureka, CA 95501  
Attn: Edward M. McLaughlin

OFFICIAL RECORDS  
MENDOCINO COUNTY CALIF  
MARSHA A. YOUNG, RECORDER

Mail tax statements to:

North Coast Railroad Authority  
4 West 2nd Street  
Eureka, CA 95501  
Attn: Edward M. McLaughlin

**SURFACE EASEMENT AGREEMENT**

Ukiah Parcel

This Surface Easement Agreement - Ukiah Parcel (this "Agreement") dated April <sup>30</sup> 1996 is between Southern Pacific Transportation Company, a Delaware corporation ("Grantor") and North Coast Railroad Authority, a local agency created by the California legislature ("Grantee").

Recitals

A. Grantor and Grantee have entered into that certain Amended and Restated Agreement of Purchase and Sale (Willits Segment) dated April 11, 1996 (the "Willits Agreement"), which provides for the grant of a surface easement over certain property more particularly described in the attached Exhibit A and commonly known as the "Ukiah Parcel" (the "Easement Property") subject to the terms and conditions contained in this Agreement.

B. Pursuant to the terms of the Willits Agreement, Grantor has deposited in Escrow a grant deed for the Easement Property (the "Grant Deed") and Grantee has deposited in Escrow the purchase price for the fee interest in the Easement Property (the "Purchase Price"), each of which shall be released to the parties as provided in the Willits Agreement.

C. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Willits Agreement.

THIS INSTRUMENT IS EXEMPT FROM  
RECORDING FEES (GOVT CODE #27353) AND FROM  
DOCUMENTARY TRANSFER TAX (REV & TAX CODE

#179752

5. Indemnification. Subject to the terms of the agreements described in Section 6 hereof, Grantee hereby indemnifies, defends and holds harmless Grantor, its officers, directors, agents, permittees, successors and assigns from and against all, losses, liabilities, claims and demands arising from or relating to Grantee's or its agents' use of the Easement or activities on the Easement Property except as may arise from Grantor's negligence or intentional acts. The provisions of this Section 5 shall survive the termination of the Easement and this Agreement.

6. Other Agreements. The parties acknowledge that certain other rights, obligations and indemnities exist between them with respect to the Easement Property pursuant to certain other agreements between them, including, without limitation, the Willits Agreement, the Environmental Indemnity Agreement, the EDD Agreement and the Environmental Remediation Agreement.

7. Memorandum of Willits Agreement. The parties agree that this Agreement shall also constitute a memorandum of the Willits Agreement to provide record notice of Grantee's right to purchase the Easement Property pursuant to the terms and conditions contained in the Willits Agreement. The execution of this Agreement shall not modify or amend any provision of the Willits Agreement with respect to Grantee's right to purchase the Easement Property and in the event of any conflict or inconsistency between the provisions of this Agreement and the Willits Agreement with respect to Grantee's right to purchase the Easement Property, the terms of the Willits Agreement shall control.

IN WITNESS WHEREOF, each of Grantor and Grantee has executed this instrument as of April 20, 1996.

GRANTOR:

SOUTHERN PACIFIC TRANSPORTATION  
COMPANY, a Delaware corporation

By: Michael D. Ongert  
Name: MICHAEL D. ONGERTH  
Title: VICE PRESIDENT

BOOK: 0000  
PAGE: 077

GRANTEE:

NORTH COAST RAILROAD AUTHORITY, a  
local agency created by the California legislature

By: [Signature]  
Name: \_\_\_\_\_  
Title: Simon  
ALLEN J HEMPHILL

Approved as to form:

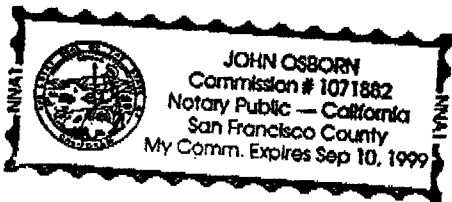
[Signature]  
Attorney

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF San Francisco )

On this 29<sup>th</sup> day of April, 1996, before me, personally appeared Allen Hemphill, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

[seal]



[Signature]  
Notary Public

Book: 2328 Page: 350

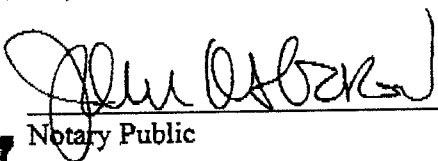
Resolution 2009-01  
SCHEDULE B

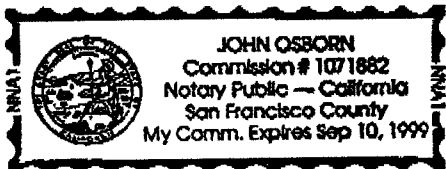
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF San Francisco )

On this 29<sup>th</sup> day of April, 1996, before me, personally appeared Michael D. Orgerth, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

[seal]

  
\_\_\_\_\_  
Notary Public



DUPLICATE PAGE 304

EXHIBIT A

Easement Property

[Please refer to the attached legal  
description consisting of two pages.]

Book: 2328 Page: 332

*DBJ*  
*3-7-95*

A parcel of land situate in the County of Mendocino, State of California, described as follows:

That portion of the land described in Parcel A of deed to San Francisco and North Pacific Railway Company recorded November 16, 1892, in Deed Book 57, Page 580, Records of said County, lying westerly of a line drawn 65 feet westerly and parallel with the easterly line of land described therein.

ALSO, that portion of the land described in Parcel B of said deed to San Francisco and North Pacific Railway Company recorded November 16, 1892, lying westerly of a line drawn 65 feet westerly and parallel with the easterly line of land described in deed to Northwestern Pacific Railroad Company, recorded December 5, 1924, in Deed Book 179, Page 357, Records of said County.

AND ALSO all of the land described in deed to Northwestern Pacific Railroad Company, recorded August 14, 1917, in Book of Deeds 150, Page 5, Records of Mendocino County.

EXCEPTING THEREFROM those portions included within the land described as follows:

All of the land described in deed to General American Precooling Corporation, recorded March 8, 1945, in Book 182, Page 169, Official Records of said County.

ALSO EXCEPTING THEREFROM those portions included within the land described as follows:

All the land described in deed to Daniel McCurry, et ux., recorded May 10, 1985, in Book 1504, Page 464, Official Records of said County.

BOOK : 2328  
PAGE : 333

*D.B.G.*  
*3-6-95*

A parcel of land situate in the City of Ukiah, County of Mendocino, State of California, described as follows:

That portion of the land described in deed dated April 14, 1888, from Henrietta Menke to Cloverdale & Ukiah Railroad Company, recorded April 14, 1888, in Deed Book 43, Page 420, Records of said County, described as follows:

Beginning at the intersection of the southerly line of Perkins Street, 50 feet wide, with the southerly prolongation of the easterly line of land described in Parcel 8 of deed recorded November 16, 1892, Deed Book 57, Page 58, Records of said County; thence easterly along said southerly line of Perkins Street, 362 feet to the northeast corner of land described in said deed recorded in Deed Book 43, Page 420; thence southerly, along the easterly line of last said land, 1089 feet to the southeast corner thereof; thence westerly, along the southerly line thereof, to a line distant 225 feet parallel with said easterly line thereof; thence northerly, along last said parallel line, 800 feet; thence northwesterly, in a direct line, 280 feet to the point of beginning.

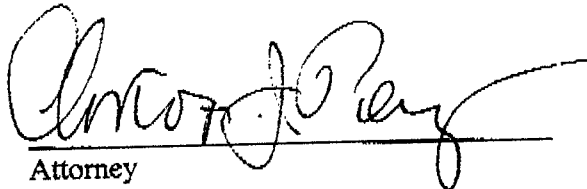
CERTIFICATE OF ACCEPTANCE

(Pursuant to Government Code § 27281) this is to certify that the interest in the real Property conveyed by the Surface Easement Agreement dated as of 4/30, 1996, from Southern Pacific Transportation Company, a Delaware corporation, to the North Coast Railroad Authority, a local agency created by the California legislature, is hereby accepted by the undersigned officer pursuant to authority conferred by Resolution No. 1996-10 adopted by the North Coast Railroad Authority on April 17, 1996, and the Grantee consents to recordation thereof by its duly authorized representative.

Date: April 30, 1996

By:   
Title: Chairman

Approved as to Form:

  
Attorney