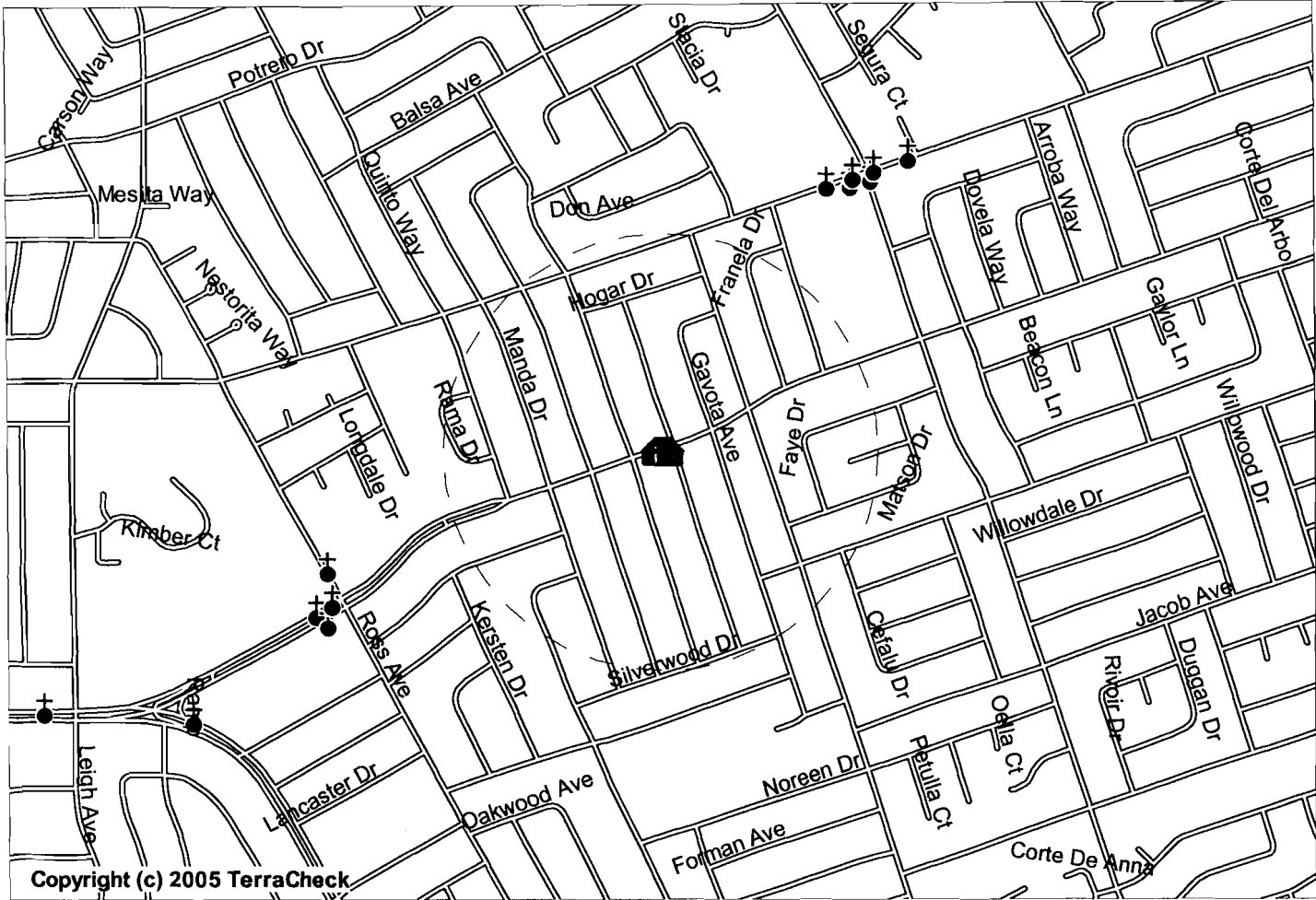












Status as of 08/15/2005

Environmental Hazard Report

Address: 1704 Hillsdale Ave, San Jose, CA, 95124

APN: 447-15-020











	Military Ordnance		Commercial/Industrial/Manufacturing Zones
	Airport Proximity		Airport Area
	Critical Habitat		Perchlorate Area of Investigation
	Solid Waste Facilities		Leaking Underground Fuel Tanks
	Toxics Release Inventory		Superfund Sites

Environmental Hazard Report

Address: 1704 Hillsdale Ave, San Jose, CA, 95124

APN: 447-15-020

Environmental	Munitions		Military Ordnance	OUT
	City		Commercial/Industrial/Manufacturing Zones	OUT
	Airports		Airport Proximity	No Sites
	Airports		Airport Area	OUT
	State		Critical Habitat	OUT
	County		Perchlorate Area of Investigation	OUT
	State		Solid Waste Facilities	No Sites
	State		Leaking Underground Fuel Tanks	No Sites
	EPA		Toxics Release Inventory	No Sites
	EPA		Superfund Sites	No Sites

Signature of Transferor

Shirley Arrighi
Shirley Arrighi

Date

9-26-05

Agent represents that the information herein is true and correct to the best of the agent's knowledge as of the date signed by the agent.

Signature of Agent

Donna Montana
Donna Montana

Date

9-26-05

Transferee represents that he or she has read and understands this document.

Signature of Transferee

[Signature]

Date

10/16/05

Agent represents that the information herein is true and correct to the best of the agent's knowledge as of the date signed by the agent.

Signature of Agent

Donna Montana
Donna Montana

Date

10/16/05
10/16/05

DESCRIPTIONS OF NATURAL & ENVIRONMENTAL HAZARD ZONES

MILITARY ORDNANCE: THE PROPERTY LISTED IS NOT LOCATED WITHIN ONE MILE OF A MILITARY ORDNANCE ZONE.

California Civil Code 1102.15 states: "The seller of residential real property subject to this article who has actual knowledge of any former federal or state ordnance locations within the neighborhood area shall give written notice of that knowledge as soon as practicable before transfer of title. For purposes of this section, "former federal or state ordnance locations" means an area identified by an agency or instrumentality of the federal or state government as an area once used for military training purposes, which may contain potentially explosive munitions. "Neighborhood area" means within one mile of the residential real property."

For sites where no maps were provided, the property boundaries were based on a 1-mile distance from the center of the site.

For additional information on Formerly Used Defense Sites please contact the U.S. Army Corps of Engineers Public Affairs Office at (202) 528-4285 or access <http://m1.crrel.usace.army.mil/fuds/>

COMMERCIAL/INDUSTRIAL/MANUFACTURING ZONES: PROPERTY LISTED IS NOT LOCATED IN A COMMERCIAL/INDUSTRIAL/MANUFACTURING ZONE.

As defined by and subject to article 1102.17 of the California Civil Code, any seller of residential real property who has actual knowledge that the said property is affected by, or zoned to allow, industrial use as described in Section 731a of the Code of Civil Procedure, shall give written notice of that knowledge as soon as practicable before transfer of title. Section 731a defines in detail certain expressly permitted uses and areas involving manufacturing, commercial, or airport areas.

California Civil Code of Procedures 731a

Whenever any city, city and county, or county shall have established zones or districts under authority of law wherein certain manufacturing or commercial or airport uses are expressly permitted, except in an action to abate a public a nuisance brought in the name of the people of the State of California, no person or persons, firm or corporation shall be enjoined or restrained by the injunctive process from the reasonable and necessary operation in any such industrial or commercial zone or airport of any use expressly permitted therein, nor shall such use be deemed a nuisance without evidence of the employment of unnecessary and injurious methods of operation. Nothing in this act shall be deemed to apply to the regulation and working hours of canneries, fertilizing plants, refineries and other similar establishments whose operation produce offensive odors.

California Civil Code 1102.17

The seller of residential real property subject to this article who has actual knowledge that the property is affected by or zoned to allow an industrial use described in Section 731a of the Code of Civil Procedure shall give written notice of that knowledge as soon as practicable before transfer of title.

AIRPORT PROXIMITY: THERE IS/ARE NO SITES, OF AIRPORT PROXIMITY WITHIN 3 MILES OF THE PROPERTY LISTED.

The airport proximity discloses within a three-mile proximity from the subject property any public airports. The subject property's proximity to a public airport is based upon currently available public records showing the present boundaries of the airport. This is not a noise (decibel level) disclosure and no disclosure is made regarding the proximity of private

airports or landing strips. No physical inspection of the Subject's Property or the airport has been made, and this report does not consider the impact of any planned or approved airport expansion projects or modifications. No finding or opinion is expressed or implied in this report regarding the take-off and landing patterns utilized by airports or the noise levels experienced at the subject property as a result thereof. Properties lying beneath or near airport take-off or landing routes often experience significant and disturbing noise levels notwithstanding that they are located more than three miles from the airport. In addition, take-off and landing patterns may change based upon weather conditions, wind conditions and airport expansion/ modification projects. For more information, please contact the Federal Aviation Administration and/ or the nearest airport of concern.

AIRPORT AREA: THE PROPERTY LISTED IS NOT LOCATED IN AN AIRPORT ZONE.

January 1, 2004 Assembly Bill 2776 went into effect which amends Section 11010 of the Business and Professions Code, and to amend Sections 1102.6, 1103.4, and 1353 of the California Civil Code, relating to aviation. AB 2776 requires that if the property is located within an airport influence area, the statement "Notice of Airport in Vicinity" must be provided.

CRITICAL HABITAT: PROPERTY LISTED IS NOT LOCATED IN A CRITICAL HABITAT ZONE.

Critical habitat is a specific geographic area(s) that is essential for the conservation of a threatened or endangered species (as per the Endangered Species Act of 1973) and that may require special management and protection. Critical habitat may include an area that is not currently occupied by the species but that will be needed for its recovery. Areas that are designated as Critical Habitats are protected from destruction or adverse modification through authorization requirements from the Department of Fish and Game. Landowners must obtain special permits from the Department of Fish and Game to conduct development that will damage / harm a Critical Habitat. For more information please contact the Department of Fish and Game at <http://www.dfg.ca.gov>.

PERCHLORATE AREA OF INVESTIGATION: PROPERTY LISTED IS NOT LOCATED IN A PERCHLORATE AREA OF INVESTIGATION.

Perchlorate is both a natural and a man-made salt used as an oxidizer for rocket fuel, highway flares, matches, and air bag inflators. Perchlorate is primarily used as an oxidizer in solid fuels for rockets and missiles. Other uses include the production of fireworks, matches, dyes, lubricating oils, paints, electroplating, and medical specialty tests.

Perchlorate disrupts iodine uptake in the thyroid gland, which regulates hormone function. It is therefore considered to have adverse health effects, and water suspected to contain levels higher than 6 ppb (parts per billion) should be avoided for drinking and cooking. Conventional treatment methods, such as carbon filters, household water filters, reverse osmosis, air stripping, chlorination, boiling, and aeration, are ineffective at removing perchlorate. If you live or work in an affected area, you may want to have your well tested for perchlorate.

The Regional Water Quality Control Board is directing the investigation of the problem in the state of California. It has also directed ongoing groundwater monitoring and delivery of alternative water supplies. For more information, please visit the California Environmental Protection Agency Regional Water Quality Control Board at www.waterboards.ca.gov or The California Department of Toxic Substances Control at www.dtsc.ca.gov for site cleanup and mitigation programs. For additional resources, please contact your local Water District Agency.

RADON POTENTIAL ZONES: MODERATE POTENTIAL (FROM 2 TO 4 PCIL)

A map of Radon zones was developed by the Environmental Protection Agency (EPA) to determine radon potential in different geographical areas.

Sections 307 and 309 of the Indoor Radon Abatement Act of 1988 (IRAA) directed EPA to list and identify areas of the U.S. with the potential for elevated indoor radon levels. EPA's Map of Radon Zones assigns each of the 3,141 counties in the U.S. to one of three zones based on radon potential:

- Zone 1 counties have a predicted average indoor radon screening level greater than 4 pCi/L (picocuries per liter) (red zones)
- Zone 2 counties have a predicted average indoor radon screening level between 2 and 4 pCi/L (orange zones)
- Zone 3 counties have a predicted average indoor radon screening level less than 2 pCi/L (yellow zones)

Radon is a naturally occurring, invisible, odorless gas that comes from deposits of uranium in soil, rock, and water. It is harmlessly dispersed in outdoor air, but when trapped in buildings, can be harmful, especially at elevated levels. Radon is a radioactive decay product of radium, which is itself a decay product of uranium. Uranium and radium are both common elements in soil.

Radon is measured in picoCurries per liter of air (pCi/L), a measurement of radioactivity. The U.S. EPA and the Centers for Disease Control and Prevention recommend that homes with radon levels 4 pCi/L, or greater, be fixed.

Radon test kits that meet EPA guidelines can be obtained from a radon testing company or laboratory. Get a listing from your state radon office or local health department. They are available at local hardware stores and home improvement stores. Many are priced under \$25.00. Testing your home for radon is as simple as opening a package, placing a radon detector in a designated area, and, after the prescribed number of days, sealing the detector back in the package and mailing it to a lab. Information on testing your home for radon and how to get a test kit is also available by calling **1-800-SOS-RADON**.

SOLID WASTE FACILITIES: NO SITES FROM THE SOLID WASTE INFORMATION SYSTEM DATABASE IS/ARE LOCATED WITHIN ¼ MILE OF THE PROPERTY LISTED.

The California Waste Management Board maintains an inventory list of the solid waste facilities, operations, and disposal sites throughout the State of California pursuant to the Solid Waste Management and Resource Recovery Act of 1972. The types of facilities found in this inventory include landfills, transfer stations, material recovery facilities, composting sites, transformation facilities, waste tire sites, and closed disposal sites.

Most communities dispose of solid waste in landfills. Some landfills accept only municipal solid waste while others are approved to receive a variety of industrial and agricultural hazardous wastes. While properly designed and operated landfills may minimize environmental contamination, some landfills have been found to pollute surface and subsurface water supplies. In the past, many companies improperly dumped hazardous wastes (toxic/ignitable / corrosive /infectious solids, liquids, or sludge). The California Integrated Waste Management Board learns of disposal facilities through permit applications and from local enforcement agencies.

For more info, please access <http://www.ciwmb.ca.gov/SWIS/>

LEAKING UNDERGROUND FUEL TANKS: NO SITES WITH LEAKING UNDERGROUND FUEL TANKS ARE LOCATED WITHIN ¼ MILE OF THE PROPERTY LISTED.

Geotracker is a publicly available database maintained by the State Water Resources Control Board for the water quality that contains a list of reported leaking underground fuel tanks (LUFT) for the state of California. TerraCheck's reports incorporate the most updated data available in this database.

For more info, please access http://www.swrcb.ca.gov/cwphome/ust/cleanup/electronic_reporting/index.html

TOXICS RELEASE INVENTORY: NO SITES, FROM THE TOXICS RELEASE INVENTORY DATABASE ARE LOCATED WITHIN ¼ MILE OF THE PROPERTY LISTED.

The Toxics Release Inventory (TRI) is a publicly available EPA database that contains information on specific toxic chemical releases and other waste management activities reported annually by certain covered industry groups as well as federal facilities. This inventory was established under the Emergency Planning and Community Right-to-Know Act of 1986 (EPCRA), which requires facilities to use their best readily available data to calculate their releases and waste management estimates. If facilities do not have actual monitoring data, submitted values are derived from various estimation techniques.

TerraCheck incorporates original TRI reports since 2001 and any updates that are available. To view the data that has been submitted more recently than the published updates, please access [EPA Envirofacts \(www.epa.gov/enviro/html/ef_overview.html\)](http://www.epa.gov/enviro/html/ef_overview.html)

SUPERFUND SITES: NO SITES, FROM THE SUPERFUND DATABASE ARE LOCATED WITHIN ¼ MILE OF THE PROPERTY LISTED.

U.S. Environmental Protection Agency CERCLIS or Superfund Sites

The Superfund Program was established in 1980 to eliminate the health and environmental threats posed by hazardous waste sites. The U.S. Environmental Protection Agency (EPA) administers the Superfund Program through the Office of Superfund Remediation Technology Innovation (OSRTI) in cooperation with individual states and tribal governments. Superfund locates, investigates and cleans up the worst hazardous waste sites throughout the United States. The EPA has compiled a list of contaminated properties (the Superfund Sites List), which represent environmental concern for the discharge of hazardous materials by hazardous waste disposal sites and generators, and treatment and storage facilities.

National Priority List (NPL) Sites

This list targets those sites to receive remedial funding under the Comprehensive Environmental Response Conservation and Liability Act (CERCLA). These sites are the national priorities among the known releases or threatened releases of hazardous substances, pollutants or contaminants throughout the United States. The purpose of the NPL is to serve as an information and management tool. Inclusion of a site on this list does not in itself reflect a judgment of the activities of its owner or operator, it does not require those persons to undertake any action, nor does it assign liability to any person. Only NPL sites can receive CERCLA funding.

Under California Civil Code, sellers of residential property must disclose whether they are aware of any substances on the property that may be environmental hazards. These include, but are not limited to, asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, or contaminated soil or water. If an environmental hazard is discovered, the affected parties should consult the appropriate environmental expert for further assessment. The purpose of this report for a record search and is not a substitute for a Phase I Environmental Audit.

STATEMENT OF LIABILITY LIMITATIONS, CONDITIONS, TERMS AND ASSUMPTIONS

This report is for the exclusive use of the individual(s), herein referred to as "Client", involved in the transaction (as identified by the address on the report) for which this report, herein referred to as "Report", was created. This Report may not be referred to or relied upon by any party other than Client without the written consent of TerraCheck Corporation, herein referred to as "TerraCheck". TerraCheck has no accountability, obligation or liability to any third party.

This Report concerns the land identified in the Report, herein referred to as "Property" which does NOT include any property beyond the lines of the area described, or referred to in this Report, nor any real property described as an easement in the Report, nor any right, title, interest, estate or easement in abutting streets, roads, alleys, lanes, ways, or waterways. TerraCheck has not made a physical inspection of the Property. This Report is not a substitute for a physical inspection of the Property, examination of its physical conditions, and/or its surroundings by Client and its consultants.

The report map is an approximate representation of the subject property location and the surrounding hazards. The house icon in the center of the map represents the subject property. The dotted line circle surrounding the house icon is a ¼ mile radius measurement to determine the environmental zones (if applicable). Please refer to the table on the second page of this report for the specific data relating to the property.

TerraCheck reviewed only those maps and records, herein referred to as "Records", specifically referred to in Report, which are readily available for public inspection and are provided by private and public Government sources. Conditions frequently change, and recent changes may not be reflected on the "official" maps, Government databases, or the Records. TerraCheck relies upon the information contained in the Records, and assumes their accuracy without any further investigation or analysis of that underlying data supporting the information embodied in the Records. Some of the Records are available in electronic format. For Records that are not available in this medium, TerraCheck has transposed the data into electronic format. The process of transposing data could be imperfect whether performed by TerraCheck or other entities. In situations where the Property appears to be close to a designated zone, TerraCheck recommends that any interested party consult with experts or perform additional research in order to be clear as to the conditions affecting the Property. No responsibility is assumed for the accuracy of information furnished by the Client, third parties, or Records.

The legal description of the Property in this Report was furnished to TerraCheck by Client and is assumed to be correct without independent verification by TerraCheck. TerraCheck is not responsible for the accuracy of the address or APN provided to TerraCheck. No opinion is rendered, nor responsibility assumed, and no representation is made as to the title to the Property, nor whether the Property is comprised of legal lots in conformance with the California Subdivision Map Act and local ordinances enacted pursuant thereto.

No responsibility is assumed, nor opinion rendered, and no representation is made concerning the condition of the Property whether architectural, structural, mechanical, engineering or legal in character or nature. TerraCheck assumes no responsibility regarding structural integrity or adequacy, nor soil conditions, potential for flooding, settlement, drainage, subsidence, fire, compliance with applicable laws and zoning regulations or other occurrences or problems arising from neither soil conditions, zones, areas, nor marketability of the Property. No opinion is expressed with respect to the presence or absence of hazardous or toxic materials or substances or any other defects on or within the Property. TerraCheck assumes no responsibility for conditions or consequences resulting from information that was withheld, concealed, misrepresented or not fully disclosed at the time the Report was compiled. TerraCheck is in no way responsible for any costs incurred to correct any deficiencies of any type present in the Property.

TerraCheck assumes no responsibility for any costs or consequences arising due to the need, or the lack of need for earthquake, flood, casualty and/or liability insurance. The decision to insure or not to insure is a personal one of the owner and should be made in consultation with an insurance advisor.

This Report is intended to include only information pertaining to zones affirmatively addressed in the text hereof. This Report does not purport, either explicitly or by implication to include or provide information regarding any other matters not specifically addressed herein, including without limitation: (a) state of title of the Property, including without limitation any liens, encumbrances, covenants, conditions, restrictions, reservations, easements, mining claims, water rights, encroachments, or any other title matters adversely affecting title which would be identified through a correct survey of the Property and/or a real estate title examination; (b) status of the Property in relation to ordinances and regulations of the State of California, City and County where the Property is located, including but not limited to the California Subdivision Map Acts, and federal and state laws; (c) environmental protection laws and regulations; (d) property taxes, special assessments of any nature including without limitation Mello-Roos District assessments; (e) legal proceedings before any judicial or other adjudicative tribunal or any regulator or administrative agency or any governmental entity; (f) building codes,



permits of any nature, income taxes, liquor licenses or other laws restricting, regulating or relating to the character, dimensions or location or any improvement now or hereafter erected on the Property or the occupancy, use, anticipated use, or enjoyment of the Property; (g) in rem forfeiture laws; (h) rights of eminent domain and; (i) ordinances, administrative decision, rules and regulations of any special political subdivision, whether created or enabled through legislative action at the federal, state or regional level, such as but not limited to water agencies, school districts, flood control districts, Coastal Commission or joint powers districts.

This Report is issued as of the date specified herein. TerraCheck has no obligation to advise Client or any other interested party of any relevant fact, circumstance or change that occurs after the date specified herein which pertains to the Property or which modified or otherwise affects the information provided in this Report.

Should it become necessary for TerraCheck to give testimony in court or any hearing, or consult with Client or any other interested party after the issuance of this Report because of having issued this Report, a separate and special arrangement and additional fee agreement will apply. If testimony or deposition is required from TerraCheck because of any subpoena, the Client shall be responsible for any additional time, fees and charges of TerraCheck, regardless of which party issued the subpoena.

This Report shall be governed by and construed in accordance with the laws of the State of California.

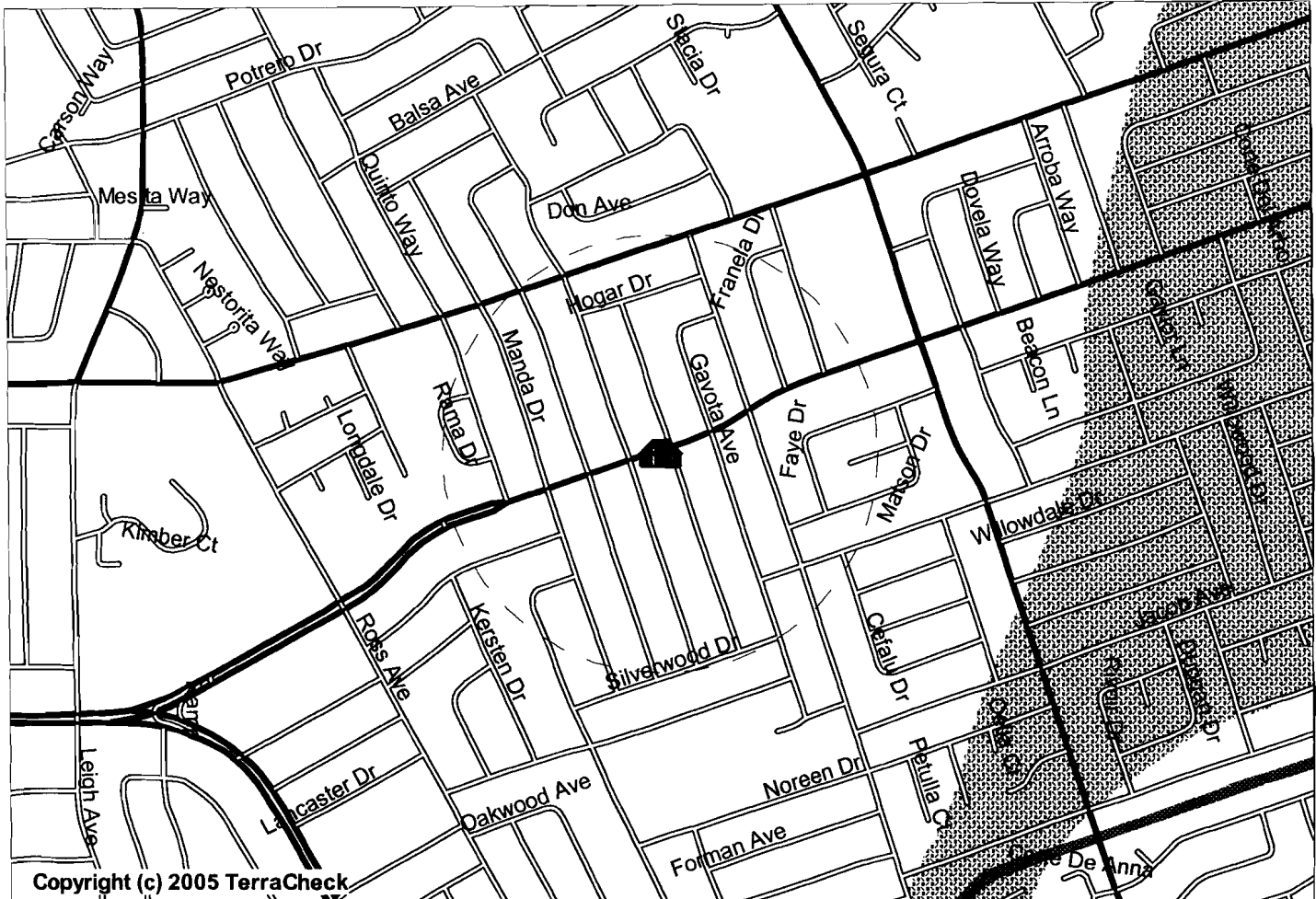
ACCEPTANCE OF, AND/OR USE OF THIS REPORT BY CLIENT OR ANY OTHER INTERESTED PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE LIMITATIONS, CONDITIONS, TERMS AND ASSUMPTIONS. TERRACHECK'S LIABILITY EXTENDS ONLY TO THE STATED CLIENT, NOT TO ANY OTHER INTERESTED PARTY OR USER (S). TERRACHECK IS NOT LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE PREPARATION, ISSUANCE OR USE OF THIS REPORT.

















Status as of 08/15/2005

Natural Hazard Report

Address: 1704 Hillsdale Ave, San Jose, CA, 95124

APN: 447-15-020



















	SRA Fire Layer		Bates - Very High Hazard
	Local Fire Hazard Zone		Special Flood Hazard Area
	Dam Inundation		Alquist Priolo Fault Rupture
	California Geological Survey Liquefaction Zone		California Geological Survey Landslide Zone
	Santa Clara County Liquefaction Susceptibility		Fault Rupture Hazard
	Ds - Landslide High Potential		Df - Dike Failure
	Dc - Compressible Soils		Geologic Hazard Zone
	Special Geologic Hazard		Potential Hazard

Natural Hazard Report

Address: 1704 Hillsdale Ave, San Jose, CA, 95124

APN: 447-15-020

Fire	State		SRA Fire Layer	OUT
	State		Bates - Very High Hazard	OUT
	City		Local Fire Hazard Zone	NA
Flood	FEMA		Special Flood Hazard Area	OUT
	State		Dam Inundation	OUT
Seismic	State		Alquist Priolo Fault Rupture	OUT
	State		California Geological Survey Liquefaction Zone	OUT
	State		California Geological Survey Landslide Zone	OUT
	County		Santa Clara County Liquefaction Susceptibility	OUT
	County		Fault Rupture Hazard	OUT
	County		Ds - Landslide High Potential	OUT
	County		Df - Dike Failure	OUT
	County		Dc - Compressible Soils	OUT
	City		Geologic Hazard Zone	OUT
	City		Special Geologic Hazard	OUT
City		Potential Hazard	OUT	

Signature of Transferor

Stephley Arrighi
Stephley Arrighi

Date

9-26-05

Agent represents that the information herein is true and correct to the best of the agent's knowledge as of the date signed by the agent.

Signature of Agent

Donna Montana

Date

9-26-05

Transferee represents that he or she has read and understands this document.

Signature of Transferee

Wanna Cook
Wanna Cook

Date

10/16/05

Agent represents that the information herein is true and correct to the best of the agent's knowledge as of the date signed by the agent.

Signature of Agent

Date

10/16/05
10/16/05

DESCRIPTIONS OF NATURAL & ENVIRONMENTAL HAZARD ZONES

SRA FIRE ZONE: PROPERTY LISTED IS NOT LOCATED IN A STATE RESPONSIBILITY AREA ZONE (SRA).

Existing law requires a seller of real property located in a SRA to disclose this information to buyers (Section 4136, California Code). With some limitations, (refer to the Statement of Liability Limitations) TerraCheck determines where the site is located on the appropriate SRA map.

These are lands that are used principally for range and/or forage purposes. These lands are covered wholly, or in part, by timber, brush undergrowth or grass to protect the soil from erosion, retard runoff of water, or accelerated percolation. A SRA is a zone where the state (as opposed to the city or county) has the responsibility for wildland fire suppression using the California Department of Forestry (CDF) fire protection services. Property owners in SRA areas are responsible for organizing structural fire protection services. This can be a volunteer group, or an officially organized service. If no such fire service exists, there may be significantly added risks associated with fires. In some SRAs, the CDF only provides seasonal fire services for wildland fires. Additionally, governmental institutions may force new or additional constraints in an SRA. The source of this data is the official "State Responsibility for Fire Protection Maps" which are published by the State of California.

BATES ZONE: PROPERTY LISTED IS NOT LOCATED IN A VERY HIGH FIRE HAZARD ZONE (BATES).

These are zones where the physical conditions of the area, including such factors as fuel, topography, development, and weather could cause fires that are more severe, more difficult to put out, and, as a result, could cause more damage. Residences located in these zones are required to implement fire defense improvements including installing either a Class "A" or "B" roof in the cases of new construction or roof replacement, and clearing a minimum of 30 feet around the structure. Sources of this data are government agencies or their appointed research contractors.

LOCAL FIRE HAZARD ZONE: NO MAPS AVAILABLE.

These are zones that are comprised of chaparral vegetative cover that is characterized by hot dry summers and cool moist winters and dominated by a dense growth of shrubs and small trees. There are three major components that determine wildfire behavior, including weather, topography, and fuel. Together, these three components affect the likelihood of a fire to start, the speed and direction at which the wildfire will travel, the intensity at which the wildfire will burn, and the ability to control and extinguish the wildfire. Dry, hot, and windy weather increases the likelihood of a major wildfire. These conditions make ignition easier, allow fuels to burn more rapidly, and will increase the fire intensity. Of all the topographic features, the steepness of slope is among the most influential on fire behavior. As the steepness of the slope increases, a fire will spread faster. Finally, fuel is required for any fire to burn. With regards to wildfires, fuels almost always consist of living vegetation and dead plant material. The amount, size, moisture content, arrangement and other fuel characteristics influence ease of ignition, rate of fire spread, length of flames produced and other fire behaviors. Local Fire Hazard Zones in all slope categories are designated on the General Plan Resource and Constraint Maps or as otherwise determined by field investigation combined with aerial photo survey at either the city or county level.

SPECIAL FLOOD HAZARD: PROPERTY LISTED IS NOT LOCATED IN A SPECIAL FLOOD HAZARD AREA.

Note: Terracheck's reports incorporate Letters of Map Change issued from June 1, 1997 through October 31, 2004. For more information please contact FEMA Map Service Center (800) 358-9616 or FEMA-MSCservice@dhs.gov.

The National Flood Insurance Act of 1968 established the National Flood Insurance Program (NFIP) which is administered by the Federal Insurance Administration of the Federal Emergency Management Agency (FEMA). This act required the establishment of flood-risk zones within the floodplain areas. These zones include "Special Flood Hazard Areas" where, in any given year, there is a 1% or higher probability that a portion or all of the property is likely to be inundated by floods. Some cities and/or counties publish their own maps which designate local flood hazards that might vary from the FEMA maps. Where reasonably available, these maps are also used in the TerraCheck Reports.

The Flood Disaster Protection Act of 1973 added the mandatory purchase requirement which "requires the purchase of flood insurance by property owners who are being assisted by Federal programs or by Federally supervised, regulated, or insured agencies or institutions in the acquisition or improvement of land or facilities located or to be located in identified areas having special flood hazards". The cost of such insurance may be much greater than what would normally be the case. Additionally, governmental restrictions may impact new or additional construction in such a zone. The source of the FEMA data is the "Q3 Flood Data Maps" as produced by FEMA. Other map sources include reasonably available official and unofficial maps published by applicable city, county or regional governments.

DAM INUNDATION: PROPERTY LISTED IS NOT LOCATED IN A DAM INUNDATION ZONE.

The establishment of flood-risk zones within the floodplains areas by The National Flood Insurance Act of 1968 includes areas where, in the event one or more nearby dam(s) or dyke(s) fail or over-spill; the property could be subject to flooding and/or damages associated with flash flooding caused by the dam or dyke failure(s). The maps were developed by dam owners to fulfill state law requirements. The maps are intended for emergency planning purposes. The maps were developed using engineering hydrology principals and represent the **best estimate** of where the water would flow if the dam completely failed with a full reservoir. The inundation pathway is based on completely emptying the reservoir and does not include run-off from storms. Some cities and/or counties publish their own maps, which designate local flood hazards that might vary from the FEMA maps. Where reasonably available, these maps are also used in the TerraCheck Reports.

ALQUIST PRIOLO FAULT: PROPERTY LISTED IS NOT LOCATED IN AN ALQUIST-PRIOLO OR OTHER EARTHQUAKE FAULT ZONES.

Earthquake fault zones are identified and adopted by the State of California as part of the Alquist-Priolo Special Studies Zone Act of 1972. These zones are areas on both sides of known or suspected active earthquake faults where a significant earthquake could cause the earth underneath the property to fracture. The purpose of identification of these zones is to ensure that any structures built for human occupancy are not constructed on top of active faults. A property located in an earthquake fault zone does not necessarily mean that a fault line exists on the property, because in some areas these zones are more than a ¼ mile wide. When a property is partially or wholly within an official earthquake fault zone, a geologic study may be necessary (per city, county or state requirements) prior to any new or additional construction, and construction requirements may be more expensive. In addition, the availability of insurance and its relative costs could be impacted.

This zoning information is derived from the official "Earthquake Fault Zone Maps" as maintained and published by the California Division of Mines and Geology, and from available City and/or County maps. Some cities and/or counties have created their own fault zone maps that add to or change boundaries of fault zones when compared to the Alquist-Priolo zones. Where reasonably available, in addition to the Earthquake Fault Zone Maps, TerraCheck uses local city or county agency maps.

General information regarding: California Geological Survey Seismic Hazard Zone

These are areas that the state has determined have **some** potential that weak soil and/or rock may be present beneath the property. If present, these weak materials can fail during an earthquake and can cause damage to structures.

These zones have been constructed conservatively. Not every area within the zone will be subject to liquefaction and /or earthquake induced land sliding.

If a property is undeveloped, a site-specific investigation by a licensed engineering geologist and/or civil engineer may be required before the parcel can be subdivided or before most structures can be permitted. Single-family frame dwellings up to two stories not part of a development of four or more units are exempt from the state requirements. However, local agencies can be more restrictive than state law requires. Before a development permit can be issued or a subdivision approved, cities and counties must require a site-specific investigation to determine whether a significant hazard exists at the site and, if so, recommending measures to reduce the risk to an acceptable level. The investigation must be performed by state-licensed engineering geologists and/or civil engineers.

If the property is developed, and the homeowner desires to make significant changes to the existing structure, a site investigation report addressing seismic hazards may be required prior to receiving permits. This activity is dependent upon the individual cities, the seismic hazard involved and whether or not the home is located inside any additional hazard zones.

LIQUEFACTION ZONE: PROPERTY LISTED IS NOT LOCATED IN A CALIFORNIA GEOLOGICAL SURVEY LIQUEFACTION ZONE.

Liquefaction is a phenomenon in which the strength and rigidity of a soil is reduced by earthquake shaking or other rapid loading. When the ground liquefies in an earthquake, sandy or silty materials saturated with water behave like a liquid, causing pipes to leak, roads and airport runways to buckle, and building foundations to be damaged. Even if a property is located in a liquefaction zone it is not necessarily the case that liquefaction will occur.

LANDSLIDE ZONE: PROPERTY LISTED IS NOT LOCATED IN A CALIFORNIA GEOLOGICAL SURVEY LANDSLIDE ZONE.

Earthquake-Induced Landslide Zones Of Required Investigation are areas meeting one or more of the following criteria:

1. Areas where the California Geological Survey's analyses of geologic and geotechnical data indicate that the geologic materials are susceptible to earthquake-induced slope failure.
2. Areas identified as having past landslide movement, including both landslide deposits and source areas.
3. Areas known to have experienced earthquake-induced slope failure during historic earthquakes.

SANTA CLARA COUNTY LIQUEFACTION SUSCEPTIBILITY: PROPERTY LISTED IS NOT LOCATED IN A LIQUEFACTION SUSCEPTIBILITY ZONE.

Liquefaction is the transformation of a saturated granular material from a solid to a liquefied state as a result of increased pore pressure and decreased effective stress. Types of ground failure resulting from liquefaction can include sand boils, lateral spreads, ground settlement, ground cracking and ground warping. Observations of the effects of large-magnitude earthquakes show that the distribution of liquefaction phenomena is not random; it occurs in areas underlain by loose, saturated, cohesionless sand, silt and gravel.

Under prolonged or high-level earthquake shaking, the ground can

- (a) Lose its capacity to bear weight, which is most often associated with heavy buildings, which may sink or tilt; or buried tanks, which are buoyed up.
- (b) It can move laterally, which can be extensive on actual riverbanks and levees or on large gently sloping hillsides with large run off deposits.

- (c) And/or it can permit sandy water to escape to the surface in fissures or boils, which is marginally experienced except in large, nearly level areas.

Areas identified as having a susceptibility to liquefaction are expected to experience most of the liquefaction that occurs in a larger sized earthquake, and it is expected that most of the future liquefaction failures will take place in these areas based upon the data from the liquefaction failures that occurred during past earthquakes. Even if a property is located in a liquefaction zone it is not necessarily the case that liquefaction will occur.

DR - FAULT RUPTURE: PROPERTY LISTED IS NOT LOCATED IN A DR – FAULT RUPTURE HAZARD ZONE.

A Dr zone differs from the Alquist Priolo Hazard Zone in that the Dr zone includes both potentially active and active faults, whereas the Alquist Priolo only includes active faults. Potentially active faults may NOT be seismically active, and it cannot be definitively proven that these areas have had seismic movement within the last 11,000 years. Active faults are those areas which have had proven seismic activity within the last 11,000 years. This hazard zone is defined by the County of Santa Clara as an area of high potential for ground displacement along fault traces. This zone appears on maps officially produced by the county of Santa Clara. For more information, interested parties may contact the Geologist for the County of Santa Clara, James Baker at (408) 299-2454 x250.

DS - LANDSLIDE: PROPERTY LISTED IS NOT LOCATED IN A DS – LANDSLIDE HIGH POTENTIAL ZONE.

If a property is located in an "Area of High Potential for Earthquake Induced Landslides", it does not necessarily mean that specific landslides exist on the property or that

Landsliding is imminent or probable in the area. It does mean that the designated area has a greater chance of landsliding than properties in flat-lying areas. The primary reason for an area being zoned as an "Area of High Potential for Earthquake Induced Landslides" is that the slopes are steeper than 15% and are underlain by "bedrock units of low stability".

DF - DIKE FAILURE: PROPERTY LISTED IS NOT LOCATED IN A DF – DIKE FAILURE ZONE.

If a property is in a Df zone there is a significant chance that these areas could be flooded following a large earthquake if the perimeter dike systems of the Bay fail.

DC - COMPRESSIBLE SOILS: PROPERTY LISTED IS NOT LOCATED IN A DC – COMPRESSIBLE SOILS ZONE.

If a property is in a Dc zone there is a chance that the ground will settle locally during severe shaking due to peaty-type soils in these areas compressing. Risk of injury is relatively low in these areas as a result of settlement alone.

GEOLOGIC HAZARD: PROPERTY LISTED IS NOT LOCATED IN A (CITY OF SAN JOSE) GEOLOGIC HAZARD ZONE.



Properties located in this zone must obtain a Certificate of Geologic Clearance from the Department of Public Works prior to receiving any discretionary approval for development, or any grading or building permit improvements to a site. For more information interested parties may contact the City of San Jose's Geologist, Mike Shimmimota at (408) 277-5161.

SPECIAL GEOLOGIC HAZARD: PROPERTY LISTED IS NOT LOCATED IN A (CITY OF SAN JOSE) SPECIAL GEOLOGIC HAZARD ZONE.

A limited zone defined by the City of San Jose that is undergoing a special phased geologic study to define areas underlain by active landsliding. If a property is located in this area, a "Certificate of Geologic Clearance" from the Department of Public Works is required prior to any discretionary approval for development, or any grading or building permit for improvements to a site. In order to obtain this clearance, property owners in these special study zones must perform a Geologic Evaluation. For more information interested parties may contact the City of San Jose's Geologist, Mike Shimmimota at (408) 277-5161.

POTENTIAL HAZARD: PROPERTY LISTED IS NOT LOCATED IN A (CITY OF SAN JOSE) POTENTIAL HAZARD ZONE.

Properties located in this zone must obtain a Certificate of Geologic Clearance from the Department of Public Works prior to receiving any discretionary approval for development, or any grading or building permit improvements to a site. For more information interested parties may contact the City of San Jose's Geologist, Mike Shimmimota at (408) 277-5161.

STATEMENT OF LIABILITY LIMITATIONS, CONDITIONS, TERMS AND ASSUMPTIONS

This report is for the exclusive use of the individual(s), herein referred to as "Client", involved in the transaction (as identified by the address on the report) for which this report, herein referred to as "Report", was created. This Report may not be referred to or relied upon by any party other than Client without the written consent of TerraCheck Corporation, herein referred to as "TerraCheck". TerraCheck has no accountability, obligation or liability to any third party.

This Report concerns the land identified in the Report, herein referred to as "Property" which does NOT include any property beyond the lines of the area described, or referred to in this Report, nor any real property described as an easement in the Report, nor any right, title, interest, estate or easement in abutting streets, roads, alleys, lanes, ways, or waterways. TerraCheck has not made a physical inspection of the Property. This Report is not a substitute for a physical inspection of the Property, examination of its physical conditions, and/or its surroundings by Client and its consultants.

The report map is an approximate representation of the subject property location and the surrounding hazards. The house icon in the center of the map represents the subject property. The dotted line circle surrounding the house icon is a ¼ mile radius measurement to determine the environmental zones (if applicable). Please refer to the table on the second page of this report for the specific data relating to the property.

TerraCheck reviewed only those maps and records, herein referred to as "Records", specifically referred to in Report, which are readily available for public inspection and are provided by private and public Government sources. Conditions frequently change, and recent changes may not be reflected on the "official" maps, Government databases, or the Records. TerraCheck relies upon the information contained in the Records, and assumes their accuracy without any further investigation or analysis of that underlying data supporting the information embodied in the Records. Some of the Records are available in electronic format. For Records that are not available in this medium, TerraCheck has transposed the data into electronic format. The process of transposing data could be imperfect whether performed by TerraCheck or other entities. In situations where the Property appears to be close to a designated zone, TerraCheck recommends that any interested party consult with experts or perform additional research in order to be clear as to the conditions affecting the Property. No responsibility is assumed for the accuracy of information furnished by the Client, third parties, or Records.

The legal description of the Property in this Report was furnished to TerraCheck by Client and is assumed to be correct without independent verification by TerraCheck. TerraCheck is not responsible for the accuracy of the address or APN provided to TerraCheck. No opinion is rendered, nor responsibility assumed, and no representation is made as to the title to the Property, nor whether the Property is comprised of legal lots in conformance with the California Subdivision Map Act and local ordinances enacted pursuant thereto.

No responsibility is assumed, nor opinion rendered, and no representation is made concerning the condition of the Property whether architectural, structural, mechanical, engineering or legal in character or nature. TerraCheck assumes no responsibility regarding structural integrity or adequacy, nor soil conditions, potential for flooding, settlement, drainage, subsidence, fire, compliance with applicable laws and zoning regulations or other occurrences or problems arising from neither soil conditions, zones, areas, nor marketability of the Property. No opinion is expressed with respect to the presence or absence of hazardous or toxic materials or substances or any other defects on or within the Property. TerraCheck assumes no responsibility for conditions or consequences resulting from information that was withheld, concealed, misrepresented or not fully disclosed at the time the Report was compiled. TerraCheck is in no way responsible for any costs incurred to correct any deficiencies of any type present in the Property.

TerraCheck assumes no responsibility for any costs or consequences arising due to the need, or the lack of need for earthquake, flood, casualty and/or liability insurance. The decision to insure or not to insure is a personal one of the owner and should be made in consultation with an insurance advisor.

This Report is intended to include only information pertaining to zones affirmatively addressed in the text hereof. This Report does not purport, either explicitly or by implication to include or provide information regarding any other matters not specifically addressed herein, including without limitation: (a) state of title of the Property, including without limitation any liens, encumbrances, covenants, conditions, restrictions, reservations, easements, mining claims, water rights, encroachments, or any other title matters adversely affecting title which would be identified through a correct survey of the Property and/or a real estate title examination; (b) status of the Property in relation to ordinances and regulations of the State of California, City and County where the Property is located, including but not limited to the California Subdivision Map Acts, and federal and state laws; (c) environmental protection laws and regulations; (d) property taxes, special assessments of any nature including without limitation Mello-Roos District assessments; (e) legal proceedings before any judicial or other adjudicative tribunal or any regulator or administrative agency or any governmental entity; (f) building codes,

permits of any nature, income taxes, liquor licenses or other laws restricting, regulating or relating to the character, dimensions or location or any improvement now or hereafter erected on the Property or the occupancy, use, anticipated use, or enjoyment of the Property; (g) in rem forfeiture laws; (h) rights of eminent domain and; (i) ordinances, administrative decision, rules and regulations of any special political subdivision, whether created or enabled through legislative action at the federal, state or regional level, such as but not limited to water agencies, school districts, flood control districts, Coastal Commission or joint powers districts.

This Report is issued as of the date specified herein. TerraCheck has no obligation to advise Client or any other interested party of any relevant fact, circumstance or change that occurs after the date specified herein which pertains to the Property or which modified or otherwise affects the information provided in this Report.

Should it become necessary for TerraCheck to give testimony in court or any hearing, or consult with Client or any other interested party after the issuance of this Report because of having issued this Report, a separate and special arrangement and additional fee agreement will apply. If testimony or deposition is required from TerraCheck because of any subpoena, the Client shall be responsible for any additional time, fees and charges of TerraCheck, regardless of which party issued the subpoena.

This Report shall be governed by and construed in accordance with the laws of the State of California.

ACCEPTANCE OF, AND/OR USE OF THIS REPORT BY CLIENT OR ANY OTHER INTERESTED PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE LIMITATIONS, CONDITIONS, TERMS AND ASSUMPTIONS. TERRACHECK'S LIABILITY EXTENDS ONLY TO THE STATED CLIENT, NOT TO ANY OTHER INTERESTED PARTY OR USER (S). TERRACHECK IS NOT LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE PREPARATION, ISSUANCE OR USE OF THIS REPORT.

NHD11A - Natural Hazard Disclosure Statement

This statement applies to the following Property:

1704 Hillsdale Ave, San Jose, CA, 95124

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the subject property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property.

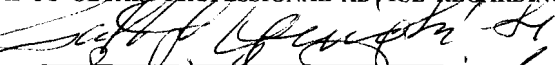
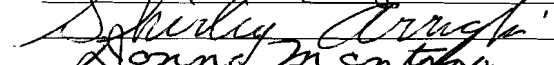
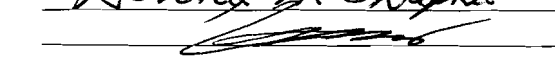
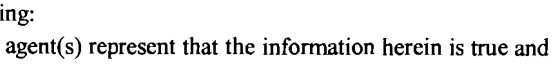
The following are representations made by the transferor and his or her agent(s) based on their knowledge and maps drawn by the state and federal governments. This information is a disclosure and is not intended to be part of any contract between the transferee and transferor.

This disclosure is based upon TerraCheck's review of state maps only. There may be local maps that differ in designation. Upon request, for an additional fee, TerraCheck will perform a search to determine if there are local maps that differ in designation that affect the subject property.

THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):

- A SPECIAL FLOOD HAZARD AREA (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency.
 Yes ___ No X Do not know and information not available from local jurisdiction ___
- AN AREA OF POTENTIAL FLOODING (Dam Inundation Zone) shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code.
 Yes ___ No X Do not know and information not available from local jurisdiction ___
- A VERY HIGH FIRE HAZARD SEVERITY ZONE (Bates - Very High Hazard) pursuant to Section 51178 or 51179 of the Government Code. The owner of this property is subject to the maintenance requirements of Section 51182 of the Government Code.
 Yes ___ No X
- A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISKS AND HAZARDS (State Responsibility Area) pursuant to Section 4125 of the Public Resources Code. The owner of this property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code.
 Yes ___ No X
- AN EARTHQUAKE FAULT ZONE (Alquist Priolo Fault Rupture) pursuant to Section 2622 of the Public Resources Code.
 Yes ___ No X
- A SEISMIC HAZARD ZONE pursuant to Section 2696 of the Public Resources Code.
 Yes ___ No X (Landslide Zone)
 Yes ___ No X (Liquefaction Zone)

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s)		Date	<u>9-26-05</u>
Signature of Transferor(s)		Date	<u>9-26-05</u>
Signature of Agent(s)		Date	<u>9-26-05</u>
Signature of Agent(s)		Date	<u>10/16/05</u>

Check only one of the following:

___ Transferor(s) and their agent(s) represent that the information herein is true and correct to the best of their knowledge as of the date signed by the transferor(s) and agent(s).

X Transferor(s) and their agent(s) acknowledge that they have exercised good faith in the selection of a third-party report provider as required in Civil Code Section 1103.7, and that the representations made in this Natural Hazard Disclosure Statement are based upon information provided by the independent third-party disclosure provider as a substituted disclosure pursuant to Civil Code Section 1103.4. Neither transferor(s) nor their agent(s) (1) has independently verified the information contained in this statement and report or (2) is personally aware of any errors or inaccuracies in the information contained on the statement. This statement was prepared by the provider below:

 Third-Party Disclosure Provider(s) **TerraCheck, Inc.** Date **08/15/2005** Report **265527**

Transferee represents that he or she has read and understands this document. Pursuant to Civil Code Section 1103.8, the representations made in this Natural Hazard Disclosure Statement do not constitute all of the transferor's or agent's disclosure obligations in this transition.

Signature of Transferee(s)		Date	<u>10/16/05</u>
Signature of Transferee(s)		Date	<u>10/16/05</u>



TaxCheck Property Tax Information Page

To the prospective purchaser of the real property known as:

**Assessor's Parcel Number: 44715020
 Street Address: 1704 Hillsdale Av San Jose, CA 95124**

Estimated Property Tax Information

Estimated Property Tax.....	\$3,075.94
Tax Roll Year.....	2003-2004

Estimated Property Tax Breakdown

Santa Clara County	\$2,586.46
Santa Clara County	\$0.00
Santa Clara County	\$21.02
800 Sj Sewer/Sani/Storm	\$271.44
802 Sj Library Assmt.	\$25.00
810 Cambrian School District (new assessment)	\$63.00
820 SCVWD Clean Safe Creeks	\$41.36
847 S.C. County - Vector Control Dist	\$5.08
882 SCVWD Flood Assmt CENTRAL	\$30.32
990 Open Space Authority/District Santa Clara County	\$32.26
Other Taxes	\$0.00
Total Estimated Property Tax	\$3,075.94

Estimated Property Value Information

Land.....	\$112,451.00
Improvements.....	\$129,319.00
Other.....	\$0.00
Total Value.....	\$241,770.00
Exemptions.....	\$7,000.00
Net Taxable Value.....	\$234,770.00

This report is for **informational purposes only** and is an estimate of the original secured property tax bill charges for the subject property.

TaxCheck Disclosure Page

Section 1102.6b of the California Civil Code requires the transferor of real property (seller) to make a good faith effort to obtain and deliver to the prospective transferee (buyer) a disclosure notice concerning a continuing lien securing the levy of special taxes pursuant to the Mello-Roos Community Facilities Act, and assessment installments to secure bonds issued pursuant to the Improvement Bond Act of 1915. The transferor and his or her agent(s) disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the subject property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property. This information is a disclosure and is not intended to be part of any contract between the transferee and transferor.

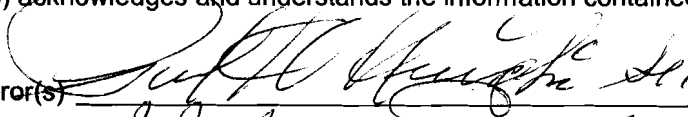
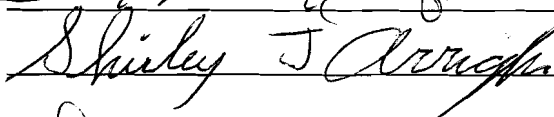
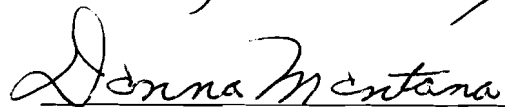
THE SUBJECT PROPERTY 1704 Hillsdale Av, San Jose 95124

IS OR IS NOT LOCATED IN ONE OR MORE MELLO-ROOS COMMUNITY FACILITIES DISTRICTS.

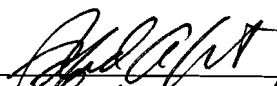
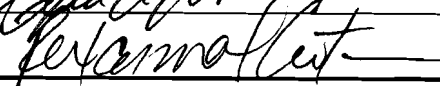

IS OR IS NOT LOCATED IN ONE OR MORE 1915 BOND ACT SPECIAL ASSESSMENT DISTRICTS.

If the property is located in a Mello-Roos and/or a 1915 Special Assessment District(s), the Buyer and Seller must also sign the official notice form(s) included in this report.

The Transferor(s) acknowledges and understands the information contained in this report.

Transferor(s)		Date <u>9-26-05</u>
Transferor(s)		Date <u>9-26-05</u>
Agent		Date <u>9-26-05</u>

The Transferee(s) acknowledges and understands the information contained in this report.

Transferee(s)		Date <u>10/16/05</u>
Transferee(s)		Date <u>10/16/05</u>
Agent		Date <u>10/16/05</u>

The representations made in this form are based upon information provided by TerraCheck, Inc., an independent third party provider who obtains its data from state and local government sources. This report is provided as a substitute disclosure pursuant to California Civil Code Section 1102.4. Neither the Seller nor the Seller's agent has independently verified the information contained in this form and the report, or is personally aware of any errors or inaccuracies in the information contained on this form.

MELLO-ROOS FACILITIES DISTRICT

The "Mello-Roos Community Facilities Act of 1982" provides an alternative method for any city, county, special district, school district, joint powers of authority, or any municipal corporation for financing certain public capital facilities (with a useful life of five or more years) and/or services, especially in developing areas and areas undergoing rehabilitation. A local government may use these provisions instead of any other method of financing part or all of the cost of providing the authorized kinds of capital facilities and services.

A community facilities district (CFD) may be established to finance any one or more of the following types of services within an area: Police protection services, fire protection and suppression services, ambulance and paramedic services, recreation program services, libraries and library services, maintenance services for elementary and secondary school sites and structures, the operation and maintenance of museums and cultural facilities, maintenance of parks, parkways, and open space, flood and storm protection services, services with respect to removal or remedial action for the cleanup of any hazardous substance released or threatened to be released into the environment, child care facilities, the construction or under grounding of water transmission and distribution facilities, natural gas pipeline facilities, telephone lines, facilities for the transmission or distribution of electrical energy, and cable television lines to provide access to those services to customers who do not have access to those services or to mitigate existing visual blight, and the acquisition, improvement, rehabilitation, or maintenance of any real or other tangible property.

By purchasing a property located within a CFD you can expect to be assessed for a Mello-Roos tax which will typically be collected with your general property tax bill. These special tax payments are subject to the same penalties that apply to regular property taxes. If a general tax payment is not made on time, the Facilities District that obtained the lien may withdraw the assessment from the tax roll and commence judicial foreclosure.

Most special taxes levied on properties within these districts have been structured on the basis of density of development, square footage of construction, or flat acreage charges. The act, however, allows for considerable flexibility in the method of apportionment of taxes, and the local agencies may have established an entirely different method of levying the special tax against property in the district in question. When a CFD is established, a maximum amount of bonded indebtedness is authorized. Special taxes also may be levied to pay directly for public facilities and public services at issue. The tax will stay in effect as long as it is needed to pay the expenses of services or until the principal and interest on the bonds are paid off along with any reasonable administrative costs incurred in collecting the special tax or so long as it is needed to pay the expenses of services, but in no case shall exceed 40 years.

1915 BOND ACT SPECIAL ASSESSMENT DISTRICT

The "Improvement Bond Act of 1915" is a form of public financing that provides an alternative system which allows any city, county, special district, school district, joint powers of authority, or any municipal corporation to form a special assessment district (SAD) for the issuance of bonds to represent and be secured by the assessments to finance the costs and expenses of the work or improvement services usually associated with off-site land improvements, such as roads, curbs, gutters and underground sewer and water infrastructure that will particularly benefit the property.

By purchasing a property located within a SAD you can expect to be levied for a special assessments tax that will typically be collected with your general property tax bill. These special assessment tax payments are subject to the same penalties that apply to regular property taxes. If a general tax payment is not made on time, the Special Assessments District that obtained the lien may withdraw the assessment from the tax roll and commence judicial foreclosure.

Most special assessment taxes levied on properties within these districts have been structured on the basis of density of development, square footage of construction, or flat acreage charges. The act, however, allows for considerable flexibility in the method of apportionment of taxes, and the local agencies may have established an entirely different method of levying the special assessments against property in the district in question.

Most of the time, when a SAD is established, a maximum amount of bonded indebtedness is authorized. When a SAD is activated, an assessment lien is placed against each affected property and a special assessment appears on the property tax bill until the debt is fully paid which can be anywhere from 10, 15 to even 40 years.

TaxCheck Statement of Liability, Limitations, Conditions, Terms and Assumptions Page

This report is for the exclusive use of the individual(s), herein referred to as "Client", involved in the transaction (as identified by the address on the report) for which this report, herein referred to as "Report", was created. This Report may not be referred to or relied upon by any party other than Client without the written consent of TerraCheck Corporation, herein referred to as "TerraCheck". TerraCheck has no accountability, obligation or liability to any third party.

This Report concerns the property identified in the Report, herein referred to as "Property" which does NOT include any property beyond the lines of the area described, or referred to in this Report, nor any real property described as an easement in the Report, nor any right, title, interest, estate or easement in abutting streets, roads, alleys, lanes, ways, or waterways. TerraCheck has not made a physical inspection of the Property. This Report is not a substitute for a physical inspection of the Property, examination of its physical conditions, and/or its surroundings by Client and its consultants, and it is not a substitute for a title report or title insurance and may not be relied upon as such.

TerraCheck reviewed only those records and information, herein referred to as "Records", specifically referred to in Report, which are readily available for public inspection and are provided by private and public Government sources. Conditions frequently change, and changes occurring after the date of this report are not disclosed, nor does TerraCheck have any responsibility or liability to disclose such changes. TerraCheck relies upon the information contained in the Records, and assumes their accuracy without any further investigation or analysis of that underlying data supporting the information embodied in the Records. No responsibility is assumed for the accuracy of information furnished by the Client, third parties, or Records.

The legal description of the Property in this Report was furnished to TerraCheck by Client and is assumed to be correct without independent verification by TerraCheck. TerraCheck is not responsible for the accuracy of the address or APN provided to TerraCheck. No opinion is rendered, nor responsibility assumed, and no representation is made as to the title to the Property, nor whether the Property is comprised of legal lots in conformance with the California Subdivision Map Act and local ordinances enacted pursuant thereto.

No responsibility is assumed, nor opinion rendered, and no representation is made concerning the condition of the Property whether architectural, structural, mechanical, engineering or legal in character or nature. TerraCheck assumes no responsibility regarding structural integrity or adequacy, nor soil conditions, potential for flooding, settlement, drainage, subsidence, fire, compliance with applicable laws and zoning regulations or other occurrences or problems arising from neither soil conditions, zones, areas, nor marketability of the Property. No opinion is expressed with respect to the presence or absence of hazardous or toxic materials or substances or any other defects on or within the Property. TerraCheck assumes no responsibility for conditions or consequences resulting from information that was withheld, concealed, misrepresented or not fully disclosed at the time the Report was compiled. TerraCheck is in no way responsible for any costs incurred to correct any deficiencies of any type present in the Property

TerraCheck assumes no responsibility for any costs or consequences arising due to the need, or the lack of need for earthquake, flood, casualty and/or liability insurance. The decision to insure or not to insure is a personal one of the owner and should be made in consultation with an insurance advisor.

TaxCheck Statement of Liability, Limitations, Conditions, Terms and Assumptions Page 2 of 2

This Report is intended to include only information pertaining to whether current secured tax rolls contain Mello-Roos Community Facilities District Assessments and/or 1915 Bond Act Special Assessments against the Property. This Report does not purport, either explicitly or by implication to include or provide information regarding any other matters not specifically addressed herein, including without limitation: (a) state of title of the Property, including without limitation any liens, encumbrances, covenants, conditions, restrictions, reservations, easements, mining claims, water rights, encroachments, or any other title matters adversely affecting title which would be identified through a correct survey of the Property and/or a real estate title examination; (b) status of the Property in relation to ordinances and regulations of the State of California, City and County where the Property is located, including but not limited to the California Subdivision Map Acts, and federal and state laws; (c) environmental protection laws and regulations; (d) legal proceedings before any judicial or other adjudicative tribunal or any regulator or administrative agency or any governmental entity; (e) building codes, permits of any nature, income taxes, liquor licenses or other laws restricting, regulating or relating to the character, dimensions or location or any improvement now or hereafter erected on the Property or the occupancy, use, anticipated use, or enjoyment of the Property; (f) in rem forfeiture laws; (g) rights of eminent domain and; (h) ordinances, administrative decision, rules and regulations of any special political subdivision, whether created or enabled through legislative action at the federal, state or regional level, such as but not limited to water agencies, school districts, flood control districts, Coastal Commission or joint powers districts.

This Report is issued as of the date specified herein. TerraCheck has no obligation to advise Client or any other interested party of any relevant fact, circumstance or change that occurs after the date specified herein which pertains to the Property or which modified or otherwise affects the information provided in this Report.

Should it become necessary for TerraCheck to give testimony in court or any hearing, or consult with Client or any other interested party after the issuance of this Report because of having issued this Report, a separate and special arrangement and additional fee agreement will apply. If testimony or deposition is required from TerraCheck because of any subpoena, the Client shall be responsible for any additional time, fees and charges of TerraCheck, regardless of which party issued the subpoena.

This Report shall be governed by and construed in accordance with the laws of the State of California.

ACCEPTANCE OF, AND/OR USE OF THIS REPORT BY CLIENT OR ANY OTHER INTERESTED PARTY CONSTITUTES ACCEPTANCE OF THE ABOVE LIMITATIONS, CONDITIONS, TERMS AND ASSUMPTIONS. TERRACHECK'S LIABILITY EXTENDS ONLY TO THE STATED CLIENT, NOT TO ANY OTHER INTERESTED PARTY OR USER (S). TERRACHECK IS NOT LIABLE FOR ANY SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE PREPARATION, ISSUANCE OR USE OF THIS REPORT.