



**TITLE INSURANCE
AND TRUST**

A TICOR COMPANY

Policy No. 1- 014023

Order No. 63412

Policy of Title Insurance

SUBJECT TO SCHEDULE B AND THE CONDITIONS AND STIPULATIONS HEREOF, TITLE INSURANCE AND TRUST COMPANY, a California corporation, herein called the Company, insures the insured, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the amount of insurance stated in Schedule A, and costs, attorneys' fees and expenses which the Company may become obligated to pay hereunder, sustained or incurred by said insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
 2. Any defect in or lien or encumbrance on such title;
 3. Unmarketability of such title; or
 4. Any lack of the ordinary right of an abutting owner for access to at least one physically open street or highway if the land, in fact, abuts upon one or more such streets or highways;
- and in addition, as to an insured lender only;
5. Invalidity of the lien of the insured mortgage upon said estate or interest except to the extent that such invalidity, or claim thereof, arises out of the transaction evidenced by the insured mortgage and is based upon
 - a. usury, or
 - b. any consumer credit protection or truth in lending law;
 6. Priority of any lien or encumbrance over the lien of the insured mortgage, said mortgage being shown in Schedule B in the order of its priority; or
 7. Invalidity of any assignment of the insured mortgage, provided such assignment is shown in Schedule B.

This policy shall not be valid or binding until countersigned below by a validating officer of the Company.

Title Insurance and Trust Company

by

John S. Flood, Jr.
President

Copy of Policy
No additional liability assumed

Countersigned:

By

COPY

Validating Signatory

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 by making inquiry of 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.

6. Any right, title, interest, estate or easement in land beyond the lines of the area specifically described or referred to in Schedule C, or in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing in this paragraph shall modify or limit the extent to which the ordinary right of an abutting owner for access to a physically open street or highway is insured by this policy.

7. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.

8. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records.

9. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed or agreed to by the insured claimant; (b) not shown by the public records and not otherwise excluded from coverage but known to the insured claimant either at Date of Policy or at the date such claimant acquired an estate or interest insured by this policy or acquired the insured mortgage and not disclosed in writing by the insured claimant to the Company prior to the date such insured claimant became an insured hereunder; (c) resulting in no loss or damage to the insured claimant; (d) attaching or created subsequent to Date of Policy; or (e) resulting in loss or damage which would not have been sustained if the insured claimant had been a purchaser or encumbrancer for value without knowledge.

10. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by making inquiry of the lessors in the lease or leases described or referred to in Schedule A.

11. The effect of any failure to comply with the terms, covenants and conditions of the lease or leases described or referred to in Schedule A.

Conditions and Stipulations

1. Definition of Terms

The following terms when used in this policy mean:

(a.) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company may have had against the named insured, those who succeed to the interest of such insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors. The term "insured" also includes (i) the owner of the indebtedness secured by the insured mortgage and each successor in ownership of such indebtedness (reserving, however, all rights and defenses as to any such successor who acquires the indebtedness by operation of law as described in the first sentence of this subparagraph (a) that the Company would have had against the successor's transferor), and further includes (ii) any governmental agency or instrumentality which is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing said indebtedness, or any part thereof, whether named as an insured herein or not, and (iii) the parties des-

ignated in paragraph 2(a) of these Conditions and Stipulations.

(b.) "insured claimant": an insured claiming loss or damage hereunder.

(c.) "insured lender": the owner of an insured mortgage.

(d.) "insured mortgage": a mortgage shown in Schedule B, the owner of which is named as an insured in Schedule A.

(e.) "knowledge": actual knowledge, not constructive knowledge of notice which may be imputed to an insured by reason of any public records.

(f.) "land": the land described specifically or by reference in Schedule C, and improvements affixed thereto which by law constitute real property; provided, however, the term "land" does not include any area excluded by Paragraph No. 6 of Part I of Schedule B of this Policy.

(g.) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(h.) "public records": those records which by law impart constructive notice of matters relating to the land.

Schedule A

No. S-L 072981	Date of Policy: April 21, 1978, at 9:00 a.m.
Amount of Insurance: \$ 157,500.00	Agent's Reference No. 63412
Premium \$ 390.88	Policy No. 1 - 014023

1. Name of Insured:

THE STATE OF CALIFORNIA

2. The estate or interest referred to herein is at Date of Policy vested in:

THE STATE OF CALIFORNIA

3. The estate or interest in the land described in Schedule C and which is covered by this policy is a fee.

Schedule B

This policy does not insure against loss or damage, nor against costs, attorneys' fees or expenses, any or all of which arise by reason of the following:

Part I

All matters set forth in paragraphs numbered 1(one) to 11(eleven) inclusive on the inside cover sheet of this policy under the heading of Schedule B Part I.

Part II

1. General and special taxes for the fiscal year 1978-79, and any assessments collected therewith, including possible personal property taxes, now a lien not yet payable.
 2. Rights of the public in and to so much of the herein described land as lies within the boundaries of any public highway or road.
 3. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes,
In favor of: Nevada County
For : road
Recorded : April 16, 1912, in Book 115, Page 261, Deeds.
Affects : Parcels 1 and 2
 4. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes,
In favor of: Truckee River Power Company
For : electric transmission line and appurtenances thereto
Recorded : July 13, 1923, in Book 136, Page 31, Deeds.
Affects : Parcels 1 and 2
 5. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes,
In favor of: Truckee River Power Company
For : electric transmission line and appurtenances thereto
Recorded : October 18, 1923, in Book 136, Page 192, Deeds.
Affects : Parcels 1 and 2
 6. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes,
In favor of: State of California
For : State Highway
Recorded : February 13, 1926, in Book 142, Page 46, Deeds.
 7. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes,
In favor of: Pacific Telephone and Telegraph Company
For : poles, wires and appurtenances thereto
Recorded : January 21, 1929, in Book 1, Page 183, Official Records
Affects : Parcel 2
 8. An easement affecting the portion of said land and for the purposes
- (Continued Page 2, Schedule B Part II)

Page 2
Schedule B Part II
No. 8: Continued

Schedule B (Continued)

stated herein, and incidental purposes,
In favor of: Sierra Pacific Power Company

For :
Recorded : December 31, 1937, in Book 39, Page 474, Official Records
Affects : Parcel 2

9. An easement affecting the portion of said land and for the purposes
stated herein, and incidental purposes,

In favor of: State of California

For : public highway
Recorded : March 24, 1938, in Book 44, Page 128, Official Records
Affects : Parcel 2

10. An easement affecting the portion of said land and for the purposes
stated herein, and incidental purposes,

In favor of: Southern Pacific Company, a corporation

For : right of way
Recorded : August 1, 1969, in Book 482, Page 234, Official Records
Affects : Parcel 2

11. An easement affecting the portion of said land and for the purposes
stated herein, and incidental purposes,

In favor of: Southern Pacific Company, a corporation

For : right of way
Recorded : January 20, 1970, in Book 500, Page 539, Official Records
Affects : Parcel 2

12. Relinquishment of abutters rights of access to the adjoining
freeway, in favor of the State of California, as contained
in instrument

Recorded: January 21, 1958, in Book 470, Page 241, Official Records.

13. Claims or rights of the public, the State of California, and
the United States of America to any portion of said land lying
within Truckee River, or beach area, below the high water line
thereof.

Schedule C

The land referred to herein is described as follows:

All that real property situate in the County of Nevada, State of California, described as follows:

PARCEL 1:

That certain lot or parcel of land in the North half (N $\frac{1}{2}$) of the Southeast quarter (SE $\frac{1}{4}$) of Section 34, Township 18 North, Range 17 East, M.D.M., described as follows:

Commencing at a point on the South bank of the Truckee River where the East line of Section 34, Township 18 North, Range 17 East, M.D.M., intersects said river; thence following the bank of the Truckee River West to a stake and stone pile, being about 10 feet from the East bank of the mouth of Juniper Creek; thence running due South until it meets the North line of the South half of the Southeast quarter of said Section 34; thence East on said line to the East line of said Section 34; thence North on said Section line to the point of beginning.

PARCEL 2:

Section 36, Township 18 North, Range 17 East, M.D.M.

EXCEPTING THEREFROM all that portion of said Section 36, lying within the exterior boundaries of the 400 foot railroad right of way as established by the Central Pacific Railroad Company of California, pursuant to Section 2 of the Act of Congress dated July 1, 1862 (12 U. S. Stats. 489).

ALSO EXCEPTING THEREFROM that portion thereof described in the deed to the State of California, recorded January 21, 1958, in Book 271, Page 470, Official Records.

2. (a.) Continuation of Insurance after Acquisition of Title by Insured Lender

If this policy insures the owner of the indebtedness secured by the insured mortgage, this policy shall continue in force as of Date of Policy in favor of such insured who acquires all or any part of said estate or interest in the land described in Schedule C by foreclosure, trustee's sale, conveyance in lieu of foreclosure, or other legal manner which discharges the lien of the insured mortgage, and if such insured is a corporation, its transferee of the estate or interest so acquired, provided the transferee is the parent or wholly owned subsidiary of such insured; and in favor of any governmental agency or instrumentality which acquires all or any part of the estate or interest pursuant to a contract of insurance or guaranty insuring or guaranteeing the indebtedness secured by the insured mortgage. After any such acquisition the amount of insurance hereunder, exclusive of costs, attorneys' fees and expenses which the Company may be obligated to pay, shall not exceed the least of:

- (i) the amount of insurance stated in Schedule A;
- (ii) the amount of the unpaid principal of the indebtedness plus interest thereon, as determined under paragraph 6(a) (iii) hereof, expenses of foreclosure and amounts advanced to protect the lien of the insured mortgage and secured by said insured mortgage at the time of acquisition of such estate or interest in the land; or
- (iii) the amount paid by any governmental agency or instrumentality, if such agency or instrumentality is the insured claimant, in acquisition of such estate or interest in satisfaction of its insurance contract or guaranty.

(b.) Continuation of Insurance After Conveyance of Title

The coverage of this policy shall continue in force as of Date of Policy, in favor of an insured so long as such insured retains an estate or interest in the land, or owns an indebtedness secured by a purchase money mortgage given by a purchaser from such insured, or so long as such insured shall have liability by reason of covenants of warranty made by such insured in any transfer or conveyance of such estate or interest; provided, however, this policy shall not continue in force in favor of any purchaser from such insured of either said estate or interest or the indebtedness secured by a purchase money mortgage given to such insured.

3. Defense and Prosecution of Actions — Notice of Claim to be Given by an Insured Claimant

(a.) The Company, at its own cost and without undue delay, shall provide for the defense of an insured in litigation to the extent that such litigation involves an alleged defect, lien, encumbrance or other matter insured against by this policy.

(b.) The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in (a) above, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest or the lien of the insured mortgage, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest or the lien of the insured mortgage, as insured, is rejected as unmarketable. If such prompt notice shall not be given to the Company, then as to such insured all liability of the Company shall cease and terminate in regard to the matter or matters for which such prompt notice is required; provided, however, that failure to notify shall in no case prejudice the rights of any such insured under this policy unless the Company shall be prejudiced by such failure and then only to the extent of such prejudice.

(c.) The Company shall have the right at its own cost to institute and without undue delay prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest or the lien of the insured mortgage, as insured; and the Company may take any appropriate action, whether or not it shall be liable under the terms of this policy, and shall not thereby concede liability or waive any provision of this policy.

(d.) Whenever the Company shall have brought any action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any such litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(e.) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured hereunder shall secure to the Company the right to so prosecute or provide defense in such action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of such insured for such purpose. Whenever requested by the Company, such insured shall give the Company, at the Company's expense, all reasonable aid (1) in any such action or proceeding in effecting settlement, securing evidence, obtaining witnesses, or pros-

ecuting or defending such action or proceeding, and (2) in any other act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the lien of the insured mortgage, as insured, including but not limited to executing corrective or other documents.

4. Proof of Loss or Damage — Limitation of Action

In addition to the notices required under Paragraph 3(b) of these Conditions and Stipulations, a proof of loss or damage, signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain or determine the facts giving rise to such loss or damage. Such proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage, and, when appropriate, state the basis of calculating the amount of such loss or damage.

Should such proof of loss or damage fail to state facts sufficient to enable the Company to determine its liability hereunder, insured claimant, at the written request of the Company, shall furnish such additional information as may reasonably be necessary to make such determination.

No right of action shall accrue to insured claimant until 30 days after such proof of loss or damage shall have been furnished.

Failure to furnish such proof of loss or damage shall terminate any liability of the Company under this policy as to such loss or damage.

5. Options to Pay or Otherwise Settle Claims and Options to Purchase Indebtedness

The Company shall have the option to pay or otherwise settle for or in the name of an insured claimant any claim insured against, or to terminate all liability and obligations of the Company hereunder by paying or tendering payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred up to the time of such payment or tender of payment by the insured claimant and authorized by the Company. In case loss or damage is claimed under this policy by the owner of the indebtedness secured by the insured mortgage, the Company shall have the further option to purchase such indebtedness for the amount owing thereon together with all costs, attorneys' fees and expenses which the Company is obligated hereunder to pay. If the Company offers to purchase said indebtedness as herein provided, the owner of such indebtedness shall transfer and assign said indebtedness and the mortgage and any collateral securing the same to the Company upon payment therefor as herein provided. Upon such offer being made by the Company, all liability and obligations of the Company hereunder to the owner of the indebtedness secured by said insured mortgage, other than the obligation to purchase said indebtedness pursuant to this paragraph, are terminated.

6. Determination and Payment of Loss

(a.) The liability of the Company under this policy shall in no case exceed the least of:

- (i) the actual loss of the insured claimant; or
- (ii) the amount of insurance stated in Schedule A, or, if applicable, the amount of insurance as defined in paragraph 2(a) hereof; or
- (iii) if this policy insures the owner of the indebtedness secured by the insured mortgage, and provided said owner is the insured claimant, the amount of the unpaid principal of said indebtedness, plus interest thereon, provided such amount shall not include any additional principal indebtedness created subsequent to Date of Policy, except as to amounts advanced to protect the lien of the insured mortgage and secured thereby.

(b.) The Company will pay, in addition to any loss insured against by this policy, all costs imposed upon an insured in litigation carried on by the Company for such insured, and all costs, attorneys' fees and expenses in litigation carried on by such insured with the written authorization of the Company.

(c.) When the amount of loss or damage has been definitely fixed in accordance with the conditions of this policy, the loss or damage shall be payable within 30 days thereafter.

7. Limitation of Liability

No claim shall arise or be maintainable under this policy (a) if the Company, after having received notice of an alleged defect, lien or encumbrance insured against hereunder, by litigation or otherwise, removes such defect, lien or encumbrance or establishes the title, or the lien of the insured mortgage, as insured, within a reasonable time after receipt of such notice; (b) in the event of litigation until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title or to the lien of the insured mortgage, as insured, as provided in paragraph 3 hereof; or (c) for liability voluntarily admitted or assumed by an insured without prior written consent of the Company.

8. Reduction of Insurance; Termination of Liability

All payments under this policy, except payment made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto; provided, however, if the owner of the indebtedness secured by the insured mortgage is an insured hereunder, then such payments, prior to the acquisition of title to said estate or interest as provided in paragraph 2(a) of these Conditions and Stipulations, shall not reduce pro tanto the amount of the insurance afforded hereunder as to any such insured, except to the extent that such payments reduce the amount of the indebtedness secured by such mortgage.

Payment in full by any person or voluntary satisfaction or release of the insured mortgage shall terminate all liability of the Company to an insured owner of the indebtedness secured by the insured mortgage, except as provided in paragraph 2(a) hereof.

9. Liability Noncumulative

It is expressly understood that the amount of insurance under this policy as to the insured owner of the estate or interest covered by this policy, shall be reduced by any amount the Company may pay under any policy insuring (a) a mortgage shown or referred to in Schedule B hereof which is a lien on the estate or interest covered by this policy, or (b) a mortgage hereafter executed by an insured which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy. The Company shall have the option to apply to the payment of any such mortgage any amount that otherwise would be payable hereunder to the insured owner of the estate or interest covered by this policy and the amount so paid shall be deemed a payment under this policy to said insured owner.

The provisions of this paragraph 9 shall not apply to an owner of the indebtedness secured by the insured mortgage, unless such insured acquires title to said estate or interest in satisfaction of said indebtedness or any part thereof.

10. Subrogation Upon Payment or Settlement

Whenever the Company shall have paid or settled a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant, except that the owner of the indebtedness secured by the insured mortgage may release or substitute the personal liability of any debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the estate or interest from the lien of the insured mortgage, or release any collateral security for the indebtedness, provided such act occurs prior to receipt by such insured of notice of any claim of title or interest adverse to the title to the estate or interest or the

priority of the lien of the insured mortgage and does not result in any loss of priority of the lien of the insured mortgage. The Company shall be subrogated to and be entitled to all rights and remedies which such insured claimant would have had against any person or property in respect to such claim had this policy not been issued, and the Company is hereby authorized and empowered to sue, compromise or settle in its name or in the name of the insured to the full extent of the loss sustained by the Company. If requested by the Company, the insured shall execute any and all documents to evidence the within subrogation. If the payment does not cover the loss of such insured claimant, the Company shall be subrogated to such rights and remedies in the proportion which said payment bears to the amount of said loss, but such subrogation shall be in subordination to an insured mortgage. If loss should result from any act of such insured claimant, such act shall not void this policy, but the Company, in that event, shall as to such insured claimant be required to pay only that part of any losses insured against hereunder which shall exceed the amount, if any, lost to the Company by reason of the impairment of the right of subrogation.

11. Liability Limited to this Policy

This instrument together with all endorsements and other instruments, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the lien of the insured mortgage or of the title to the estate or interest covered hereby, or any action asserting such claim, shall be restricted to the provisions and Conditions and Stipulations of this policy.

No amendment of or endorsement to this policy can be made except by writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

No payment shall be made without producing this policy for endorsement of such payment unless the policy be lost or destroyed, in which case proof of such loss or destruction shall be furnished to the satisfaction of the Company.

12. Notices, Where Sent

All notices required to be given the Company and any statement in writing required to be furnished the Company shall be addressed to it at the office which issued this policy or to its Home Office, 6300 Wilshire Boulevard, P.O. Box 92792, Los Angeles, California 90009.

13. THE PREMIUM SPECIFIED IN SCHEDULE A IS THE ENTIRE CHARGE FOR TITLE SEARCH, TITLE EXAMINATION AND TITLE INSURANCE.

TITLE INSURANCE AND TRUST

A TITICOR COMPANY

