

FINANCIAL TITLE COMPANY

PRELIMINARY REPORT

Access Financial
Attn: Norman Zaheri
1321 Laurel St. Suite B
San Carlos, CA 94070

Branch:
805 Veterans Blvd Suite #310
Redwood City, CA 94063
Phone: (650) 562-2700 Fax: (650) 562-2708
Contact: Christine Cang/SLS /lca
Escrow Contact:

Property Address:
2278 Capitol Avenue
East Palo Alto, CA 94303

Order Number: 45086572-595-CC1

Other Reference:
Buyer/Borrower:

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

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

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land. This report (and any supplements hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

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

Eagle Owner's and ALTA Lender's Policy

Dated as of **January 15, 2008** at 7:30 a.m.

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

A Fee

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

JUAN VILLALOBOS AND LUCIA VILLALOBOS, HUSBAND AND WIFE AS JOINT TENANTS

LEGAL DESCRIPTION

The land referred to in this Report is described as follows:

All that certain real property situated in the City of East Palo Alto, County of San Mateo, State of California, described as follows:

Lot 16 in Block 16 as shown on that certain Map entitled, "Map of Woodland Place, Subdivision No. 1, Ravenwoods", filed in the office of the County Recorder of San Mateo County, State of California, on August 1, 1910 in Book 7 of Maps, at Page 24.

APN: 063-332-150

JPN: 063-033-332-15.00

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

EXCEPTIONS:

1. General and special taxes and assessments for the fiscal year 2008-2009, a lien not yet due or payable.

2. General and special taxes and assessments for the fiscal year 2007-2008.

First Installment: \$3,991.35 Delinquent
Penalty: \$399.13
Second Installment: \$3,991.35 Open
Tax Rate Area: 21-014
A. P. No.: 063-332-150-0

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

4. The fact that the land lies within the boundaries of the East Palo Alto Redevelopment Project Area, as disclosed by various documents of record.

5. A deed of trust to secure an original indebtedness of \$520,000.00 recorded December 15, 2005 as Series No. 2005-218732 of Official Records.

Dated: December 6, 2005
Trustor: Juan Villalobos and Lucia Villalobos, husband and wife as joint tenants
Trustee: Westwood Associates, a California Corporation
Beneficiary: Mortgage Electronic Registration Systems, Inc.
Lender: WMC Mortgage Corp., a corporation

A Notice of Default recorded December 14, 2007 as Instrument No. 2007-175938 of Official Records.

6. A deed of trust to secure an original indebtedness of \$130,000.00 recorded December 15, 2005 as Series No. 2005-218733 of Official Records.

Dated: December 6, 2005
Trustor: Juan Villalobos and Lucia Villalobos, husband and wife as joint tenants
Trustee: Westwood Associates, a California Corporation
Beneficiary: Mortgage Electronic Registration Systems, Inc.
Lender: WMC Mortgage Corp., a corporation

NOTES:

Privacy Promise For Customers

We will not reveal non-public personal customer information to any external non-affiliated organization unless we have been authorized by the customer, or are required by law.

Occasionally, due to certain market conditions, it may not be possible to deliver policies of title insurance in a time frame that our clients request. Should you have individual needs please contact the title operation that issued this report. We recognize, appreciate and understand your needs.

- a. STR applies: Yes
- b. This report does not reflect requests for notice of default, requests for notice of delinquency, subsequent transfers of easements, and similar matters not germane to the issuance of the policy of title insurance anticipated hereunder.
- c. If this company is requested to disburse funds in connection with this transaction, Chapter 598 of 1989 Mandates of the California Insurance Code requires hold periods for checks deposited to escrow or sub-escrow accounts. Such periods vary depending upon the type of check and anticipated methods of deposit should be discussed with the escrow officer.
- d. No endorsement issued in connection with the policy and relating to covenants, conditions or restrictions provides coverage for environmental protection.
- e. Our investigation has been completed and the improvements located on the land described herein is a single family residence known as **2278 Capitol Avenue, East Palo Alto, CA 94303**.

At the close of escrow, an ALTA Lenders Policy of Title Insurance will be issued with 100 and 116 series Endorsements.

- f. If the land is an improved residential lot on which there is located a one-to-four family residence and each insured buyer is a natural person, and unless otherwise directed, we will issue the extended coverage CLTA Homeowners Policy of Title Insurance (6/2/98).
- g. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None.

This order was generated by Financial Title Company. All questions and recordings should be directed to:

3130 Crow Canyon Place, Suite 300
San Ramon, CA 94583
Phone No.: (925) 242-5600
Fax No.: (925) 328-1546

EXHIBIT "A"

LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS

CLTA Preliminary Report Form
(Rev. 6/98)

CLTA PRELIMINARY REPORT FORM LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS

SCHEDULE B

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY FORM - 1990 AND CALIFORNIA LAND TITLE ASSOCIATION HOMEOWNER'S POLICY - EAGLE (6/2/98) EXCLUSIONS FROM COVERAGE

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

1. Governmental police power, and the existence of violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. land use
 - d. improvements on the land
 - e. land division
 - f. environmental protectionThis Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.
This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the land by condemning it, unless:
 - a. a notice of exercising the right appears in the Public Records at the Policy Date; or
 - b. the taking happened before the Policy Date and is binding on you if you bought the land without knowing of the taking.
4. Risks:
 - a. that are created, allowed or agreed to by you, whether or not they appear in the Public Records;
 - b. that are known to you at the Policy Date, but not to us, unless they appear in the Public Records at the Policy Date;
 - c. that result in no loss to you; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24, or 25.
5. Failure to pay value for your title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the land.

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

2. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92) WITH ALTA ENDORSEMENT - FORM 1 COVERAGE

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

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.

EXHIBIT "A" - CONTINUED

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

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

EXCEPTIONS FROM COVERAGE

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

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. 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.
3. 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.
4. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
5. 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.
6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), (c) are shown by the public records.

FINANCIAL TITLE COMPANY

Notice of Opportunity to Earn Interest

You have the opportunity to earn interest on the funds you deposit with us by instructing us to deposit your funds into an interest bearing account. (You do not have an opportunity to earn interest on any funds deposited by a lender.) If you elect to earn interest, there is an additional fee in the amount of \$50.00 for establishing and maintaining such an account. It is important that you consider this cost as it may exceed the actual interest you earn.

Example: A regular savings deposit of \$1,000.00 at an average interest rate of 3.0%* per annum for a 30 day period:

<u>Deposit</u>	x	<u>Rate</u>	÷	<u>Annual</u>	x	<u>Days</u>	=	<u>Total Interest Earned</u>
\$1,000.00	x	.03	÷	360	x	30	=	\$2.50

PLEASE READ THE FOLLOWING CAREFULLY:

A. If you do not want to have your funds deposited into an interest bearing account, please initial this paragraph and return this Notice and such will constitute an instruction to us that your funds be deposited into Financial Title Company's general escrow account. Likewise, non-receipt of this form will also constitute an instruction to us that your funds be deposited into Financial Title Company's general escrow account. For important information regarding the general escrow accounts, please read the disclosure in Paragraph C below. **Initials:** _____

B. If you elect to have your funds earn interest in an interest bearing account using Financial Title Company's depository bank, you **MUST** sign this form, below, and return to Financial Title Company. In addition, you will also need to execute a W-9 and Interest Bearing Account Authorization form, which you can obtain by requesting from your Financial Title Company representative. Please Note – all aforementioned forms are required in our possession before your account can be opened and any interest can be accrued. Please be advised that you will be responsible for reporting all earnings to the applicable taxing authorities.

C. Should you not elect to earn interest on your deposit, your funds will be deposited into our general escrow account at a financial institution insured by the FDIC. The general escrow account is restricted and protected against claims by third parties or creditors of Financial Title Company. This is a non-interest bearing account; however, Financial Title Company, may receive certain financial benefits from that financial institution because of the general escrow account and its on-going banking relationship. These benefits may include, without limitation, credits allowed by such financial institution on loans to Financial Title Company and earnings on investments made with the proceeds of such loans, accounting, reporting and other services and products of such financial institution. We do not have an obligation to account to you in any manner for the value of, or to compensate any party for, any benefit received by Financial Title Company. Any such benefits shall be deemed additional compensation of Financial Title Company for its services in connection with the escrow.

ELECTION TO EARN INTEREST:

I HEREBY AUTHORIZE AND DIRECT FINANCIAL TITLE COMPANY TO OPEN AN INTEREST BEARING ACCOUNT AT FINANCIAL TITLE COMPANY'S DEPOSITORY BANK AND TO CHARGE THE ADDITIONAL FEE FOR THIS SERVICE.

SIGNATURE: _____ DATE: _____

SIGNATURE: _____ DATE: _____

* Please note that this interest rate is only an example and Financial Title Company does not guaranty the availability of any specific rate.

Dated: February 5, 2008

Escrow No.: 45086572-595-CC1

Residential Earthquake Hazards Report (2005 Edition)

NAME <u>Juan Villalobos Lucia Villalobos</u>	ASSESSOR'S PARCEL NO. <u>063-532-130</u>
STREET ADDRESS <u>2278 Capital</u>	YEAR BUILT <u>1948</u>
CITY AND COUNTY <u>East Palo Alto</u>	ZIP CODE <u>94303</u>

Answer these questions to the best of your knowledge. If you do not have actual knowledge as to whether the weakness exists, answer "Don't Know." If your house does not have the feature, answer "Doesn't Apply." The page numbers in the right-hand column indicate where in this guide you can find information on each of these features.

	Yes	No	Doesn't Apply	Don't Know	See Page
1. Is the water heater braced, strapped, or anchored to resist falling during an earthquake?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12
2. Is the house anchored or bolted to the foundation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	14
3. If the house has cripple walls:					
• Are the exterior cripple walls braced?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	16
• If the exterior foundation consists of unconnected concrete piers and posts, have they been strengthened?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	18
4. If the exterior foundation, or part of it, is made of unreinforced masonry, has it been strengthened?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	20
5. If the house is built on a hillside:					
• Are the exterior tall foundation walls braced?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	22
• Were the tall posts or columns either built to resist earthquakes or have they been strengthened?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	22
6. If the exterior walls of the house, or part of them, are made of unreinforced masonry, have they been strengthened?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	24
7. If the house has a living area over the garage, was the wall around the garage door opening either built to resist earthquakes or has it been strengthened?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	26
8. Is the house outside an Alquist-Priolo Earthquake Fault Zone (zones immediately surrounding known earthquake faults)?					36
9. Is the house outside a Seismic Hazard Zone (zone identified as susceptible to liquefaction or landsliding)?					36

*To be reported on the
Natural Hazards Disclosure
Report*

Keep your copy of this form for future reference

If any of the questions are answered "No," the house is likely to have an earthquake weakness. Questions answered "Don't Know" may indicate a need for further evaluation. If you corrected one or more of these weaknesses, describe the work on a separate page.

As seller of the property described herein, I have answered the questions above to the best of my knowledge in an effort to disclose fully any potential earthquake weaknesses it may have.

EXECUTED BY

Juan Villalobos
(Seller)

Lucia Villalobos
(Seller)

act
SEP-24-07
Date

I acknowledge receipt of this form, completed and signed by the seller. I understand that if the seller has answered "No" to one or more questions, or if seller has indicated a lack of knowledge, there may be one or more earthquake weaknesses in this house.

(Buyer)

(Buyer)

act
SEP-24-07
Date

This earthquake disclosure is made in addition to the standard real estate transfer disclosure statement also required by law.