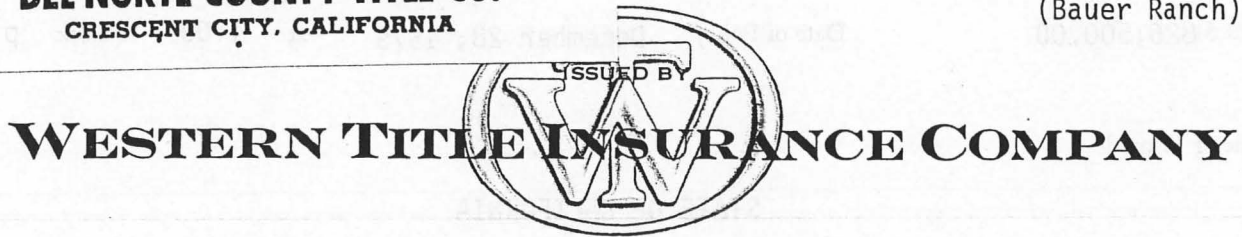


For information
regarding the property described herein
or for future title service see:

DEL NORTE COUNTY TITLE CO.
CRESCENT CITY, CALIFORNIA

POLICY OF
TITLE INSURANCE 11495

File Ref: Crescent City Marsh
(Bauer Ranch)



SUBJECT TO SCHEDULE B AND THE CONDITIONS AND STIPULATIONS HEREOF, WESTERN TITLE INSURANCE 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.

IN WITNESS WHEREOF, WESTERN TITLE INSURANCE COMPANY has caused this policy to be signed and sealed by its duly authorized officers as of Date of Policy shown in Schedule A.

FILED
In the office of the Secretary of State
of the State of California

SEP 29 1980

82 0429

MARCH FONG EU, Secretary of State
By Franky Kow
Deputy Secretary of State

Countersigned:

RICHARD THORPE

Vice President

WESTERN TITLE INSURANCE COMPANY
INCORPORATED

By R.H. Matton President

By J.L. Young Secretary

WESTERN TITLE INSURANCE COMPANY
INCORPORATED
AUGUST 21, 1978
CALIFORNIA

SCHEDULE A

Policy Number 404338

Fee \$ 1,791.72

Order Number 11495

Amount \$ 826,500.00

Date of Policy December 28, 1979 at 4:03 o'clock p.m.

1. Name of Insured:

STATE OF CALIFORNIA

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

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

STATE OF CALIFORNIA

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 ONE

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.

SCHEDULE B (Continued)

PART TWO

1. 1979-80 Taxes:

1st Installment: \$1,674.01, paid.

2nd Installment: \$1,674.01, paid.

Any additional amounts for real property taxes which may be assessed within the guidelines defined in Chapters 49 and 242 of the Statutes of 1979 of the State of California.

The above amounts include \$161.41 each installment for special assessment.

2. Rights of the public to use of County roads running along the easterly lines of Section 34 and 27, although no deed for same appears of record.

3. Rights of way for highway purposes 60 feet wide as provided by deeds recorded in Book 34 of Deeds, pages 192 and 273.

4. Rights of way for public roads 40 feet wide running through Sections 34 and 35 to the beach and thence southeasterly along the fence by the ocean beach, as provided by deeds recorded in Book "M" of Deeds, pages 317 and 427.

5. A right of way for state highway purposes as conveyed to the State of California by deed recorded November 23, 1933 in Book 52 of Deeds, page 384.

6. Rights of way for utilities and incidental purposes, being of various widths as conveyed to The California Oregon Power Company by deeds recorded August 10, 1950 in Book 71 of Deeds, page 97, and October 31, 1951 in Book 73 of Deeds, page 116.

7. A right of way for ingress and egress and utilities 30 feet wide running through a portion of Section 35, as conveyed to Jack R. LeMunyon and wife, by deed recorded March 17, 1961 in Book 72 of Official Records, page 522.

8. Easements for roadway, pumping site and water lines, as reserved by Owen W. Bauer in the deed to the State of California recorded December 28, 1979 in Book 240 of Official Records, page 71. Said easements are more fully described in said deed.

9. The effect of the following recital contained in the Deed to the State of California recorded December 28, 1979 in Book 240 of Official Records, page 71 "Provided, however, that in the event the grantee, its successors or assigns in interest take any steps to prospect for or remove any minerals, including oil, gas and other earthen materials, then the following interest in the granted lands shall automatically revert to the grantor, his heirs, his successors or his assigns:

All deposits of minerals, including oil and gas in said parcels, together with the right to prospect and remove such deposits therefrom.

However, the right to drill, mine, explore, or operate through the surfaces or upper one hundred feet of the subsurface shall be exercised so as not to endanger the natural habitat and any modification of the surface or subsurface which endangers the natural habitat shall be restored to the condition existing prior to the commencement of any extraction or removal.

The right to remove minerals, including oil and gas in said parcels, shall exist only in the Grantor as a result of a reversion of said interest.

SCHEDULE C

The land referred to in this Policy is described as:

That real property in the County of Del Norte, State of California, described as follows:

PARCEL ONE

The northwest quarter of Section 35, Township 16 North, Range 1 West, Humboldt Meridian.

EXCEPT therefrom that portion thereof conveyed to Herman O. Wakeman and wife, by deed recorded April 29, 1947 in Book 65 of Deeds, page 486.

PARCEL TWO

That portion of the west one half of the northeast quarter and the northwest quarter of the southeast quarter of Section 35, Township 16 North, Range 1 West, Humboldt Meridian, described as follows:

BEGINNING at the North quarter section corner of said Section 35 and running thence east along the section line, 252 feet;
thence south 5 degrees 2 minutes east 395.6 feet;
thence south 3 degrees 43 minutes east 374.6 feet;
thence south 11 degrees 58 minutes west 233.7 feet;
thence south 29 degrees 26 minutes east 447.9 feet;
thence south 14 degrees 41 minutes east 280 feet;
thence south 3 degrees 41 minutes east 489 feet;
thence south 11 degrees east 1080 feet;
thence south 14 degrees 29 minutes east 540 feet;
thence south 16 degrees east 250 feet, more or less, to the south line of said northwest quarter of the southeast quarter;
thence west along said south line 949.9 feet to the north-south quarter section line; and
thence north along said quarter section line 3960 feet, more or less, to the point of beginning.

EXCEPT THEREFROM that portion thereof conveyed to Kenyth B. Hamilton and wife, by deed recorded July 28, 1951 in Book 72 of Deeds, page 372.

ALSO EXCEPT therefrom that portion thereof conveyed to Jack R. LeMunyon and wife, by deed recorded March 17, 1961 in Book 72 of Official Records, page 522.

PARCEL THREE

The fractional southwest quarter of Section 35, and the fractional southeast quarter of Section 34; ALL in Township 16 North, Range 1 West, Humboldt Meridian.

EXCEPT THEREFROM that portion thereof conveyed to Kenyth B. Hamilton and wife, by deed recorded July 28, 1951 in Book 72 of Deeds, page 372.

ALSO EXCEPT therefrom that portion thereof conveyed to C. J. Dugan and Son Sawmill, a partnership by deed recorded May 29, 1951 in Book 72 of Deeds, page 210.

ALSO EXCEPT therefrom that portion thereof conveyed to Jack R. LeMunyon and wife, by deed recorded March 17, 1961 in Book 72 of Official Records, page 522.

The land referred to in this Policy is described as:

PARCEL FOUR

The fractional north one half of Section 34, Township 16 North, Range 1 West, Humboldt Meridian.

EXCEPT THEREFROM that portion thereof conveyed to Edward Yates and Company by deed recorded August 22, 1868 in Book "A" of Deeds, page 760.

ALSO EXCEPT therefrom that portion thereof conveyed to W. Buergermeister by deed recorded August 3, 1908 in Book "V" of Deeds, page 466.

ALSO EXCEPT therefrom that portion thereof conveyed to Herman O. Wakeman and wife, by deed recorded April 29, 1947 in Book 65 of Deeds, page 486.

ALSO EXCEPT therefrom that portion thereof conveyed to Gerald C. Harmer and wife by deed recorded April 12, 1949 in Book 68 of Deeds, page 483.

ALSO EXCEPT therefrom those portions thereof conveyed to Willie Shaw and wife, by deeds recorded June 16, 1959 in Book 57 of Official Records, page 156 and January 11, 1960 in Book 62 of Official Records, page 227.

ALSO EXCEPT therefrom those portions thereof conveyed to B. J. Howser by deeds recorded January 14, 1960 in Book 62 of Official Records, pages 259 and 261.

ALSO EXCEPT therefrom that portion thereof described in a tax deed to Guy Creek, recorded March 29, 1973 in Book 169 of Official Records, page 536.

PARCEL FIVE

The southeast quarter of Section 27, Township 16 North, Range 1 West, Humboldt Meridian.

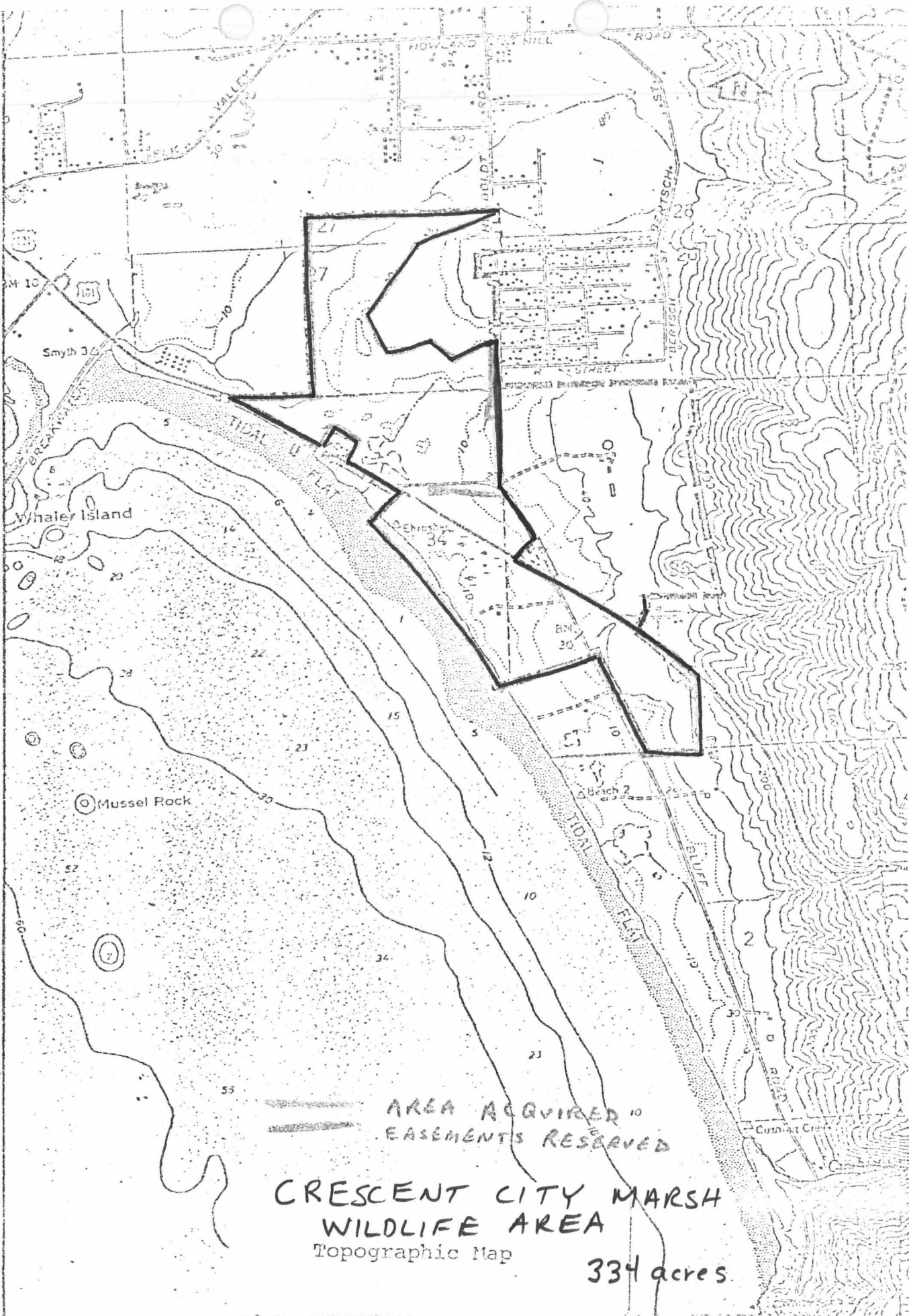
EXCEPT THEREFROM that portion thereof conveyed to the Elk Valley School District by deed recorded in Book "Y" of Deeds, page 308.

ALSO EXCEPT therefrom that portion thereof conveyed to Arthur Schmitt and wife, by deed recorded October 11, 1946 in Book 64 of Deeds, page 492.

ALSO EXCEPT therefrom that portion thereof conveyed to the County of Del Norte by deeds recorded October 18, 1979 in Book 237 of Official Records, pages 608 and 609.

ALSO EXCEPTING from the above described five parcels, all that land shown as Parcels 1 and 2 on the Parcel Map filed for Owen W. Bauer on December 28, 1979 in Book 4 of Parcel Maps, pages 75 through 78, inclusive.





————— AREA ACQUIRED
 - - - - - EASEMENTS RESERVED

**CRESCENT CITY MARSH
 WILDLIFE AREA**
 Topographic Map

334 acres.