

HOW TO READ A PRELIMINARY REPORT



Fidelity National Title®



HOW TO READ A PRELIMINARY REPORT

Preliminary Report Top Sheet

Will any of these situations affect your transaction?

	Yes	No
■ Are your principals exchanging this property?	<input type="checkbox"/>	<input type="checkbox"/>
■ Will your principals be using a power of attorney?	<input type="checkbox"/>	<input type="checkbox"/>
■ Are any of the parties in title deceased?	<input type="checkbox"/>	<input type="checkbox"/>
■ Has there been a change in marital status?	<input type="checkbox"/>	<input type="checkbox"/>
■ Will there be a new entity formed? (ie: partnership or corporation)	<input type="checkbox"/>	<input type="checkbox"/>
■ Are the sellers of this property non-residents of California?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered "Yes" to any of these questions, please call your Escrow Officer.

- | | | |
|---|--------------------------|--------------------------|
| ■ Do all parties signing document have valid photo I.D. or drivers license?
If "No", now is the time to apply for a valid I.D. | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|--------------------------|

This is a brief overview, please call your Escrow Officer if you have additional information that you think may be important, or if you have any questions.

Thank you for choosing Fidelity National Title.



HOW TO READ A PRELIMINARY REPORT

A Preliminary Report, (Prelim), is a report which shows the terms upon which the company may issue its policy. It is not a policy nor a commitment to issue a policy, it is an offer to issue a policy provided all terms are met. The Prelim shows *exceptions*, generally reporting of recorded documents that describe the property in question (PIQ), and *items*, generally requirements made by Fidelity National Title Company.

The Prelim is issued after the search and examine procedure has been completed.

The Search is made of the public record, generally including the following public offices:

- The County Recorder of the county in which the real property is located.
- The Taxing authority(s) that levies taxes and assessments on real property.

And Sometimes-

- The clerks of the various courts of the State of California.
- The Clerk of the United States District Court.

In addition to the above mentioned public records, certain types of policies and endorsements to be issued by the Company require a physical inspection of the property. This inspection may disclose additional information, information that may be necessary to reflect in the policy. The company always reserves the right to add additional items or make further requirements after reviewing the inspection report or after reviewing any documentation that might have been requested.

Following is a brief explanation of some of the more common items shown in a Prelim together with an explanation of some of the preprinted items shown in a report. The preliminary report provided is a *sample report*. The following numbered paragraphs correspond to the numbers shown on the sample Prelim. The report is not an actual report, it has been assembled as a teaching tool.



Fidelity National Title Company

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PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Fidelity National Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below 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. Copies of the Policy forms should be read. They are available from the office which issued this report.

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

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

Please read the exceptions shown or referred to 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.


Countersigned



FIDELITY NATIONAL TITLE COMPANY

BY

ATTEST


President


Secretary



HOW TO READ A PRELIMINARY REPORT

- 1 These 6 paragraphs are required information under Insurance Code 12414.30. These paragraphs are designed to inform the customer exactly what the report is and is not. You should always direct your client's attention to this cover page of the report and ask them to read it.

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Fidelity National Title Company

17592 East 17th Street, Suite 130 • Tustin, CA 92680
(714) 508-4000 • FAX (714) 544-7599

PRELIMINARY REPORT

ESCROW OFFICER: Kathleen Saradpon
TITLE OFFICER: Diane Tennyson

ORDER NO.: 30015054

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TO: Fidelity National Title Resale Escrow Division
17592 E. 17th St. #130
Tustin, CA 92780

ATTN: Kathleen Saradpon
YOUR REFERENCE.: Fidelity National Title Resale Escrow Division

SHORT TERM RATE: yes

PROPERTY ADDRESS: 26461 Via Gaviota, Mission Viejo, California

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EFFECTIVE DATE: July 20, 2003, 07:30 A.M.

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

American Land Title Association Loan (10-17-92) with A.L.T.A.

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1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee

2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

Larry D. foxworthy and Diane M. Foxworthy, husband and wife, as joint tenants

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3. THE LAND REFERRED TO IN THIS REPORT IS SITUATED IN THE CITY OF MISSION VIEJO, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

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SEE EXHIBIT "ONE" ATTACHED HERETO AND MADE A PART HEREOF

SP\SP 07/20/2003



HOW TO READ A PRELIMINARY REPORT

- 2 This is the address of either the Escrow office or Title office where all questions should be directed.
- 3 The information appearing between these two lines is informational only and is designed to provide useful information to the customer. Quick reference to property address, owners name, order number as well as the names of the Escrow Officer and Title Officer. This information should be used on any correspondence or used for identification purposes during any conversations regarding the transaction.
- 4 This date is not the date the report was ordered, not the date the report was mailed it is the *Plant Date*. The *plant date* is the date and time to which the public records have been posted to the plant and examined by the title department. You may need to explain this difference to your customer. If the report has gotten 'old' it will be necessary to order an updated preliminary report to bring the effective date current. The difference between the effective date and today's date is also the reason you need to alert the title department to 'datedown' the file before sending the recording package, a two or three day alert can save a lot of time and trouble on the day of close.
- 5 This area shows the type of policy(s) that Fidelity has been requested to issue once the transaction closes. It is important to remember that some policies, most notably those insuring construction loans, will require that Fidelity physically inspect the property before close of escrow. It is very important to notify your Title Officer of any changes in the type of policy being requested or if information obtained during the course of the escrow discloses the possibility of construction or the need for an inspection. The sooner the inspection is made, the better. The sooner a new report can be issued showing any additional requirement that must be met, the better.
- 6 This item indicates the type of estate that the vested owner holds in the real property. Estates in property may be: legal or equitable; real or personal; vested or contingent; in possession or in expectancy; absolute, determinable, or conditional; sole, joint, or in common; of freehold or less than freehold. The quality of the interest which a person has in property. In most instances, for title insurance purposes, 'a fee' or 'a fee and easement' combination are the most frequent estates insured. However leasehold estates are not uncommon.
- 7 This is the 'vesting' and shows, as of the date of the Prelim, the name of the person or entity who holds title to the estate shown directly above and explained in paragraph 6. Also included is the status of the vestee, (i.e. single, married, etc.), and the manner in which they hold title, also referred to as the tenancy, (i.e. joint tenants, community property, etc.). It is very important for you to verify this information immediately upon receipt of the preliminary report.
- 8 This is the legal description of the real property for which the Prelim was prepared, PIQ. Fidelity requires that all documents to be recorded at the close of the transaction contain this exact legal description. Any discrepancy between the legal description in the Prelim and in the documents to be recorded should be discussed with the Title Officer as soon as possible to avoid any delay in the closing of the transaction. **CAUTION:** If the legal description on the Prelim has the word 'RESERVING' please contact the Title Department Manager immediately.

EXHIBIT "ONE"

Lot 75 of Tract No. 7807, in the City of Mission Viejo, County of Orange, State of California, as per map recorded in Book 304, Pages 1 to 4 inclusive of Miscellaneous Maps, in the office of the County Recorder of said County.

EXCEPT THEREFROM all oil, gas, minerals and hydrocarbons, below a depth of 500 feet, without the right of surface entry, as reserved in instruments of record.

EXCEPT THEREFROM all water and subsurface water rights, below a depth of 500 feet, without the right of surface entry, as dedicated or reserved in instruments of record.



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

10

1. Property taxes, including any personal property taxes and any assessments collected with taxes, for the fiscal year 2002-2003, Assessor's Parcel Number 809-472-14.

Code Area Number: 27-031
 1st Installment: \$937.55 paid
 2nd Installment: \$937.55 open
 Land: \$121,258.00
 Improvements: \$69,377.00
 Exemption: \$7,000
 Personal Property: \$none

2. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2003-2004.

3. The herein described property lies within the boundaries of a Mello-Roos Community Facilities District ("CFD"), as follows:

CFD No.: 99-1
 For: Community Facilities
 Disclosed by: A Notice of Special Tax Lien
 Recorded: July 31, 1986, Instrument No. 86-868686, of Official Records

This property, along with all other parcels in the CFD, is liable for an annual special tax. This special tax is included with and payable with the general property taxes of the County of Orange. The tax may not be prepaid.

Further information may be obtained by contacting:

The City Clerk of Mission Viejo

4. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.

5. Easement(s) for the purposes(s) shown below and rights incidental thereto as delineated or as offered for dedication, on the map of said tract.

Purpose: Public Utilities
 Affects: Southerly 5 feet

6. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been relinquished by the map of said Tract.

Affects: Via Gorrion

Said land, however, abuts on a public thoroughfare, other than the one referred to above, over which the rights of vehicular access have not been relinquished.



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- 9 Matters that affect the real property will be shown following this paragraph. These matters, called items and exceptions, will either be shown in the policy(s) to be issued, or must be disposed of prior to the issuance of a policy. These items and exceptions are to be paid off and released, or otherwise eliminated, prior to or concurrently with the issuance of said policy(s). The usual matters shown here would be taxes, easements, CCRs, deeds of trust and money liens or judgments. Look very carefully for items or exceptions that require some action on the part of you or your customer that are out side the 'normal' or 'usual' steps that must be taken to close a transaction. Sometimes the report is telling you that *we will not be able to close at all* unless certain information is obtained or certain actions taken. Save yourself a headache-spot and deal with this type of item promptly.
- 10 Most real property is subject to property taxes assessed by the tax collector, churches and government property being the most common exceptions. Tax information will always be shown as the first item in the Prelim because taxes have priority over all other matters.

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7. Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document;

Granted to: Southern California Edison Company
Purpose: Public Utilities
Recorded: January 1, 1972, Book 1234, Page 890, of Official Records
Affects: Southerly 6 feet

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8. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in the document

Recorded: August 11, 1972, Book 10269, Page 616, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

NOTE: Section 12956.1 of the Government Code provides the following: If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Housing Laws and is void. Any person holding an interest in this property may request that the County Recorder remove the restrictive language pursuant to Subdivision (c) of Section 12956.1 of the Government Code.

9. An easement for slope control area designated on Exhibit "A" of a Map attached to the Declaration of Restrictions recorded in Book 10269, Page 616 of Official Records, and as reserved in Deed recorded in Book 10656, Page 107 of Official Records.

10. Covenants, conditions and restrictions (deleting therefrom any restrictions indicating any preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin) as set forth in the document

Recorded: November 16, 1976, Book 11963, Page 889, of Official Records

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

Said instrument also provides for the levy of assessments, the lien of which are stated to be subordinate to the lien of certain mortgages or deeds of trust made in good faith and for value.

Modification(s) of said covenants, conditions and restrictions

Recorded: May 20, 1993, Instrument/File No. 93-0338190, of Official Records

NOTE: Section 12956.1 of the Government Code provides the following: If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Housing Laws and is void. Any person holding an interest in this property may request that the County Recorder remove the restrictive language pursuant to Subdivision (c) of Section 12956.1 of the Government Code.



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- 11 Items 5 and 7 are both easements, one created by a recorded document and the other as shown on the “map of said tract”. Said tract being the tract referred to in the legal description. It is important to remember that an easement shown as a numbered item is an easement that crosses the PIQ. If it is necessary to own an easement across someone else’s land in order to have access to the PIQ that would be shown as a ‘Parcel 2” in the legal description-Exhibit “ONE”.
- 12 Covenants, conditions and restrictions, (CCRs), are limitations or qualifications on the use of real property, usually imposed by the developer of the subdivision. If requested, Fidelity will be happy to furnish a copy of the document imposing the CCRs so that any party to the transaction will be aware of what those limitations are regarding the use of the property.

Traditionally only certain aspects of the CCRs are mentioned in a preliminary report. This report shows a mortgage protection clause, recites that assessments are levied and gives the address and phone number of the Homeowner’s Association. There could be additional subparagraphs-modifications of CCRs to name one.

11. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby

Amount: \$170,900.00
 Dated: April 24, 1997
 Trustor: Larry D. foxworthy and Diane M. Foxworthy, husband and wife, as joint tenants
 Trustee: Equitable Deed Company, a California Corporation
 Beneficiary: Bank of America National Trust and Savings Association, a National Banking Association
 Loan No.: 0062321536
 Recorded: May 1, 1997, Instrument/File No. 97-203127, of Official Records

12. A deed of trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby

Amount: \$63,603.15
 Dated: September 28, 1999
 Trustor: Larry D. foxworthy and Diane M. Foxworthy, husband and wife, as joint tenants
 Trustee: Fidelity national
 Beneficiary: Centerpointe Financial, Inc.
 Loan No.:
 Recorded: October 5, 1999, Instrument No. 99-707460, of Official Records

An assignment of the beneficial interest under said deed of trust which names:

Assignee: Bank One, N.A.
 Loan No.:
 Recorded: October 5, 1999, Instrument/File No. 99-707461, of Official Records

***Note:** To avoid delays at the time of closing, if the above deed of trust is an Equity Line/Line of Credit, it will be necessary that all checks, passbooks, credit cards together with instructions to close the account be submitted prior to the close of escrow.

In order to expedite compliance with the above, please do the following:

- a) Submit to title the Equity Line/Credit Line indemnity letter attached to the report,
- b) Request that the account be frozen,
- c) Obtain a statement from the lender that no advances have been made after the issuance of the demand or payoff, and
- d) Upon delivery of the payoff check, a full reconveyance must be obtained.

"Please be advised that the difference between the principal balance on a issued demand and the maximum principal allowed may be held for up to 10 working days if the above requirements are not met."

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HOW TO READ A PRELIMINARY REPORT

- 13 In California deeds of trust are used almost exclusively, not mortgages. A deed of trust is a conveyance, in trust, from the owner of the property to the named trustee for the purpose of securing the repayment of a monetary debt or some other form of obligation. If this item is to be paid off concurrently with the close of the transaction, the beneficiary of record must be contacted in order to obtain the demand and the documents necessary to obtain a reconveyance of the deed of trust.

When the original Beneficiary sells the note to another lender, an Assignment of Deed of Trust gets recorded disclosing the name of the new lender. Assignments can be for only a portion of the value of the note. The amount or percentage assigned will be shown on the assignment. This fact should be shown in the preliminary report. Read carefully to make sure that your demand has come from the correct party.

13. An abstract of judgment for the amount shown below and any other amounts due:

Amount: \$20,000.00
Debtor: Larry D. foxworthy and Diane M. Foxworthy

Creditor: ABC Credit Card Sharks
Date Entered: January 10, 2000
County: Orange
Court: Superior
Case No.: 8765876
Recorded: January 11, 2000, Instrument No. 2000758432, of Official Records

An examination of said proceedings has been ordered. Upon completion the Company reserves the right to except additional items and/or make additional requirements.

14. A court order for installment payments of spousal and/or child support, to be made by:

Debtor: Larry D. Foxworthy
Creditor: Orange County District Attorney
County: Orange County
Court: Superior
Case No.: D 23 15 72
Recorded: February 26, 1997, Instrument No. 97-085879, of Official Records

Before issuing the requested policy of title insurance, this Company will require an Acknowledgement of Satisfaction of Matured Installments in recordable form, as it applies to the Installment Judgment shown hereinabove. This Acknowledgement must conform to the provisions of Section 724.250 Code of Civil Procedure. It should be executed by the named judgment creditor. But if the judgment provides that payments be made to a district attorney or other officer of the court, then that officer should execute the Acknowledgement of Satisfaction of Matured Installments.

15. A tax lien for the amount shown and any other amounts due, in favor of the United States of America, assessed by the District Director of Internal Revenue.

Federal
Serial No: 45454545
Taxpayer: Diane Foxworthy
Amount: \$15,000.00
Recorded: February 2, 2002, Instrument No. 2002002222, of Official Records

16. Any claims for mechanics' liens on said land that may be recorded, by reason of a recent work of improvement that is disclosed by a Notice of Completion.

Recorded: July 1, 2003, Instrument/File No. 2003333333, of Official Records

17. Any other claims for mechanics' liens that may be recorded, by reason of a recent work of improvement that is disclosed by the mechanics' lien shown in the last above numbered item.



HOW TO READ A PRELIMINARY REPORT

- 14 Item 13 is reporting an abstract of judgment and item 14 is reporting an installment judgment. An **abstract of judgment** is recorded as a result of a judicial determination as to the winner, called the *creditor*, and the loser, called the *debtor*, at the conclusion of the lawsuit. The debtor could be a former owner, the present owner or the proposed buyer of the property. Once again, immediate attention should be given to this item as the creditor must submit a demand and a satisfaction of judgment prior to or concurrent with the close of the transaction if this item is to be eliminated from the policy(s).

An **installment judgment** for spousal support or child support can be against a former owner, the current owner or the proposed buyer of the property. This is a continuing judgment, each installment becoming a lien as it comes due. An Acknowledgment of Satisfaction of Installment Judgment of Acknowledgment of Matured Installments is required to be recorded concurrently with the close of the transaction. If judgment is against the current owner selling the property, it can be eliminated from the policy(s) providing the appropriate Acknowledgement was recorded with our transaction. If the debtor remains in title, this item will be shown as an Acknowledgment of Matured Installment is good through April and the escrow is delayed by even one day, resulting in a May closing, new documentation will be required before the transaction can close. See the * on the sample report.

- 15 A federal tax lien will be filed by the Internal Revenue Service as a result of a taxpayer's failure to pay taxes. Customers frequently ask to have money 'held', close now and pay the demand when it comes. Bad Idea? It is not possible to calculate an IRS payoff from the information furnished on the recorded document. The IRS can include sums due from other liens, from unrecorded liens, in short the demand can be for many times the face amount of the lien. DO NOT agree to this plan. Similar type liens may also be recorded by the State of California for the Tax Collector of the County for various reasons, such as failure to pay state income taxes or failure to pay unsecured property taxes.

- 16 Besides being evidence of a monetary lien, item 16 is what is known in the title business as a RED FLAG. You see one mechanics' lien be prepared to see more! A mechanics' lien or Materialman's lien is a statutory lien (no court action is required in order to record a lien) in favor of someone who has furnished labor or material towards a work of improvement. If the property owner disputes the validity of the lien, a bond can be obtained from the surety company and, once recorded, this bond will remove the mechanics' lien from the property. Never accept a bond yourself, forward immediately to your title officer so the bond can be examined and determination made that all statutory requirements have been met.

18. A property inspection will be made prior to recording the trust deed to be insured. If such inspection discloses any evidence of commencement of a work of improvement, the coverage for mechanics' lien insurance will be deleted from the policy, unless all the necessary documents for indemnification have been submitted to the Company and such indemnification has been formally approved by the Company, prior to recording the trust deed.

19. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

Please call the Title Department five (5) days prior to the contemplated closing to determine if additional documents or information is required.

20. We find various Liens and Judgments, that are of record against persons with similar or the same name as that of our vestee(s) shown herein. In order to complete this report, this Company requires a Statement of Information to be provided for the following vestee(s), which may allow and assist elimination of some or all of said Liens and Judgments. After review of the requested Statement(s) of Information, the Company reserves the right to add additional items or make further requirements prior to the issuance of any Policy of Title Insurance.

Vestee(s): Larry D. foxworthy and Diane M. Foxworthy

21. Your application for title insurance was placed by reference to a street address only. Based on our records, we believe that the description in this report covers the parcel that you requested.

To prevent errors and to be certain that the proper parcel of land will appear on the documents and on the policy of title insurance, we require written approval of the legal description in this report be sent to this Company, signed by the parties to the transaction.

22. This company will require a statement of information from the parties named below in order to complete this report, based on the effect of documents, proceedings, liens, decrees, or other matters which do not specifically describe said land, but which, if any do exist, may affect the title or impose liens or encumbrances thereon. After review of the requested Statement(s) of Information the Company may have additional requirements before the issuance of any policy of title insurance.

Parties: Buyers

(Note: The statement of information is necessary to complete the search and examination of title under this order. Any title search includes matters that are indexed by name only, and having a completed statement of information assists the Company in the elimination of certain matters which appear to involve the parties but in fact affect another party with the same or similar name. Be assured that the statement of information is essential and will be kept strictly confidential to this file).

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END OF ITEMS

- Note 1. Fax transmissions may be directed to Diane Tennysons office at: (714) 669-3391



HOW TO READ A PRELIMINARY REPORT

- 17 Items 18 and 19 are a requirement. Look for this type of item- Read it carefully, if these requirements are ignored or not 'worked on' until right before close-recording day can be a nightmare. This type of item is a request for information from someone; or is requiring that some action be taken in order to obtain the information; or giving notice that the Company must obtain some information before the report is complete.
- 18 Items 20 and 22 indicate that when the title search was made, many items, such as tax liens and abstracts of judgments, have been recorded against people having the same or similar name as the party(s) to the transaction. In order to determine whether these items are against the parties to the transaction, it is necessary to obtain a "Statement of Information" (SI) from these parties. If one of the parties to the transaction is "John Smith", many documents will have to be examined to determine if our "John Smith" is the same as the individual shown on these documents. This can only be done after the "SI" has been received. The sooner the Better! The "SI" provides lots of information that can speed us a search, the age of the individual, how long they have lived in the county in question etc. If every party to every transaction submitted a "SI" early in the process, the quicker an "all clear" can be given. You can assure your client that the information will be kept confidential.
- 19 "End of Items" Don't stop reading here! Notes are important too.

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- Note 2. None of the items shown in this report will cause the Company to decline to attach CLTA Endorsement Form 100 to an Extended Coverage Loan Policy, when issued.
- Note 3. The Company is not aware of any matters which would cause it to decline to attach the CLTA Endorsement Form 116 indicating that there is located on said land single family residence known as 26461 Via Gaviota, Mission Viejo, CA to an Extended Coverage Loan Policy.
- Note 4. There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
- Note 5. The charge for a policy of title insurance, when issued through this title order, will be based on the Short Term Rate.
- Note 6. NOTE: Amended Civil Code Section 2941, which becomes effective on January 1, 2002, sets the fee for the processing and recordation of the reconveyance of each Deed of Trust being paid off through this transaction at \$45.00. The reconveyance fee MUST be clearly set forth in the Beneficiary's Payoff Demand Statement ("Demand"). In addition, an assignment or authorized release of that fee, from the Beneficiary to the Trustee of record, must be included. An example of the required language is as follows:
- "The Beneficiary identified above hereby assigns, releases or transfers to the Trustee of record, the sum of \$45.00, included herein as "Reconveyance Fees", for the processing and recordation of the Reconveyance of the Deed of Trust securing the indebtedness covered hereby, and the Escrow Company or Title Company processing this pay-off is authorized to deduct the Reconveyance Fee from this Demand and forward said fee to the Trustee of record or the successor Trustee under the Deed of Trust to be paid in full."
- Note 7. Wiring Instructions for Fidelity National Title Company, Orange County, California are as follows:

Receiving Bank:

COMERICA BANK CALIFORNIA
FINANCIAL SERVICES GROUP
INGLEWOOD, CA 90301
ABA ROUTING NO.: 121137522
CREDIT ACCOUNT NO.: 189-1608-588
CREDIT ACCOUNT NAME: FIDELITY NATIONAL TITLE COMPANY - TRUST

Order Numbers must be referenced on all wiring.

These wiring instructions are for this specific transaction involving the Title Department of the Orange County office of Fidelity National Title. These instructions therefore should not be used in other transactions without first verifying the information with our accounting department. It is imperative that the wire text be exactly as indicated. Any extraneous information may cause unnecessary delays in confirming the receipt of funds.



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- ❑ **20** Don't skip this item, it states that Fidelity will attach the CLTA Endorsement Form 100 to the anticipated Extended Coverage Loan Policy when issued. If the company is unable to issue the 100 Endorsement or will have to modify this endorsement this is where you will find that information. For Example, this note will not appear if the property is vacant or if the order is for construction. DO NOT order a 100 endorsement without checking with title if you do not see this note.
- ❑ **21** This item is shown when the customer has requested a 116 or 116.2 (for condos) endorsement be issued with the anticipated Extended Coverage Loan Policy. DO NOT order either of these endorsements if the property is vacant or if there is a construction loan, call your Advisory Title Person if you have questions.
- ❑ **22** Many lenders require a '6-month or a 24-month chain of title'. In this instance a 'chain of title' is a list of all conveyances, including the names of the grantors and grantees, that have recorded in the time frame requested. This information is very important to a lender as it gives a brief history of the ownership of the property.
- ❑ **23** This item will show whether the escrow officer should charge the customer the full-tern rate or the short-tern rate for the policy(s) to be issued.

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- Note 8. The Note shown below, which recites: "California Revenue and Taxation Code Section 18668, effective January 1, 1991, requires that the buyer in all sales of California Real Estate, wherein the Seller shows an out of State Address, withhold 3-1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained."

is hereby deleted and replaced with the following:

California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.

- Note 9. Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all fundings should be done through wire transfer, certified check or checks drawn on California financial institutions.
- Note 10. The charge where an order is cancelled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be cancelled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.
- Note 11. California Revenue and Taxation Code Section 18668, effective January 1, 1991, requires that the buyer in all sales of California Real Estate, wherein the Seller shows an out of State Address, withhold 3-1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.



HOW TO READ A PRELIMINARY REPORT

- 24 The next four notes, notes 8, 9, 10 and 11 of this sample report, are notes that the Company requires to appear on every preliminary report issued. The information provided has to do with “good funds” requirements, notification of the fact that we are allowed to charge a cancellation fee and some information regarding out of state sellers. Please direct your customer attention to these notes.



HOW TO READ A PRELIMINARY REPORT



HOW TO READ A PRELIMINARY REPORT

This **Sample Preliminary Report** does NOT include every item or every variation of possible items that could appear. It is very important to remember that a Prelim must be read item by item. Each item 'stands alone' and must be considered separately before it is considered in conjunction with any other related item. It is not possible to teach the meaning of each item or to give clear instruction as to what must be done with any given item- it takes a few years to become a good examiner! ASK, take the time to ASK.

NOTICE

IF YOU BOUGHT, SOLD OR REFINANCED A HOME (**RESIDENTIAL REAL PROPERTY**) IN CALIFORNIA BETWEEN JULY 1, 1989 AND FEBRUARY 28, 1997, PLEASE READ THE FOLLOWING:

Pursuant to a Settlement Agreement in a class action lawsuit filed in the Superior Court for Los Angeles County, a settlement agreement has been entered into that provides persons who bought, sold or refinanced residential real property in the State of California between July 1, 1989 and February 28, 1997, with certain rights. If you are such a person and you are now engaged in an escrow transaction with Chicago Title Company, Gateway Title Company, Benefit Land Title Company or Fidelity National Title Insurance Company, you have the following rights:

If one of these companies previously handled a residential escrow transaction for you that involved residential real property in which a mortgage, promissory note, or similar debt instrument, repayment of which was secured by a duly recorded deed of trust, was fully paid, satisfied or discharged and a reconveyance of that deed of trust was executed and was delivered to one of those title companies for recording but was inadvertently not recorded, you have the right to request that a release of obligation or reconveyance be recorded in accordance with the terms of the Settlement Agreement.

To obtain this right you must:

(1) Establish to the satisfaction of the title company that you actually closed an escrow between July 1, 1989 and February 27, 1997, which was handled by one of the above listed title insurance companies, in which a mortgage, promissory note, or similar debt instrument secured by a duly recorded deed of trust was fully paid, satisfied or discharged and a reconveyance of that deed of trust was executed and was delivered for recordation to the title company that handled the prior transaction. Proof of said transaction shall be made by presenting a closing statement, preliminary title report, title insurance policy or a paid escrow invoice which identifies you and the prior deed of trust; and

(2) Request in writing the recording of a reconveyance or release or obligation in the event that one inadvertently had not been previously recorded in the escrow transaction previously handled by one of the above-named title companies.

If you believe that you are entitled to benefits as a class member, please send your written requests or any questions concerning the foregoing to Janet Borack, Legal Department, Fidelity National Title Insurance Company, 17911 Von Karman Avenue, Suite 300, Irvine, California 92614.

ITEMS: (Continued)

Order No. 30015054

1. Date:

Fidelity National Title Insurance Company
17592 E. 17th Street, Ste. 200
Tustin, CA 92680

Order #:

Attn:

With regard to our _____
Bank-Lender Equity Line/Credit Line

Account # _____, we hereby certify that:

- 1) I/We have not drawn checks on this account since _____
- 2) The last check has cleared # _____ and that there are no other outstanding checks on the account.
- 3) I/We have destroyed or have given escrow all remaining checks on this account (check #'s _____ through _____).
- 4) I/We hereby Indemnify and hold Fidelity National Title Insurance Company harmless from any and all claims or losses incurred by reason of releasing the hold on said demand, from any outstanding checks that come in after the payoff.

Sincerely,

EXHIBIT A

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

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - land use
 - improvements on the land
 - land division
 - environmental protectionThis exclusion does not apply to violations or the enforcement of these matters which appear in the public records at policy date.
2. The right to take the land by condemning it, unless:
 - a notice of exercising the right appears in the public records on the Policy Date
 - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowledge of the taking

3. Title Risks:

- that are created, allowed, or agreed to by you
- that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
- that result in no loss to you
- that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks

4. Failure to pay value for your title.

5. Lack of a right:

- to any land outside the area specifically described and referred to in Item 3 of Schedule A or
- in streets, alleys, or waterways that touch your land

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

SCHEDULE B EXCEPTIONS

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

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

3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in item 12 of Covered Title Risks.

4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990 EXCLUSIONS FROM COVERAGE

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

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

(a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;

(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;

(c) resulting in no loss or damage to the insured claimant;

(d) attaching or created subsequent to Date of Policy; or

(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.

4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.

5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.

6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

SCHEDULE B, PART I EXCEPTIONS FROM COVERAGE

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

PART 1

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

3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.

4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.

EXHIBIT A (CONTINUED)

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

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

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.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
(a) 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:
(i) the transaction creating the interest of the insured mortgage being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the subordination of the interest of the insured mortgage as a result of the application of the doctrine of equitable subordination; or
(iii) the transaction creating the interest of the insured mortgage being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92) AND AMERICAN LAND TITLE ASSOCIATION LEASEHOLD OWNER'S POLICY (10-17-92) EXCLUSIONS FROM COVERAGE

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

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.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
(a) created, suffered, assumed or agreed to by the insured claimant;
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
(c) resulting in no loss or damage to the insured claimant;
(d) attaching or created subsequent to Date of Policy, or
(e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
(i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
(ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
(a) to timely record the instrument of transfer; or
(b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above ALTA 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. 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, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

EXHIBIT A (CONTINUED)

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (6-2-98) ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-17-98) EXCLUSIONS

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
 - a. building
 - b. zoning
 - c. Land use
 - d. improvements on Land
 - e. Land division
 - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.

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. 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, 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.

RESIDENTIAL TITLE INSURANCE POLICY ONE-TO-FOUR FAMILY RESIDENCE ENHANCED VERSION (1997) EXCLUSIONS

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

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

- a. land use;
- b. improvements on the land;
- c. land divisions; or
- d. environmental protection.

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.

This exclusion does not limit the coverage described in Item 12c and d, 13 and 18 of Covered Title Risks.

2. The right to take the land by condemning it, unless:

- a. a notice of exercising the right appears in the public records on the Policy Date; or
- b. the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking.

3. Title Risks:

- a. that are created, allowed, or agreed to by you;
- b. that are known to you, but not to us, on the Policy Date - unless they appeared in the public records;
- c. that result in no loss to you; or
- d. that first affect your title after the Policy Date - this does not limit the coverage described in Items 3b, 8, 17 and 19 of Covered Title Risks.

4. Failure to pay value for your title.

5. Lack of a right: (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A or (b) in streets, alleys, or waterways that touch your land.

This exclusion does not limit the coverage described in Items 5 and 12a of the Covered Title Risks.

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01) EXCLUSIONS FROM COVERAGE

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

1. (a) Any law, ordinance or governmental regulation [including but not limited to zoning laws, ordinances, or regulations] restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy [this paragraph does limit the coverage provided under Covered Risks 8, 15, 16, 19, 20, 21, 22, 23, 24, 25 and 26]; or
 - (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(a) and 26.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:
 - (a) The time of the advance; or
 - (b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.



Fidelity National Title Company

17592 East 17th Street, Suite 130 • Tustin, CA 92680
(714) 508-4000 • FAX (714) 544-7599

SUPPLEMENTAL REPORT

ESCROW OFFICER: Kathleen Saradpon

ORDER NO.: 30015054

TO: Fidelity National Title Insurance Company
17592 East 17th Street, Suite 130
Tustin, CA

ATTN: Kathleen Saradpon
YOUR REFERENCE.: 801646-KS

EFFECTIVE DATE: January 3, 2001, 07:30 A.M.

Diane Tennyson
Title Officer

Prepared By: mr 02/26/2001

The above numbered report (including any supplements or amendments thereto) is hereby modified and or supplemented in order to reflect the following:

Please eliminate the following items from your report:

Item 14.

Fidelity National Financial Group of Companies' Privacy Statement

July 1, 2001

We recognize and respect the privacy expectations of today's consumers and the requirements of applicable federal and state privacy laws. We believe that making you aware of how we use your non-public personal information ("Personal Information"), and to whom it is disclosed, will form the basis for a relationship of trust between us and the public that we serve. This Privacy Statement provides that explanation. We reserve the right to change this Privacy Statement from time to time consistent with applicable privacy laws.

In the course of our business, we may collect Personal Information about you from the following sources:

- From applications or other forms we receive from you or your authorized representative;
- From your transactions with, or from the services being performed by, us, our affiliates, or others;
- From our internet web sites;
- From the public records maintained by governmental entities that we either obtain directly from those entities, or from our affiliates or others; and
- From consumer or other reporting agencies.

Our Policies Regarding the Protection of the Confidentiality and Security of Your Personal Information

We maintain physical, electronic and procedural safeguards to protect your Personal Information from unauthorized access or intrusion. We limit access to the Personal Information only to those employees who need such access in connection with providing products or services to you or for other legitimate business purposes.

Our Policies and Practices Regarding the Sharing of Your Personal Information

We may share your Personal Information with our affiliates, such as insurance companies, agents, and other real estate settlement service providers. We also may disclose your Personal Information:

- to agents, brokers or representatives to provide you with services you have requested;
- to third-party contractors or service providers who provide services or perform marketing or other functions on our behalf; and
- to others with whom we enter into joint marketing agreements for products or services that we believe you may find of interest.

In addition, we will disclose your Personal Information when you direct or give us permission, when we are required by law to do so, or when we suspect fraudulent or criminal activities. We also may disclose your Personal Information when otherwise permitted by applicable privacy laws such as, for example, when disclosure is needed to enforce our rights arising out of any agreement, transaction or relationship with you.

One of the important responsibilities of some of our affiliated companies is to record documents in the public domain. Such documents may contain your Personal Information.

Right to Access Your Personal Information and Ability to Correct Errors or Request Changes or Deletion

Certain states afford you the right to access your Personal Information and, under certain circumstances, to find out to whom your Personal Information has been disclosed. Also, certain states afford you the right to request correction, amendment or deletion of your Personal Information. We reserve the right, where permitted by law, to charge a reasonable fee to cover the costs incurred in responding to such requests.

All requests must be made in writing to the following address:

Privacy Compliance Officer
Fidelity National Financial, Inc.
4050 Calle Real, Suite 220
Santa Barbara, CA 93110

Multiple Products or Services

If we provide you with more than one financial product or service, you may receive more than one privacy notice from us. We apologize for any inconvenience this may cause you.

606-40

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 $1'' = 100'$

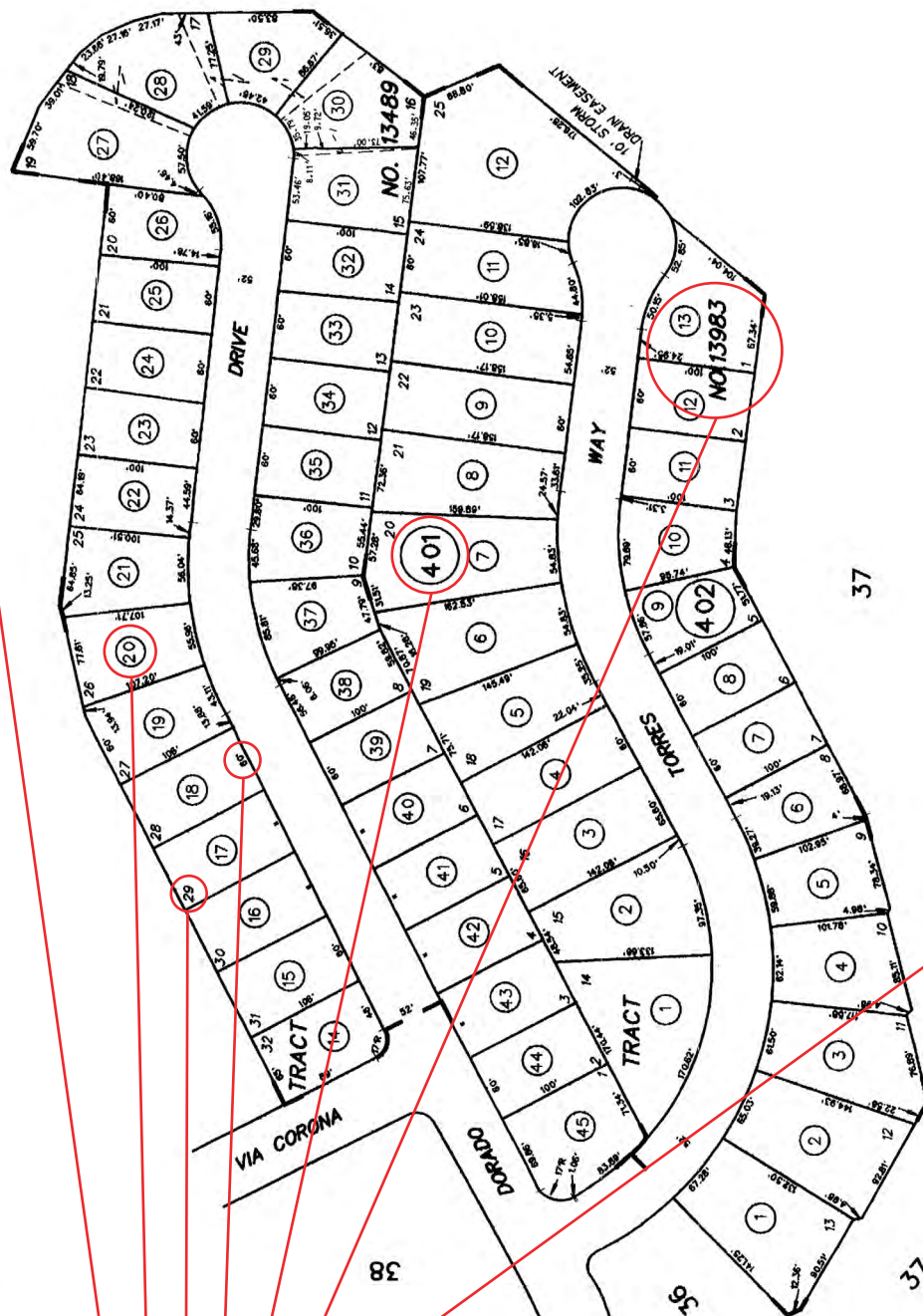
42

TRACT NO. 13983
TRACT NO. 13489

M.M. 667-28,29,30
M.M. 717-8,9,10

NOTE - ASSESSOR'S BLOCK &
PARCEL NUMBERS
SHOWN IN CIRCLES

ASSESSOR'S MAP
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COUNTY OF ORANGE





HOW TO READ A PRELIMINARY REPORT



NOTES





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