

Policy of Title Insurance

ISSUED BY

First American Title Insurance Company

EAGLE Protection Loan Policy

ONE-TO-FOUR FAMILY RESIDENCE

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, First American Title Insurance Company, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A (and, to the extent expressly stated below, after Date of Policy), against loss or damage, not exceeding one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, sustained or incurred by the Insured by reason of any of the following Covered Risks:

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 the title;
3. Unmarketability of the title;
4. Lack of both actual pedestrian and vehicular access to and from the Land based on a legal right;
5. The invalidity or unenforceability of the lien of the Insured Mortgage upon the title;
6. The priority of any lien or encumbrance over the lien of the Insured Mortgage;
7. Real property taxes and assessments of any governmental authority due or payable at Date of Policy have not been paid.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance of proceeds of the loan secured by the Insured Mortgage, which at Date of Policy the Insured has made or is legally obligated to make, over:
 - (a) Any defect in or lien or encumbrance on the title attaching or created before, on or after Date of Policy;
 - (b) Any defect in or lien or encumbrance on the title attaching or created subsequent to Date of Policy and prior to the recording of the Insured Mortgage in the Public Records;
 - (c) Any statutory lien for services, labor or material, arising before, on or after Date of Policy, from an improvement or work related to the Land which was contracted for or commenced before, on or after Date of Policy;
 - (d) Any environmental protection lien that comes into existence before, on or after Date of Policy pursuant to any federal statute in effect at Date of Policy; and
 - (e) Any assessment for street improvements under construction or completed at Date of Policy.
9. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, and the failure of any assignment shown in Schedule A to vest title to the Insured Mortgage in the named assignee free and clear of all liens;
10. The failure of the Land to have the street address shown in Schedule A;
11. The failure of the Land to be improved with a one-to-four family residential structure or, if stated in the description of the Land covered by this policy, a residential condominium unit;
12. The failure of the Land to be zoned to permit a one-to-four family residential structure or, if stated in the description of the Land covered by this policy, a residential condominium unit;
13. The forced removal, modification or replacement of any existing one-to-four family residential structure or residential condominium unit located on the Land resulting from the violation of any of the following requirements of any applicable zoning ordinance: Area or dimensions of the Land as a building site; floor space area of the structure; height of the structure; or distance of the structure from the boundary lines of the Land;
14. The failure of the Land to be a lawfully created one-to-four family residential parcel according to state statutes governing subdivision of land and local ordinances adopted pursuant thereto;
15. The assessment or taxation of the Land by governmental authority as part of a larger parcel.
16. The failure of the existing one-to-four family residential structure or residential condominium unit or any portion thereof or a future modification or replacement thereof to have been constructed with a valid building permit from the appropriate local government issuing office or agency;
17. Any violation, variation, or adverse circumstance affecting the title that would have been disclosed by an accurate survey, not otherwise covered by the terms of this policy.
18. The inability to use the existing one-to-four family residential structure or residential condominium unit or any portion thereof or a future modification or replacement thereof for one-to-four family residential purposes because that use violates a restriction shown in Schedule B;
19. The encroachment onto the Land of an improvement constructed after Date of Policy;
20. Encroachment of improvements constructed on the Land after Date of Policy onto adjoining property or over any easement or building setback line on the Land.
21. Damage to improvements, lawns, shrubbery or trees constructed or planted on the Land before, on or after Date of Policy resulting from the future exercise of any right to use the surface of the Land for the extraction or development of minerals, water or any other substance;

22. Forgery after Date of Policy of
 - (a) any instrument purporting to subordinate, assign, release or reconvey the Insured Mortgage; and
 - (b) any instrument purporting to convey or encumber the title to the estate or interest acquired by the Insured;
23. The invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances made or changes in the rate of interest charged subsequent to any modification of the terms of the Insured Mortgage made after Date of Policy which are, by the terms of the Insured Mortgage as modified, secured thereby;
24. Damage to improvements, lawns, shrubbery or trees constructed or planted on the Land before, on or after Date of Policy occasioned by the exercise of the right to use or maintain any easement referred to in Schedule B.
25. Interference with the use for one-to-four family residential purposes of the improvements constructed on the Land before, on or after Date of Policy occasioned by the exercise of the right to use or maintain any easement referred to in Schedule B.
26. Supplemental real estate taxes, including those caused by construction or a change of ownership or use that occurred before Date of Policy, not previously assessed against the Land for any period before Date of Policy.
27. The invalidity or unenforceability of the lien of the Insured Mortgage upon the title based upon a violation of the usury laws of the state where the Land is located if no other Mortgage is shown as an exception in Schedule B.
28. The failure of the map, if any, attached to this policy to show the correct location and dimensions of the Land according to the Public Records.

Unless stated to the contrary in Schedule B, the Company incorporates the following American Land Title Association endorsements into this policy by this reference as if these endorsements had been attached hereto:

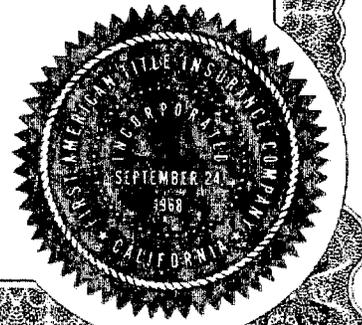
- (a) ALTA Form 4 (Condominium), if a condominium unit is referred to in the description of the Land in Schedule A;
- (b) ALTA Form 5 (Planned Unit Development);
- (c) ALTA Form 6 (Variable Rate Mortgage);
- (d) ALTA Form 6.2 (Variable Rate Mortgage—Negative Amortization); and
- (e) ALTA Form 8.1 (Environmental Protection Lien) subject to the statutes, if any, shown in Schedule B specifically for this endorsement.
- (f) ALTA Form 9 (Restrictions, Encroachments, Minerals).

The Company will also pay the costs, attorneys' fees and expenses incurred in the defense of the title or the lien of the Insured Mortgage, as insured, but only to the extent provided in the Conditions and Stipulations.

First American Title Insurance Company

By: _____
President

By: _____
Secretary



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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 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 or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 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(e) 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.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "Insured": the Insured named in Schedule A. The term "Insured" also includes:

- (i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the Land);
 - (ii) any governmental agency or governmental instrumentality which is an insurer or guarantor under an insurance contract or guaranty insuring or guaranteeing the indebtedness secured by the Insured Mortgage, or any part thereof, whether named as an Insured herein or not;
 - (iii) the parties designated in Section 2(a) of these Conditions and Stipulations.
- (b) "Insured Claimant": an Insured claiming loss or damage.
- (c) "Knowledge" or "Known": actual knowledge, not constructive knowledge or notice which may be imputed to an Insured by reason of the Public Records as defined in this policy or any other records which impart constructive notice of matters affecting the Land.
- (d) "Land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "Land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the Land is insured by this policy.
- (e) "Mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (f) "Public Records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Section 1(a)(iv) of the Exclusions From Coverage, "Public Records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the Land is located.
- (g) "Unmarketability of the title": an alleged or apparent matter affecting the title to the Land, not excluded or excepted from coverage, which would enable a purchaser of the estate or interest described in Schedule A or the Insured Mortgage to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE.

- (a) After Acquisition of Title. The coverage of this policy shall continue in force as of Date of Policy in favor of (i) an Insured who acquires all or any part of the estate or interest in the Land by foreclosure, trustee's sale, conveyance in lieu of foreclosure, or other legal manner which discharges the lien of the Insured Mortgage; (ii) a transferee of the estate or interest so acquired from an Insured corporation, provided the transferee is the parent or wholly-owned subsidiary of the Insured corporation, and their corporate successors by operation of law and not by purchase, subject to any rights or defenses the Company may have against any predecessor Insureds; and (iii) any governmental agency or governmental instrumentality which acquires all or any part of the estate or interest pursuant to a contract of insurance or guaranty insuring or guaranteeing the indebtedness secured by the Insured Mortgage.
- (b) After Conveyance of Title. The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured only so long as the Insured retains an estate or interest in the Land, or holds an indebtedness secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of covenants of warranty made by the Insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an indebtedness secured by a purchase money Mortgage given to the Insured.
- (c) Amount of insurance. The amount of insurance after the acquisition or after the conveyance shall in neither event exceed the least of:
 - (i) one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A;
 - (ii) the amount of the principal of the indebtedness secured by the Insured Mortgage, at the time of acquisition of the estate or interest, interest thereon, expenses of foreclosure, amounts advanced pursuant to the Insured Mortgage to assure compliance with laws or to protect the lien of the Insured Mortgage prior to the time of acquisition of the estate or interest in the Land and secured thereby and reasonable amounts expended to prevent deterioration of improvements, but reduced by the amount of all payments made; or
 - (iii) the amount paid by any governmental agency or governmental instrumentality, if the agency or instrumentality is the Insured Claimant, in the acquisition of the estate or interest in satisfaction of its insurance contract or guaranty.

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3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case Knowledge shall come to an Insured hereunder of any claim that might cause loss or damage for which the Company may be liable by virtue of this policy or (iii) if title to the estate or interest or the lien of the Insured Mortgage, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the Insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall, in no case prejudice the rights of any Insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

- (a) Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim adverse to the Insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the Insured in the defense of those causes of action which allege matters not insured against by this policy.
- (b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.
- (c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.
- (d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the lien of the Insured Mortgage, as insured or to prevent or reduce loss to the Insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the Insured Claimant shall be furnished to the Company within 90 days after the Insured Claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Insured Claimant to provide the required proof of loss or damage, the Company's obligations to the Insured under this policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the Insured Claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the

Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following options:

- (a) To Pay or Tender Payment of One Hundred Twenty-Five percent (125%) of the Amount of Insurance or to purchase the indebtedness.
 - (i) to pay or tender payment of one hundred twenty-five percent (125%) of the Amount of Insurance under this policy together with any costs, attorneys' fees and expenses incurred by the Insured Claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or
 - (ii) to purchase the indebtedness secured by the Insured Mortgage for the amount owing thereon together with any costs, attorneys' fees and expenses incurred by Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign, and convey the indebtedness and the Insured Mortgage, together with any collateral security, to the Company upon payment therefore.

Upon the exercise by the Company of either of the options provided for in paragraphs (a)(i) or (ii), all liability and obligations to the Insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

- (b) To pay or otherwise settle with parties other than the Insured or with the Insured Claimant.
 - (i) to pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or
 - (ii) to pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION AND EXTENT OF LIABILITY.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

- (a) The liability of the Company under this policy shall not exceed the least of:
 - (i) one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, or, if applicable, the amount of insurance as defined in Section 2(c) of these Conditions and Stipulations.
 - (ii) the amount of the unpaid principal indebtedness secured by the Insured Mortgage as limited or provided under Section 8 of these Conditions and Stipulations or as reduced under Section 9 of these Conditions and Stipulations at the time the loss or damage insured against by this policy occurs, together with interest thereon; or
 - (iii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien, encumbrance or other matter insured against by this policy; provided, however, that this Section 7(a)(iii) shall not apply when the defect, lien, encumbrance or other matter insured against by this policy results in a total failure of the lien of the Insured Mortgage to attach to the insured estate or interest.
- (b) In the event the Insured has acquired the estate or interest in the manner described in Section 2(a) of these Conditions and Stipulations or has conveyed the title, then the liability of the Company shall continue as set forth in Section 7(a) of these Conditions and Stipulations.
- (c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

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8. LIMITATION OF LIABILITY.

- (a) If the Company establishes the title, or removes the alleged defect, lien, encumbrance, or other matter, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketability of the title, or otherwise establishes the lien of the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title or interest of the Insured or to the lien of the Insured Mortgage, as insured.
- (c) The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.
- (d) The Company shall not be liable for: (i) any indebtedness created subsequent to Date of Policy except for advances covered under Covered Risk 23 and those made to protect the lien of the Insured Mortgage and secured thereby and reasonable amounts expended to prevent deterioration of improvements; or (ii) construction loan advances made subsequent to Date of Policy, except construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land which at Date of Policy were secured by the Insured Mortgage and which the Insured was and continued to be obligated to advance at and after Date of Policy.

9. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

- (a) All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of insurance pro tanto. However, any payments made prior to the acquisition of title to the estate or interest as provided in Section 2(a) of these Conditions and Stipulations shall not reduce pro tanto the amount of insurance afforded under this policy except to the extent that the payments reduce the amount of indebtedness secured by the Insured Mortgage.
- (b) Payment in part by any person of the principal of the indebtedness, or any other obligation secured by the Insured Mortgage, or any voluntary partial satisfaction or release of the Insured Mortgage, to the extent of the payment, satisfaction or release, shall reduce the amount of insurance pro tanto. The amount of insurance may thereafter be increased by accruing interest and advances made pursuant to the terms of the Insured Mortgage and secured thereby, with interest thereon, provided in no event shall the amount of insurance be greater than one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A.
- (c) Payment in full by any person or the voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2(a) and Section 9(b) of these Conditions and Stipulations.

10. LIABILITY NONCUMULATIVE.

If the Insured acquires title to the estate or interest in satisfaction of the indebtedness secured by the Insured Mortgage, or any part thereof, it is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is hereafter executed by an Insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy.

11. PAYMENT OF LOSS.

- (a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.
- (b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

12. SUBROGATION UPON PAYMENT OR SETTLEMENT.

- (a) **The Company's Right of Subrogation.** Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the Insured Claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the Insured Claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the Insured Claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Insured Claimant shall permit the Company to sue,

compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights or remedies. If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall be subrogated to all rights and remedies of the Insured Claimant after the Insured Claimant shall have recovered its principal, interest, and costs of collection.

- (b) **The Insured's Rights and Limitations.** Notwithstanding the foregoing, the owner of the indebtedness secured by the Insured Mortgage, provided the priority of the lien of the Insured Mortgage or its enforceability is not affected, may release or substitute the personal liability of any debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the estate or interest from the lien of the Insured Mortgage, or release any collateral security for the indebtedness. When the permitted acts of the Insured Claimant occur and the Insured has Knowledge of any claim of title or interest adverse to the title to the estate or interest or the priority or enforceability of the lien of the Insured Mortgage, as insured, the Company shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

- (c) **The Company's Rights Against Non-Insured Obligors.** The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the Insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(a)(ii) of these Conditions and Stipulations) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond and the obligor will not be an Insured under this policy, notwithstanding Section 1(a)(i) of these Conditions and Stipulations.

13. ARBITRATION.

Unless prohibited by applicable law, either the Company or the Insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the Insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the Land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the Land shall apply to an arbitration under the Title Insurance Arbitration Rules. A copy of the Rules may be obtained from the Company upon request.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

- (a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the lien of the Insured Mortgage or of any other matters insured against by this policy or by any action asserting such claim, shall be restricted to this policy.
- (c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

15. SEVERABILITY.

In the event any provision of this policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

16. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at: 1 First American Way, Santa Ana, California 92707, or to the office which issued this policy.

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SHORT FORM EXPANDED COVERAGE RESIDENTIAL LOAN POLICY
ONE-TO-FOUR FAMILY

Issued by
Blank Title Insurance Company

SCHEDULE A

Policy Number: _____ Loan Number: _____
[File Number: _____]
Amount of Insurance: \$ _____ [Premium: \$ _____]

Mortgage Amount: _____ Mortgage Date: _____

Date of Policy: _____ a.m./p.m. or the date of recording of the insured mortgage, whichever is later

Name of Insured: _____

Name of Borrower(s): _____

Street Address: _____
County and State: _____

The estate or interest in the land identified in this Schedule A and which is encumbered by the insured mortgage is fee simple and is, at Date of Policy, vested in the borrower(s) shown in the insured mortgage and named above.

The land referred to in this policy is described as set forth in the insured mortgage.

This policy consists of [one] page(s), [including the reverse side hereof,] unless an addendum is attached and indicated below:

____ Addendum attached

[The following state statutes are made part of Schedule B, relating to the ALTA 8.1 Environmental Protection Lien Endorsement: _____]

[Witness clause optional]

BLANK TITLE INSURANCE COMPANY

BY: _____
PRESIDENT

BY: _____
SECRETARY

[bracketed material optional—alternative paragraphs: one must be used]

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SUBJECT TO THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B BELOW, AND ANY ADDENDUM ATTACHED HERETO, BLANK TITLE INSURANCE COMPANY, A _____ CORPORATION, HEREIN CALLED THE "COMPANY," HEREBY INSURES THE INSURED IN ACCORDANCE WITH AND SUBJECT TO THE TERMS, EXCLUSIONS, CONDITIONS AND STIPULATIONS SET FORTH IN THE AMERICAN LAND TITLE ASSOCIATION EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10-__-01), ALL OF WHICH ARE INCORPORATED HEREIN. ALL REFERENCES TO SCHEDULES A AND B SHALL REFER TO SCHEDULES A AND B OF THIS POLICY.

SCHEDULE B

EXCEPTIONS FROM COVERAGE

Except to the extent of the coverage provided in the Endorsements listed after item 27 [28] of COVERED RISKS, 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. Those taxes and special assessments, which become due or payable subsequent to Date of Policy. (This does not limit the coverage provided in items 8 (e) or 26 of COVERED RISKS)
2. Covenants, conditions and restrictions, if any, appearing in the public records. (This does not limit the coverage provided in items 5, 6, 8(b), or 23 of COVERED RISKS)
3. Any easements or servitudes appearing in the public records. (This does not limit the coverage provided in item 8(b) of COVERED RISKS)
4. Any lease, grant, exception or reservation of minerals or mineral rights appearing in the public records. (This does not limit the coverage provided in item 8(b) or 21 of COVERED RISKS)

NOTICES, WHERE SENT: All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at

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*First American
Title Insurance Company*

1963 ALTA U.S. POLICY FORM (REVISED 1966)

POLICY OF TITLE INSURANCE

Issued by

First American Title Insurance Company

Policy Number Amount

\$ _____

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, for a valuable consideration

HEREBY INSURES

THE UNITED STATES OF AMERICA

hereinafter called the Insured, against loss or damage not exceeding _____ Dollars, together with costs and expenses which the Company may become obligated to pay as provided in the Conditions and Stipulations hereof, which the Insured shall sustain by reason of:

any defect in or lien or encumbrance on the title to the estate or interest covered hereby in the land described or referred to in Schedule A, existing at the date hereof, not shown or referred to in Schedule B or excluded from coverage by the General Exceptions;

all subject, however, to the provisions of Schedules A and B and to the General Exceptions and to the Conditions and Stipulations hereto annexed; all as of the _____ day of _____, 19____, the effective date of this policy.

In Witness Whereof, First American Title Insurance Company has caused its corporate name and seal to be hereunto affixed by its duly authorized officers.

First American Title Insurance Company

1. CEDER'S CESSION AND WARRANTY

BY: _____

PRESIDENT

ATTEST: _____

ASSISTANT SECRETARY

American Land Title Association

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U.S. Policy Form

Copyright 1963

Revised 1966

GENERAL EXCEPTIONS

1. GOVERNMENTAL POWERS

Because of limitations imposed by law on ownership and use of property, or which arise from governmental powers, this policy does not insure against:

- a. consequences of the future exercise or enforcement or attempted exercise or enforcement of policy power, bankruptcy power, or power of eminent domain, under any existing or future law or governmental regulation;
- b. consequences of any law, ordinance or governmental regulation, now or hereafter in force, (including building and zoning ordinances) limiting or regulating the use or enjoyment of the property, estate or interest described in this policy, or the character, size, use or location of any improvement now or hereafter erected on said property.

2. MATTERS NOT OF RECORD

The following matters which are not of record at the date of this policy are not insured against:

- a. rights or claims of parties in possession not shown of record;
- b. questions of survey;
- c. easements, claims or easement or mechanics' liens where no notice thereof appears of record; and
- d. conveyances, agreements, defects, liens or encumbrances, if any, where no notice thereof appears of record; provided, however, the provisions of this subparagraph 2(d) shall not apply if title to said estate or interest is vested in the United States of America on the date hereof.

3. MATTERS SUBSEQUENT TO DATE OF POLICY

This policy does not insure against loss or damage by reason of defects, liens or encumbrances created subsequent to the date hereof.

4. REFUSAL TO PURCHASE

This policy does not insure against loss or damage by reason of the refusal of any person to purchase, lease or lend money on the property, estate or interest described in Schedule A.

CONDITIONS AND STIPULATIONS

1. NOTICE OF ACTIONS

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If any action or proceeding shall be begun or defense asserted which may result in an adverse judgment or decree resulting in a loss for which this Company is liable under this policy, notice in writing of such action or proceeding or defense shall be given by the Attorney General to this Company within 90 days after notice of such action or proceeding or defense has been received by the Attorney General; and upon failure to give such notice then all liability of this Company with respect to the defect, claim, lien or encumbrance asserted or enforced in such action or proceeding shall terminate. Failure to give notice, however, shall not prejudice the rights of the party insured, (1) if the party insured shall not be a party to such action or proceeding, or (2) if such party, being a party to such action or proceeding be neither served with summons therein nor have actual notice of such action of proceeding, or (3) if this Company shall not be prejudiced by failure of the Attorney General to give such notice.

2. NOTICE OF WRITS

In case knowledge shall come to the Attorney General of the issuance or service of any writ of execution, attachment or other process to enforce any judgment, order or decree adversely affecting the title, estate or interest insured said party shall notify this Company thereof in writing within 90 days from the date of such knowledge; and upon a failure to do so, then all liability of this Company in consequence of such judgment, order or decree or matter thereby adjudicated shall terminate unless this Company shall not be prejudiced by reason of such failure to notify.

3. DEFENSE OF CLAIMS

This Company agrees, but only at the election and request of the Attorney General of the United States, to defend at its own cost and expense the title, estate or interest hereby insured in all actions or other proceedings which are founded upon or in which it is asserted by way of defense, a defect, claim, lien or encumbrance against which this policy insures, provided, however, that the request to defend is given within sufficient time to permit the Company to answer or otherwise participate in the proceeding. If any action or proceeding shall be begun or defense be asserted in any action or proceeding affecting or relating to the title, estate or interest hereby insured and the Attorney General elects to defend at the Government's expense, the Company shall upon request, cooperate and render all reasonable assistance in the prosecution or defense of such proceeding and in prosecuting appeals.

If the Attorney General shall fail to request and permit the Company to defend, then all liability of the Company with respect to the defect, claim, lien or encumbrance asserted in such action or proceeding shall terminate; provided, however, that if the Attorney General shall give the Company timely notice of all proceedings and an opportunity to suggest such defenses and actions as it shall conceive should be taken and the Attorney General shall present the defenses and take the actions of which the Company shall advise him in writing, then the liability of the Company shall continue; but in any event the Company shall permit the Attorney General without cost or expense to use the information and facilities of the Company for all purposes which he thinks necessary or incidental to the defending of any such action or proceeding or any claim asserted by way of defense therein and to the prosecuting of an appeal.

4. COMPROMISE OF ADVERSE CLAIMS

Any compromise, settlement or discharge by the United States of its duly authorized representative of an adverse claim, without the consent of this Company shall bar any claim against the Company hereunder. Provided, however, that the Attorney General may at his election submit to the issuing company for approval or disapproval any proposed compromise, settlement or discharge of any adverse claim and in



the event of the consent of the issuing company to the proposed compromise, settlement or discharge it shall be liable for the payment of the full amount paid.

5. STATEMENT OF LOSS

A statement in writing of any loss or damage sustained by the party insured, and for which it is claimed this Company is liable under this policy, shall be furnished by the Attorney General to this Company within 90 days after said party has notice of such loss or damage and no right of action shall accrue under this policy until 30 days after such statement shall have been furnished. No recovery shall be had under this policy unless suit be brought thereon within one year after said period of 30 days. Failure to furnish such statement of loss or to bring such suit within the times specified shall not affect the Company's liability under this policy unless this Company has been prejudiced by reason of such failure to furnish a statement of loss or to bring such suit.

6. POLICY REDUCED BY PAYMENTS OF LOSS

All payments of loss under this policy shall reduce the amount of this policy pro tanto.

7. AMENDMENT OF POLICY

No provision or condition of this policy can be waived or changed except by writing endorsed hereon or attached hereto signed by the President, a Vice President, the Secretary, an Assistant Secretary or other validating officer of the Company.

8. NOTICES, WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall be addressed to it at its main office at 114 East Fifth Street, Santa Ana, California, 92701, or to the office which issued this policy.

American Land Title Association

Ceder, to induce Reinsurer to accept the offer of reinsurance, represents and warrants that Ceder has made disclosure of (a) the Policy being reinsured, and (b) any extrahazardous risk of which Ceder has actual knowledge. Ceder shall immediately upon issuance of the Policy forward a conformed copy to Reinsurer and pay its premium for reinsurance.

U.S. Policy Form, 1963

Form 1037-1 (1/66)

SCHEDULE A

1. The estate or interest in the land described or referred to in this schedule covered by this policy is:
2. Title to the estate or interest covered by this policy at the date hereof is vested in:
3. The land referred to in this policy is situated in the County of _____, State of _____

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*First American
Title Insurance Company*

_____, and is described as follows:

American Land Title Association

U.S. Policy Form, 1963

Form 1037-2 (1/66)

SCHEDULE B

This policy does not insure against loss or damage by reason of the following:

1. Current and delinquent taxes and assessments as follows:

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1963 ALTA U.S. POLICY DATE-DOWN ENDORSEMENT

ENDORSEMENT

ENDORSEMENT

Attached to Policy No.

Attached to Policy No.

Issued by

Issued by

First American Title Insurance Company

First American Title Insurance Company

1. Schedule A of the above policy is hereby amended in the following particulars:

a. Paragraph 1 of Schedule A is hereby deleted and the following is substituted:

1. The estate or interest in the land described or referred to in this Schedule covered by this policy is:

b. Paragraph 2 of Schedule A is hereby deleted and the following is substituted:

2. Title to the estate or interest covered by this policy at the date hereof is vested:

THE UNITED STATES OF AMERICA

c. Paragraph 3 of Schedule A is hereby deleted and the following is substituted:

3. The land referred to in this policy is situated in the County of _____, and is described as follows:

2. Schedule B of the above policy is hereby amended in the following particulars:

3. Subparagraph 2(d) of the General Exceptions of the above policy is hereby deleted.

4. The effective date of the above policy is hereby extended to _____.

The total liability of the Company under said policy and this endorsement thereto shall not exceed, in the aggregate, the sum of \$ _____ and costs which the Company is obligated under the Conditions and Stipulations thereof to pay.

This endorsement is made a part of said policy and is subject to the Schedules, General Exceptions and the Conditions and Stipulations therein, except as modified by the provisions hereof.

First American Title Insurance Company

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*First American
Title Insurance Company*

By _____

President

By _____

Assistant Secretary

ALTA - U.S. POLICY

Date down Endorsement - 1963

Form No. 1237 (4/66)

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Policy of Title Insurance

ISSUED BY

First American Title Insurance Company
a California Corporation

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE CONDITIONS AND THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A (or, to the extent expressly stated below, after Date of Policy), against actual loss or damage, not exceeding one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, sustained or incurred by the Insured by reason of:

COVERED RISKS

1. Title to or registered ownership of the Manufactured Home being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title.
3. Unmarketability of the Title.
4. Forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation affecting the Title.
5. Unauthorized transfers or conveyances of the Title by any person, corporation, partnership, trust, limited liability company or other legal entity.
6. The invalidity of any document upon which the Title is based because it was not properly executed, sealed, acknowledged, notarized, delivered, filed or registered.
7. The invalidity of any document upon which the Title is based because it was executed under a falsified, expired or otherwise invalid power of attorney.
8. The invalidity of any conveyance or transfer of the Title because it was derived through a defective judicial or administrative proceeding.
9. The invalidity of any conveyance or transfer of the Title derived through a decedent's estate.
10. Estate or inheritance tax liens on the Title.
11. The invalidity or unenforceability of the lien of the Insured Security Interest upon the Title for any reason including, but not limited to:
 - (a) Invalid execution of the Insured Security Interest because of forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation; and
 - (b) Unauthorized execution of the Insured Security Interest by any person, corporation, partnership, trust, limited liability company or other legal entity or under a falsified, expired or otherwise invalid power of attorney.

12. The priority of any lien or encumbrance over the lien of the Insured Security Interest.
13. The invalidity or unenforceability of any assignment of the Insured Security Interest, provided the assignment is shown in Schedule A.
14. The failure of any assignment shown in Schedule A to vest title to the Insured Security Interest in the named Insured assignee free and clear of all liens.
15. Forgery, after Date of Policy, of any assignment, release, termination, or satisfaction of the Insured Security Interest.
16. In the event the Insured has acquired the Title in the manner described in Section 2(a) of the Conditions and has not conveyed the Title, forgery of any instrument by which another claims the Title has been conveyed after Date of Policy.
17. Any right or interest first appearing in the Public Records after Date of Policy but before the registration in the Public Records of the Insured Security Interest.

DEFENSE OF ACTIONS

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the Title or the lien of the Insured Security Interest, as insured, but only to the extent provided in the Conditions.

First American Title Insurance Company

By: *Gary L. Keruett*
President

By: *Mark A. Anderson*
Secretary



464 ML 201589

Policy of Title Insurance

ISSUED BY

First American Title Insurance Company
a California Corporation

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE CONDITIONS AND THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A (or, to the extent expressly stated below, after Date of Policy), against actual loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the Insured by reason of:

- 15. Any right or interest first appearing in the Public Records after the Date of Policy but before the registration in the Public Records of the instrument transferring the Title to the Insured.
- 16. You are forced to move your Manufactured Home because it encroaches onto your neighbor's land.
- 17. You are forced to move your Manufactured Home because it encroaches onto an easement, right of way or building setback line.

COVERED RISKS

- 1. Title to or registered ownership of the Manufactured Home being vested other than as stated in Schedule A.
- 2. Any defect in or lien or encumbrance on the Title.
- 3. Unmarketability of the Title.
- 4. Forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation affecting the Title.
- 5. Unauthorized transfers or conveyances of the Title by any person, corporation, partnership, trust, limited liability company or other legal entity.
- 6. The invalidity of any document upon which the Title is based because it was not properly executed, sealed, acknowledged, notarized, delivered, filed or registered.
- 7. The invalidity of any document upon which the Title is based because it was executed under a falsified, expired or otherwise invalid power of attorney.
- 8. The invalidity of any conveyance or transfer of the Title because it was derived through a defective judicial or administrative proceeding.
- 9. The invalidity of any conveyance or transfer of the Title derived through a decedent's estate.
- 10. Estate or inheritance tax liens on the Title.
- 11. Forgery, after Date of Policy, of any document or instrument by which a third party claims to own an interest in or have a lien on the Title.
- 12. Federal or state tax liens which do not appear in the Public Records.
- 13. Liens on the Title, arising now or later, for services, labor or material furnished before Date of Policy.
- 14. Others having rights arising out of leases, contracts, or options.

DEFENSE OF ACTIONS

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the Title, as insured, but only to the extent provided in the Conditions.

First American Title Insurance Company

By: *Gary L. Keruott*
President

By: *Mark R. Anderson*
Secretary



465 MO 109317

FORM 8700 EAGLE (7/02)
CLTA Homeowner's Policy of Title Insurance (6/2/98)
ALTA Homeowner's Policy of Title Insurance (10/17/98)
EagleEDGE™ Added

EagleEDGE™

EAGLE Protection™ Owner's Title Insurance Policy

FOR A ONE-TO-FOUR FAMILY RESIDENCE

ISSUED BY

First American Title Insurance Company

OWNER'S COVERAGE STATEMENT

Upon payment of the Premium shown in Schedule "A" of this Policy, this Policy insures You against actual loss, including any costs, attorneys' fees and expenses provided under this Policy, resulting from the Covered Risks set forth below, if the Land is an improved residential lot on which there is located a one-to-four family residence. Your insurance is effective on the Policy Date. This Policy covers Your actual loss from any risk described under Covered Risks if the event creating the risk exists on the Policy Date or, to the extent expressly stated, after the Policy Date.

Your insurance is limited by all of the following:

- The Policy Amount shown in Schedule A
- For Covered Risk 14, 15, 16 and 18 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A
- Exceptions in Schedule B
- Our Duty To Defend Against Legal Actions on page 2
- Exclusions on pages 2 and 3.
- Conditions on page 3 and 4.

SELLER'S ASSIGNMENT OF POLICY

This Policy is hereby assigned to:

Buyer: _____

Address: _____

When the Seller and We execute this Assignment, the Buyer shown above becomes an Insured under the Policy.

Seller

Date and Time of Assignment

Seller

Countersignature:

First American Title Insurance Company

By: _____

Authorized Signatory

This Assignment can be made only if the Land is sold within five years of the Policy Date shown on Schedule A, and in accordance with the Seller's Assignment of Policy provisions of paragraph 8 of the Conditions on page 4 of this Policy. Read those provisions carefully.

First American Title Insurance Company

By: *Gary D. Stewart*
President

By: *Mark B. Anderson*
Secretary



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COVERED RISKS

The Covered Risks are:

1. Someone else owns an interest in Your Title.
2. Someone else has rights affecting Your Title arising out of leases, contracts, or options.
3. Someone else claims to have rights affecting Your Title arising out of forgery or impersonation.
4. Someone else has an easement on the Land.
5. Someone else has a right to limit Your use of the Land.
6. Your Title is defective.
7. Any of Covered Risks 1 through 6 occurring after the Policy Date.
8. Someone else has a lien on Your Title, including a:
 - a. Mortgage;
 - b. judgment, state or federal tax lien, or special assessment;
 - c. charge by a homeowner's or condominium association; or
 - d. lien, occurring before or after the Policy Date, for labor and material furnished before the Policy Date.
9. Someone else has an encumbrance on Your Title.
10. Someone else claims to have rights affecting Your Title arising out of fraud, duress, incompetency or incapacity.
11. You do not have both actual vehicular and pedestrian access to and from the Land, based upon a legal right.
12. You are forced to correct or remove an existing violation of any covenant, condition or restriction affecting the Land, even if the covenant, condition or restriction is excepted in Schedule B.
13. Your Title is lost or taken because of a violation of any covenant, condition or restriction, which occurred before You acquired Your Title, even if the covenant, condition or restriction is excepted in Schedule B.
14. Because of an existing violation of a subdivision law or regulation affecting the Land:
 - a. You are unable to obtain a building permit;
 - b. You are forced to correct or remove the violation; or
 - c. someone else has a legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.The amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
15. You are forced to remove or remedy Your existing structures, or any part of them—other than boundary walls or fences—because any portion was built without obtaining a building permit from the proper government office. The amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
16. You are forced to remove or remedy Your existing structures, or any part of them, because they violate an existing zoning law or zoning regulation. If You are required to remedy any portion of Your existing structures, the amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
17. You cannot use the Land because use as a single-family residence violates an existing zoning law or zoning regulation.
18. You are forced to remove Your existing structures because they encroach onto Your neighbor's Land. If the encroaching structures are boundary walls or fences, the amount of Your insurance for this Covered Risk is subject to Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
19. Someone else has a legal right to, and does, refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it because Your neighbor's existing structures encroach onto the Land.
20. You are forced to remove Your existing structures because they encroach onto an easement or over a building set-back line, even if the easement or building set-back line is excepted in Schedule B.
21. Your existing structures are damaged because of the exercise of a right to maintain or use any easement affecting the Land, even if the easement is excepted in Schedule B.

22. Your existing improvements (or a replacement or modification made to them after the Policy Date), including lawns, shrubbery or trees, are damaged because of the future exercise of a right to use the surface of the Land for the extraction or development of minerals, water or any other substance, even if those rights are excepted or reserved from the description of the Land or excepted in Schedule B.
23. Someone else tries to enforce a discriminatory covenant, condition or restriction that they claim affects Your Title which is based upon race, color, religion, sex, handicap, familial status, or national origin.
24. A taxing authority assesses supplemental real estate taxes not previously assessed against the Land for any period before the Policy Date because of construction or a change of ownership or use that occurred before the Policy Date.
25. Your neighbor builds any structures after the Policy Date—other than boundary walls or fences—which encroach onto the Land.
26. Your Title is unmarketable, which allows someone else to refuse to perform a contract to purchase the Land, lease it or make a Mortgage loan on it.
27. A document upon which Your Title is based is invalid because it was not properly signed, sealed, acknowledged, delivered or recorded.
28. The residence with the address shown in Schedule A is not located on the Land at the Policy Date.
29. The map, if any, attached to this Policy does not show the correct location of the Land according to the Public Records.

OUR DUTY TO DEFEND AGAINST LEGAL ACTIONS

We will defend Your Title in any legal action only as to that part of the action which is based on a Covered Risk and which is not excepted or excluded from coverage in this Policy. We will pay the costs, attorneys' fees, and expenses We incur in that defense. We will not pay for any part of the legal action which is not based on a Covered Risk or which is excepted or excluded from coverage in this Policy. We can end Our duty to defend Your Title under paragraph 4 of the Conditions. This Policy is not complete without Schedules A and B.

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 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;

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- 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.

- (3) If You do not give Us prompt notice, Your coverage will be reduced or ended, but only to the extent Your failure affects Our ability to resolve the claim or defend You.
- b. Proof Of Your Loss
- (1) We may require You to give Us a written statement signed by You describing Your loss which includes:
 - (a) the basis of Your claim;
 - (b) the Covered Risks which resulted in Your loss;
 - (c) the dollar amount of Your loss; and
 - (d) the method You used to compute the amount of Your loss.
 - (2) We may require You to make available to Us records, checks, letters, contracts, insurance policies and other papers which relate to Your claim. We may make copies of these papers.
 - (3) We may require You to answer questions about Your claim under oath.
 - (4) If You fail or refuse to give Us a statement of loss, answer Our questions under oath, or make available to Us the papers We request, Your coverage will be reduced or ended, but only to the extent Your failure or refusal affects Our ability to resolve the claim or defend You.

CONDITIONS

1. DEFINITIONS:

- a. **"Buyer"**: the party to whom this Policy is assigned that purchased the Land from the Seller.
- b. **"Easement"**: the right of someone else to use the Land for a special purpose.
- c. **"Known"**: things about which You have actual knowledge. The words "Know" and "Knowing" have the same meaning as Known.
- d. **"Land"**: the Land or condominium unit described in paragraph 3 of Schedule A and any improvements on the Land which are real property.
- e. **"Mortgage"**: a mortgage, deed of trust, trust deed or other security instrument.
- f. **"Policy Date"**: the date and time shown in Schedule A. In the event this Policy has been assigned and an EagleEDGE™ Buyers Endorsement has been issued, the Policy Date shall be deemed to be the date and time of assignment. If the Buyer first acquires from the Seller the interest shown in Schedule A by an instrument recorded in the Public Records later than the date and time shown in the Seller's Assignment of Policy on the face page (page 1), the Policy Date is the date and time the instrument is recorded.
- g. **"Public Records"**: records that give constructive notice of matters affecting Your Title, according to the state statutes where the Land is located.
- h. **"Seller"**: the Named Insured shown in Schedule A from whom You purchased the Land.
- i. **"Title"**: the ownership of Your interest in the Land, as shown in Schedule A.
- j. **"Trust"**: a living trust established by a human being for estate planning.
- k. **"We/Our/Us"**: First American Title Insurance Company.
- l. **"You/Your"**: the insured named in Schedule A and also those identified in paragraph 2.b. of these Conditions until such time as the Policy has been assigned. After the Policy has been assigned, You/Your also includes the Buyer.

4. OUR CHOICES WHEN WE LEARN OF A CLAIM

- a. After We receive Your notice, or otherwise learn, of a claim that is covered by this Policy, Our choices include one or more of the following:
 - (1) Pay the claim.
 - (2) Negotiate a settlement.
 - (3) Bring or defend a legal action related to the claim.
 - (4) Pay You the amount required by this Policy.
 - (5) End the coverage of this Policy for the claim by paying You Your actual loss resulting from the Covered Risk, and those costs, attorneys' fees and expenses incurred up to that time which We are obligated to pay.
 - (6) End the coverage described in Covered Risk 14, 15, 16 or 18 by paying You the amount of Your insurance then in force for the particular Covered Risk, and those costs, attorneys' fees and expenses incurred up to that time which We are obligated to pay.
 - (7) End all coverage of this Policy by paying You the Policy Amount then in force and all those costs, attorneys' fees and expenses incurred up to that time which We are obligated to pay.
 - (8) Take other appropriate action.
- b. When We choose the options in paragraphs 4.a. (5), (6) or (7), all Our obligations for the claim end, including Our obligation to defend, or continue to defend, any legal action.
- c. Even if We do not think that the Policy covers the claim, We may choose one or more of the options above. By doing so, We do not give up any rights.

5. HANDLING A CLAIM OR LEGAL ACTION

- a. You must cooperate with Us in handling any claim or legal action and give Us all relevant information.
- b. If You fail or refuse to cooperate with Us, Your coverage will be reduced or ended, but only to the extent Your failure or refusal affects Our ability to resolve the claim or defend You.
- c. We are required to repay You only for those settlement costs, attorneys' fees and expenses that We approve in advance.
- d. We have the right to choose the attorney when We bring or defend a legal action on Your behalf. We can appeal any decision to the highest level. We do not have to pay Your claim until the legal action is finally decided.
- e. Whether or not We agree there is coverage, We can bring or defend a legal action, or take other appropriate action under this Policy. By doing so, We do not give up any rights.

6. LIMITATION OF OUR LIABILITY

- a. After subtracting Your Deductible Amount if it applies, We will pay no more than the least of:
 - (1) Your actual loss,

2. CONTINUATION OF COVERAGE:

- a. This Policy insures You forever, even after You no longer have Your Title. You cannot assign this Policy to anyone else except as provided in paragraph 8.
- b. This Policy also insures:
 - (1) anyone who inherits Your Title because of Your death;
 - (2) Your spouse who receives Your Title because of dissolution of Your marriage;
 - (3) the trustee or successor trustee of a Trust to whom You transfer Your Title after the Policy Date; or
 - (4) the beneficiaries of Your Trust upon Your death.
- c. We may assert against the insureds identified in paragraph 2.b. any rights and defenses that We have against any previous insured under this Policy.

3. HOW TO MAKE A CLAIM

- a. Prompt Notice Of Your Claim
 - (1) As soon as You Know of anything that might be covered by this Policy, You must notify Us promptly in writing.
 - (2) Send Your notice to First American Title Insurance Company, 1 First American Way, Santa Ana, California, 92707, Attention: Claims Department. Please include the Policy number shown in Schedule A, and the county and state where the Land is located. Please enclose a copy of Your policy, if available.

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(2) Our Maximum Dollar Limit of Liability then in force for the particular Covered Risk, for claims covered only under Covered Risk 14, 15, 16 or 18, or
(3) the Policy Amount then in force,
and any costs, attorneys' fees and expenses which We are obligated to pay under this Policy.

b. (1) If We remove the cause of the claim with reasonable diligence after receiving notice of it, all Our obligations for the claim end, including any obligation for loss You had while We were removing the cause of the claim.

(2) Regardless of 6.b. (1) above, if You cannot use the Land because of a claim covered by this Policy:

(a) You may rent a reasonably equivalent substitute residence and We will repay You for the actual rent You pay, until the earlier of:

(1) the cause of the claim is removed; or

(2) We pay You the amount required by this Policy. If Your claim is covered only under Covered Risk 14, 15, 16 or 18, that payment is the amount of Your insurance then in force for the particular Covered Risk.

(b) We will pay reasonable costs You pay to relocate any personal property You have the right to remove from the Land, including transportation of that personal property for up to twenty-five (25) miles from the Land, and repair of any damage to that personal property because of the relocation. The amount We will pay You under this paragraph is limited to the value of the personal property before You relocate it.

c. All payments We make under this Policy reduce the Policy Amount, except for costs, attorneys' fees and expenses. All payments we make for claims which are covered only under Covered Risk 14, 15, 16 or 18 also reduce Our Maximum Dollar Limit of Liability for the particular Covered Risk, except for costs, attorneys' fees and expenses.

d. If We issue, or have issued, a policy to the owner of a Mortgage on Your Title and We have not given You any coverage against the Mortgage, then:

(1) We have the right to pay any amount due You under this Policy to the owner of the Mortgage to reduce the amount of the Mortgage, and any amount paid shall be treated as a payment to You under this Policy, including under paragraph 4.a. of these Conditions;

(2) Any amount paid to the owner of the Mortgage shall be subtracted from the Policy Amount of this Policy; and

(3) If Your claim is covered only under Covered Risk 14, 15, 16 or 18, any amount paid to the owner of the Mortgage shall also be subtracted from Our Maximum Dollar Limit of Liability for the particular Covered Risk.

e. If You do anything to affect any right of recovery You may have against someone else, We can subtract from Our liability the amount by which You reduced the value of that right.

7. TRANSFER OF YOUR RIGHTS TO US

a. When We settle Your claim, We have all the rights You have against any person or property related to the claim. You must transfer these rights to Us when We ask, and You must not do anything to affect these rights. You must let Us use Your name in enforcing these rights.

b. We will not be liable to You if We do not pursue these rights or if We do not recover any amount that might be recoverable.

c. We will pay any money We collect from enforcing these rights in the following order

(1) to Us for the costs, attorneys' fees and expenses We paid to enforce these rights;

(2) to You for Your loss that You have not already collected;

(3) to Us for any money We paid out under this Policy on account of Your claim; and

(4) to You whatever is left.

d. If You have rights under contracts (such as indemnities, guaranties, bonds or other policies of insurance) to recover all or part of Your loss, then We have all of those rights, even if those contracts provide that those obligated have all of Your rights under this Policy.

8. SELLER'S ASSIGNMENT OF POLICY

On the face page (page 1) of this Policy, there is a provision for Seller's Assignment of Policy. This Assignment can be made effective only if filled out entirely and executed by the Seller and Us at the time the Land is conveyed to the Buyer. In order to exercise this one-time right of assignment, the Land must be conveyed to the Buyer within five years after the Policy Date shown on Schedule A. If the Land is not conveyed and the Assignment is not filled out entirely and executed by the Seller and Us all within five years after the Policy Date, or if the Land is conveyed but this Policy is not assigned, this Policy cannot be assigned to anyone. This Policy will then remain in effect only for the benefit of the Seller.

This Policy can be assigned only one time. It can be assigned only to the Buyer. The Buyer cannot assign this Policy to anyone. Once the Seller and We execute the Assignment, all insurance, coverage, rights and benefits of this Policy then vests in both the Seller and Buyer effective as of the Policy Date. Upon assignment of this Policy, We will issue an EagleEDGE™ Buyer's Endorsement and subject to the provisions of the Endorsement, the Policy Date becomes the date and time of the Assignment.

In order for this Policy coverage to continue to be effective for the benefit of the Buyer, the Deed vesting title to the Land in the Buyer must be recorded in the Public Records.

9. ENTIRE CONTRACT

This Policy, with any endorsements, is the entire contract between You and Us. To determine the meaning of any part of this Policy, You must read the entire Policy. Any changes to this Policy must be agreed to in writing by Us. Any claim You make against Us must be made under this Policy and is subject to its terms.

10. INCREASED POLICY AMOUNT

The Policy Amount will increase by ten percent (10%) of the Policy Amount shown in Schedule A each year for the first five years following the Policy Date shown in Schedule A, up to one hundred fifty percent (150%) of the Policy Amount shown in Schedule A. The increase each year will happen on the anniversary of the Policy Date.

11. SEVERABILITY

If any part of this Policy is held to be legally unenforceable, both You and We can still enforce the rest of this Policy.

12. ARBITRATION

a. If permitted in the state where the Land is located You or We may demand arbitration.

b. The arbitration shall be binding on both You and Us. The arbitration shall decide any matter in dispute between You and Us.

c. The arbitration award may be entered as a judgment in the proper court.

d. The arbitration shall be under the Title Insurance Arbitration Rules of the American Arbitration Association. You may choose current Rules or Rules in existence on the Policy Date.

e. The law used in the arbitration is the law of the place where the Land is located.

f. You can get a copy of the Rules from Us.

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