



Sanctity of Contract

ESCROW OFFICE:  
STEWART TITLE OF CALIFORNIA, INC  
401 Fremont Street, Suite 100  
Monterey, California 93940  
(831) 649-6912/Fax: (831) 649-6918  
[www.stewartmonterey.com](http://www.stewartmonterey.com)  
Contact: LORI AIELLO

**STEWART TITLE OF CALIFORNIA, INC.**  
PRELIMINARY REPORT

PROPERTY ADDRESS:

**SPEEGLE & MCDUGALL STREETS  
CASTROVILLE, CA**

OUR ORDER NO.: 55114345

REFERENCE NO: LOT B

In response to the above referenced application for a policy of title insurance, Stewart Title of California, Inc. hereby reports that is prepared to issue, or cause to be issued, as of the date hereof a Policy or Policies of Title Insurance describing the land at the estate or 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 in Schedule B 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 the attached list. Copies of the Policy forms should be read. They are available from the office which issued this report.

**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 written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.**

**THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED 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.**

**SCHEDULE A**

Order No.: 55114345

Dated as of: May 23, 2006 at 7:30 A.M.

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

California Land Title Association Owners Policy  
American Land Title Association Loan Policy

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

A FEE AS TO PARCEL(S) I HEREIN DESCRIBED AND EASEMENT(S)  
MORE PARTICULARLY DESCRIBED AS TO PARCEL(S) II.

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

Q'S LANDING, LLC, a California limited liability company

The land referred to in this report is situated in the State of California, County of Monterey,  
in an Unincorporated Area and is described as follows:

SEE LEGAL ATTACHMENT

## LEGAL DESCRIPTION

Order No.: 55114345

The land referred to herein is situated in the State of California, County of Monterey, Unincorporated Area described as follows:

**PARCEL I:**

LOT "B", AS SHOWN ON THAT CERTAIN MAP ENTITLED "RECORD OF SURVEY OF A LOT LINE ADJUSTMENT BETWEEN LOTS 4, 5 AND 6 AND PORTIONS OF LOTS 2 AND 3 OF BLOCK 3 - TOWN OF CASTROVILLE PER VOLUME 1 OF "CITIES AND TOWNS" AT PAGE 55", FILED ON APRIL 26, 2000, IN VOLUME 23 OF SURVEYS, AT PAGE 68, RECORDS OF MONTEREY COUNTY.

**PARCEL II:**

A NON-EXCLUSIVE EASEMENT FOR INGRESS, EGRESS, PARKING AND UTILITY PURPOSES WITHIN THAT PORTION OF LOT "A" AS DESIGNATED "MUTUAL EASEMENT FOR INGRESS, EGRESS, PARKING AND UTILITIES APPURTENANT TO LOTS 'A' AND 'B'" AS SAID LOT "A" AND MUTUAL EASEMENT ARE SHOWN ON THAT CERTAIN RECORD OF SURVEY REFERRED TO IN PARCEL I ABOVE.

A.P.N.: 030-161-014

SCHEDULE B

At the date hereof, exceptions to coverage in addition to the printed exceptions and exclusions in a Policy of Title Insurance are as follows:

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes, to be levied for the fiscal year 2006 - 2007 which are a lien not yet payable.
2. 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.
3. Premises may lie within the boundaries of the Monterey Regional Water Pollution Control Agency and may be subject to assessments and obligations therein. Verification of current status should be made prior to the close of this transaction.  
Phone No.: (831) 372-2385
4. Perpetual easement and right of way to construct, maintain, repair, operate, patrol, replace and/or remove sanitary sewer lines, as described in deed from B. Frank Sappok and Angela Sappok, to Castroville County Sanitation District of Monterey County, dated January 27, 1949, recorded March 1, 1949, in Volume 1121, Official Records of Monterey County at Pages 452 & 457. (Reference is hereby made to the record of said instrument for further particulars.)
5. An Ordinance No. 3194 by the Castroville Pajaro Redevelopment Project, County of Monterey which contains provisions for the creation of the Project, said ordinance was recorded on February 12, 1987, in Reel 2032, of Official Records of Monterey County at Page 1179.
6. Conditions contained in a Building Permit in favor of the Monterey County Planning and Building Inspection Department, executed by Gary Quattrin, E. Victor Quattrin, Pamela DeBernardi, recorded August 11, 1997, in Reel 3556, of Official Records of Monterey County at Page 223.
7. Terms and Conditions as contained in an Indemnification Agreement  
By and Between : The County of Monterey, a political  
subdivision of the State of California,  
and Gary Quattrin, E. Victor Quattrin  
and Pamela J. DeBernardi  
Recorded : November 12, 1997,  
Recorder's Series No. 9767113,  
of Official Records of Monterey County.
8. Terms and conditions as contained in a Permit Approval Notice, which states that the permit was granted subject to 39 conditions of approval which run with the land, executed by Gary Quattrin, et al., in favor of the Monterey County Planning and Building Inspection Department, recorded April 3, 2000, as  
Continued on next page

SCHEDULE "B" CONTINUED:  
Order No. 55114345

Recorder's Series No. 2000020940, of Official Records of Monterey County.

Note: Said conditions are on file with the Monterey County Planning and Building Inspection Department.

9. Terms and Conditions as contained in an Indemnification Agreement  
By and Between : The County of Monterey, a political  
subdivision of the State of California,  
and Q's Landing, LLC  
Recorded : April 26, 2000,  
Recorder's Series No. 2000026165,  
of Official Records of Monterey County.
10. An easement for water line purposes as shown on the record of  
survey filed April 26, 2000, in Volume 23 of Surveys, at Page 68.
11. An easement for the purpose shown below and rights incidental  
thereto as reserved in a document:  
Reserved by: Gary L. Quattrin and Judy M. Quattrin,  
husband and wife; et. al.  
Purpose : Ingress, egress, parking and utilities  
purposes.  
Recorded : May 4, 2000,  
Recorder's Series No. 2000028219,  
of Official Records of Monterey County.  
Affects : The area designated "Mutual Easement for  
ingress, egress, parking and utilities",  
on said Record of Survey.
12. Terms and Conditions as contained in an Agreement Imposing  
Restrictions On Real Property For Inclusionary Rental Housing  
By and Between : The County of Monterey and  
Q's Landing, LLC  
Recorded : March 21, 2002,  
Recorder's Series No. 2002027472,  
of Official Records of Monterey County.
13. Deed of Trust to secure an indebtedness in the amount shown  
below, and any other obligations secured thereby:  
Amount : \$1,040,000.00  
Dated : March 19, 2003  
Trustor : Q's Landing, LLC,  
a California limited liability company

Continued on next page

SCHEDULE "B" CONTINUED:  
Order No. 55114345

Trustee : PCB Service Corporation  
Beneficiary: First National Bank of Central California,  
a division of Pacific Capital Bank, N.A.  
Recorded : March 28, 2003,  
Recorder's Series No. 2003035366,  
Official Records of Monterey County.  
Loan No. : 888-9340263

14. An agreement to which reference is made for full particulars:

Dated : March 19, 2003  
Executed By : Q's Landing, LLC  
And Between : First National Bank of Central California  
Entitled : Hazardous Substances Certificate and  
Indemnity Agreement  
Recorded : March 28, 2003,  
Recorder's Series No. 2003035367,  
of Official Records of Monterey County.

15. Deed of Trust to secure an indebtedness in the amount shown below, and any other obligations secured thereby:

Amount : \$101,404.00  
Dated : May 1, 2003  
Trustor : Q's Landing, LLC,  
a California limited liability company  
Trustee : Fidelity National Title Insurance Company,  
a California corporation  
Beneficiary: Pam DeBernardi, as to an undivided 25% interest;  
E. Victor Quattrin, as to an undivided 25%  
interest; Andrea S. Schwarze, as to an undivided  
25% interest; and Michele M. Swift, as to an  
undivided 25% interest  
Recorded : October 8, 2003,  
Recorder's Series No. 2003123403,  
Official Records of Monterey County.  
Loan No. : Not Disclosed

16. Any and all leases, subleases and or rights of parties in possession.

NOTES:

NOTE 1:

This report is preparatory to the issuance of an ALTA Loan Policy of Title Insurance. We have no knowledge of any fact which would preclude the issuance of said ALTA Loan Policy with Endorsements 100 and 116 attached.

Continued on next page

SCHEDULE "B" CONTINUED:  
Order No. 55114345

NOTE (Continued):

The Property Address of said land herein is known as:

SPEEGLE & MCDUGALL STREETS  
CASTROVILLE, CA

NOTE 2:

No conveyances affecting the herein described real property have been recorded in the two years preceding the date of this report.

NOTE 3:

Short Term Rate applicable:  
YES

NOTE 4:

California "Good Funds" Law

Effective January 1, 1990, California Insurance Code Section 12413.1 (Chapter 598, Statutes of 1989) prohibits a title insurance company, controlled escrow company, or underwritten title company from disbursing funds from an escrow or sub-escrow account, (except for funds deposited by WIRE TRANSFER or ELECTRONIC PAYMENT) until the day those funds are made available to the depositor pursuant to Part 229 of Title 12 of the Code of Federal Regulations, (REG.CC). Items such as CASHIER'S, CERTIFIED OR TELLERS CHECKS may be available for disbursement on the business day following the business day of deposit, however, other forms of deposits may cause extended delays in closing the escrow or sub-escrow.

STEWART TITLE OF CALIFORNIA, INC. will not be responsible for accruals of interest or other charges resulting from compliance with the disbursement restrictions imposed by State law.

NOTE 5:

Property taxes for the fiscal year shown below.  
For proration purposes only the amounts are:

Fiscal year 2005 - 2006

Assessment No: 030-161-014  
Code Area: 099-104  
1st Installment : \$9,254.36, PAID  
2nd Installment : \$2,254.36, PAID  
Land : \$103,089

Continued on next page

SCHEDULE "B" CONTINUED:  
Order No. 55114345

Improvements	:	\$1,599,398
Exemptions	:	\$-0-

LA/RM/JC 06/08/06

CLTA PRELIMINARY REPORT FORM

EXHIBIT A

CLTA PRELIMINARY REPORT FORM  
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS

SCHEDULE B

1. 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 OR 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 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 OR 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 OR 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.

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 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.

(LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS CONTINUED ON NEXT PAGE)

CLTA PRELIMINARY REPORT FORM

2. 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 GOVERNMENTAL REGULATION. THIS INCLUDES BUILDING AND ZONING ORDINANCES AND ALSO LAWS AND REGULATIONS CONCERNING:
  - \* LAND USE
  - \* LAND DIVISION
  - \* IMPROVEMENTS ON THE LAND
  - \* 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 ZONING COVERAGE DESCRIBED IN ITEMS 12 AND 13 OF COVERED TITLE RISKS.

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 KNOWING 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.

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. 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.

(LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS CONTINUED ON NEXT PAGE)

CLTA PRELIMINARY REPORT FORM

3. AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)  
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE  
AND  
AMERICAN LAND TITLE ASSOCIATION LEASEHOLD LOAN POLICY (10-17-92)  
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE  
EXCLUSIONS AND COVERAGE

THE FOLLOWING MATTERS ARE EXPRESSLY EXCLUDED FROM THE COVERAGE OF THIS POLICY AND THE COMPANY WILL NOT PAY LOSS OR DAMAGE, COSTS, ATTORNEY'S 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 THE 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 MORTGAGEE BEING DEEMED A FRAUDULENT CONVEYANCE OR FRAUDULENT TRANSFER; OR
  - (II) THE SUBORDINATION OF THE INTEREST OF THE INSURED MORTGAGEE AS A RESULT OF THE APPLICATION OF THE DOCTRINE OR EQUITABLE SUBORDINATION; OR
  - (III) THE TRANSACTION CREATING THE INTEREST OF THE INSURED MORTGAGEE BEING DEEMED A PREFERENTIAL TRANSFER EXCEPT WHERE THE PREFERENTIAL TRANSFER RESULTS FROM THE FAILURE:
    - (A) TO TIMELY RECORDED THE INSTRUMENT OF TRANSFER; OR
    - (B) OF SUCH RECORDATION TO IMPART NOTICE TO A PURCHASER FOR VALUE OR A JUDGMENT OR LIEN CREDITOR.

(LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS CONTINUED ON NEXT PAGE)

## CLTA PRELIMINARY REPORT FORM

THE ABOVE POLICY FORMS MAY BE ISSUED TO AFFORD EITHER STANDARD COVERAGE OR EXTENDED COVERAGE. IN ADDITION TO THE ABOVE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE IN A STANDARD COVERAGE POLICY WILL 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.

#### 4. 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, COST, 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 ERRECTED 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 JUDGMENT OR LIEN CREDITOR.

(LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS CONTINUED ON NEXT PAGE)

## CLTA PRELIMINARY REPORT FORM

THE ABOVE POLICY FORMS MAY BE ISSUED TO AFFORD EITHER STANDARD COVERAGE OR EXTENDED COVERAGE. IN ADDITION TO THE ABOVE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE IN A STANDARD COVERAGE POLICY WILL 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.

### 5. 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.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.

**6. "GOLD" COMPREHENSIVE PROTECTION  
LOAN POLICY OF TITLE INSURANCE  
EXCLUSIONS FROM COVERAGE**

THE FOLLOWING MATTERS ARE EXPRESSLY EXCLUDED FROM THE COVERAGE OF THIS POLICY AND THE COMPANY WILL NOT PAY LOSS OR DAMAGE, COST, 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. THIS EXCLUSION FROM COVERAGE 1(A) DOES NOT LIMIT THE COVERAGE PROVIDED IN INSURING PROVISIONS NUMBER 14, 15, 16, 17, 34, AND 41.  
(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 FROM COVERAGE 1(A) DOES NOT LIMIT THE COVERAGE PROVIDED IN INSURING PROVISIONS NUMBER 14, 15, 16, 17, 34, AND 41.
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 EXCLUSION FROM COVERAGE 3 (D) DOES NOT LIMIT THE COVERAGE PROVIDED IN INSURING PROVISIONS NUMBER 7, 8, 15, 16, 18, 21, 22, 24, 25, 26, 28, 29, 30, 32, 33, 34, 35, 38, 39, AND 40);  
(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 ANY CONSUMER CREDIT PROTECTION OR TRUTH-IN-LENDING LAW.
6. ANY CLAIM, WHICH ARISES OUT OF THE TRANSACTION CREATING THE INTEREST OF THE MORTGAGEE INSURED BY THIS POLICY, BY REASON OF THE OPERATION OF FEDERAL BANKRUPTCY, STATE INSOLVENCY, OR SIMILAR CREDITORS' RIGHTS LAWS, THAT IS BASED ON:  
(A) THE TRANSACTION CREATING THE ESTATE OF THE INSURED MORTGAGEE BEING DEEMED A FRAUDULENT CONVEYANCE OR FRAUDULENT TRANSFER; OR  
(B) THE SUBORDINATION OF THE INTEREST OF THE INSURED MORTGAGEE AS A RESULT OF THE APPLICATION OF THE DOCTRINE OF EQUITABLE SUBORDINATION; OR  
(C) THE TRANSACTION CREATING THE INTEREST OF THE INSURED MORTGAGEE BEING DEEMED A PREFERENTIAL TRANSFER EXCEPT WHERE THE PREFERENTIAL TRANSFER RESULTS FROM THE FAILURE;  
(I) TO TIMELY RECORD THE INSTRUMENT OF TRANSFER; OR  
(II) OF SUCH RECORDATION TO IMPART NOTICE TO A PURCHASER FOR VALUE OR A JUDGMENT OR LIEN CREDITOR.
7. TAXES, ASSESSMENTS, COSTS, CHARGES, DAMAGES AND OTHER OBLIGATIONS TO THE GOVERNMENT SECURED BY STATUTORY LIENS THAT BECOME A LIEN ON THE LAND SUBSEQUENT TO DATE OF POLICY, BUT THIS EXCLUSION 7 DOES NOT LIMIT THE COVERAGE OF INSURING PROVISION 34.

