



EXPLORING PRELIMINARY REPORTS



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It is Important for All Parties to Review the Preliminary Report.


A Preliminary Report is an offer to issue a specified policy or policies of title insurance covering a particular estate or interest in real property.

The Preliminary Report provides an interim or “preliminary” response to an application for title insurance. It is issued solely to facilitate the issuance of a title insurance policy. If a title policy is not contemplated a Preliminary Report should not be ordered.

The report provides a listing of the liens, defects and encumbrances affecting the subject property which will be exceptions to coverage in the designated policy or policies, if issued. Since these exceptions identify matters for which no insurance will be provided, it is important for all parties to the transaction to review the report upon its receipt.

A Preliminary Report is not a policy of title insurance. The issuing company assumes no liability for any reliance thereon. If it is desired that liability be assumed prior to the issuance of a policy of title insurance a binder or commitment may be requested.

Those matters shown in the report are as follows:

- 
- 1 The estate or interest covered.
 - 2 The owner of the estate or interest.
 - 3 The parcel of land involved.
 - 4 The defects, liens or encumbrances, which will be shown as exceptions in the contemplated policy, if issued.
 - 5 Other requirements, provisions and matters of interest are reflected as “Notes” in the Preliminary Report. These may be removed if and when a title policy is issued.

PLEASE NOTE: This material is intended for general informational purposes and is not to be relied upon in interpreting the full legal effect of the documents, words or phrases shown herein. No liability whatsoever is assumed hereby.

Explanation Page

- 1** This number identifies the Company's file number for the proposed transaction.
- 2** This number identifies the customer's file number, if any, for the transaction.
- 3** The escrow officer or other person to contact at Old Republic Title in connection with the order for title insurance.
- 4** The address of the subject property.
- 5** This paragraph specifies that no liability is assumed by the issuance of a Preliminary Report, and further indicates what should be requested if the customer desires assumption of liability prior to policy issuance.
- 6** This date represents the date and time, up to which, matters that may affect title to the subject property therein described have been examined and reported therein. This normally is the same as the "plant date".
- 7** The title officer to contact at Old Republic Title



PRELIMINARY REPORT

Our Order Number 0123456789

Customer Reference 1111-AB

When Replying Please Contact:

Jane Smith

Property Address:

4

Main Street, Any City, Any State

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

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Exhibit A attached. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the Homeowner's Policy of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. 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 a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

5

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

Dated as of < date certain to be entered for effective date >

6

7

Karen T. Officer

OLD REPUBLIC TITLE COMPANY

For Exceptions Shown or Referred to, See Attached

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Explanation Page

8 This paragraph specifies the form of policy the Company is prepared to issue.

9 Identifies the estate in the land covered by the report. The word “estate” is used to express the degree, quantity, nature, duration, or extent of an interest in land.

A fee simple is the highest type of estate or interest an owner can have in the land, freely transferable and inheritable, and whose owner is entitled to possession. (There are many other estates or interests in land that can be insured.)

10 This identifies who the owner of record is and how title is vested (or how the owner holds title to the land i.e., a single man, a widow, husband and wife as joint tenants, etc.)

11 The description of the land covered in the Preliminary Report.

When an interest in land has been reserved or excepted in a recorded conveyance, the description may contain an exception or reservation that refers to the instrument creating the exception or reservation, as well as the nature and extent of the rights excepted or reserved. Reference is made to the recorded document(s) that created the reservation or exception so that an interested party can review the document(s).

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

8 Homeowner's Policy of Title Insurance - 2013; And ALTA Loan Extended Coverage Policy – 2006

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

Fee **9**

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

10 John Doe and Jane Doe, husband and wife, as joint tenants

The land referred to in this Report is situated in the County of AnyCounty, City of AnyTown, State of California, and is described as follows:

11 Lot 1, Block 1 designated on the Map entitled _____ of Tract No. 2011, in the City of AnyTown, County of AnyCounty, State of California, according to Mf No. 123, which map was filed in the Office of the County Recorder of AnyCounty, October 1, 1980, in Book 1 of Maps at Page 1.

Assessor's Parcel No.: 123-4567-001

NOTE: Sometimes the description of the land will be contained in a separate "Exhibit" page that is a part of the preliminary report. (See sample Exhibit "A" on page 6 of this Preliminary Report).

Explanation Page

- 12** Real property taxes for the coming fiscal year, which begins on July 1, ends on June 30 and become a lien as of January 1 of the calendar year in which the fiscal year commences.
- 13** These are the real property taxes for the fiscal year 2011-2012. In California real property taxes are payable as of November 1. If paid in installments, the first installment is due by December 10. The second installment is due by April 10. Installments not paid by the due dates are delinquent and are subject to the addition of penalties and costs. Taxes not paid by June 30 are defaulted taxes and are subject to the addition of interest and costs. In this sample report there is not an exception shown for defaulted taxes.
- 14** Supplemental Taxes (if any). Supplemental taxes currently due, paid or unpaid, delinquent, etc.
*Note: Subsequent matters in the Preliminary Report are generally listed in the order in which they are recorded.
- 15** An Easement. This is a right or interest in the land of another which entitles the holder thereof to some use or benefit, e.g., to install poles, wires, pipelines, roadways, sewers, storm drain, etc. Either “dedicated” on the subdivision tract map or granted by means of a deed or grant of easement.
- 16**
- 17** This is a relinquishment of access rights to and from a particular street.

SCHEDULE B

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

- 12** 1. Taxes and assessments, general and special, for the fiscal year 2011-2012, a lien, but not yet due or payable.
- 13** 2. Taxes and assessments, general and special, for the fiscal year 2011-2012, as follows:

Assessor's Parcel No.: 123-4567-001
Code No.: 001-001
1st Installment: Marked Paid
2nd Installment: Not Marked Paid
Exemption: \$7,000.00
Land: \$125,000.00
Improvement: \$50,000.00
- 14** 3. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Section 75, et seq. of the Revenue and Taxation Code of the State of California.
- 15** 4. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following:

Instrument: 2011-123456
Grant To: Front Street, LLC
For: Public utilities
Recorded: November 1, 2011
Affects: The easterly 5 feet of said land
- 16** 5. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed map.
For: Public utilities
Affects: The westerly 5 feet of said land
- 17** 6. Release and relinquishment of abutter's or access rights to Main Street, over the southerly boundary line of premises, as set forth on the filed Map of said land.

Explanation Page

18 Covenants, Conditions and Restrictions (CC&R's) are often imposed to govern the development and use of property. CC&R's may establish, amongst other things, community associations, architectural rules and committees to approve improvements, obligations to pay regular or special assessments, and restrictions on use or occupancy, set back lines and easements, etc.

- Note that in this sample report, additional information about the Declaration containing a "mortgage protection clause" which assures a lender that a violation of the provisions of the Declaration will not impair the lien of a deed of trust made for in good faith and for value has been shown. However, also shown in this sample is a separate provision in the Declaration that subordinates the lien for any unpaid assessment due under the Declaration only to a first lien mortgage.

- Said Covenants, Conditions and Restrictions provide that a violation thereof shall not defeat or render invalid the lien of any Mortgage or Deed of Trust made in good faith and for value.

- Notwithstanding the Mortgagee protection clause contained in the above mentioned covenants, conditions and restrictions, they provide that the liens and charges for upkeep and maintenance are subordinate only to a first mortgage.

19 • In accordance with the sample declaration in exception 7, which established a community association and the obligation to pay assessments, exception 8 reflects a notice of delinquent assessments.

Note that the notice of delinquent assessment is recorded prior to the deed of trust in exception 9 (now 20).

Although the CC&R's provide that the lien for assessment is subordinate to a first deed of trust, the subordination may not be operative or effective if there is a Notice of Delinquency recorded before the Deed of Trust.

20 A deed of trust is a three party security instrument. The maker is known as the "trustor" who grants a security interest in the title to the property, with the power of sale, to a "trustee" for the performance of an obligation, either monetary or otherwise, to the "beneficiary." The sample deed of trust shown here secures a loan made by the beneficiary/lender to the trustor/borrower. In the event of a default by the trustor, the trustee may exercise the power of sale to foreclose the interest granted by the trustor/borrower.

**SCHEDULE B
(continued)**

- 18** 7. Covenants, Conditions, Restrictions, Limitations, Easements, Assessments, Reservations, Exceptions, Terms, Liens or Charges, but omitting any covenants or restrictions if any, based upon race, color, religion, sex, handicap, familial status, or national origin unless and only to the extent that said covenant (a) is exempt under Title 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons, as provided in an instrument

Entitled: Covenants, Conditions and Restrictions
Declaration of Covenants, Conditions and Restrictions
Recorded: January 1, 2011, as Instrument No. 2011-123456

- 19** 8. Matters as contained or referred to in an instrument,
Notice of Delinquent Assessment due the Community Association pursuant to the Covenants, Conditions and Restrictions, herein above mentioned,

Association Name : Tract 2011 Owners Association, a California non-profit corporation
Amount: : \$2,500
Recorded: : March 1, 2011 as Instrument No. 2011-456789
Returned to Address : P.O. Box 1, Anytown, CA

9. Terms and provisions as contained in an instrument,

Entitled: Restrictions
Recorded: September 1, 2011, as Instrument No. 2011-123456

- 20** 10. A deed of trust to secure an indebtedness of the amount stated below and any other amounts payable under the terms thereof,

Amount: \$275,000.00
Trustor/Borrower: John Doe and Jane Doe, husband and wife, as joint tenants
Trustee: Old Republic Title Company
Beneficiary/Lender: Old Republic Title Company, a California Corporation
Dated: October 1, 2011
Recorded: October 1, 2011, as Instrument No. 2011-012345
Loan No.: 0123456

Explanation Page

- 21** This states the amount that will be charged for the policy of title insurance. The charge will be based on the Title Insurer's filed Rate Schedule currently in effect.
- 22** This informational note has been developed in response to the demands of lenders for a list of recorded transfers occurring within a specified period of time prior to the date of the preliminary report. In this instance the recorded transfers within the past three years are shown along with other information that may be of interest to a prospective lender.

**SCHEDULE B
(continued)**

----- **Informational Notes** -----

- 21** A. The applicable rate(s) for the policy(s) being offered by this report or commitment appears to be section(s) 2.2.
1.1 and 2.2.
- 22** B. The above numbered report (including any supplements or amendments thereto) is hereby modified and/or supplemented to reflect the following additional items relating to the issuance of an American Land Title Association loan form policy:

NONE

NOTE: Our investigation has been completed and there is located on said land a single family residence known as 1 Main Street, AnyTown, California.

The ALTA loan policy, when issued, will contain the CLTA 100 Endorsement and 116 series Endorsement.

Unless shown elsewhere in the body of this report, there appear of record no transfers or agreements to transfer the land described herein within the last three years prior to the date hereof, except as follows:

Grant Deed executed by John Smith and Jane Smith, husband and wife to John Doe and Jane Doe, husband and wife, as joint tenants recorded October 1, 2011 in Official Records under Recorder's Serial Number 2011-012344.

Explanation Page

- 23** The description of the land covered in the Preliminary Report.

When an interest in land has been reserved or excepted in a recorded conveyance, the description may contain an exception or reservation that refers to the instrument creating the exception or reservation, as well as the nature and extent of the rights excepted or reserved. Reference is made to the recorded document(s) that created the reservation or exception so an interested party can take notice of the limitations imposed on the property.

- 24** APN (Assessor's Parcel No.)

EXHIBIT A

23 The land referred to is situated in the County of AnyCounty, City of AnyTown , State of California, and is described as follows:

Lot 1 of Tract No. 2011, in the City of AnyTown, County of AnyCounty, State of California, according to Map thereof No. 123, filed in the Office of the County Recorder of said AnyCounty , October 1, 1980, of Official Records.

24 Assessor's Parcel No.: 123-4567-001

SAMPLE

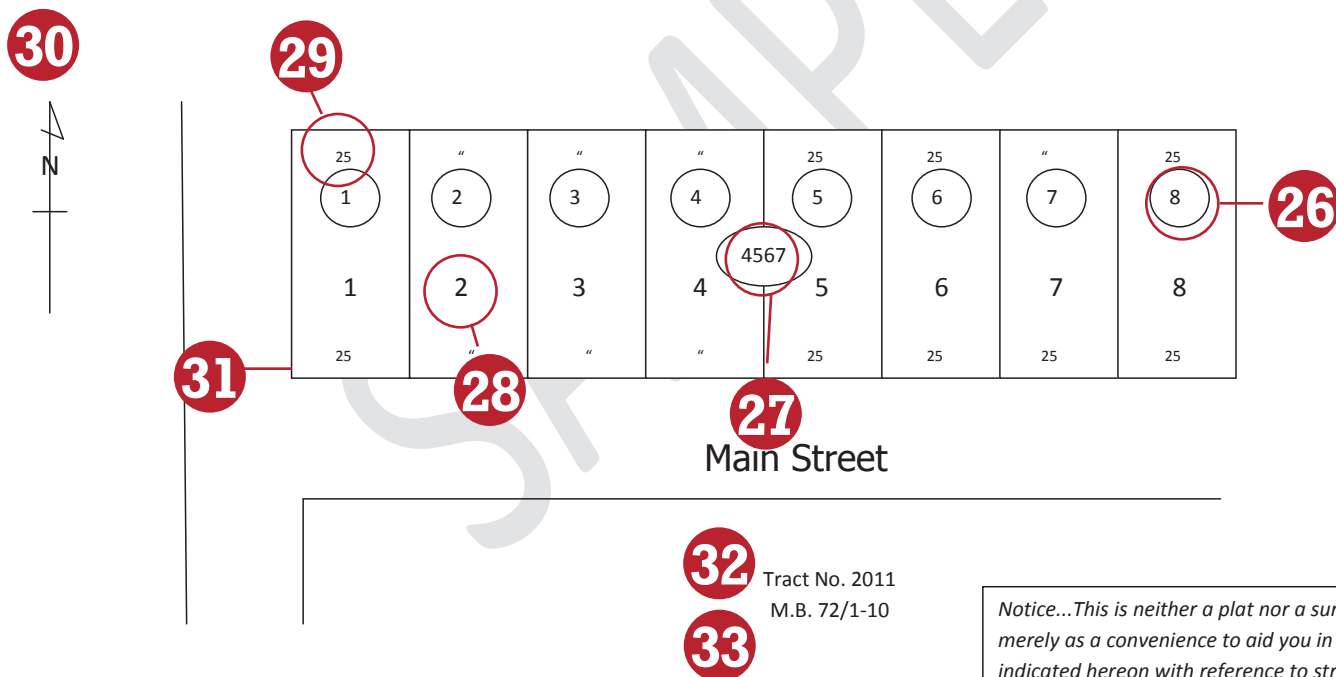
Explanation Page

- 25** Assessor's Book and Page Number
- 26** Assessor's Parcel Number (Circled Number)
- 27** Assessor's Block
- 28** Subdivision Lot Number
- 29** Lot Dimensions (" symbol means line length is same as adjoining parcel)
- 30** Directional Arrow
- 31** Lot Lines (shown by solid lines)
- 32** Subdivision Tract Number
- 33** Subdivision Book and Page

Assessor's Parcel Map (Plat Map) (Sample Assessor's Parcel Number 123-4567-001)

This plat map normally is a reduced size of the applicable county tax assessor's map. It is included for information purposes only and the Company assumes no liability for any loss occurring by reason thereon.

NOTE: Maps and Parcel Numbers vary slightly from County to County but use the same basic principles shown on this depiction.



Notice...This is neither a plat nor a survey, it is furnished merely as a convenience to aid you in locating the land indicated hereon with reference to streets and other land, no liability is assumed by reason of any reliance hereon.