

Personal Property Title Insurance Lender's Policy (PPT-2)

Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 14 of the Conditions.

Attached to Policy No.

Issued by

BLANK TITLE INSURANCE COMPANY

HEREIN CALLED THE COMPANY

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS, BLANK TITLE INSURANCE COMPANY, a _____ corporation (herein called the "Company"), insures, as of Date of Policy and, to the extent stated in Covered Risks 10, 17, 21, 22, 24 and 25, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. The failure of the Security Interest to attach to any portion of the Collateral;
2. The failure of the Security Interest to be perfected with respect to any portion of the Collateral;
3. The State of Location of the Debtor not being as shown in Schedule A;
4. The Financing Statement not having been filed in the Filing Office as shown in Schedule A;
5. The failure of the Financing Statement to sufficiently provide the name of the Debtor;
6. The priority of any lien or security interest over the lien of the Security Interest;
7. Any other outstanding financing statement covering the Collateral and filed against the Debtor (even if filed under any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor);
8. Any financing statement covering the Collateral and filed against the Debtor (even if filed under any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor) which was wrongfully terminated by the Debtor;
9. Any outstanding Federal Tax Lien, State Tax Lien, Judgment Lien or other notice of lien covering the Collateral filed against the Debtor (even if filed under any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor);
10. Any other financing statement, Federal Tax Lien, State Tax Lien, Judgment Lien or other notice of lien covering the Collateral filed against the Debtor (even if filed under any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor) prior to the acceptance and indexing by the Filing Office of the Financing Statement;
11. Invalidity of the Security Agreement because it was not authenticated by the Debtor;
12. Invalidity of the Security Agreement because the authentication was not authorized by the Debtor;
13. Invalidity of the Note because it was not executed by the Debtor;
14. Invalidity of the Note because the execution of the Note was not authorized by the Debtor;
15. Unenforceability of the Security Interest in the Collateral against a purchaser from the Debtor which acquires rights or interests in the Collateral after the Date of Policy because the Financing Statement was not perfected;
16. Avoidability of the Security Interest in the Collateral pursuant to 11 U.S.C. Section 544 because the Financing Statement was not perfected;
17. Any forged, counterfeit, bogus, or other amendment, assignment or termination of the Financing Statement after Date of Policy that is not caused or authorized by the Secured Party (except for a termination by the Debtor pursuant to Article 9.509(d)(2) of the Uniform Commercial Code);
18. Rejection of the filing of the Financing Statement by the Filing Office;
19. Any other financing statement covering the Collateral against the Debtor (or any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor) communicated to the Central Office of a State and wrongfully rejected for filing or incorrectly indexed;

20. Failure of the Debtor to have rights in the Collateral in possession of the Debtor; however, the insurance under this Covered Risk 20 is limited to the Insured's actual loss in excess of the Deductible Amount, but not to exceed the Maximum Liability;
21. Lapse of the effectiveness of the Financing Statement after Date of Policy and prior to the time such effectiveness would have otherwise lapsed under the law of the Filing State, because of change of the Location of Debtor to another State or the transfer of the Collateral to another person located in another State without knowledge or consent of an Insured; however, the insurance under this Covered Risk 21 is limited to the Insured's actual loss in excess of the Deductible Amount, but not to exceed the Maximum Liability;
22. Priority of any third party's purchase-money security interest in the Collateral if the purchase-money security interest is temporarily perfected at Date of Policy without filing or possession and is subsequently perfected by the filing of a financing statement against the Debtor in the Central Office of a State within 20 days after Date of Policy; however, the insurance under this Covered Risk 22 is limited to the insured's actual loss in excess of the Deductible Amount, but not to exceed the Maximum Liability;
23. Any outstanding financing statement, Federal Tax Lien, State Tax Lien, Judgment Lien or other notice of lien covering the Collateral filed against Purported Former Owners of Collateral (even if filed under any assumed name of Purported Former Owners of Collateral, any trade name of Purported Former Owners of Collateral, or any former name of Purported Former Owners of Collateral);
24. Failure of the Security Interest in the Collateral to secure future advances made pursuant to the Security Agreement and in accordance with a commitment entered into on or before Date of Policy because the advances are made after Date of Policy;
25. Lack of priority of the Security Interest in the Collateral as security for future advances made pursuant to the Security Agreement and in accordance with a commitment entered into on or before Date of Policy over any subsequent security interest or other lien because the advances are made after Date of Policy.
26. The invalidity or unenforceability of any assignment of the Security Interest, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Security Interest in the named Insured assignee free and clear of all liens.

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

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. 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, whether or not recorded in the Public Records, 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; or
 - (d) arising, attaching, perfected or created subsequent to Date of Policy, provided that this exclusion does not limit the coverage described in Covered Risks 10, 17, 21, 22, 24 and 25.
2. The occurrence of any of the following events after Date of Policy:
 - (a) lapse or termination of the effectiveness of the Financing Statement;
 - (b) change in any information provided in Schedule A;
 - (c) change to any document referred to in Schedule A;
 - (d) any change in applicable law; provided that this exclusion does not limit the coverage described in insuring provisions 10, 17, 21 and 22.
3. Any claim, which arises out of the transaction creating the Security Interest or Security Agreement, by reason of the operation of receivership, federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (a) the transaction creating the Security Interest or Security Agreement being deemed a fraudulent conveyance or fraudulent transfer;
 - (b) the subordination of the Security Interest or Security Agreement as a result of the application of the doctrine of equitable subordination;

- (c) the transaction creating the interest of the Security Interest or Security Agreement being deemed a preferential transfer except where the preferential transfer results from the delay of the Company in filing the Financing Statement, or such filing fails to impart notice because of a matter insured against in this policy; or
 - (d) the lack of authority of the Debtor to execute, authorize or authenticate the Note, Security Agreement or Financing Statement, because of a receivership, federal bankruptcy, or state insolvency proceeding.
4. Lack of ownership of the Collateral, or lack of the power to transfer rights in the Collateral, by the Debtor, or claims as to any Collateral as to which Debtor has only rights as a lessee or licensee, or any defect in the creation of the Security Interest due to failure to obtain the consent of any person other than the Debtor (except to the extent insurance is provided by Covered Risk 20).
 5. Any financing statement, security interest, or other lien filed against or attaching to the interest of any person other than
 - (a) the Debtor, any assumed name of the Debtor, any trade name of the Debtor, or any former name of the Debtor (by consolidation, conversion, merger, name change or other legal means), or
 - (b) any other person Located in a state other than the state of Location of Debtor which transferred collateral to Debtor more than one year prior to Date of Policy (except to the extent insurance is provided by Covered Risk 21).
 6. Invalidity or unenforceability of the Security Interest, the Note or the Security Agreement (except to the extent insurance is provided by Covered Risks 11, 12, 13, and 14).
 7. Any claim that value has not been given.
 8. Any claim by a person in possession, custody or control of the Collateral, or failure of attachment, perfection or priority of the Security Interest due to possession, custody or control of the Collateral by any person.
 9. Failure of the Security Interest to be perfected with respect to any of the Collateral to the extent such perfection is by any method other than by filing a financing statement in a Central Office in a State; any claim that the Security Interest does not attach because the Collateral is of a type or category for which possession, delivery or control is required in order for a Security Interest to attach; or any claim to the extent Article 9 of the Uniform Commercial Code does not apply to the creation, perfection or priority of the Security Interest.
 10. Any claim resulting from the application of any substantive law of any jurisdiction except a State.
 11. Claims as to the creation, perfection or priority of the Security Interest purportedly created by the Security Agreement
 - (a) as against a buyer of goods from a person who used or bought the goods for use primarily for personal, family or household purposes;
 - (b) as against a buyer in the ordinary course of business, licensee in the ordinary course of business or lessee in the ordinary course of business of the Collateral;
 - (c) as against any buyer, lessee or licensee if such person gives value and receives delivery without knowledge of the Security Interest and before it is perfected;
 - (d) as against claims of holders, transferees or purchasers (including secured parties) as to tangible chattel paper, instruments, letter of credit rights, electronic chattel paper, investment property, a security entitlement, a security account, money, funds transferred from a deposit account and negotiable documents;
 - (e) in Collateral as to which an Insured has authorized the disposition or released or subordinated the Insured's Security Interest therein;
 - (f) as against any lien or security interest in favor of any other party consented to by an Insured;
 - (g) as against any lien or security interest in Collateral covered by a document of title;
 - (h) without limiting the coverage described in Covered Risk 22, as against any security interest or lien not filed in a Central Office in a State;
 - (i) as against a holder in due course of a negotiable instrument, or holder to which a negotiable document of title has been duly negotiated, or a protected purchaser of a security; or
 - (j) as against a transferee beneficiary or a nominated person under a letter of credit.
 12. The failure of the perfection or priority of the Security Interest by reason of any information to be provided in items 3, 4, 5, 6, or 8 of Schedule A being incorrect or incomplete.
 13. The failure of the Insured, the Debtor or the transaction to comply with applicable law (other than Article 9 of the Uniform Commercial Code).
 14. A securities intermediary or a bank having priority over the Security Interest when

- (a) the securities intermediary holds a security interest in a security entitlement or a securities account maintained with the securities intermediary; or
 - (b) the bank holds a security interest in a deposit account maintained with the bank.
15. A commodity intermediary having priority over the Security Interest in a commodity contract or a commodity account.
16. Any claim or defense arising under or recognized by Article 8 of the Uniform Commercial Code with respect to any portion of the Collateral that constitutes a certificated security, a securities account, a securities entitlement or an uncertified security,
17. The priority of a bank's right to recoupment over the security interest in a deposit account maintained with it, or the priority of the bank's right of set-off on its security interest in such account.
18. With respect to Covered Risks 24 and 25,
- (a) any governmental charge, tax or assessment,
 - (b) the effect of any receivership, federal bankruptcy, or state insolvency proceeding,
 - (c) any purchase-money security interest in the Collateral, or
 - (d) rights of any buyer or lessee of goods prior to the advance, rights of any buyer of receivables, or rights of any lien creditor.

CONDITIONS

1. DEFINITION OF TERMS.

Any term or phrase used in this policy, not defined in this policy, and defined or used in the Uniform Commercial Code, shall have the meaning given to it in the Uniform Commercial Code by definition or applicable usage. If a term is defined or used in Article 9 of the Uniform Commercial Code and is defined or used in a different manner in another article of the Uniform Commercial Code, the definition or usage in Article 9 shall control. In addition to the terms defined on Schedule A hereto, 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 and each successor in ownership of the Indebtedness, whether the owner or successor owns the Indebtedness for its own account or as a trustee or other fiduciary, except a successor who is an obligor under the provisions of Section 11(c) of these Conditions;
 - (ii) the person or Entity who has "control" of the "transferable record," if the Indebtedness is evidenced by a "transferable record," as these terms are defined by applicable electronic transactions law;
 - (iii) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (iv) successors to an Insured by its conversion to another kind of Entity;

With regard to any Insured, reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.

- (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 Collateral.
- (d) "Public Records": records established in the Central Office under State statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to the Collateral.
- (e) "Security Interest": the lien on the Collateral in favor of the Insured created by the Security Agreement described in Schedule A. If an assignment to the Insured of the Security Interest is described in Schedule A, this policy also insures, subject to the terms of this policy, against loss sustained if the assignment has not transferred to the Insured the Security Interest free of all liens and security interests in the Security Interest.
- (f) "Collateral": collateral which is reasonably identified in the Security Agreement and in the Financing Statement in compliance with applicable requirements of Article 9 of the Uniform Commercial Code, and which is located in a State at Date of Policy. Collateral does not include
 - (i) collateral that may be perfected by a local filing and indexing other than in a Central Office, such as fixtures, timber to be cut, as-extracted collateral or other collateral subject to local filings of a Financing Statement, unless that collateral is explicitly described by type in Schedule A;
 - (ii) property of the type in which a Security Interest cannot be obtained or maintained under Article 9 of the Uniform Commercial Code;
 - (iii) collateral located outside the United States of America;

- (iv) consumer goods;
 - (v) property consisting of goods which are installed in or affixed to, or become a part of a product or mass with, goods which are not items of collateral;
 - (vi) any after-acquired property, except to the extent provided by the Security Agreement and permitted by the Uniform Commercial Code;
 - (vii) collateral being solely the proceeds of other collateral or which is not identifiable;
 - (viii) property which has been consigned or which is commingled with consigned goods; or
 - (ix) property that is commingled with, or processed into, property which is not collateral.
- (g) “Central Office”: the office of the Secretary of State, or similar office, for central filings (or indexing where applicable under State law) of Financing Statements for that State. Where this policy refers to filing in a Central Office in a State, it shall include indexing in the Central Office where applicable under State law.
- (h) “Insured Company”: an Insured registered organization as defined in Article 9 of the Uniform Commercial Code.
- (i) “State”: a state of the United States or the District of Columbia.
- (j) “Sufficient,” “Secured Party,” and “Authenticate”: the meaning provided in the applicable provisions of Article 9 of the Uniform Commercial Code.
- (k) “Deductible Amount”: \$10,000 or 2% of the Amount of Insurance, whichever is greater.
- (l) “Maximum Liability”: \$1,000,000 in the aggregate for each Maximum Liability Covered Risk, but not to exceed the Amount of Insurance for all Maximum Liability and other coverage.
- (m) “State of Location”: the State of location of the Debtor, as defined in the applicable provisions of Article 9 of the Uniform Commercial Code and listed in Schedule A.
- (n) “Uniform Commercial Code” means, as to any State, the Uniform Commercial Code as adopted by such State and as in effect on the Date of Policy, without giving effect to any amendments or modifications made thereafter.
- (o) “Purported Former Owners of Collateral”: as identified in Schedule A.
- (p) “Amount of Insurance”: The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 7(b) or decreased by Section 9 of these Conditions.
- (q) “Date of Policy”: The date designated as “Date of Policy” in Schedule A.
- (r) “Entity”: A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (s) “Indebtedness”: The obligation secured by the Security Interest including one evidenced by electronic means authorized by law, and if that obligation is the payment of a debt, the Indebtedness is the sum of
- (i) the amount of the principal disbursed as of Date of Policy;
 - (ii) the amount of the principal disbursed subsequent to Date of Policy;
 - (iii) Interest on the loan;
 - (iv) the prepayment premiums, exit fees, and other similar fees or penalties allowed by law;
 - (v) the expenses of foreclosure and any other costs of enforcement;
 - (vi) the amounts advanced to assure compliance with laws or to protect the Security Interest or the priority of the Security Interest before the acquisition of the Collateral;
 - (vii) the amounts to pay taxes and insurance; and
 - (viii) the reasonable amounts expended to protect the Collateral;
- but the Indebtedness is reduced by the total of all payments and by any amount forgiven by an Insured.

2. CONTINUATION OF INSURANCE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured after acquisition of the Collateral by an Insured or after sale of the Collateral by an Insured, but only so long as the Insured retains an interest in the Collateral, or holds an obligation secured by a purchase money security interest given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or sale of the Collateral. This policy shall not continue in force in favor of any purchaser from the Insured of either

- (i) an interest in the Collateral, or
- (ii) an obligation secured by a purchase money security interest given to the Insured.

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 of any claim covered by this policy, and which might cause loss or damage for which the Company may be liable by virtue of this policy. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced 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, 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 insured against by this policy, but only as to those stated causes of action alleging a 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
 - (i) incurred by the Insured in the defense of those causes of action which allege matters not insured against by this policy,
 - (ii) incurred prior to written notice by the Insured pursuant to Section 3 of these Conditions or
 - (iii) incurred by the Insured which were not authorized by the Company in writing.
- (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 security interest, as to matters 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 security interest, as 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 the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that 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.

The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that 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 of these records in the custody or control of a third party that 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 any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, 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 additional options:

- (a) To Pay or Tender Payment of the Amount of Insurance or to Purchase the Indebtedness.
 - (i) To pay or tender payment of the Amount of Insurance (or where applicable as to Covered Risks 20, 21, or 22, the Maximum Liability), under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay; or
 - (ii) To purchase the Indebtedness for the amount of the Indebtedness on the date of purchase, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of purchase and that the Company is obligated to pay.

When the Company purchases the Indebtedness, the Insured shall transfer, assign, and convey to the Company the Indebtedness and the Security Interest, together with any collateral security.

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

- (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. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that 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 that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (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 (as limited or provided under Section 8 of these Conditions or as reduced under Section 9 of these Conditions):
 - (i) the Amount of Insurance stated in Schedule A, or the Maximum Liability as to Covered Risks 20, 21 and 22;
 - (ii) the Indebtedness; or
 - (iii) the difference between the value of the Security Interest without the matter insured against and the value of the Security Interest subject to the matter insured against by this policy.
- (b) If the Company pursues its rights under Section 4 of these Conditions and is unsuccessful as to the matters insured against,
 - (i) the Amount of Insurance shall be increased by 10%, and
 - (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In the event the insured has acquired the estate or interest in the manner described in Section 2 of these Conditions or has conveyed the Collateral, then the liability of the Company shall continue as set forth in Section 7(a) of these Conditions.
- (d) In addition to the extent of liability under (a), (b), and (c), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 4 and 6 of these Conditions.

8. LIMITATION OF LIABILITY.

- (a) If the Company establishes the Security Interest, or removes the matter insured against, or cures the matter insured against, all as insured, in a reasonably diligent manner by any method, including litigation and the

completion of any appeals there from, 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 there from, adverse to the Security Interest, as to matters insured against.
- (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.

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 by the amount of the payment. However, any payments made prior to the acquisition of Collateral as provided in Section 2 of these Conditions shall not reduce the Amount of Insurance afforded under this policy except to the extent that the payments reduce the Indebtedness.
- (b) The voluntary satisfaction or release of the Security Interest shall terminate all liability of the Company except as provided in Section 2 of these Conditions.

10. PAYMENT OF LOSS.

When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions, the loss or damage shall be payable within 30 days.

11. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT.

- (a) The Company's Right to Recover
Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Collateral or Security Interest and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. The Company may at any time waive its rights to seek recovery from an attorney representing the Insured or an attorney representing the Debtor. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. 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 and remedies. If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.
- (b) The Insured's Rights and Limitations
 - (i) The owner of the Indebtedness may release or substitute the personal liability of any debtor or guarantor, extend or otherwise modify the terms of payment, release a portion of the Collateral from the lien of the Security Interest, or release any collateral security for the Indebtedness, if it does not affect the enforceability or priority of the lien of the Security Interest.
 - (ii) If the Insured exercises a right provided in (b)(i), but has Knowledge of any claim adverse to the Title or the lien of the Insured Mortgage insured against by this policy, the Company shall be required to pay only that part of any losses insured against by this policy that 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 Noninsured Obligors
 - (i) The Company's right of subrogation includes the Insured's rights against non-insured obligors including the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.
 - (ii) The Company's right of subrogation shall not be avoided by acquisition of the Security Interest by an obligor who acquires the Security Interest as a result of an indemnity, guarantee, other policy of insurance, or bond, and the obligor will not be an Insured under this policy.

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

- (a) This policy together with all endorsements, if any, attached to it 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 that arises out of the status of the Collateral or lien of the Security Interest or by any action asserting such claim shall be restricted to this policy.

- (c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.
- (d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not
 - (i) modify any of the terms and provisions of the policy,
 - (ii) modify any prior endorsement,
 - (iii) extend the Date of Policy, or
 - (iv) increase the Amount of Insurance.

13. 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 the provision and all other provisions shall remain in full force and effect.

14. 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 _____.

15. CHOICE OF LAW; FORUM.

- (a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting security interests and other rights in Collateral and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction of the Issuing State.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction of the Issuing State to determine and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

- (b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

BLANK TITLE INSURANCE COMPANY

By: _____

Dated: _____

BLANK TITLE INSURANCE COMPANY

By: _____

Dated: _____

[add additional title insurers' signatures as necessary]

SCHEDULE A

1. Amount of Insurance:
2. Date of Policy:
3. (i) Insured:
(ii) Mailing Address:
4. Financing Statement:
5. Security Agreement:
6. Note:
7. (i) Debtor (per §9.503 of UCC):
(ii) Mailing Address:
(iii) Organizational ID:
8. Purported Former Owners of Collateral (include any assumed name, any trade name, and any former name of any Purported Former Owners of Collateral):
9. State of Location of Debtor (per §9.307 of UCC):
10. Filing Office (Include State):
11. Issuing State:

SCHEDULE B

[File No. _____] Policy No.

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: