

ISSUING GUIDELINES

ALTA Endorsement: 15.2-06 (Non-imputation – Partial Equity Transfer)

Explanation:

This endorsement, while available for a Loan Policy, is designed for issuance with a new Owner's Policy. The endorsement contemplates acquisition of an ownership interest in the existing record owner (i.e. a partnership, limited liability company or corporation) and names the incoming investor member, partner or shareholder as the insured in Schedule A of its own policy. Like the ALTA Endorsements 15 and 15.1, this endorsement limits applicability of:

- Exclusion 3(a) - "created, suffered, assumed or agreed to by the insured claimant"
- Exclusion 3(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"
- Exclusion 3(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"

Those Exclusions will not apply with respect to a matter by reason of action, inaction, or knowledge, at Date of Policy, of other or former stockholders, officers, directors, managers, partners or members (of an LLC), provided and only to the extent that the "incoming" partner, member or stockholder (the insured) acquired its interest as a purchaser for value without knowledge of the matter otherwise insured against.

Underwriting Requirements:

We require the following in order to issue this endorsement to an Owner's Policy:

- We require execution of the ALTA Non-imputation Affidavit 1 by those persons (Affiants) whose knowledge, action or inaction is covered by the endorsement.
- We require financial disclosures by the Affiants showing the financial strength of those parties.
- We require an explanation of the transaction and reasons for the endorsement. The transaction may, for instance, suggest other issues, such as creditor's rights.

This endorsement should show in the first paragraph the names of specific persons (e.g. the names of the officers, directors, shareholders, members, partners) whose knowledge and participation in the titleholder entity is of concern. The names should be specific and should not be general (e.g. insert "Jane

Doe" and do not insert "all officers (or shareholders) of XYZ, Inc."). The new investors should be named as insureds in the Owner's Policy.

The "Name of Insured" in Schedule A of the Owner's Policy should be the new investor, not the record owner.

Dakota Homestead Underwriting must approve issuance of the Endorsement.

Issuing guideline applies to the following Endorsement(s):

ALTA 15.2-06 Non-imputation – Partial Equity Transfer - 2006 ALTA Owner's Policy