

EXHIBIT E



Preliminary Report

First American Title Insurance Company

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (By Policy Type)

1. CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
SCHEDULE B

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 notice 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.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or 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) 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 of the 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 law or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by their 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.

2. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
SCHEDULE OF EXCLUSIONS FROM COVERAGE

1. Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a reduction in the dimensions or area of the land, or the effect of any violation of any such law, ordinance or governmental regulation.
2. Rights of eminent domain or governmental rights of police power unless notice of the exercise of such rights appears in the public records at Date of Policy.
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 and not shown by the public records but known to the insured claimant either at Date of Policy, or at the date such claimant acquired an estate or interest insured by this policy; or (c) not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured hereunder; (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.

3. AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY FORM B - 1970
WITH REGIONAL EXCEPTIONS

When the American Land Title Association policy is used as a Standard Coverage Policy and not as an Extended Coverage Policy the exclusions set forth in paragraph 2 above are used and the following exceptions to coverage appear in the policy.

SCHEDULE B

This policy does not insure against loss or damage by reason of the matters shown in parts one and two following:

Part One:

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.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances 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 public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

FIRST AMERICAN TITLE INSURANCE COMPANY
3625 FOURTEENTH STREET, (P.O. BOX 986)
RIVERSIDE, CALIFORNIA 92502
(AREA 909) 787-1700

J M DEVELOPMENT
2300 BOSWELL ROAD, SUITE 209
CHULA VISTA, CALIFORNIA 91914
ATTENTION: ATTENTION: LIZ JACKSON UPDATE-1

YOUR NO. TENTATIVE TRACT NO. 25619

DATED AS OF JANUARY 15, 1997 AT 7:30 A.M.

IN RESPONSE TO THE ABOVE REFERENCED APPLICATION FOR A POLICY OF TITLE INSURANCE, THIS 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 OF SAID POLICY OR POLICIES ARE SET FORTH IN EXHIBIT A ATTACHED. 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.

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.

Gary Francis

GARY FRANCIS - TITLE OFFICER

TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

**FN DEVELOPMENT COMPANY, DELTA,
A CALIFORNIA CORPORATION**

THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

IN FEE

THE LAND REFERRED TO IN THIS REPORT IS SITUATED IN THE UNINCORPORATED AREA OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

TENTATIVE TRACT NO. 25619 BEING A SUBDIVISION OF:

ALL OF SECTION 17, IN TOWNSHIP 7 SOUTH, RANGE 2 WEST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF;

EXCEPT FROM SECTION 17 THAT PORTION DESCRIBED IN THE DEED TO THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, RECORDED JANUARY 9, 1968 AS INSTRUMENT NO. 2207 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

ALSO EXCEPTING THEREFROM ANY PORTION INCLUDED WITHIN TRACT 25619-1 AS SHOWN BY MAP ON FILE IN BOOK 221 PAGES 63 THROUGH 74, INCLUSIVE, OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

AT THE DATE HEREOF EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS CONTAINED IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. GENERAL AND SPECIAL COUNTY TAXES FOR THE FISCAL YEAR 1997-98, A LIEN NOT YET PAYABLE.

2. GENERAL AND SPECIAL PRORATED COUNTY TAXES FOR THE FISCAL YEAR 1996-97. CODE NO. 094-182. ASSESSMENT NO. 958-250-004-7.

INSTALLMENT AMOUNTS	PENALTY	DUE DATE STATUS
1ST \$2,337.65	\$233.76	12-10-96 PAID
2ND \$2,337.65	\$243.76	4-10-97 NOT PAID

GENERAL AND SPECIAL PRORATED COUNTY TAXES FOR THE FISCAL YEAR 1996-97. CODE NO. 094-182. ASSESSMENT NO. 958-250-005-8.

INSTALLMENT AMOUNTS	PENALTY	DUE DATE STATUS
1ST \$1,967.61	\$196.76	12-10-96 PAID
2ND \$1,967.61	\$206.76	4-10-97 NOT PAID

GENERAL AND SPECIAL PRORATED COUNTY TAXES FOR THE FISCAL YEAR
1996-97. CODE NO. 094-182. ASSESSMENT NO. 958-250-006-9.

INSTALLMENT AMOUNTS	PENALTY	DUE DATE STATUS
1ST \$17.61	\$1.76	12-10-96 PAID
2ND \$17.61	\$11.76	4-10-97 NOT PAID

GENERAL AND SPECIAL PRORATED COUNTY TAXES FOR THE FISCAL YEAR
1996-97. CODE NO. 094-182. ASSESSMENT NO. 958-250-007-0.

INSTALLMENT AMOUNTS	PENALTY	DUE DATE STATUS
1ST \$21,312.15	\$2,131.21	12-10-96 PAID
2ND \$21,312.15	\$2,141.21	4-10-97 NOT PAID

GENERAL AND SPECIAL PRORATED COUNTY TAXES FOR THE FISCAL YEAR
1996-97. CODE NO. 094-182. ASSESSMENT NO. 958-250-009-2.

INSTALLMENT AMOUNTS	PENALTY	DUE DATE STATUS
1ST \$99.12	\$9.91	12-10-96 PAID
2ND \$99.12	\$19.91	4-10-97 NOT PAID

3. THE LIEN OF SUPPLEMENTAL TAXES, IF ANY, ASSESSED PURSUANT TO CHAPTER 3.5 COMMENCING WITH SECTION 75 OF THE CALIFORNIA REVENUE AND TAXATION CODE.

4. MUNICIPAL IMPROVEMENT BONDS, WINCHESTER DISTRICT NOS. 161A, 161B AND 161C FILED IN THE OFFICE OF THE TREASURER OF THE COUNTY OF RIVERSIDE.

NOTE: INFORMATION ON THE BOND REDEMPTION AMOUNT IS AVAILABLE UPON WRITTEN REQUEST TO THE BONDING AGENCY. THIS COMPANY WILL WRITE FOR THE INFORMATION, ONLY UPON YOUR WRITTEN REQUEST TO DO SO.

NOTE: SAID BOND/ASSESSMENT IS DELINQUENT AND HAS BEEN REMOVED FROM THE PREVIOUS YEARS TAX ROLL. AMOUNTS TO BRING THE ASSESSMENT CURRENT ARE NOT AVAILABLE AT THIS TIME, BUT WILL BE AVAILABLE PRIOR TO CLOSING.

5. THE EFFECT OF A NOTICE OF EXISTENCE OF SANTA MARGARITA WATERSHED BENEFIT ASSESSMENT AREA WHICH PROVIDES FOR THE ISSUING OF BONDS AND THE LEVYING OF A SPECIAL TAX TO PAY THE INTEREST AND PRINCIPAL PAYMENTS ON SUCH BONDS UPON THE HEREIN DESCRIBED PROPERTY, RECORDED JUNE 10, 1991 AS INSTRUMENT NO. 193751 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, REFERENCE HEREBY BEING MADE TO THE RECORD FOR FULL PARTICULARS.

6. AN EASEMENT IN FAVOR OF THE PUBLIC OVER ANY PORTION OF THE HEREIN DESCRIBED PROPERTY INCLUDED WITHIN PUBLIC ROADS.

7. AN EASEMENT FOR THE HEREINAFTER SPECIFIC PURPOSE AND INCIDENTAL PURPOSES, AS SHOWN ON A RECORD OF SURVEY OF SAID LAND, ON FILE IN BOOK 61 PAGE 10 OF RECORDS OF SURVEY, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA. SAID EASEMENT IS FOR ROAD PURPOSES AND LOCATED WITHIN THE EAST 30 FEET OF SECTION 17, TOWNSHIP 7 SOUTH, RANGE 2 WEST.

8. ANY EASEMENT OR LESSER RIGHT OF THE PUBLIC IN ALAMOS (POURROY) ROAD LOCATED IN SOUTHEAST QUARTER OF SAID SECTION 8 AS DISCLOSED BY BOOK 1, PAGE 240 OF ROAD RECORDS IN RIVERSIDE COUNTY BOARD OF SUPERVISORS, DATED DECEMBER 21, 1904.

9. AN EASEMENT FOR THE HEREINAFTER SPECIFIC PURPOSE AND INCIDENTAL PURPOSES, IN FAVOR OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, A PUBLIC CORPORATION, IN INSTRUMENT RECORDED APRIL 25, 1958 IN BOOK 2260 PAGE 413 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA. SAID EASEMENT IS FOR PIPE LINES.

10. AN AGENCY AGREEMENT DATED MARCH 29, 1979 BY AND BETWEEN KACOR REALTY, INC. AND RANCHO CALIFORNIA WATER DISTRICT WHEREIN IT IS AGREED THAT SAID DISTRICT IS DESIGNATED AS EXCLUSIVE AGENT FOR THE EXTRACTION, DIVERSION, STORAGE, BLENDING AND DISTRIBUTION OF ALL LOCAL WATER, RECORDED MAY 7, 1979 AS INSTRUMENT NO. 92330 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

11. THE EFFECT OF A DEVELOPMENT AGREEMENT NO. 7 EXECUTED BY THE COUNTY OF RIVERSIDE AND FN PROJECTS, INC., RECORDED NOVEMBER 7, 1988 AS INSTRUMENT NO. 325501 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA. REFERENCE HEREBY BEING MADE TO THE RECORD FOR FULL PARTICULARS.

SAID AGREEMENT HAS BEEN ASSIGNED TO D L EQUITY CORPORATION, A CALIFORNIA CORPORATION BY MESNE ASSIGNMENTS OF RECORD AND BY DOCUMENT ENTITLED ASSIGNMENT AND ASSUMPTION AGREEMENT FOR DEVELOPMENT AGREEMENT NO. 7, RECORDED JULY 16, 1992 AS INSTRUMENT NO. 262851 AND RE-RECORDED OCTOBER 6, 1992 AS INSTRUMENT NO. 377974 BOTH OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, REFERENCE BEING MADE TO THE RECORD THEREOF FOR FURTHER PARTICULARS.

12. ANY RIGHTS OR ASSERTED RIGHTS OF THE HOLDER OR OWNERS OF THE FOLLOWING ITEMS, AS DISCLOSED BY AN ALTA SURVEY, DATED DECEMBER 11, 1988 BY JOHN E. STEVENSON.

(A) VARIOUS ENCROACHMENTS OF A 4 FOOT BARBED WIRE FENCE. AROUND THE PERIMETER OF SAID LAND.

*can we have a map showing
location of road easement + pipeline ???
+ cable-line*

13. A DEED OF TRUST TO SECURE AN INDEBTEDNESS IN THE ORIGINAL PRINCIPAL SUM OF \$22,500,000.00, AND ANY OTHER AMOUNTS AND/OR OBLIGATIONS SECURED THEREBY RECORDED JANUARY 23, 1989 AS INSTRUMENT NO. 21719 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

DATED: JANUARY 23, 1989

TRUSTOR: LANE/KUHN PACIFIC COMMUNITIES, A CALIFORNIA LIMITED PARTNERSHIP

TRUSTEE: MASTER MORTGAGE COMPANY, A CALIFORNIA CORPORATION

BENEFICIARY: FN PROJECTS, INC., A CALIFORNIA CORPORATION.

(AFFECTS PROPERTY HEREIN DESCRIBED WITH OTHER PROPERTY)

THE BENEFICIAL INTEREST UNDER SAID DEED OF TRUST WAS ASSIGNED TO FIRST NATIONWIDE FINANCIAL CORPORATION, BY MESNE ASSIGNMENTS OF RECORD.

14. THE EFFECT OF A CABLE TELEVISION EASEMENT AND AGREEMENT MOUNTAINVIEW EXECUTED DECEMBER 29, 1989 BY LANE/KUHN PACIFIC COMMUNITIES, A CALIFORNIA GENERAL PARTNERSHIP AND THE CHRONICLE PUBLISHING COMPANY, A NEVADA CORPORATION DOING BUSINESS AS INLAND VALLEY CABLEVISION, RECORDED DECEMBER 29, 1989 AS INSTRUMENT NO. 456646 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA. REFERENCE HEREBY BEING MADE TO THE RECORD FOR FULL PARTICULARS.

15. AN INQUIRY WITH THE SECRETARY OF STATE OF CALIFORNIA, CORPORATE STATUS DIVISION DISCLOSES THAT FN DEVELOPMENT COMPANY, DELTA HAS BEEN MERGED WITH ANOTHER ENTITY, UNKNOWN TO THIS COMPANY. PRIOR TO ISSUANCE OF ANY SUBDIVISION GUARANTEE OR POLICY OF TITLE INSURANCE, WE WILL REQUIRE A CERTIFICATE OF MERGER BE ISSUED BY THE SECRETARY OF STATE OF CALIFORNIA.

16. PRIOR TO ISSUING A SUBDIVISION GUARANTEE, WE REQUIRE THAT A COPY OF THE FINAL MAP BE PROVIDED TO OUR OFFICE FOR REVIEW AT LEAST ONE MONTH PRIOR TO SCHEDULED APPROVAL BY THE GOVERNING BODY.

* * * * *

NOTE: THE FORM OF POLICY OF TITLE INSURANCE CONTEMPLATED BY THIS REPORT IS:

* * * * *

NOTE:

COPIES OF THIS PRELIM WERE SENT TO:

CHRIS MOUNTS
6855 WATERCOURSE DRIVE
CARLSBAD, CALIFORNIA 92009

1785964

KEITH INTERNATIONAL
22690 CACTUS AVENUE, SUITE 300
MORENO VALLEY, CALIFORNIA 92553
ATTENTION: RICK ROBOTTA

T & B PLANNING CONSULTANTS
3242 HALLADAY STREET, SUITE 100
SANTA ANA, CALIFORNIA 92705
ATTENTION: BARRY BURNELL

MC COLLUM ASSOCIATES
1100 LOS MOLINOS WAY
SACRAMENTO, CALIFORNIA 95864
ATTENTION: KENT SMITH

* * * * *

PLAT ATTACHED/BK/VLB/SK/CAM

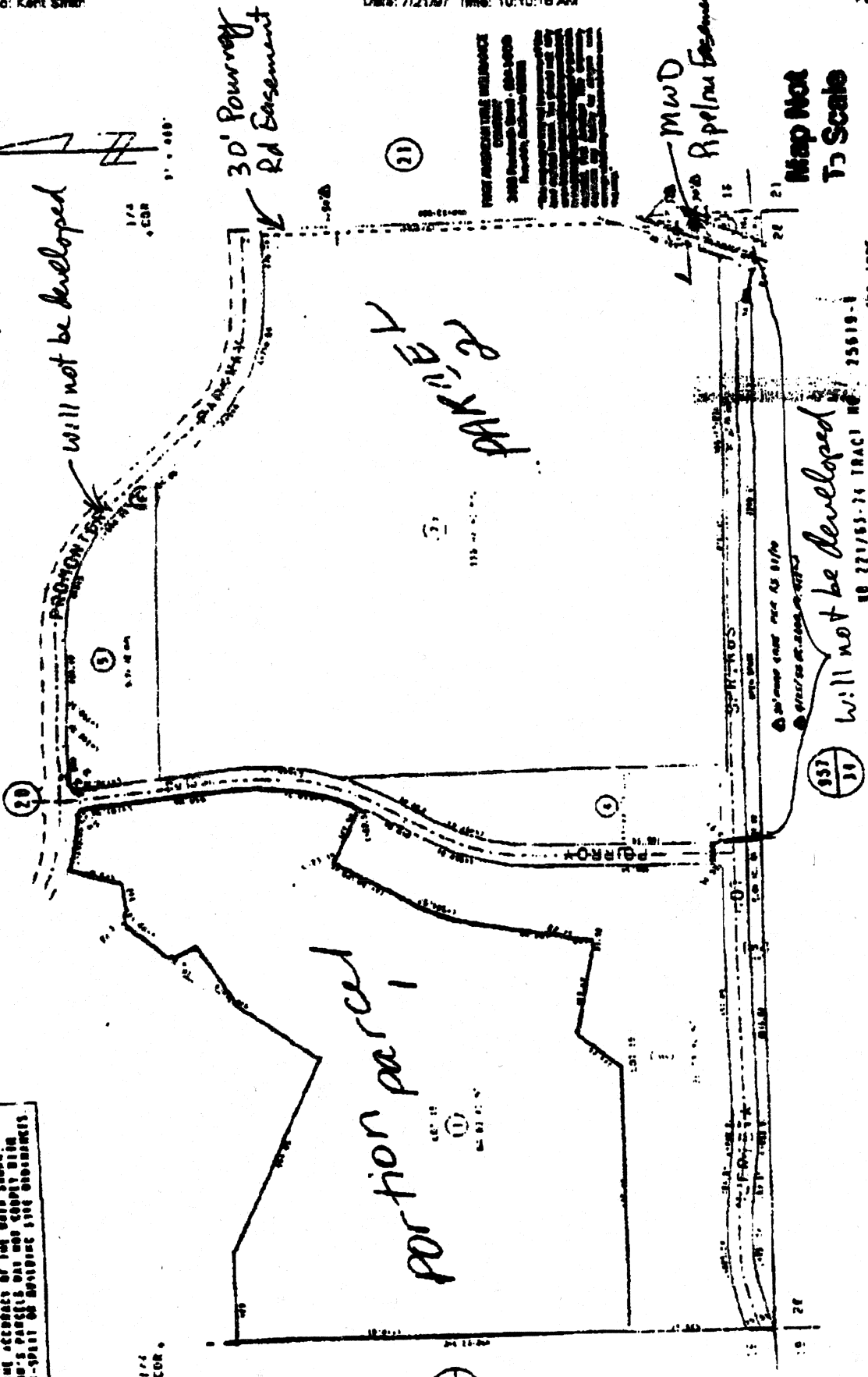
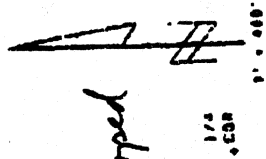
PAGE 6

Existing easements

I.R.A. 084-102 958-25
SIC-75

POR. SEC. 17 T.7S.R.2W.

THIS MAP WAS PREPARED FOR ASSISTANCE
PURPOSES ONLY. NO LIABILITY IS ASSUMED
FOR THE ACCURACY OF THE DATA SHOWN.
ASSESSOR'S OFFICE MAY NOT CORRELATE WITH
LOCAL GOVERNMENT OR SURVEYING THE DISTRICTS.



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ASSESSOR'S OFFICE MAY NOT CORRELATE WITH
LOCAL GOVERNMENT OR SURVEYING THE DISTRICTS.

MWD
Applm Easement

Map Not
To Scale

Will not be developed

NO 221/65-74 TRACT NO. 1 25619-1

ASSESSOR'S MAP OF 1996 P. 25
Overseas County, Ind. 8X