

GET CONNECTED

NEWS FOR FIDELITY EMPLOYEES

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UCCPlus:
GOING THE DISTANCE
WITH COMMERCIAL
COVERAGE

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UCCPlus™

Going the Distance with Commercial Title Coverage

Available through all five title companies, UCCPlus™ broadens Fidelity's coverage to meet virtually any commercial title insurance need

At One Central Park in New York City, the massive, glass-encased towers of the AOL Time Warner Center rise 80 stories high into the Manhattan skyline. The double skyscraper is virtually a self-contained city, with a Mandarin Oriental Hotel, an upscale retail complex, CNN's studios and 191 luxury condominiums priced from \$2.5 million to \$40 million. With a total price tag creeping toward \$2 billion, the AOL Time Warner Center is the most expensive single-building construction project in North America.

For more in-depth details on each Fidelity division, watch upcoming issues of Get Connected for divisional profiles.

This jewel in the Big Apple's crown is significant for the Fidelity National Financial family of companies for two reasons. First, Chicago Title and Fidelity National Title both helped to co-insure the primary real estate financing of the AOL Time Warner complex. Second, the capital structure for the remainder of the complex's financing included a popular loan instrument known as *mezzanine financing*, in which the owner's equity is pledged as collateral. Such pledges, as well as non-real estate assets like accounts receivable, inventory, furniture, computers and customer accounts, are outside the scope of traditional title products. That's where Fidelity's UCCPlus™ title insurance comes in.

THE CREATION OF UCCPLUS TITLE INSURANCE

To better understand the kind of protection UCCPlus offers, it's important to turn the clock back four years. At that time, each state had its own version of Article 9 of the Uniform Commercial Code (UCC), which dictates how secured lenders grant, perfect and enforce their security interest in commercial loans secured by non-real estate assets. These assets, commonly referred to as "personal property," are also known as "Article 9 collateral."

“Despite its short time on the market, UCCPlus is proving to be a contender in generating revenue.”

Frustrated with the complexity of the UCC as enacted throughout the U.S., the commercial finance industry took on the formidable task of standardizing Article 9 of the UCC into a simpler, more uniform code to be used nationwide.

Easier said than done. After years of struggling over details, the revision committee's "simplified" Article 9 totaled 178,000 words – about the size of three novels!

In addition to complicated five-year transition rules, the many revisions to Article 9 have exposed lenders and their legal representatives to greater



uncertainty and risk associated with the loss of priority due to search-and-filing errors and/or documentation defects. Amidst the ensuing chaos over Revised Article 9 interpretations, Fidelity and a few other industry innovators discovered an opportunity. If a lender could use traditional title insurance to protect real estate assets, why couldn't a new form of title insurance be developed to assure validity, enforceability, attachment, perfection and priority of non-real estate assets covered under Revised Article 9?

POWERFUL CROSS-SELL OFFERS NEW REVENUE SOURCE

Ted Sprink, senior vice president of Fidelity's UCC Insurance Division, worked to develop and introduce *UCCPlus* title insurance, which Fidelity launched approximately 18 months ago. Despite its short time on the market, *UCCPlus* is proving to be a contender in generating revenue. "The commercial loan market tops \$1 trillion annually, so the premium potential is significant," said Sprink. "For 2003, our orders surpassed \$4 billion in loans insured. It's clear that our targeted segments of the commercial market have a tremendous need for this kind of protection."

Large, complex commercial projects involving mixed collateral or mezzanine financing – like the AOL Time Warner Center and those on a much smaller scale – are a natural fit for the additional protection that *UCCPlus* can offer. "We recently completed a deal for 122 Homestead Studio Suites throughout the U.S.," said **Scott Green**, associate division counsel for Chicago Title in Los Angeles. "The total loan was \$660 million, with \$200 million of that structured as a mezzanine loan. We were able to furnish \$460 million in coverage through our traditional title product and use *UCCPlus* to cover the mezzanine loan for this multi-site transaction."

Gordon Daniels, a vice president with Fidelity National Title in Philadelphia, has obtained Fidelity's *UCCPlus* title insurance for several of his large deals. "Fidelity's *UCCPlus* team was extremely responsive with us and our customers, who've given us very positive feedback about their experience," Gordon said. **Gary Zimmerman**, manager and senior counsel of the UCC Insurance Division, notes, "Many of the transactions we insure have short deadlines and multiple document revisions. Our team of underwriters stay flexible and work closely with all parties involved in the transaction to timely deliver a *UCCPlus* policy to the insured lender."

AOL Time Warner's new \$2 billion headquarters is the most expensive building in North America, and is insured by Chicago Title, Fidelity National Title and Fidelity's UCCPlus insurance.

SALES OPPORTUNITIES FOR UCCPLUS

- Major commercial transaction, i.e. a large office complex, shopping center, hotel, apartment building or manufacturing facility
- Loan structure involving mezzanine financing
- Request for UCC search, which suggests that personal property is being pledged
- Results of a UCC search, which may reflect personal property that needs coverage
- Existence of a Bill of Sale, which confirms personal property as collateral
- Evidence of an ownership or equity pledge, indicating a mezzanine loan component

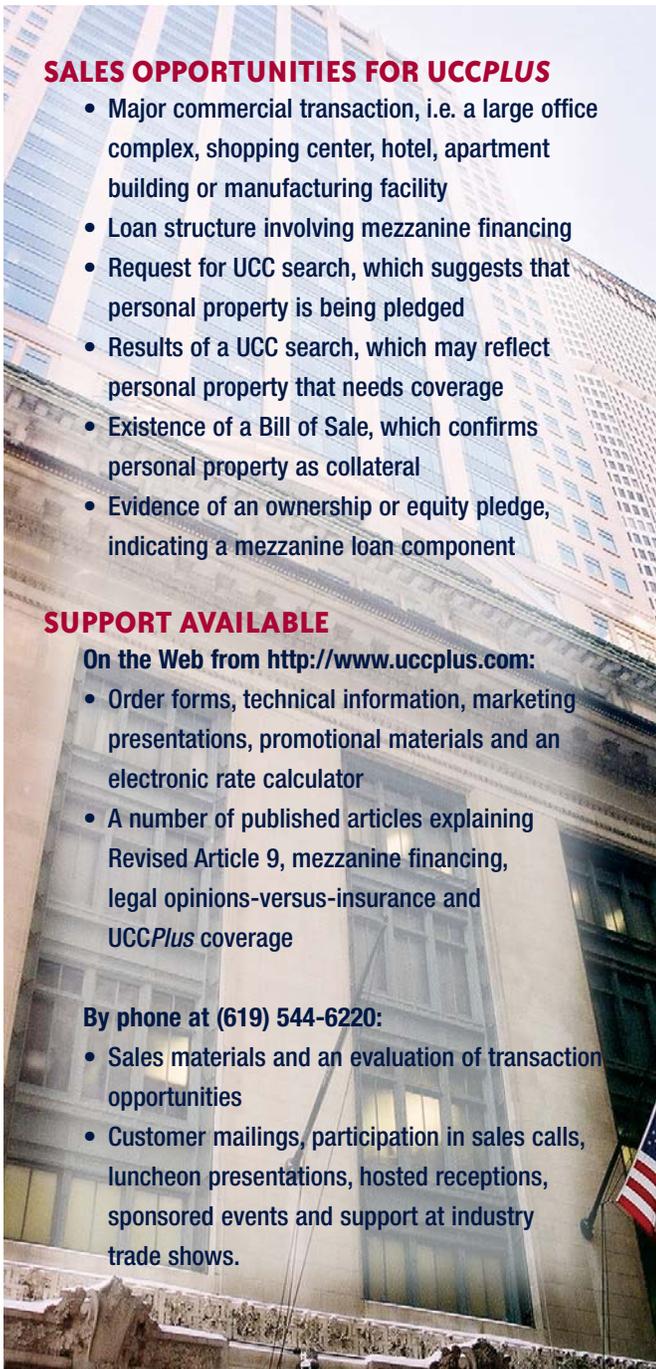
SUPPORT AVAILABLE

On the Web from <http://www.uccplus.com>:

- Order forms, technical information, marketing presentations, promotional materials and an electronic rate calculator
- A number of published articles explaining Revised Article 9, mezzanine financing, legal opinions-versus-insurance and UCCPlus coverage

By phone at (619) 544-6220:

- Sales materials and an evaluation of transaction opportunities
- Customer mailings, participation in sales calls, luncheon presentations, hosted receptions, sponsored events and support at industry trade shows.



A TRUE PARTNER WITH SALES

The UCC division collaborates with existing sales, marketing and distribution channels to market the product to lenders and law firms. To simplify efforts for the title companies' sales forces, the UCC Division acts as the subject-matter expert on UCC coverage. In addition to participating in conference calls, sales calls or in formal presentations, Sprink also prepares written proposals and presentations for use by sales representatives, closers and underwriters for all five Fidelity title companies to use directly with their customers.

The UCCPlus application process is simple. When a brief, one-page application is submitted to Fidelity's UCCPlus facility in Chicago, the underwriting team will identify the documents needed, speak with the lender's counsel and ensure

that the UCCPlus policy is in place for the closing on time and on budget. "Our goal is to make sales reps and underwriters look good and provide them with as much or as little support as they need. We're very respectful of the customer relationship," Zimmerman emphasized.

NEUTRALIZING THE COMPETITION

UCCPlus is a natural extension to many commercial title transactions. "By broadening our commercial title insurance coverage, we've created a powerful cross-marketing opportunity for transactions involving mixed collateral or mezzanine financing," said **Bill Foley**, chairman and CEO of Fidelity National Financial. "We need to be more aggressive about promoting UCCPlus, so that more commercial customers turn to the Fidelity family of companies for all of their title insurance needs."

UCCPlus is available in most metropolitan areas and offers the following advantages over competitors' UCC products:

- Broad coverages and narrower exclusions
- Discount on UCC policy when the lender purchases real property title insurance from one of Fidelity's five title companies
- Faster, easier, more flexible ordering, production and delivery process
- Highly qualified underwriting staff of experienced commercial finance attorneys with expertise in large, complex transactions
- Waives right of subrogation against lender's counsel

UCCPlus policies are centrally underwritten and produced in Chicago, often in response to referrals. UCCPlus insurance provides additional lender coverage, with the borrower generally paying the premium. In addition to detailed product information, order forms, marketing presentations and an online rate calculator, which can be found at www.uccplus.com, Fidelity's UCCPlus team can evaluate transaction opportunities, develop sales and marketing materials and prepare customized proposals. The UCCPlus team has found that initial customer mailings, educational programs, luncheon presentations, hosted receptions, sponsored events and industry trade shows are all important to the sales process.

"Customers expect title employees to know about the availability of UCC insurance through our brands," Sprink said. "By offering an added layer of protection through UCCPlus, you have one more strong selling point to close a deal for the core commercial real estate title product, while providing a new revenue source for Fidelity."



Gary Zimmerman (L) and Ted Sprink of Fidelity's UCC Division support sales with UCCPlus marketing efforts.