

North Bay Association of REALTORS®

LAKE COUNTY REAL ESTATE DISCLOSURE ADVISORY

(This form is intended only for use with the California Association of REALTORS® form SBSA, "Statewide Buyer and Seller Advisory")

This Advisory applies to the following property: _____, Lake County, California.

In considering whether or not to buy or sell real property in Lake County, you should read and understand the matters contained in this Disclosure Advisory, as well as the information from the following sources: Seller's Transfer Disclosure Statement and any supplementary or additional disclosures from Seller, including but not limited to Seller's Natural Hazards Disclosures, as well as the California Association of REALTORS® Statewide Buyer and Seller Advisory ("SBSA"), the booklet entitled "Environmental Hazards: A Guide for Homeowners, Buyers, Landlords and Tenants (Includes Toxic Mold Update)/The Homeowners Guide to Earthquake Safety," the Buyer's Inspection Advisory, and all other notices and information you have or receive regarding the inspection and condition of real property generally and the specific property you are considering buying or selling.

The information contained herein is not part of the contract to buy or sell the above property, and is not a warranty of any kind by the Seller or any agent(s) representing either the Buyer or Seller in the purchase and sale of the above property, and is not a substitute for any investigations, inspections or warranties the Buyer desires to obtain.

1. **ASBESTOS/SERPENTINE ROCK:** Naturally-Occurring Asbestos ("NOA") and Serpentine Rock are present in the soils of Northern California. These may exist at the above property, in its vicinity, and/or at other locations within the county. NOA and Serpentine Rock, which can contain naturally-occurring asbestos, may pose a health hazard to those exposed to ambient asbestos fibers in dust caused by surface mining, grading and the use of Serpentine Rock as a surface material for unpaved roads. Some counties have adopted ordinances to reduce the risk of exposure to harmful forms of NOA fibers and the county may be a source of information concerning such hazards. Buyer acknowledges that real estate brokers and agents do not have the background, skill and expertise necessary to evaluate the existence of or the potential risk presented by the existence of NOA and Serpentine Rock on or within the vicinity of the property. As with any other potential environmental hazard, Buyer is advised to fully investigate and satisfy themselves as to the existence of exposed NOA and/or Serpentine Rock on the property or within its vicinity or any Serpentine-surfaced roads within the vicinity of the property and the hazards, if any, posed thereby. That investigation should include consulting with appropriate expert(s) who can identify and test any exposed rock on the property or within its vicinity to determine whether it may present a health risk to Buyer. Such experts may include a geologist, environmental engineer, and/or a state certified asbestos inspector. Third party companies that review state and local maps and prepare disclosure reports are not an appropriate source for making these site-specific determinations.

Buyers are encouraged to review all relevant information resulting from governmental studies and other information pertaining to the risk of exposure to harmful forms of NOA fibers prior to removing their inspection contingency. The following governmental agencies, among other sources, have information and/or websites that Buyers can check:

- Lake County Air Quality Management District: (707) 263-7000 and at <http://www.lcaqmd.net/>
- US Environmental Protection Agency: U.S. EPA Region 9, 75 Hawthorne Street, San Francisco, CA 94105, Attn: Jere Johnson, Site Assessment Manager, (415) 972-3094 <http://www.epa.gov/region09/toxic/noa>
- Agency for Toxic Substances and Disease Registry: <http://www.atsdr.cdc.gov>
- Department of Toxic Substances Control: <http://dtsc.ca.gov/index.html>

Buyer's Initials: ___/___

Seller's Initials: ___/___

2. BANK-OWNED (“REO”) PROPERTIES: “REO” stands for “real estate owned” which is how banks and other lenders categorize real property that they have taken back on either a foreclosure or a “deed in lieu” of foreclosure. When a bank is the seller, there are substantial differences in the way the transaction proceeds, as compared to how it typically works when the seller is a person. These differences include, but are not limited to, the following:

A. Depending on whether the REO seller acquired the property through foreclosure, the seller may not be required to give the buyer a Transfer Disclosure Statement (“TDS”) describing the condition and features of the property, or to complete other important disclosure forms regarding natural hazards, taxes, bonds and assessments affecting the property, earthquake safety information, and information about nearby industrial and military weapons sites.

B. REO properties may also be “distressed” as a result of neglect and/or vandalism. But, the lender/seller may have little or no knowledge of the property. While lender/sellers who have acquired property by foreclosure do not have to complete a TDS, they are still required to disclose any conditions or defects affecting the value or desirability of the property (just not on a TDS), including repairs completed by the lender/sellers or their agents, and make other required disclosures. However, those disclosures may be of little value in light of a lender/seller's limited knowledge of the property.

C. Buyer is advised to fully investigate the condition of the property including obtaining any and all necessary inspections by appropriate experts. Brokers and agents advise against closing escrow without obtaining and understanding all legally-mandated disclosures from Seller, and securing all necessary inspections and investigations as recommended.

D. The lender/seller may give you a verbal “acceptance” of your offer. Such acceptances are generally not binding, in the absence of other writings sufficient to constitute an agreement to sell. If you are in doubt as to whether you have a binding agreement, you should consult your own real estate attorney.

E. REO lender/sellers usually will attach a lengthy Addendum to the standard form purchase agreement, or may even require the use of their own contract form. These addenda and contracts have been drafted by the attorneys for the lender/seller and generally are drafted to favor the lender/seller. It is strongly recommended by your agent that you review this Addendum or contract with an attorney, because real estate licensees are not qualified or competent to give you advice on legal documents drafted by attorneys for other parties.

F. If you receive such a lender/seller Addendum or contract, read it thoroughly for understanding since it will affect your contractual rights. Some clauses may limit to take away your legal rights in certain circumstances, or limit your recovery against the lender/seller. Some clauses may impose per diem charges for delays in closing. Other clauses may require you to hold the lender/seller harmless and release the lender/seller from certain potential liabilities. Again, your agent strongly recommends that you get any questions you may have answered by your attorney.

3. CLEAR LAKE DISCLOSURE ADVISORIES:

A. ALGAE, AQUATIC WEEDS/HYDRILLA, and MERCURY:

- Algae are present in Clear Lake, and certain types of algae when in “bloom” emit distinctive odors at different and unpredictable times throughout the year which may be offensive to some people.
- Various aquatic weeds, including hydrilla, are present in Clear Lake. These weeds affect certain recreational and other uses of the lake. Various governmental agencies undertake steps to manage the algae and aquatic weeds.
- Due to elevated mercury levels in some of Clear Lake's fish, there is an advisory from the California Department of Health Services to limit the number of fish consumed from the lake. Mercury occurs naturally in Clear Lake, although levels have been elevated due to historic mercury mining at Sulphur Bank. The U.S. Environmental Protection Agency has begun remedial steps including the reinforcement and stabilization of the shoreline to reduce the input of mercury to the lake.

Buyer is advised to obtain more information on Clear Lake water quality, related issues, and the above matters prior to removing their inspection contingency. Buyer is advised to check, among other sources, the following websites and to contact the Lake County Department of Public Works, Flood and Lake Management Programs Division, at (707) 263-2341 or 263-2343:

<http://watershed.co.lake.ca.us/clkinfo/clearlake.html>
<http://watershed.co.lake.ca.us/programs/aquaticplants/index.html>

B. PERMITTING OF SHORE AREA CONSTRUCTION, IMPROVEMENTS, AND RELATED ACTIVITIES: The level of Clear Lake is measured by the number of feet on the "Rumsey gauge." The Clear Lake Shoreline Ordinance, Chapter 23 of the Lake County Code, establishes a permitting process and minimum standards for the construction, alteration, removal and maintenance of structures or other prescribed activities in the "nearshore" (meaning lakeward of the low water mark) and "foreshore" (meaning 0.00 feet to 7.79 feet on the Rumsey gauge) of the lake. This includes but is not limited to piers, boat ramps, buoys, floats, conduit, storage structures, jetties, breakwaters, vegetation management, filled lands, and retaining walls. The Lake County Water Resources Division is responsible for Lakebed Management. The Lakebed Management section of this Division is responsible for the public trust lands below the highwater mark (7.79' Rumsey). The Lakebed Management section processes permits and leases for all structures in the lake below 7.79' on the Rumsey gauge, and implements algae management programs. Buyer is advised to obtain more information on construction and related activities regarding Clear Lake prior to removing their inspection contingency by checking, among other sources, the following websites and contacting the Lake County Department of Public Works, Water Resources Division, Lakebed Management section, at (707) 263-2341 or 994-4824:

<http://watershed.co.lake.ca.us/programs/lakebed/lakebed.html>
<http://watershed.co.lake.ca.us/>

4. **ENDANGERED SPECIES ACT:** Under the Federal Endangered Species Act (16 U.S.C. §§ 1531-1544) and the California Endangered Species Act (Fish & Game Code § 2050 et seq.), all species that have been listed as "endangered," "threatened," or in some cases species that are "candidates" for declaration as endangered or threatened are protected from, among other things, being killed or being harassed, harmed, pursued, hunted, wounded or trapped in any way. There are species of plants and animals in Lake County that are so listed. In addition to protecting the listed species themselves, these laws protect the designated "critical" or "essential" habitat of these species. The presence of a listed plant or animal on the property can have serious consequences for Buyer's plans, including but not limited to prohibition or limitations on building, remodeling, grading, landscaping, and agricultural, livestock, and equestrian activities, and costs relating to governmental requirements for environmental mitigation of the effects of buyer's plans or activities. Violating these laws can result in substantial fines, civil penalties, forfeiture of certain personal property, and prison sentences. Buyer should contact the U.S. Fish and Wildlife Service at <http://www.fws.gov/> and the California Department of Fish and Game at <http://www.dfg.ca.gov/> to determine if the property is within designated critical or essential habitat for any listed species. Buyer should also consider engaging qualified professionals, who may include biologists, botanists, ecologists and others experienced with application and enforcement of the Endangered Species Act and its requirements.

5. **FLOOD HAZARDS AND FLOOD INSURANCE:** Flooding and other surface drainage problems can occur well away from the lake or local rivers or creeks. Certain areas of Lake County, including Clear Lake, are "Special Flood Hazard Areas." Lake County regulates construction and development in designated floodplain areas to ensure that buildings will be protected from flood damage. Filling and similar projects are prohibited in certain areas. Another rule requires houses substantially damaged by fire, flood, or any other cause, to be elevated above the flood level when they are repaired. Buyer is advised to investigate the Property regarding flood hazards, and is advised to consult with local building, zoning, or engineering departments to determine if the Property is in a floodplain, if the Property has ever flooded, what is the flood depth, velocity, and warning time, if the Property is subject to any other hazards, and what building or zoning regulations are in effect. Buyer is also advised to investigate the availability and cost of flood insurance for the Property. For more information, contact the Lake County Department of Public Works, Flood and Lake Management Programs Division, at (707) 263-2341 or 263-2343 and check:

<http://watershed.co.lake.ca.us/programs/flood/nfiphome.html>
http://watershed.co.lake.ca.us/programs/flood/floodletter_2003.html
<http://watershed.co.lake.ca.us/watermain.html>

6. **HOME EQUITY SALES ACT AND NOTICE OF DEFAULT ISSUES:** California Civil Code Section 1695 et seq., known as the Home Sales Equity Contract Act ("Act") may apply to this transaction, if a Notice of Default pertaining to the Property is recorded before or during escrow. It is strongly recommended that, before entering into any transaction where the Act applies or that a Notice of Default has been recorded, Buyers and Sellers seek legal advice. The following information is provided as a convenience to aid Buyers and Sellers in making informed decisions. It is not meant to be a complete source of information on all matters which can become issues in transactions involving a Notice of Default or the Act. This information is not guaranteed to be accurate, nor does it apply to any specific transaction. For that reason, it is strongly recommended that Buyers and Sellers use the utmost care and diligence in reviewing and investigating all matters which may be relevant to their transaction. Real estate licensees are not qualified to give legal or tax advice, either in general or specifically, as to Notices of Default or the Act. If Buyers or Sellers have any legal questions or concerns, Buyers and Sellers are urged to consult with their own qualified real estate attorney. If Buyers or Sellers have any tax questions or concerns, Buyers and Sellers are urged to consult with their own qualified certified public accountant or tax attorney.

A. AGREEMENT SUBJECT TO CIVIL CODE § 1695 et seq. The California Association of REALTORS® Notice of Default Purchase Agreement (form "NODPA") is to be used when an investor Buyer offers to purchase a residential dwelling containing one to four units, one of which is owner-occupied as the owner's principal residence, and a Notice of Default has been recorded against the Property as required by Civil Code Sections 1695 through 1695.17. If the Purchase Agreement has been negotiated primarily in a language other than English, it must be translated into that other language as required by Civil Code Section 1695.2.

B. VIOLATIONS OF CIVIL CODE § 1695 et sq. If certain provisions of the Act are violated, there can be the following civil and criminal penalties: (a) Buyer may be responsible for actual and exemplary (punitive) damages and attorneys' fees and costs incurred by Seller, and/or a civil penalty of up to \$25,000; (b) Buyer may be subject to imprisonment for not more than one year; and (c) the transaction may be rescinded by the Seller for a period of up to two years after escrow closes.

C. SELLER'S CANCELLATION RIGHT. Under the Act, Seller may cancel the NODPA until midnight on the fifth (5th) business day following the day on which Seller signs the NODPA form or until 8:00 a.m. on the day scheduled for the sale of the Property pursuant to a power of sale conferred in a deed of trust, whichever occurs first.

D. BUYER RESTRICTIONS PRIOR TO EXPIRATION OF SELLER'S CANCELLATION RIGHT. Until Seller's right to cancel the NODPA has lapsed, Buyer shall not: (a) accept from Seller any execution of, or induce Seller to execute, any instrument conveying any interest in the Property; (b) record any instrument signed by Seller; (c) transfer or encumber or purport to transfer or encumber any interest in the Property to any third party; or (d) pay Seller any consideration.

E. REAL ESTATE AGENT LICENSE REQUIREMENTS. The Act requires an Equity Purchaser's Representative ("Buyer's Agent") to provide written proof that she or he has a current, valid California Real Estate Sales License and provide a particular form of Statement in that regard under penalty of perjury. If the Buyer's Agent fails to comply with these requirements, the Purchase Agreement is voidable by Seller and subjects the Buyer and the Buyer's Agent to liability for all damages proximately caused to the Seller by any such failure to comply. (NOTE: Under *Schweitzer v. Westminster Investments* (2007) 157 Cal.App.4th 1195, review denied March 26, 2008, the Appellate Court stated that the bond requirement of Civil Code Section 1695.17 was unenforceable and severed that provision from the statute.)

7. **LAKEPORT SEWER USE AND PRETREATMENT ORDINANCE:** The City of Lakeport ("City") has enacted an ordinance governing residential use of the City's sewer system, which, among other provisions, (i) prohibits certain types of wastewater discharges into City's sewer, (ii) requires connection to the City's system for all residences on property that is within 200 feet of the point where a sewer lateral may be connected to the City's system, (iii) requires parcels within that 200 foot distance to be connected to the City's system if "major repairs or construction" are required on an

existing septic tank or private on-site waste disposal system, and (iv) requires the cleaning, testing and/or repair (pursuant to a mandatory permit) of all sewer laterals connected to a public sewer main utilized by the property upon the occurrence of certain events, including but not limited to (a) instances where more than a specified amount of money is being spent on construction on the property, (b) the addition of certain plumbing fixtures, (c) certain changes in property use, and (d) where the public sewer main is being worked on. **Buyer and Seller are advised to review the language of the ordinance and address any concerns relating to the ordinance during their negotiations of the purchase agreement for the sale of the Property.** Brokers and agents do not have expertise in this area and are unable to advise Buyers and Sellers regarding the ordinance, sewer lateral testing, repair or replacement, related issues, or the associated costs, which may be significant. For a copy of the ordinance and for further information regarding the ordinance, and regarding sewer connections, sewer lateral cleaning, testing, and related permits and fees, the parties are advised to contact the City's Utilities /Community Development Director at (707) 263-5615 or the Director of the City's Municipal Sewer District at (707) 263-5615.

8. LAND USE AND CONSTRUCTION-RELATED LAWS: The United States, the State of California, the County of Lake, certain cities and towns within Lake County where the property is located, and some or all of their governing bodies have enacted and/or may in the future enact laws, ordinances, regulations and amendments and revisions thereto (including voter-approved ballot measures within these jurisdictions) which affect and may restrict land uses, development, construction (including remodeling, grading and water use), and demolition activities on the property (collectively "Laws"). Such Laws may also include grading and other conservation regulations that require, among other things, setbacks along designated streams, creeks and wetlands, environmental mitigation measures, erosion control permits, grading permits, and other permits necessary for development of any new or accessory structure, vineyard, earthmoving or land conversion in Lake County. New and amended Laws affecting watersheds, land uses, water use and conservation, development and construction continue to be developed, proposed, revised, debated and enacted. As part of Buyer's investigation of the property, Buyer is advised to obtain the latest information regarding all such applicable Laws, whether enacted or merely proposed, that currently affect or that might in the future affect the property or the cost to make any changes or improvements to the property. Such information may be obtained by contacting all the County and city governmental agencies that may have jurisdiction over the property and by searching in the archives of the local and statewide news media. Examples of Federal, State, County and city governmental agencies that may have information on these Laws include, but are not limited to, the U.S. Army Corps of Engineers San Francisco District at (415) 503-6795 and at <http://www.spn.usace.army.mil/regulatory/index.html> , the U.S. Fish and Wildlife Service at <http://www.fws.gov/> , the California Department of Fish and Game at <http://www.dfg.ca.gov/> , the County of Lake and the County's Community Development Departments and its divisions of Planning (707/263-2221), Building and Safety (707/263-2382), and Code Compliance (707/263-2308) all located at 255 North Forbes Street, Lakeport, CA 95453, and the applicable city's chief building official, chief planning official and chief code enforcement official, and all the other governmental agencies described in this Disclosure Advisory and in the SBSA form described above.

LEAD-SAFE WORK PRACTICES AND CERTIFICATIONS. Beginning April 2010, U.S. Environmental Protection Agency (EPA) regulations require, among other things: (a) that contractors be certified before performing work in homes built before 1978, and (b) that property owners who wish to renovate, repair, or prepare surfaces for painting in pre-1978 rental housing or space rented by child-care facilities must, before beginning work, also be certified and follow the lead-safe work practices required by EPA's Renovation, Repair and Remodeling rule. For detailed information, contact the U.S. EPA's Lead Information Center at 1-800-424-LEAD [5323], or at 75 Hawthorne St., San Francisco, CA 94105 (415) 947-4280, or at: <http://www.epa.gov/lead/pubs/renovation.htm>

9. LOCKS, GARAGE/GATE OPENERS, AND ALARMS: Seller may have given keys, garage/gate openers, combinations and/or access codes to doors, gates, alarms and other security devices on the property to third parties unknown to Buyer. In addition, Seller or Seller's Broker may have made the property available for open houses and other inspections by the general public which may compromise the security and safety of Buyers and their property. Accordingly, Buyer is advised to change or re-key all locks and re-code any and all alarms and other security devices, after close of escrow and upon Buyer taking possession of the property.

10. **RIGHT TO FARM ORDINANCE:** Lake County has enacted a Right to Farm Ordinance which provides that Seller or a landlord, upon transfer of real property by sale, exchange, installment land sale contract, lease with option to purchase, or ground lease coupled with improvements, or transfer of residential stock cooperative, must require the buyer or tenant to sign a disclosure statement in the form set forth in Subsection 43.4 of Article IV of Chapter 3 of the Lake County Code. In addition, the Seller or landlord must require that the executed disclosure statement be recorded in due course with the Office of the Assessor-Recorder of Lake County, along with other statutorily required documents involved in the transfer of real property. The disclosure must be on a specific form, copies of which are available at the Lake County Community Development Department at (707) 263-2221. Violation of this ordinance is punishable by a fine of up to \$500.00 or by imprisonment in the County Jail for a period not more than 6 months, or both. The form, among other things, includes the following language of which Buyer should be aware:

"If your property is adjacent to or near property used for agricultural operations or activities or on agricultural lands, you may be subject to inconveniences or discomforts arising from such operations or activities, including but not limited to noise, odors, insects, fumes, dust, the operation of machinery of any kind during any twenty-four (24) hour period (including aircraft), the application by spraying or otherwise of chemical fertilizers, soil amendments, herbicides and pesticides, the storage of livestock feed and other agricultural commodities and the storage and disposal of manure. Lake County has determined that inconveniences or discomforts associated with such agricultural operations or activities shall not be considered to be a nuisance and that residents or users of nearby property should be prepared to accept such inconvenience or discomfort as a normal and necessary aspect of living in a county with a strong rural character and an active agricultural sector. Lake County has established a grievance committee to assist in the resolution of any disputes which might arise between residents of this County regarding agricultural operations or activities. If you have any questions concerning this policy or the Agricultural Grievance Committees, please contact the Lake County Agricultural Commissioner."

11. **RURAL AREA DISCLOSURE ADVISORIES:** Lake County's rural character means that there are many land use practices and activities that are permissible (in many cases without obtaining governmental approvals) and which Buyers from more urban areas might not be accustomed to. These include, but are not limited to: smoke and odors from the burning of yard waste and agricultural burning, use of offroad vehicles and other machinery, and dust, noise, vibration and other effects from these permissible land use practices and activities. Buyer is advised to investigate these permitted practices and activities and other conditions of rural life such as longer response times for fire, law enforcement, and public safety personnel and the presence of wild animals on or near the Property, including but not limited to rattlesnakes, mountain lion, and coyotes.
12. **SECOND UNITS:** The construction and use or modification of second residential dwelling units on the property, including "in law," "Granny" or "Guest" units, may be unlawful or restricted based on parcel size, sewage disposal and water availability requirements. Buyer should verify the legality of any existing or planned second units with the appropriate city building and/or planning department, or with the Lake County Department of Building and Safety (707) 263-2382 and the Lake County Planning Department (707) 263-2221, and with all other appropriate city and county public agencies. Some jurisdictions within Lake County may have zoning restrictions that prohibit building second units, and some jurisdictions may require that the property owner personally live in either the main unit or the second dwelling unit.
13. **SEPTIC SYSTEM/WASTEWATER TREATMENT SYSTEM REGULATIONS:** The State of California has proposed and is in the process of refining and enacting new regulations for onsite wastewater treatment systems (OWTS) (sometimes also referred to as "septic systems"). These new regulations, once enacted, will affect many different types of OWTS, including possibly the type of system (if any) presently on the property. The final regulations may include, but are not limited to, some or all of the following: point-of-sale inspection and repair requirements; ongoing monitoring requirements and professional monitoring contracts; investigations and studies; specific percolation rates; and/or supplemental treatment and disinfection prior to disposal. Accordingly, these regulations may also affect an OWTS that Buyer or future owners intend to develop on the property. These OWTS regulations, and other governmental regulations that affect or that might affect the property, continue to be developed, revised and debated. As part of Buyer's investigation of the property, and prior to removing their inspection contingency, Buyer is advised to obtain the latest information regarding all applicable OWTS regulations and any other regulations and ordinances, proposed

ordinances, and ballot measures affecting or that might affect the property, by contacting the appropriate governmental agencies. Buyer can get more information about OWTS/Septic System regulations by contacting the State Water Resources Control Board, 1001 I Street, Sacramento, CA 95814 or at P.O. Box 100, Sacramento, CA 95812; (916) 341-5250 and by reviewing the SWRCB's website: <http://www.swrcb.ca.gov/ab885/index.html> and by contacting the Lake County Environmental Health Department at (707) 263-1164.

- 14. SHORT SALES:** Sellers facing mortgage difficulties have several options including a loan modification, short sale, foreclosure, deed in lieu of foreclosure and bankruptcy; each seller's situation is different. The Seller's decision as to which of these options are chosen may affect the Seller's taxes, credit rating, and/or future options. Brokers and their agents cannot, and will not, provide tax, credit and/or legal advice regarding these possible options, or how any of these issues may affect any sale of the Property. Because of these important issues, prior to proceeding with a short sale, Sellers are strongly urged to consult with a Certified Public Accountant, credit consultant, and/or an attorney specializing in real property, taxation and bankruptcy issues. To the extent that Seller fails to obtain this necessary advice, Seller is acting against the the advice and recommendation of Broker.

Seller and Buyer acknowledge and agree that Broker and agent have advised Seller and Buyer that the sale of the Property could result in a "short sale". A short sale means that there is insufficient equity in the Property to pay off all of the liens, including deeds if trust, judgments, unpaid taxes and any other debts that have been recorded against the Property and/or the closing costs, including real estate commissions. Therefore the Seller's lender(s) must agree to take less money than they are legally entitled to receive so as to enable the Seller to sell the Property to the Buyer for the terms agreed to in the purchase agreement.

Seller and Buyer acknowledge and agree that as part of the short sale approval process the lender(s) will issue a letter or other document detailing the terms and conditions upon which the lender(s) will agree to a short sale ("Term Sheet"). The Term Sheet must be adhered to by all parties. A Seller is only entitled to the lender-approved short sale if ALL of the terms and conditions required by the lender(s) are fully met. There is potential liability for any party who tries to circumvent or "work around" those terms and conditions either through escrow or outside of escrow. All payments to be made by any party to anyone as part of the Buyer's acquisition of the Property must be fully disclosed to all lenders and approved by all lenders.

There may be significant legal and/or tax ramifications to the Seller as the result of a short sale. For example, the Term Sheet may: (A) Require that the Seller sign a new note, and possibly even record a Deed of Trust against other property owned by Seller; (B) State that the Seller remains liable for any amount forgiven by the lender(s) as a result of the short sale; (C) State that the lender(s) reserve their right to hold the Seller liable for that amount in the future; or (D) Be silent as to future seller liability for that amount. As such, Seller should not even consider approving the lender's Term Sheet and/or proceeding with a short sale without first reviewing their legal and financial status with appropriate professionals, including but not limited to attorneys who specialize in bankruptcy issues and financial advisors who understand the tax implications of reducing the Seller's debt as part of a short sale.

Seller and Buyer acknowledge and agree that the Seller's lender(s) are not obligated to approve the short sale and they are not obligated to provide any type of response regarding the short sale during any set period of time.

If the Seller has ceased making mortgage payments, the lender(s) may file a Notice of Default and proceed with a foreclosure action notwithstanding the fact that there are ongoing short sale negotiations. Negotiating a short sale does not stop the foreclosure process. Seller and Buyer understand and acknowledge that the Broker and agent cannot and do not guarantee that a short sale can be obtained from the lender(s) and/or that the foreclosure process can or will be stopped. If a Notice of Default has been filed, Seller should immediately consult with a real estate and/or bankruptcy attorney.

Seller and Buyer acknowledge and agree that they have been advised that the sale may not close unless all of the lien holders agree to take the amount that is offered to them (as specified by the Term Sheet) which may be considerably less than the amount that is owed to them. Seller and Buyer further understand that escrow could be delayed for a substantial period of time as a result of resolving the various issues involved in a short sale. Therefore, Seller and Buyer acknowledge and

agree that Broker and agent cannot and do not guarantee that escrow will actually close or when it will close.

Seller and Buyer acknowledge and agree that they have a duty to exercise reasonable care to protect their own interests by conducting their own investigation and verification of all information that has been or will be provided to them regarding the short sale process and/or the Property. Seller and Buyer further acknowledge and agree that Broker and agent cannot and will not provide any tax or legal advice regarding the legal or practical effect of a short sale transaction or a possible foreclosure. Seller and Buyer further acknowledge and agree that it is their responsibility to consult with their own legal and tax professionals regarding the effects of the short sale.

15. **TRANSFER DISCLOSURE STATEMENT/BUYER'S RECISSION RIGHTS:** Unless exempt, sellers of residential property of 1 to 4 units must complete the Real Estate Transfer Disclosure Statement ("TDS"), even if the property is being sold "AS IS". California law gives buyers the right to rescind the transaction within three (3) days of personal delivery and five (5) days of mailing of the TDS if the buyer is dissatisfied with the information supplied by the sellers. The parties cannot waive this statutory right. If the seller becomes aware of new information that could affect the value or desirability of the property that was not already disclosed in the TDS, California law provides that the seller "may" (not "must") amend the TDS; however some contract forms require the seller to amend the TDS under certain circumstances. Only if the TDS is amended, in writing, by the seller or the Listing Agent (but not by the Selling Agent) does the buyer have the right to terminate the purchase contract within three (3) days of personal delivery and five (5) days of mailing of the amended TDS.
16. **WATER CONSERVATION ORDINANCE:** Lake County has enacted a Water Conservation Ordinance that applies to all properties served by sewer systems maintained by the Lake County Sanitation District, which requires all toilet fixtures and shower heads that are not "low flow" to be replaced with the "low flow" type prior to close of escrow. The Seller must provide the manufacturer's name and model number of the replacement fixtures and heads to the Lake County Sanitation District for approval. To determine whether the property is affected by this Ordinance, and for more information, the parties are advised to contact Lake County Special Districts at (707) 263-0119.

THE PARTIES ACKNOWLEDGE THE FOLLOWING REGARDING BROKER:

(i) Broker does not warrant or guarantee the condition of the Property; (ii) Broker shall not be responsible for failure to disclose to Buyer facts regarding the condition of the property where the condition (a) is unknown to Broker or (b) is not capable of being seen by Broker because it is in an area of the property that is reasonably and normally inaccessible to a Broker; (iii) Broker has no duty to inspect and does not inspect (a) any areas that are located outside of the property; (b) common areas, (c) public records or permits of any kind regarding the state of title or the use of the property, or (d) any other matter affecting or relating to the property that are described in this Disclosure Advisory or the SBSA form described above; (iv) Broker has not verified square footage or size of structures or land, boundary lines of the property, representations made by others (including but not limited to the Seller), information contained in inspection reports or in the Multiple Listing Service or that has been copied therefrom, or in advertisements, flyers or other promotional material, or any other matters described in this Disclosure Advisory, unless otherwise agreed in writing; (v) Broker does not guarantee and shall not be responsible for the labor or services or products provided by others to or on behalf of Buyer or Seller and does not guarantee and shall not be responsible for the quality, adequacy, completeness or code compliance of repairs made by Seller or by others; (vi) Broker does not decide what price Buyer should pay or Seller should accept; and (vii) Broker is not qualified to give legal, tax, insurance or title advice.

CONTINUED ON NEXT PAGE

Buyer's Initials: ___/___

Seller's Initials: ___/___

In these and all other matters referred to in this Disclosure Advisory, Buyer and Seller are advised to seek any desired assistance from appropriate qualified professionals. Nothing any broker or sales agent may say will change the terms or effect of this Advisory.

This document may be signed in counterparts.

THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF THIS DISCLOSURE ADVISORY.

BUYER

BUYER

Date: _____

Print Name: _____

Print Name: _____

SELLER

SELLER

Date: _____

Print Name: _____

Print Name: _____

Address of Property: _____