

North Bay Association of REALTORS®
Sonoma County Disclosures and Disclaimers Advisory

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

Address of property: _____

This advisory consists of disclosures and disclaimers. It is not intended to alarm you or to limit our legitimate duty as agents to you, but it does point out some limitations on our liability and is intended to educate both buyers and sellers to inform you that in buying or selling something as valuable and personal as real estate, you have a responsibility to yourself to take special precautions to understand the nature of the transaction and the property both before and after you enter into a purchase agreement, to investigate and to rely only on experts, not on Brokers (“Broker” means brokers or agents) or on the other party to the transaction, when you have questions, doubts or concerns.

1. **BUYER ACKNOWLEDGES RECEIPT OF:**

- Buyer () () **Combined Hazards Book (preprinted paper version):** (“Residential Environmental Hazards [Includes Toxic Mold Update]”; “Protect Your Family From Lead” Booklet; Homeowners Guide To Earthquake Safety [Includes Gas Shutoff Valve Update]”); and **“What Is Your Home Energy Rating?”** (published by the California Association of REALTORS®)

zipForm® versions:

- Buyer () () “Residential Environmental Hazards”;
- Buyer () () “Protect Your Family From Lead in Your Home” Booklet;
- Buyer () () “What is Your Home Energy Rating?” Pamphlet
- Buyer () () “Homeowners Guide To Earthquake Safety”
- Buyer () () **Property Transaction Booklet** (published by the California Association of REALTORS®)
- Buyer () () **A Homeowner’s Guide to Septic Systems** (published by the US Environmental Protection Agency, and available at:
http://www.epa.gov/owm/septic/pubs/homeowner_guide_long.pdf)

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. **COASTAL CONDITIONS:** If the property is in a coastal or coastal influenced area, Buyer is advised that these areas are subject to frequent strong winds, wind-driven rain, fog, salty sea air and mist, and direct sunlight, any of which, alone or in combination, can prematurely age the interior and exterior of structures. Warping and cracking of surfaces, failed seals on dual-paned windows, loss of roof shingles, and water intrusion, among other problems, are not uncommon with such properties, and such properties require regular, thorough maintenance. Buyer is advised to fully investigate these conditions and the increased maintenance and repairs that may be needed for property in coastal areas.
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 many species of plants and animals in Sonoma County that are so listed, an example being the California Tiger Salamander, which was listed as an "endangered species" in March, 2003. 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. **FIREPLACES/WOODSTOVES:** Due to public health concerns regarding particulate matter from wood smoke that may be affecting air quality in this county, Buyer is advised that if the property has a wood-burning appliance ("wood-burning appliance" includes but is not limited to a fireplace insert, a free standing wood stove, or a wood heater, but does not include appliances or fireplaces that burn solely propane or natural gas or pellets as fuel), Buyer should have it inspected by a licensed contractor with expertise in the installation, maintenance and repair of fireplaces, fireplace inserts, and wood stoves. In the event the unit is not an EPA-certified device, it is recommended that Buyer have the unit removed and/or replaced by a licensed contractor with expertise in the installation, maintenance and repair of fireplaces, fireplace inserts,

and wood stoves. If the Buyer desires removal and/or replacement of the unit by the Seller, the parties must separately negotiate and document their agreement on this issue. Buyer is further advised that certain cities and towns within Sonoma County have enacted or are considering ordinances that may affect existing and future wood-burning appliances at the property, and Buyer should contact all relevant public agencies regarding the applicability of these ordinances to Buyer's purchase of the property, as well as the feasibility of Buyer's plans to improve the property. **NOTE:** Effective June 1, 2004 in the City of Santa Rosa and effective June 1, 2005 in the City of Sebastopol, residents of those cities are prohibited from operating any wood-burning appliance that is not EPA or Northern Sonoma County Air Pollution Control District-certified. Effective June 1, 2004 in the City of Sebastopol, a property may not be sold or transferred unless any non-compliant "wood heater" is first removed from the property, rendered permanently inoperable, or replaced by a certified wood heater under a building permit. The parties must contact the City of Sebastopol to schedule an inspection of the wood heater to determine whether it is certified.

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. **LANDSCAPING:** Trees and other aspects of the landscaping are susceptible to diseases and other problems that cannot be detected by Brokers. Buyer(s) should retain the services of an arborist or other specialists to evaluate the viability of the landscaping.

8. **LAND USE AND CONSTRUCTION-RELATED LAWS:** The United States, the State of California, the County of Sonoma, certain cities and towns within Sonoma 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 and conduct, including restrictions on vacation rentals and other uses, development, construction (including remodeling, grading and water use), demolition activities and other permissible and prohibited 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 Sonoma 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. An example of such Laws includes Petaluma Municipal Code, Section 1007.2.9.1.2(2), which requires that all dwelling units bought, sold or rented within the City limits meet the requirements of the California Building Code where smoke detectors are concerned. See <http://cityofpetaluma.net/cdd/pdf/sdrr.pdf> and call the Petaluma Fire Marshal's office at (707) 778-4389 for further information. Another example can be found under the "Smoking Control Ordinances" section below. 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 Sonoma and the County's Permit, Resource and Management Department and its various divisions, 2550 Ventura Avenue, Santa Rosa, CA 95403; (707) 565-1900, the applicable city's chief building official, chief planning official and chief code enforcement official, and all the other governmental agencies described in this Disclosures and Disclaimers Advisory and in the California Association of REALTORS® Statewide Buyer and Seller Advisory ("SBSA") form.

9. **LOCAL CONDITIONS:** Buyer and Seller are advised that local amenities, facilities and services which may benefit or add to the richness of the community may also produce noise, traffic, vibration, dust, odors, and other effects at various times, and these effects and how they are perceived are subjective: what bothers one person may be acceptable to others. Such local amenities, facilities and services include but are not limited to public and private construction projects, horse race tracks and motor vehicle speedways, casinos, fairgrounds located in various cities and towns, cycling, running, and other athletic events, farmers' markets, concert halls and performing arts centers, and other venues for public and private events, music and performances throughout the County, which venues include but are not limited to wineries, public and private parks, fields, schools, and other public and private properties. Buyer is advised to personally visit the Property at various times of day and night and to investigate the local conditions, including any sources of and amounts of noise, traffic, vibration, dust, odors, or other effects of local amenities, facilities, and services to determine whether their potential effects are acceptable to Buyer and/or will impact the value, desirability, development, use and enjoyment of the Property.

10. **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.

11. **NATURALLY OCCURRING 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 have information and/or websites that Buyers can check:

- Northern Sonoma County Air Pollution Control District, 150 Matheson Street, Healdsburg, CA 95448-4908; 707) 433- 5911
- Bay Area Air Quality Management District: <http://www.baaqmd.gov>
- 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>
- State of California Air Resources Board: <http://www.arb.ca.gov/toxics/asbestos/asbestos.htm>

12. **POTENTIAL INCREASE IN OWNERSHIP COSTS AND/OR REDUCTION IN SERVICES:** Due to extraordinary economic conditions in recent years, governmental and quasi-governmental entities that may provide services directly to the Property or to the community in which the Property is located (including but not limited to cities, counties, water, sewer, and other types of utility and/or assessment districts), have lost or may in the future lose revenue from what were previously thought to have been relatively stable funding sources, such as sales tax, property transfer tax, and other revenue sources.

One of the possible results of these actual or potential revenue losses is that the cost of ownership of the Property, including such costs as utility rates, fees, and taxes, can increase substantially to cover budget shortfalls. Also, services provided by governmental and quasi-governmental entities may be reduced due to budget shortfalls. Buyer is advised to investigate the financial stability of governmental and quasi-governmental entities, including water, sewer, and other types of utility and assessment districts that provide service to the Property and/or to the community in which the Property is located. Such information may be obtained by contacting federal, state, county and city governmental agencies and quasi-governmental agencies such as utility districts that may have jurisdiction over the Property, and by searching in the archives of the local and statewide news media.

13. **PROPERTY TAX REASSESSMENT:** California property tax law requires the Assessor to revalue real property at the time the ownership of the property changes. When the County Assessor revalues the property, it does so at its market value on the date of a change in ownership (or when new construction is completed). In many cases, the sales price will be accepted by the Assessor as the market value, but not

always. If Buyer disagrees with the Assessor's revaluation, Buyer should contact the local Assessor or Tax Collector's office to get information about appealing or applying for a reduced assessment.

14. **SEPTIC SYSTEM/WASTEWATER TREATMENT SYSTEM REGULATIONS:** The State Water Resources Control Board (SWRCB) has adopted a specific Water Quality Control Policy for Siting, Design, Operation, and Maintenance of Onsite Wastewater Treatment Systems, which are also referred to as "septic systems" (the "OWTS Policy"). The Policy sets standards for onsite wastewater treatment systems (OWTS) that are constructed or replaced, that are subject to a major repair, that pool or discharge waste to the surface of the ground, and that have affected, or will affect, groundwater or surface water to a degree that makes it unfit for drinking water or other uses, or cause a health or other public nuisance condition. The OWTS Policy also includes minimum operating requirements for OWTS that may include siting, construction, and performance requirements; requirements for OWTS near certain waters; requirements authorizing local agency implementation of the requirements; corrective action requirements; minimum monitoring requirements; exemption criteria; requirements for determining when an existing OWTS is subject to major repair, and a conditional waiver of waste discharge requirements.

The regional water quality control boards are required to incorporate the standards established in the OWTS Policy, or standards that are more protective of the environment and public health, into their water quality control plans. Implementation of the OWTS Policy is being overseen by the SWRCB, the regional water quality control boards, and local agencies (e.g., county and city departments and independent districts) which have the opportunity to implement local agency management programs if approved by the applicable regional water quality control board.

As part of Buyer's investigation of the property, Buyer is advised to obtain the latest information regarding all applicable OWTS regulations and any related local government ordinances, regulations, proposed ordinances and regulations 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 (916) 341-5250, by reviewing the SWRCB's website: http://www.swrcb.ca.gov/water_issues/programs/owts/board_adopted_policy.shtml and by contacting the applicable local government's environmental health department and the Regional Water Board. To find which Regional Water Board regulates the subject property, go to the link below and enter the property address: http://www.waterboards.ca.gov/waterboards_map.shtml. Buyer should also contact the County of Sonoma Permit, Resource and Management Department and its Well and Septic Division, 2550 Ventura Avenue, Santa Rosa, CA 95403; (707) 565-1900 and see the Department website: <http://www.sonoma-county.org/prmd/>.

15. **SERVICE ANIMALS AND COMPANION ANIMALS:** When showing homes for sale (including but not limited to open houses and private showings) or when rental properties are offered to the public, the Seller/owner, Brokers and real estate agents must act in compliance with all state and federal fair housing laws and regulations, including but not limited to providing unrestricted access to potential buyers and potential tenants who are accompanied by service/companion animals.
16. **SEWER LATERAL ORDINANCES:** If the property is served by the Graton Community Services District ("District"), Seller and Buyer are advised that the District has enacted an ordinance requiring that inspection/testing and repair or replacement of sewer service laterals be completed prior to any sale or other transfer of ownership of the property, in accordance with District standards. Other governmental agencies in Sonoma County may in the future enact similar ordinances. Under the District ordinance, the District must review all inspection results and will then notify the property owner of all required repairs/replacement. The owner must obtain a certificate from the District indicating the property complies with District standards. There are limited exceptions to these requirements, and the District may terminate service to the property for failure to comply with the ordinance. Buyer and Seller are advised to review the language of any sewer lateral ordinance that applies to the property, and address any concerns relating to the ordinance during their negotiations of the purchase agreement for the sale of the property. Seller is advised to engage a qualified inspector to inspect the condition of the sewer lateral, according to the terms of the applicable ordinance and related regulations/standards, prior to entering into a 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 these ordinances, sewer lateral testing, repair or replacement, related issues, or the associated costs, which may be significant. For copies of the District ordinance and for further information,

the parties are advised to contact Robert Rawson, General Manager of the Graton Community Services District at (707) 823-1542 (tel.), (707) 823-3713 (fax), or P.O. Box 534, Graton, CA 95444. Because other governmental agencies in Sonoma County may in the future enact similar ordinances, the parties are advised to obtain the latest information regarding all such applicable ordinances, 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.

17. **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 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 of 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. These provisions may be enforceable despite new or amended laws designed to protect short sale sellers. 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 mortgage and 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. If you cannot afford to consult an attorney and accountant, consult with a HUD-Certified housing counselor (800) 569-4287, <http://www.hud.gov/offices/hsg/sfh/hcc/fc/> and/or legal aid provider in your community: Sonoma County: (707) 542-1290 or <http://legalaidsc.org/>; Mendocino and Lake Counties: (916) 551-2150 or www.lsnc.net; Napa County: (510) 663-4744 or www.baylegal.org.

18. **SMOKING CONTROL ORDINANCES:** Governmental agencies have enacted and/or may in the future enact smoking control laws, ordinances, and regulations, such as the ordinances applicable to all unincorporated areas of Sonoma County, and in the City of Sebastopol, which prohibit smoking of substances that include, but are not limited to, tobacco or nicotine within any “Multi-Unit Residence”, any “Common Area” of such a Residence, and any “Unenclosed Area” of such a Residence, and which require posting of signs (in unincorporated County areas) or specific language being included in all leases and rental agreements for all Multi-Unit Residences (in the City of Sebastopol). As part of Buyer’s investigation of the property, Buyer is advised to obtain the latest information regarding all such applicable laws, ordinances and regulations, whether enacted or merely proposed, that currently affect or that might in the future affect the property.
19. **SONOMA COUNTY RIGHT TO FARM ORDINANCE:** The County of Sonoma permits the operation of properly conducted agricultural operations on agricultural land within the unincorporated area of Sonoma County, and has declared it County policy in the Sonoma County Right to Farm Ordinance (Sonoma County Code, Chapter 30, Article II) to conserve, protect, enhance, and encourage such operations. If the property you are purchasing is located near an agricultural operation on agricultural land, residents or users of the property may at times be subject to inconvenience or discomfort arising from that operation, including, without limitation, noise, odors, fumes, dust, smoke, insects, operation of machinery during any time of day or night, storage and disposal of manure, and ground or aerial application of fertilizers, soil amendments, seeds, and pesticides. One or more of these inconveniences or discomforts may occur as a result of any properly conducted agricultural operation on agricultural land. The County of Sonoma has determined in the Sonoma County Right to Farm Ordinance that inconvenience or discomfort arising from a properly conducted agricultural operation on agricultural land will not be considered a nuisance for purposes of the Sonoma County Code or County regulations, 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. For more information about the Sonoma County Right to Farm Ordinance, please contact the Sonoma County Agricultural Commissioner’s office at 2604 Ventura Avenue, Santa Rosa, CA 95403.
20. **SONOMA-MARIN “SMART” RAIL SYSTEM AND FREIGHT TRAIN SERVICE.** Some properties in Sonoma County are located adjacent to or near railroad tracks that are used by freight trains. Although freight train service has not occurred in recent years, it is scheduled to resume (subject to possible unknown delays) on portions of the line beginning in October 2009. Buyer and Seller can obtain more information about freight train service by contacting the North Coast Railroad Authority or by going online to: <http://www.northcoastrailroad.org/> On November 5, 2008, voters approved plans for a passenger train and pathway project that will connect Sonoma County to the San Francisco Bay with 70 miles of rail and trail. Known as the “SMART Train,” the train will run between Cloverdale and Larkspur. There will also be a parallel bicycle-pedestrian path along the publicly-owned right of way. The Sonoma-Marin Area Rail Transit District (“SMART”) is the entity that is responsible for planning, constructing and operating the SMART train system. Buyer and Seller can obtain more information about the proposed SMART rail system and pathways by contacting SMART or by going online to: <http://www.sonomamarintrain.org/> SMART train construction activity is presently scheduled to start in 2011 and train service is scheduled to begin in 2014, although both could be subject to potential and unknown delays. Precisely what impact, if any, the freight

train service and the SMART rail and related trail transportation system will have on any given property is unknown either before, during or after construction. The construction and/or use of the SMART rail and the freight train transportation system may affect people differently. Brokers and agents do not have expertise in this area and buyers are advised to satisfy themselves with regard to this issue during their inspection contingency period.

21. **STORAGE TANKS:** Permits are required for certain tanks that are or were used for storing flammable or combustible liquids, whether or not they are in use. Buyer is advised to consult with appropriate experts to determine whether there such storage tanks are located on the surface or underground on the property, and to consult with such experts and all city, county and state agencies with authority when storage tanks are present on the property, to determine applicable requirements.
22. **TITLE INSURANCE AND PRELIMINARY REPORTS:** There are various types of title insurance policies with different costs and coverages, such as an ALTA Owners or Residential Policy or CLTA Policy with or without endorsement(s). There are also title insurance policies that protect the interests of a Seller who finances all or part of the purchase price. Buyer and Seller should discuss the choice of title insurance policies with a title insurance company. Buyer (and Seller where appropriate or as described above) are advised to obtain title insurance, in addition to the parties' obtaining a preliminary report from the title insurance company, to carefully review the report, obtain and review copies of all exceptions described in the report, and review all other matters which may affect title to the property, including but not limited to easements, covenants, conditions, restrictions, encumbrances and other matters, whether or not in the public record. If Buyer or Seller has any questions regarding the state of title, whether arising from the preliminary report, the exceptions shown in the preliminary report, or other matters affecting title, the parties should consult with qualified professionals, including but not limited to title insurance companies' title officers, licensed surveyors and attorneys.
23. **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.
24. **UNDERGROUND UTILITIES AND PIPELINES:** Some communities have elected to move utility lines underground. These projects may result in new or additional tax assessments, increased costs for property owners and disruptions due to construction. Natural gas, water and other fuels are delivered to communities and residential and commercial end-users through networks of underground pipelines. Some areas served by such pipelines have suffered serious adverse impacts resulting from their presence, including deaths and personal injuries, destruction and damage to homes, other buildings, and roadways, as well as service disruptions. Buyer is advised to investigate these issues with the appropriate governmental agencies and/or service providers such as Pacific Gas and Electric Company ("PG&E") to determine if the Property has been, is being, or will be impacted by underground utilities and/or pipelines.
25. **VINEYARD EROSION AND SEDIMENT CONTROL ORDINANCE:** The County of Sonoma, through Chapter 11 of the Sonoma County Code (Sonoma County Grading, Drainage, and Vineyard and Orchard Site Development Regulations), has established permit requirements and standards for vineyard and orchard site development within the unincorporated area of Sonoma County. If at any time you plant a new vineyard or orchard or replant an existing vineyard or orchard on all or any part of the property you are purchasing, you will be required to comply with the requirements of Chapter 11 of the Sonoma County Code. For more information about Chapter 11 of the Sonoma County Code and its requirements for vineyard and orchard site development, please contact the Sonoma County Agricultural Commissioner.

26. WELL TESTING AND TREATMENT ORDINANCE: To protect groundwater, the County of Sonoma has established an ordinance regulating the placement, construction, reconstruction, abandonment and destruction of wells. The ordinance, Chapter 25B of the Sonoma County Code, requires the following for any property containing a non-public "contaminated well" (as defined in the ordinance) producing water intended for human or animal consumption: (a) installation and ongoing maintenance of water treatment equipment, (b) water quality testing on a daily, monthly, quarterly, bi-annual, or annual basis depending on the level of contamination, (c) submission of test results annually to the appropriate Enforcing Agency (either the County's Department of Health Services or its Permit and Resource Management Department), (d) retention of water quality test results for at least three years, and (e) notification by the property owner to all tenants regarding the ongoing testing and treatment. For more information, please contact the Sonoma County Department of Health Services or its Permit and Resource Management Department.

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 Disclosures and Disclaimers Advisory and in 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 Disclosures and Disclaimers 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.

In these and all other matters referred to in this Disclosures and Disclaimers 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.

BY SIGNING BELOW, BUYER AND SELLER EACH ACKNOWLEDGE THAT THEY HAVE READ, UNDERSTAND, AND RECEIVED A COPY OF THIS TEN (10) PAGE DOCUMENT. BUYER AND SELLER ARE ENCOURAGED TO READ IT CAREFULLY.

BUYER

BUYER

Date: _____

Print Name: _____

SELLER

SELLER

Date: _____

Print Name: _____

Address of Property: _____