

RECEIPT FOR PUBLIC REPORT

The Laws and Regulations of the California Real Estate Commissioner require that you as a prospective purchaser or lessee be afforded an opportunity to read the public report for this subdivision before you make any written offer to purchase or lease a subdivision interest or before any money or other consideration toward purchase or lease of a subdivision interest is accepted from you.

In the case of a preliminary or interim public report, you must be afforded an opportunity to read the public report before a written reservation or any deposit in connection therewith is accepted from you.

In the case of a conditional public report, delivery of legal title or other interest contracted for will not take place until issuance of a final public report. Provision is made in the sales agreement and escrow instructions for the return to you of the entire sum of money paid or advanced by you if you are dissatisfied with the final public report because of a material change. (See California Business and Professions Code Section 11012.)

**DO NOT SIGN THIS RECEIPT UNTIL YOU HAVE RECEIVED
A COPY OF THE PUBLIC REPORT AND HAVE READ IT.**

I read the Commissioner's Public Report on _____ 122683SA-F00 _____
(FILE NUMBER)

_____ THE GROVE LOFTS a.k.a. "THE GROVE HEALDSBURG" _____
(TRACT NUMBER OR NAME)

I understand the public report is not a recommendation or endorsement of the subdivision, but is for information only.

The issue date of the public report which I received and read is: August 22, 2006 .

(SIGNATURE)

(DATE)

(ADDRESS)

Department of Real Estate
of the
State of California

In the matter of the application of

HEALDSBURG GROVE DEVELOPMENT
COMPANY, INC., A California Corporation

FINAL SUBDIVISION PUBLIC REPORT
PLANNED DEVELOPMENT

FILE NO.: 122683SA-F00
ISSUED: AUGUST 22, 2006
EXPIRES: AUGUST 21, 2011

for a Final Subdivision Public Report on

THE GROVE LOFTS

"THE GROVE HEALDSBURG"

SONOMA COUNTY, CALIFORNIA

JEFF DAVI

Real Estate Commissioner

By: 

Deputy Commissioner

CONSUMER INFORMATION

- ❖ THIS REPORT IS NOT A RECOMMENDATION OR ENDORSEMENT OF THE SUBDIVISION; IT IS INFORMATIVE ONLY.
- ❖ BUYER OR LESSEE MUST SIGN THAT (S)HE HAS RECEIVED AND READ THIS REPORT.
- ❖ A copy of this subdivision public report along with a statement advising that a copy of the public report may be obtained from the owner, subdivider, or agent at any time, upon oral or written request, *must* be posted in a conspicuous place at any office where sales or leases or offers to sell or lease interests in this subdivision are regularly made. [Reference Business and Professions (B&P) Code Section 11018.1(b)]

This report expires on the date shown above. All material changes must be reported to the Department of Real Estate. (Refer to Section 11012 of the B&P Code; and Chapter 6, Title 10 of the California Administrative Code, Regulation 2800.) Some material changes may require amendment of the Public Report; which Amendment must be obtained and used in lieu of this report.

Section 12920 of the California Government Code provides that the practice of discrimination in housing accommodations on the basis of race, color, religion, sex, marital status, domestic partnership, national origin, physical handicap or ancestry, is against public policy.

Under Section 125.6 of the B&P Code, California real estate licensees are subject to disciplinary action by the Real Estate Commissioner if they discriminate or make any distinction or restriction in negotiating the sale or lease of real property because of the race, color, sex, religion, ancestry, national origin, or physical handicap of the client. If any prospective buyer or lessee believes that a licensee is guilty of such conduct, (s)he should contact the Department of Real Estate.

READ THE ENTIRE REPORT ON THE FOLLOWING PAGES BEFORE CONTRACTING TO BUY OR LEASE AN INTEREST IN THIS SUBDIVISION.

**COMMON INTEREST DEVELOPMENT
GENERAL INFORMATION**

Common Interest Development

The project described in the attached Subdivision Public Report is known as a common-interest development. Read the Public Report carefully for more information about the type of development. The development includes common areas and facilities which will be owned and/or operated by an owners' association. Purchase of a lot or unit automatically entitles and obligates you as a member of the association and, in most cases, includes a beneficial interest in the areas and facilities. Since membership in the association is mandatory, you should be aware of the following information before you purchase:

Governing Instruments

Your ownership in this development and your rights and remedies as a member of its association will be controlled by governing instruments which generally include a Declaration of Restrictions (also known as CC&R's), Articles of Incorporation (or association) and bylaws. The provisions of these documents are intended to be, and in most cases are, enforceable in a court of law. Study these documents carefully before entering into a contract to purchase a subdivision interest.

Assessments

In order to provide funds for operation and maintenance of the common facilities, the association will levy assessments against your lot or unit. If you are delinquent in the payment of assessments, the association may enforce payment through court proceedings or your lot or unit may be liened and sold through the exercise of a power of sale. The anticipated income and expenses of the association, including the amount that you may expect to pay through assessments, are outlined in the proposed budget. Ask to see a copy of the budget if the subdivider has not already made it available for your examination.

Common Facilities

A homeowner association provides a vehicle for the ownership and use of recreational and other common facilities which were designed to attract you to buy in this development. The association also provides a means to accomplish architectural control and to provide a base for homeowner interaction on a variety of issues. The purchaser of an interest in a common-interest development should contemplate active participation in the affairs of the association. He or she should be willing to serve on

the board of directors or on committees created by the board. In short, "they" in a common interest development is "you". Unless you serve as a member of the governing board or on a committee appointed by the board, your control of the operation of the common areas and facilities is limited to your vote as a member of the association. There are actions that can be taken by the governing body without a vote of the members of the association which can have a significant impact upon the quality of life for association members.

Subdivider Control

Until there is a sufficient number of purchasers of lots or units in a common interest development to elect a majority of the governing body, it is likely that the subdivider will effectively control the affairs of the association. It is frequently necessary and equitable that the subdivider do so during the early stages of development. It is vitally important to the owners of individual subdivision interests that the transition from subdivider to resident-owner control be accomplished in an orderly manner and in a spirit of cooperation.

Cooperative Living

When contemplating the purchase of a dwelling in a common interest development, you should consider factors beyond the attractiveness of the dwelling units themselves. Study the governing instruments and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living where the interests of the group must be taken into account as well as the interests of the individual. Remember that managing a common interest development is very much like governing a small community ... the management can serve you well, but you will have to work for its success. [B & P Code Section 11018.1(c)]

Informational Brochure

The Department of Real Estate publishes the Common Interest Development Brochure. The information in this brochure provides a brief overview of the rights, duties and responsibilities of both associations and individual owners in common interest developments. To obtain a free copy of this brochure, please send your request to:

Book Orders
Department of Real Estate
P.O. Box 187006
Sacramento, CA 95818-7006

RE 646 (Rev. 12/99)

SPECIAL NOTES

- ◆ IF YOU HAVE RECEIVED A PRELIMINARY PUBLIC REPORT FOR THIS SUBDIVISION, YOU ARE ADVISED TO CAREFULLY READ THIS FINAL PUBLIC REPORT SINCE IT CONTAINS INFORMATION THAT IS MORE CURRENT AND PROBABLY DIFFERENT FROM THAT INCLUDED IN THE PRELIMINARY REPORT.
- ◆ YOUR ATTENTION IS ESPECIALLY DIRECTED TO THE PARAGRAPHS BELOW ENTITLED: MIANTENANCE AND OPERATIONAL EXPENSES; USES AND ZONING; HAZARDS.
- ◆ THIS PROJECT IS A COMMON-INTEREST SUBDIVISION OF THE TYPE REFERRED TO AS A PLANNED DEVELOPMENT. IT INCLUDES COMMON AREAS AND COMMON FACILITIES WHICH WILL BE MAINTAINED BY AN INCORPORATED OWNERS ASSOCIATION.
- ◆ THE ASSOCIATION HAS THE RIGHT TO LEVY ASSESSMENTS AGAINST YOU FOR MAINTENANCE OF THE COMMON AREAS, AMENITIES AND FACILITIES, AND OTHER PURPOSES. YOUR CONTROL OF OPERATIONS AND EXPENSES IS LIMITED TO THE RIGHT OF YOUR ELECTED REPRESENTATIVES TO VOTE ON CERTAIN PROVISIONS AT MEETINGS.
- ◆ SINCE THE COMMON AREA IMPROVEMENTS, AMENITIES, AND FACILITIES WILL BE MAINTAINED BY AN ASSOCIATION OF HOMEOWNERS, IT IS ESSENTIAL THAT THIS ASSOCIATION BE FORMED EARLY AND PROPERLY. THE ASSOCIATION MUST HOLD THE FIRST MEMBERSHIP MEBETING AND ELECTION OF THE ASSOCIATION'S GOVERNING BODY WITHIN SIX MONTHS AFTER THE CLOSING OF THE SALE OF THE FIRST SUBDIVISION INTEREST UNDER THE FIRST PUBLIC REPORT FOR THE SUBDIVISION. (REGULATIONS 2792.17 AND 2792.19). THE ASSOCIATION MUST ALSO PREPARE AND DISTRIBUTE TO ALL HOMEOWNERS A BALANCE SHEET AND INCOME STATEMENT.
- ◆ THE SUBDIVIDER MUST PAY ASSESSMENTS TO THE HOMEOWNERS ASSOCIATION FOR ALL UNSOLD LOTS. THE PAYMENTS MUST COMMENCE ON THE FIRST DAY OF THE MONTH AFTER SUBDIVIDER CONVEYS THE FIRST SUBDIVISION INTEREST IN THIS PROJECT. (REGULATIONS 2792.9 AND 2792.16).
- ◆ THE SUBDIVIDER MUST MAINTAIN AND DELIVER TO THE HOMEOWNERS ASSOCIATION THE SPECIFIC RECORDS AND MATERIALS LISTED IN REAL ESTATE COMMISSIONER'S REGULATION 2792.23 WITHIN THE STATED TIME PERIOD. THESE RECORDS AND MATERIALS DIRECTLY AFFECT THE ABILITY OF THE HOMEOWNERS ASSOCIATION TO PERFORM ITS DUTIES AND RESPONSIBILITIES. (REFER TO SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE AND SECTION 1363 OF THE CIVIL CODE.)
- ◆ THE SUBDIVIDER MUST PROVIDE YOU WITH A COPY OF THE ARTICLES OF INCORPORATION, BYLAWS, AND COVENANTS, CONDITIONS AND RESTRICTIONS PRIOR TO CLOSE OF ESCROW. THESE DOCUMENTS CONTAIN NUMEROUS MATERIAL PROVISIONS THAT SUBSTANTIALLY AFFECT AND CONTROL YOUR RIGHTS, PRIVILEGES, USE, OBLIGATIONS, AND COSTS OF MAINTENANCE AND OPERATION. YOU SHOULD READ AND UNDERSTAND THESE DOCUMENTS BEFORE YOU OBLIGATE YOURSELF TO PURCHASE A LOT. (SECTION 11018.6 BUSINESS AND PROFESSIONS CODE.)

- ◆ THE SUBDIVIDER STATED HE WILL FURNISH THE CURRENT BOARD OF OFFICERS OF THE HOMEOWNERS ASSOCIATION AND EACH INDIVIDUAL PURCHASER WITH THE DEPARTMENT OF REAL ESTATE REVIEWED ASSOCIATION BUDGET.
- ◆ NO ESCROWS WILL CLOSE UNTIL ALL COMMON AREA IMPROVEMENTS AND FACILITIES AND RESIDENTIAL UNITS IN A DESIGNATED CLUSTER HAVE BEEN COMPLETED AND A NOTICE OF COMPLETION HAS BEEN FILED AND ALL CLAIM OF LIENS HAS EXPIRED, OR A TITLE POLICY IS ISSUED TO EACH PURCHASER AND TO THE ASSOCIATION CONTAINING AN ENDORSEMENT AGAINST ALL CLAIM OF LIENS. (SECTION 11018.5 OF THE BUSINESS AND PROFESSIONS CODE.)
- ◆ THE SUBDIVIDER ESTIMATES ALL COMMON FACILITIES IN THE TOTAL PROJECT WILL BE COMPLETED BY APPROXIMATELY SEPTEMBER 2006.
- ◆ THE SUBDIVIDER HAS INDICATED THAT HE INTENDS TO SELL ALL OF THE LOTS IN THIS PROJECT; HOWEVER, ANY OWNER, INCLUDING THE SUBDIVIDER, HAS A LEGAL RIGHT TO RENT OR LEASE THE LOTS.
- ◆ IF YOU PURCHASE FIVE OR MORE SUBDIVISION LOTS FROM THE SUBDIVIDER, THE SUBDIVIDER IS REQUIRED TO NOTIFY THE REAL ESTATE COMMISSIONER OF THE SALE. IF YOU INTEND TO SELL YOUR INTERESTS OR LEASE THEM FOR TERMS LONGER THAN ONE YEAR, YOU ARE REQUIRED TO OBTAIN AN AMENDED SUBDIVISION PUBLIC REPORT BEFORE YOU CAN OFFER THE INTERESTS FOR SALE OR LEASE.
- ◆ WARNING: WHEN YOU SELL YOUR LOT TO SOMEONE ELSE, YOU MUST GIVE THAT PERSON A COPY OF THE DECLARATION OF RESTRICTIONS, ARTICLES OF INCORPORATION, THE BYLAWS AND A TRUE STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS, PENALTIES, ATTORNEYS' FEES OR OTHER CHARGES, PROVIDED BY THE RESTRICTIONS OR OTHER MANAGEMENT DOCUMENTS ON THE LOT AS OF THE DATE THE STATEMENT WAS ISSUED.

NOTE: IF YOU FORGET TO DO THIS, IT MAY COST YOU A PENALTY OF \$500.00 -- PLUS ATTORNEY'S FEES AND DAMAGES (SEE CIVIL CODE SECTION 1368).

THE SUBDIVIDER MUST MAKE AVAILABLE TO YOU, COPIES OF THE ASSOCIATION GOVERNING INSTRUMENTS, A STATEMENT CONCERNING ANY DELINQUENT ASSESSMENTS AND RELATED CHARGES AS PROVIDED BY THE GOVERNING INSTRUMENTS AND, IF AVAILABLE, CURRENT FINANCIAL AND RELATED STATEMENTS (SEE BUSINESS AND PROFESSIONS CODE SECTION 11018.6).

- ◆ NOTWITHSTANDING ANY PROVISION IN THE PURCHASE CONTRACT TO THE CONTRARY, A PROSPECTIVE BUYER HAS THE RIGHT TO NEGOTIATE WITH THE SELLER TO ALLOW AN INSPECTION OF THE PROPERTY BY THE BUYER OR THE BUYER'S DESIGNEE UNDER TERMS MUTUALLY AGREEABLE TO THE PROSPECTIVE BUYER AND SELLER.

INTERESTS TO BE CONVEYED: You will receive fee title to a specified lot together with a membership in The Grove Lofts Owners Association and rights to use the common area.

LOCATION AND SIZE: This subdivision is located at 550 Grove Street, near West Grant Street, within the city limits of Healdsburg, California. Prospective purchasers should acquaint themselves with the kinds of city services available.

This is a single-phase project which consists of approximately 3.09 acres divided into 23 residential lots, each with a garage, and the common area. Units are located within 6 separate buildings. Common amenities and/or facilities consisting of 25 open parking spaces, landscaping, streets and drives, pool and spa, sidewalks, lighting fences and walls, benches, trellis, monument sign and mailboxes will be constructed on the common area.

MANAGEMENT AND OPERATION: The Grove Lofts Owners Association, of which you become a member at time of purchase, manages, maintains and operates the common area(s) in accordance with the Covenants, Conditions and Restrictions, Articles of Incorporation and the Bylaws.

MAINTENANCE AND OPERATIONAL EXPENSES: The subdivider has submitted a budget for the management, maintenance and operation of the common areas and for long-term reserves. This budget was reviewed by the Department of Real Estate in May 2006. You should obtain a copy of this budget from the subdivider. Under this budget, the average assessment against each subdivision interest will be \$397.00 of which \$115.00 is a monthly contribution to long-term reserves and is not to pay for current management, maintenance and operating expenses.

The utility rates used for the calculations within this budget are based on information available at the time of the budget review date (as shown above). Increases in regular assessments or special assessments may be required as a measure to provide adequate funds to compensate for potential utility rate increases. Purchasers should be aware of the possible affect these increases may have on their homeowner assessments.

IF THE BUDGET FURNISHED TO YOU BY THE DEVELOPER SHOWS A MONTHLY ASSESSMENT FIGURE WHICH IS AT LEAST 20% MORE OR AT LEAST 10% LESS THAN THE ASSESSMENT AMOUNT SHOWN IN THIS PUBLIC REPORT, YOU SHOULD CONTACT THE DEPARTMENT OF REAL ESTATE BEFORE ENTERING INTO AN AGREEMENT TO PURCHASE.

The Covenants, Conditions and Restrictions provide that the subdivider or other owner of a subdivision interest will be allowed to defer from payment, that portion of any assessment which is directly attributable to any structural improvement and/or common facility that is not complete at the time assessments commence. The amount of the deferment may be a fixed amount, or may vary based upon dates of completion or use. Once the established criterion is met and the authority allowing the deferment is eliminated, all owners must pay the full amount of the monthly assessment as outlined herein. The limitations of this allowance are specifically set forth in the Restrictions. (Regulation 2792.16c).

The association may increase or decrease assessments at any time in accordance with the procedure prescribed in the Restrictions or Bylaws. In considering the advisability of a decrease, (or a smaller increase), in assessments, care should be taken not to eliminate amounts attributable to reserves for replacement or major maintenance.

THE BUDGET INFORMATION INCLUDED IN THIS PUBLIC REPORT IS APPLICABLE AS OF THE DATE OF BUDGET REVIEW AS SHOWN ABOVE. EXPENSES OF OPERATION ARE DIFFICULT TO PREDICT AND EVEN IF ACCURATELY ESTIMATED INITIALLY, MOST EXPENSES INCREASE WITH THE AGE OF FACILITIES AND WITH INCREASES IN THE COST OF LIVING.

Monthly assessments will commence on all lots on the first day of the month following the conveyance of the first subdivision interest.

The remedies available to the association against owners who are delinquent in the payment of assessments are set forth in the Restrictions. These remedies are available against the subdivider as well as against other owners.

The subdivider has posted a bond as partial security for the obligation to pay these assessments. The governing body of the association should assure itself that the subdivider has satisfied these obligations to the association with respect to the payment of assessments before agreeing to a release or exoneration of the security.

EASEMENTS: Easements for utilities, drainage, riparian setback, sewers, access and other purposes are shown on the Title Report and Subdivision Map recorded October 27, 2005 in the Office of the Sonoma County Recorder, Book 683 of Maps, Pages 27 through 33.

RESTRICTIONS: This subdivision is subject to Restrictions recorded August 3, 2006 in the Office of the Sonoma County Recorder, as Instrument Number 2006096284. The subdivision is also subject to a recorded "Easement and Maintenance Declaration" recorded August 3, 2006 as Instrument Number 2006096285.

FOR INFORMATION AS TO YOUR OBLIGATIONS AND RIGHTS, YOU SHOULD READ THE RESTRICTIONS. THE SUBDIVIDER MUST MAKE THEM AVAILABLE TO YOU.

USES AND ZONING: A Montessori school is located to the south of the subdivision. Property to the west of the project is zoned for both residential and commercial uses. A Riparian Habitat Protection Area is located along the southern boundary of the subdivision. Northwestern Pacific Railroad tracks are located approximately 1/16th mile to the east of the subdivision and Highway 101 is located approximately 1/32nd mile to the west.

Affordable Housing: Three units in the completed project will be sold subject to the City of Healdsburg's Affordable Housing Program. An agreement regulating this program was recorded February 17, 2006 as Instrument Number 2006019775 in the Official Records of Sonoma County. Affordable Housing restrictions generally limit to whom and for how much a unit may be resold. Such agreements may also place certain occupancy restrictions on purchasers of these units.

Riparian Habitat Protection Area: A portion of the project is located within a Riparian Habitat Protection Area. No structures are to be built within this area. The area will be maintained as open space by the association. This maintenance may include removal of water flow obstructions in Norton Slough, mowing of grass to reduce fire hazard in the vicinity of structures, pruning and removal of any dead or dying trees, dead limbs or brush, and maintaining any clearance required as needed to reduce wildland fire hazards. Residents and the Association may be required to follow certain guidelines regarding the use of fertilizers and/or pesticides within the project in order to protect the Riparian Habitat Protection Area.

Sewer Backwater Valves: Lots 6, 7, 8, 9, 10, 13, 14 and 15 in this project may have a sewer backwater valve installed. It will be the responsibility of the owners of those lots to maintain the valve and prevent damage from occurring to it. The City of Healdsburg, the developer and the Association are not responsible for the maintenance or performance of the valve

High Water Pressure-Regulating Valves: Water pressure for this subdivision may exceed 80 pounds per square inch. Units may require a pressure-regulating valve to be. It will be the responsibility of each individual owner to maintain the valve and prevent damage from occurring to it. The City of Healdsburg, the developer and the Association are not responsible for the maintenance or performance of the valve.

HAZARDS: The subdivider has advised that all or portions of the subdivision subject to this Public Report are located within a *Special Flood Hazard Area* as designated by the Federal Emergency Management Agency. Additionally, the subdivider has advised that prospective purchasers within this Area will be provided a separate disclosure required under Government Code Section 8589.3.

The subdivider has advised that all or portions of the subdivision subject to this Public Report are located within an *Area of Potential Flooding* as shown on an inundation map. Additionally, the subdivider has advised that prospective purchasers within this Area will be provided a separate disclosure required under Government Code Section 8589.4.

If any disclosure, or any material amendment to any disclosure, required to be made by the subdivider regarding these natural hazards is delivered after the execution of an offer to purchase, the purchaser shall have three days after delivery in person or five days after delivery by deposit in the mail to terminate the offer by delivery of a written notice of termination to the subdivider or the subdivider's agent.

Since all or portions of the subdivision subject to this Public Report are located within one or more natural hazard areas, your homeowner's insurance and/or insurance coverage for any association or commonly owned areas may be affected. You should contact your lender and insurance carrier for more information regarding types of insurance and costs to cover your property, as well as the owner's association or subdivider regarding any assessment increases due to additional insurance costs.

At the time this public report was issued, information regarding whether all or portions of this subdivision are located within certain natural hazard areas was not yet available to the subdivider. You should ask the subdivider for updated information before obligating yourself to purchase.

TAXES: The maximum amount of any tax on real property that can be collected annually by counties is 1% of the full cash value of the property. With the addition of interest and redemption charges on any indebtedness, approved by voters prior to July 1, 1978, the total property tax rate in most counties is approximately 1.25% of the full cash value. In some counties, the total tax rate could be well above 1.25% of the full cash value. For example, an issue of general obligation bonds previously approved by the voters and sold by a county water district, a sanitation district or other such district could increase the tax rate.

For the purchaser of a lot in this subdivision, the full cash value of the lot will be the valuation, as reflected on the tax roll, determined by the county assessor as of the date of purchase of the lot or as of the date of completion of an improvement on the lot if that occurs after the date of purchase.

Notice of Your Supplemental Property Tax Bill: California property tax law requires the Assessor to revalue real property at the time the ownership of the property changes. Because of this law, you may receive one or two supplemental tax bills, depending on when your loan closes. The supplemental tax bills are not mailed to your lender. If you have arranged for your property tax payments to be paid through an impound account, the supplemental tax bills will not be paid by your lender. It is your responsibility to pay these supplemental bills directly to the Tax Collector. If you have any questions concerning this matter, please call your local Tax Collector's Office.

CONDITIONS OF SALE: Pursuant to Civil Code Sections 2956 through 2967, inclusive, subdividers and purchasers must make certain written disclosures regarding financing terms and related information. The subdivider will advise purchasers of the disclosures needed from them, if any.

If your purchase involves financing, a form of deed of trust and note will be used. The provisions of these documents may vary depending on the lender selected. These documents may contain the following provisions:

Acceleration Clause: This is a clause in a mortgage or deed of trust which provides that if the borrower (trustor) defaults in repaying the loan, the lender may declare the unpaid balance of the loan immediately due and payable.

Due-on Sale Clause: If the loan instrument for financing your purchase of an interest in this subdivision includes a due-on-sale clause, the clause will be automatically enforceable by the lender when you sell the property. This means that the loan will not be assumable by a purchaser without the approval of the lender. If the lender does not declare the loan to be all due and payable on transfer of the property by you, the lender is nevertheless likely to insist upon modification of the terms of the instrument as a condition to permitting assumption by the buyer. The lender will almost certainly insist upon an increase in the interest rate if the prevailing interest rate at the time of the proposed sale of the property is higher than the interest rate of your promissory note.

A Balloon Payment: This means that your monthly payments are not large enough to pay off the loan, with interest, during the period for which the loan is written and that at the end of the loan period, you must pay the entire remaining balance in one payment. If you are unable to pay the balance and the remaining balance is a sizeable one, you should be concerned with the possible

difficulty in refinancing the balance. If you cannot refinance or sell your property, or pay off the balloon payment, you will lose your property.

A Prepayment Penalty: This means that if you wish to pay off your loan in whole or in part before it is due, you must, in addition, pay a penalty.

A Late Charge: This means that if you fail to make your installment payment on or before the due date, or within a specified number of days after the due date, you, in addition, must pay a penalty.

Variable- or Adjustable-Rate Financing: The subdivider may assist you in arranging financing from a federal or state regulated lender which will make loans that allow the interest rates to change over the life of the loan. An interest rate increase ordinarily causes an increase in the monthly payment that you make to the lender. The lender will provide you with a disclosure form about the financing to assist you in evaluation of your ability to make increased payments during the term of the loan. This disclosure form will be furnished to you at the time you receive your loan application and before you pay a non-refundable fee.

BEFORE SIGNING, YOU SHOULD CAREFULLY READ AND THOROUGHLY UNDERSTAND ALL LOAN DOCUMENTS.

PURCHASE MONEY HANDLING: The subdivider must impound all funds received from you in an escrow depository until legal title is delivered to you. [Refer to Business and Professions Code Sections 11013, 11013.1 and 11013.2(a).]

If the escrow has not closed on your lot within twelve (12) months from the date of subdivider's acceptance of your offer, you may request the return of purchase money deposit.

NOTE: Section 2995 of the Civil Code provides that no real estate subdivider shall require as a condition precedent to the transfer of real property containing a single-family residential dwelling that escrow services effectuating such transfer shall be provided by an escrow entity in which the subdivider has a financial interest of 5% or more.

THE SUBDIVIDER HAS NO FINANCIAL INTEREST IN THE ESCROW COMPANY WHICH IS TO BE USED IN CONNECTION WITH THE SALE OR LEASE OF LOTS IN THIS SUBDIVISION.

SOIL CONDITIONS: Some lots will contain filled ground. Information concerning filled ground and soil conditions is available at the City of Healdsburg, 401 Grove Street, Healdsburg, California 95448.

GEOLOGIC CONDITIONS: THE UNIFORM BUILDING CODE, APPENDIX CHAPTER 33, PROVIDES FOR LOCAL BUILDING OFFICIALS TO EXERCISE PREVENTIVE MEASURES DURING GRADING TO ELIMINATE OR MINIMIZE DAMAGE FROM GEOLOGIC HAZARDS SUCH AS LANDSLIDES, FAULT MOVEMENTS, EARTHQUAKE SHAKING, RAPID EROSION OR SUBSIDENCE. THIS SUBDIVISION IS LOCATED IN AN AREA WHERE SOME OF THESE HAZARDS MAY EXIST. SOME CALIFORNIA COUNTIES AND CITIES HAVE ADOPTED ORDINANCES THAT MAY OR MAY NOT BE AS EFFECTIVE IN THE CONTROL OF GRADING AND SITE PREPARATION.

PURCHASERS MAY CONTACT THE SUBDIVIDER, THE SUBDIVIDER'S ENGINEER, THE ENGINEERING GEOLOGIST AND THE LOCAL BUILDING OFFICIALS TO DETERMINE IF THE ABOVE-MENTIONED HAZARDS HAVE BEEN CONSIDERED AND IF THERE HAS BEEN ADEQUATE COMPLIANCE WITH APPENDIX CHAPTER 33 OR AN EQUIVALENT OR MORE STRINGENT GRADING ORDINANCE DURING THE CONSTRUCTION OF THIS SUBDIVISION.

STREETS AND ROADS: The private street within this project will be maintained by the homeowner association. The costs of repair and maintenance of these private streets are included in the budget and are a part of your regular assessment.

SCHOOLS: This project lies within the Healdsburg Unified School District. This District advises that the schools initially available to this subdivision are:

K-6	Healdsburg Elementary School 400 First Street Healdsburg, CA 95448	(707) 431-3440
7-8	Healdsburg Junior High School 315 Grant Street Healdsburg, CA 95448	(707) 431-3410
9-12	Healdsburg High School 1024 Prince Street Healdsburg, CA 95448	(707) 431-3420

This school information was provided prior to the date of issuance of this public report and is subject to change. For the most current information regarding school assignments, boundary changes, facilities and bus service, purchasers are encouraged to contact the above school district at (707) 431-3117.

CLOSING STATEMENT

If you need clarification as to the statements in this Public Report, or if you desire to make arrangements to review the documents submitted by the subdivider which the Department of Real Estate used in preparing this Public Report, you may contact:

Department of Real Estate
Subdivisions North
2201 Broadway
Sacramento, CA 95818-2500
(916) 227-0813