

RECEIPT FOR PUBLIC REPORT OR CALIFORNIA PERMIT

The Laws and Regulations of the California Real Estate Commissioner requires that you as a prospective purchaser or lessee be afforded an opportunity to read the public report or permit 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 or permit, you must be afforded an opportunity to read the public report or permit before a written reservation or any deposit in connection therewith is accepted from you.

In the case of a conditional public report or permit, delivery of legal title or other interest contracted for will not take place until issuance of a final public report or permit. 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 or permit because of a material change. (See California Business and Professions Code §11012.)

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

I read the Commission's Public Report or Permit on

124481SA-FOO

[FILE NUMBER]

Tract No. 580, Magnolia Estates

[TRACT NUMBER OR NAME]

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

The issue date of the public report or permit which I received and read is

March 23, 2006

[SIGNATURE]

[DATE]

[ADDRESS]

Department of Real Estate
of the
State of California

READ AND APPROVED
DATE _____
X _____

FINAL SUBDIVISION PUBLIC REPORT
STANDARD

In the matter of the application of

J L F CONSTRUCTION INC.,
A California Corporation

FILE NO.: 124481SA-F00

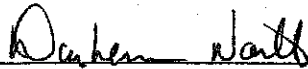
ISSUED: MARCH 23, 2006

EXPIRES: MARCH 22, 2011

for a Final Subdivision Public Report on

TRACT NO. 580
MAGNOLIA ESTATES

JEFF DAVI
Real Estate Commissioner

By: 
Deputy Commissioner

HUMBOLDT COUNTY, CALIFORNIA

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.

SPECIAL NOTES

1. YOUR ATTENTION IS ESPECIALLY DIRECTED TO THE PARAGRAPHS BELOW ENTITLED: TITLE, WATER, STREETS AND ROADS, HAZARDS, RESTRICTIONS, AND SEWAGE DISPOSAL.
2. 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.
3. 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.

LOCATION AND SIZE: This subdivision contains 12 acres divided into 35 lots in Humboldt County at Bates Road and Hawkview Court approximately 7 miles from Arcata, California.

TITLE: A preliminary (title) report shows title, among other things, to be subject to:

A Notice of Development Plan and Notice of Geologic Report recorded February 23, 2006, Instrument No. 2006-5704-3, of Official Records.

Reference is made to said document for full particulars, however, the following is provided for your reference:

" . . . NOTICE IS FURTHER GIVEN that development of the real property or real properties described in Exhibit "A" will be reviewed by the County of Humboldt for conformance with the Development Plan and Geologic Report and that development which is determined by the Count to be not in conformance with the Development Plan or with the specific recommendations of the Geologic Report may not be granted permits or other approvals necessary to carry out the development. . . ."

A Covenant and Agreement entitled "Conveyance and Agreement (for Development Restrictions)" recorded February 23, 2006, Instrument No. 2006-5705-6, of Official Records.

Reference is made to said document for full particulars.

EASEMENTS: Easements for utilities, drainage, public road, sewers, ingress and egress, drainage detention basin, neighborhood postal box, pedestrian corridor, non-vehicular access and other purposes are shown on the Title Report and Subdivision Map recorded February 23, 2006 in the Office of the Humboldt County Recorder, Book 23 of Maps, Pages 147 through 149.

Among other things, the following, as shown on a preliminary title report:

Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Purpose : The right to take water from a brook together with the right to convey said water through a ditch and incidental purposes
Recorded : October 1, 1884, Book 14, Page 738, Deeds
Affects : Lot Z

Easement(s) for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to : The County of Humboldt
Purpose : Drainage and flood control purposes and incidental purposes
Recorded : March 19, 1984, Book 1729, Page 219, of Official Records
Affects : Lot Z

RESTRICTIONS: This subdivision is subject to Restrictions recorded in the Office of the Humboldt County Recorder, on March 2, 2006, Instrument No. 2006-6475-8 of Official Records, which includes among other provisions, the following:

Part D. Maintenance and Payment Provisions.

D-1 Management

All powers related to management, operation and maintenance of the roads and storm drainage facilities within the right-of-way described in Exhibit A shall be vested in the Association until such time as a public entity such as a County Permanent Road Division may be established. If such an entity is established a maintenance assessment shall be established and collected by that entity and the association maintenance assessment shall cease.

Every person who acquires title, legal or equitable to any of the lots described in the "Area of Application" described herein shall become a member of the Association; provided, however, that such membership is not intended to apply to those persons who hold an interest in any such lot merely as security for the performance of an obligation.

Each person who becomes a member of the Association shall pay \$ 55.00 per year per lot of the properties owned. Payments shall be due initially upon the initial sale of the lots and thereafter on the tenth (10th) day of December of each year.

Reference is also made to the "Streets and Roads" section of this report and the "Declaration" noted therein.

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

USES AND ZONING: The developer advises all adjacent properties are zoned/used for residential purposes and that property to the south also includes multi-family residential uses.

Arcata Airport is approximately 2 miles to the north.

HAZARDS: The following hazard exists within or near this development:

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.

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 may be affected. You should contact your lender and insurance carrier for more information regarding types of insurance and 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 known as Seismic Hazard Landslide and Liquefaction Zones, 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."

ASSESSMENTS: This subdivision lies within the boundaries of the McKinleyville Community Services District and is subject to any taxes, assessments, and obligations thereof.

This subdivision lies within the boundaries of a County Permanent Road Division District that is in the process of being formed and will be subject to any taxes, assessments, and obligations thereof. This district is being formed to provide maintenance of certain public streets and other improvements within the project. The District budget for each fiscal year will be based upon the actual costs provided for in the awarded contract for these services. This means assessments can fluctuate from year to year as contracts expire. As of the date of this Public Report, it is anticipated the projected 2005-2006 assessment for each residential unit within this development will be \$88.00. The administration of this district will be provided by County of Humboldt.

CONDITIONS OF SALE: 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.

The subdivider may assist you in arranging financing from a federal or state regulated lender which will make loans that allow the interest rate 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 nonrefundable fee.

BEFORE SIGNING, YOU SHOULD 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 thirty (30) days (for vacant) and three hundred sixty five (365) days (for completed home purchasers), you may request the return of your 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 contain filled ground or will contain filled ground. Information concerning filled ground, geological and soil conditions is available at Humboldt County Planning Department, 3015 H Street, Eureka, CA 95501.

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.

WATER: McKinleyville Community Services District.

Purchasers of vacant lots will be required to pay cost for connection of water services. The developer has indicated this will be approximately \$236.00.

For your reference the "District" has provided the following information:

MCSD will serve the subdivision with water, sewer, street lights and related services. The developer has constructed the water system, sewer system, open space zone, trail and streetlights for the subdivision to MCSD Standards and will dedicate these improvements to MCSD.

After construction and dedication of the mains, MCSD is prepared to activate water system, sewer system and assessment zones to each lot upon receipt of the following charges per lot:

Water	\$236.00 capacity fee & meter set fee; + (\$6.15 monthly + usage).
Sewer	\$2208.00 capacity fee; (monthly usage fee @ \$14.60+\$0.20 ccf)
Streetlights	Monthly service cost based upon actual cost

MCSD currently has the capacity to provide sewer and water service for the proposed project. Capacity is reserved after MCSD's approval of a completed service application and receipt of all MCSD required fees. Once fees are paid each lot in the subdivision will be subject to MCSD's then current monthly services charges.

The water delivered to MCSD customers is potable and in compliance with all drinking water requirements of the State of California and the United States of America.

You may contact them directly at (707) 839-8456 for further information.

GAS AND ELECTRICITY: PG&E.

TELEPHONE: SBC.

SEWAGE DISPOSAL: McKinleyville Community Services District.

You will be required to pay costs for hook-up to sewer service. The developer has indicated this will be approximately \$2,208.00. See the "Water" section of this report for information from the District.

BUILDING PERMIT: If you purchase a vacant lot within this subdivision, you will be required to obtain a building permit and pay all applicable fees prior to construction. These fees may include, but may not be limited to the following: schools, sewer, water, drainage, traffic mitigation, park, infrastructure, etc. Vacant lot purchasers should contact the local building and planning departments for the current list of fees and other requirements prior to purchasing a lot. Purchasers of vacant lots should realize, however, that these fees and requirements could change.

STREETS AND ROADS: The developer has indicated the roads within this subdivision are public but are privately maintained.

The repair and maintenance of these private roads will be in accordance with the CC&Rs noted under the "Restrictions" section of this report and with the Declaration of Road Maintenance Association recorded February 23, 2006, Instrument No. 2006-5707-5, of Official Records.

THE SUBDIVIDER SHOULD PROVIDE YOU WITH A COPY OF THIS AGREEMENT.

Among other things, this Declaration provides as follows:

"Every person who acquires title, legal or equitable, to any of the Properties shall become a member of the Association; provided, however, that such membership is not intended to apply to those persons who hold an interest in any such lot merely as security for the performance of an obligation. Each person who becomes a member of the Association shall pay an initial transfer and initiation fee of \$55.00 for each separate parcel of the Properties acquired by that person. Owners shall be entitled to vote for each lot and/or parcel of the Properties in which they hold an interest, so long as such Owner is not then delinquent in the payment of any dues or other assessment of the Association. When more than one person holds such interest in any lot, all such persons shall be members of the Association. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any one lot of the Properties."

The developer's engineer has provided the following information and estimates of maintenance costs:

- A. Access - Hawksview Courts Garden Brook Street, and Honeycomb Court, which serve Lots 1 through 35, are surfaced with asphalt concrete according to County of Humboldt Standards, the streets will be maintained by a Homeowners Association or Public Road District.
- B. Total Linear feet of roadway to be maintained is: 1480 :Lineal Feet
- C. Annual cost per linear foot to maintain is estimated at \$1.30
- D. The estimated annual cost per lot for maintenance of the asphalt is \$55.00 per lot.

SCHOOLS: This project lies within the McKinleyville Union School District and the Northern Humboldt Union High School District. These districts advise that the schools initially available to this subdivision are:

1. The following schools serve the proposed subdivision:

Dow's Prairie School (Grades K-5)
3940 Dow's Prairie Road
McKinleyville, CA 95519

McKinleyville Middle School (6-8)
2285 Central Avenue
McKinleyville, CA 95519

Morris School (Grades K-5)
2395 McKinleyville Avenue
McKinleyville, CA 95519

Under agreement with the Northern California Association of Homebuilders, the District collects Developer Fees and the fees are used to provide adequate housing for the students of the District. In addition to providing for relocatable classrooms and modernization projects, the fees would be used as a match for any state allocation that would be provided for new construction.

Transportation is currently available to all schools in the District at no cost to the students. Bus stops are determined at the discretion of the District in accordance with policy and in cooperation with the California Highway Patrol. The stops are changed and adapted by the District to meet existing needs and conditions. Sidewalks, bikeways, and bus turning points are a significant interest of the District in securing safe routes to school.

As the McKinleyville community grows, the District is concerned about the impact of the growth on school playgrounds. Most subdivisions have not included open areas or park settings for children.

You may contact this District directly at (707) 839-1549.

2. Please be advised that the referenced lot subdivision is within the Northern Humboldt Union High School District's attendance boundaries. McKinleyville High School (grades 9-12), (707) 839-6400, and Tsurai Continuation High School (grades 9-12), (707) 839-6480, and Six Rivers Charter High School American Indian Academy (grades 9-12), (707) 825-2428 are located at 1300 Murray Road, McKinleyville, CA 95519.

The District has the ability to adequately house additional students in our high schools.

Do not hesitate to contact the district directly at (707) 839-6470 should further information be needed.

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 districts.

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 call (916) 227-0813.