

SACRAMENTO DISCLOSURES AND DISCLAIMERS ADVISORY
*(This form is intended for use with the California Association of REALTORS®
 form "Statewide Buyer and Seller Advisory")*

This Advisory is intended for use in the City and County of Sacramento. Please also review any applicable separate local advisories relating to the Property.

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This Advisory provides general information about selling and buying real property in Sacramento County. It is not intended to be a comprehensive guide to buying real estate nor is it designed to alarm you. It does not limit any legal duty of real estate brokers; however it does point out some limitations on real estate brokers' duties. This Advisory points out that when purchasing something as important and valuable as real estate, you have a legal responsibility to protect yourself by taking special precautions to investigate the issues detailed in this Advisory and any other issues which impact the use, value or desirability of the Property. Consult with the appropriate experts and/or governmental agencies. Do not just rely on real estate brokers or Sellers as sources for all information. When you have questions, doubts or concerns, conduct your own investigation with your own chosen professionals. For more information about Sacramento County, Buyers can go on line at: <http://www.saccounty.net>

The information in this Advisory may change over time and/or new issues may develop due to actions taken at the federal, state, county, city and/or private, local level. Some of the issues that are covered in this Advisory are point of sale or retro-fit requirements that may also get triggered by remodeling efforts or

efficiency requirements. Sellers and Buyers should investigate the applicability of these requirements to the past, present and future sale, purchase, ownership and/or development of the Property.

- Sellers must understand the importance and significance of their disclosure obligations. Sellers need to take the time to carefully and fully complete all aspects of the disclosure documents. Sellers must disclose anything that is known to the Sellers that materially affects the value or desirability of the Property. Sellers who need help in completing their disclosure obligations should consult with their own attorney; Brokers cannot determine the legal sufficiency of any disclosure.
- Sellers and Buyers should read this Advisory in conjunction with a careful review of all disclosures required by Sellers and by the real estate Brokers involved in the transaction including, without limitation, the Transfer Disclosure Statement and the Supplemental Property Questionnaire, if provided by Seller.
- Buyers are responsible for conducting their own investigations into the issues discussed in this Advisory as well as those issues that are not referenced below to the extent that those additional issues may affect the Buyers' determination of the use, value, desirability or development of the Property. That investigation should take place prior to the Buyer's removal or waiver of any inspection contingency. Buyers are urged to:
 - Carefully read the information contained in any advisories, disclosures, inspections, and/or reports that Buyers receive from any source.
 - Conduct additional/further investigations and inspections regarding any issues that concern Buyers which are raised in those advisories, disclosures, inspections, and/or reports received by Buyers from any source.
 - Thoroughly and thoughtfully inspect and evaluate the Property and, in so doing, meet Buyers' obligation to protect themselves, including those facts which are known to or within the diligent attention and observation of the Buyers.
- Buyers need to inquire into other or additional matters (beyond those contained in this Advisory) to the extent that those additional issues affect the Buyers' determination of the use, value, desirability or development of the Property
- Buyers must bear in mind that a Property may suffer defects and deficiencies which neither Sellers nor Brokers are aware. Buyers should also recognize that not all issues can be objectively determined and some issues can have varying impacts on different people since some people may be more sensitive than others.
- Buyers are urged to engage licensed professionals to evaluate all aspects of the Property and to consult all appropriate governmental agencies. Buyers' right to conduct certain types of investigations may be limited by the Purchase Contract.
- Any representations about the issues in this Advisory made by third parties have not been verified by Brokers and need to be independently confirmed by Buyers.
- **Although licensed to list, sell and lease real estate, Brokers may not have expertise on the issues in this Advisory.**

This Advisory is not meant to be a complete source of information on all matters which can become issues in real property purchase and sale contracts. **Given Buyer's legal duty to exercise reasonable care to protect himself or herself regarding facts that are known to or within the diligent attention or observation of a Buyer, Buyer is urged to investigate, without limitation, the items in the following paragraphs of this Advisory as well as the condition of the foundation, roof, plumbing, heating, air conditioning, electrical, mechanical, energy efficiency, security, appliances/personal property, pool/spa, and all other systems and components.**

The real estate licensees involved in your transaction do not warrant or guarantee the accuracy of the information contained in this Advisory or the adequacy of the information contained herein as it relates to a specific real property transaction.

A. MARKET CONDITIONS ADVISORY

Real estate markets are cyclical. It is impossible to predict what market conditions will be at any given time. The ultimate decision of how much to offer on any property rests with Buyers. Buyers need to

decide what they are willing to pay in light of market conditions and their own financial resources. Buyers must also decide what type of offer to make in recognition of existing market conditions. Purchase price is not a simple calculation based upon square footage but an agreement as to what Buyers will pay and what Sellers will accept.

Real estate brokers traditionally recommend that Buyers protect themselves by conditioning their purchase on an inspection of the Property so that the Buyers can be assured that the Property meets their needs. In some markets, many Buyers are choosing to forego that sage advice so that their offer is more attractive to Sellers. If, after making an offer without a property condition contingency, a Buyer becomes aware of an aspect of the condition of the Property that affects its value or desirability, Buyer may still be required to proceed to purchase the Property or possibly pay damages to the Seller, which may be the deposit in escrow. If this is a condition that must subsequently be repaired, the Buyer may have no legal recourse against any of the parties in the transaction after escrow closes, including the Seller, the brokers or the inspectors, and then the Buyer may have to pay to correct those problems.

Waiving the right to have a contingency regarding the property condition does not waive the Buyers' right to inspect the Property, even if the Property is being sold "AS IS". Regardless of whether there is a property condition contingency, Broker recommends that prospective Buyers have the Property thoroughly inspected by their own experts prior to the close of escrow.

The lender's approval of financing includes the lender's determination that (A) the Buyer is creditworthy and can afford to make the mortgage payments and (B) that the Property appraises for at least the principal amount of the loan. Even if a Buyer has obtained a pre-qualification or pre-approval letter from a lender, the lender may not ultimately approve the loan if the lender's appraiser determines that the Property's fair market value is less than the amount of the purchase price or if the Buyer's financial/employment situation has changed. If there is no financing contingency and the Property does not "appraise", Buyer may not be able to afford to make up the difference between the loan amount applied for and the loan amount actually offered by the lender. Under those circumstances, Buyers may not be able to perform on Buyer's contractual obligations. This could then result in the Buyer paying damages to the Seller. **It is a serious risk for a Buyer to eliminate from the purchase contract their right to have a financing contingency if they intend to secure a loan.**

B. GENERAL PROPERTY ADVISORIES

1. **EXISTING HOUSING STOCK:** Many properties have been built under different building codes and may not accommodate current or future personal property items such as electric cars. Regardless of its age, Buyers should have the Property inspected by a competent property inspector and obtain additional inspections recommended in any inspection report, or as may be necessary for Buyers to determine the actual condition of the Property. The Property's components, appliances, fixtures, systems and materials may have varying degrees of remaining useful life and may be subject to failure without notice. In addition, not all components, improvements or fixtures of the Property may comply with current code, zoning, health and safety, setback requirements, religious or cultural preferences. Some homes contain appliances, products or manufactured materials, such as Chinese dry wall, which may be defective, create problems with the use or value of other aspects of the home and/or may be subject to manufacturer or governmental recall and/or a class action lawsuit. All homes include many components which require ongoing maintenance. Deferred maintenance will decrease the lifespan and/or functionality of many of these components. Buyers should seek reliable advice from appropriate professionals and to plan/budget for maintenance and future repairs.
2. **FLOORS AND WALLS:** The personal property of the Seller may make a visual inspection of floors and walls difficult. The existence of certain types of floor coverings, such as carpeting and rugs, as well as certain types of wall coverings, such as wallpaper and paneling, and furniture prevent inspectors and brokers from inspecting the condition of the floors and walls beneath those materials. When exposed, these areas may have a different pattern of wear or shade of color. If the Buyer desires to determine the condition of the floors and walls beneath such coverings, Buyer will need to

secure the written authorization of Seller to conduct investigations with appropriate professionals since removal of floor coverings may be required.

- 3. TEMPERED GLASS:** Many homes contain glass that IS NOT tempered in locations where tempered glass IS required by building regulations. Buyer is advised to have a contractor's inspection to identify the presence of any glass that is not properly tempered before removing a physical inspection contingency on a prospective purchase of real property. Buyer should consider replacing any non-tempered glass with tempered glass to reduce the risk of injury.
- 4. TREES AND VEGETATION; Protected Trees:** Most cities have an ordinance that requires property owners to obtain a permit prior to removing *Protected Trees* from their property. *Protected Trees* are defined within the code of each city. Removing or damaging any *Protected Tree* without the proper permit constitutes an infraction. In addition to the cost of the infraction, violators are liable for damages for an amount up to the value of the removed tree. The City may place a lien on the Property if the infraction is not paid on a timely basis. That lien may subsequently be added to the county property tax bill.

Hazardous Trees: Some cities define hazardous tree conditions within their Municipal Building Codes and address ways of mitigating those conditions on both private and public property. There are stringent time frames for responding to hazardous tree claims. If hazardous tree claims are not resolved privately, a claimant may, as a last resort, take the claim through the court system.

View Ordinances: Some cities have view ordinances that restrict the height of trees so that trees do not unreasonably obstruct the view that existed at the time of purchase of the property. Certain trees that are part of the natural habitat can be exempt from this law. Often a view property will have recently trimmed trees and shrubs revealing the view. Buyers should take note that maintaining that view could entail not only trimming foliage on their own property, but also enlisting the cooperation of their neighbor to keep their foliage trimmed, usually at the Buyers' expense. Cities do not take an active role in these issues; rather they encourage the private resolution of such disputes. Each city has a slightly different mechanism for handling these situations, and Buyer is encouraged to review the Municipal Code during their inspection period.

Buyer is encouraged to seek the advice of a licensed arborist for any questions regarding trees on the subject property or on neighbor's property.

- 5. RIVER, CREEK AND LEVEE PROTECTION ORDINANCE:** Many properties are adjacent to rivers and levees. Others are impacted by creeks (a narrow channel or small stream) and/or a culvert (a man-made structure used to enclose a flowing body of water which is usually designed to allow water to pass underneath a road or other structures). If the Property includes, abuts or is located near a river, levee, creek or culvert, Buyers should investigate the possibility of flooding and/or water intrusion or other nuisances that may result from proximity to those water sources by contacting appropriate experts. Brokers cannot determine these issues. In addition, some cities have enacted regulations regarding rivers, levees, creeks and culverts. Buyers need to review local ordinances with their own experts before commencing any work in, over or near a river, levee, creek or culvert.
- 6. FLOOD ADVISORY:** Flood insurance rates are increasing due to a number of factors. The 2012 federal Biggert-Waters Flood Insurance Reform Act eliminated many existing subsidies for properties in flood zones as determined by the Federal Emergency Management Administration ("FEMA"). Also, FEMA, which basically backs all flood insurance, has experienced extraordinary expenses dealing with Hurricane Sandy and other natural disasters. Also, as a result of the "Homeowner Flood Insurance Affordability Act of 2014," properties in flood zones, as designated in a NHD report, will experience annual premium increases in an amount which could be as much as 18% to 25% per year. For details of how this law will affect a property you are buying, go to:
<http://www.realtor.org/articles/senate-passes-flood-insurance-with-house-amendments> or
<https://www.floodsmart.gov/floodsmart/>

7. **FIREPLACES/WOOD STOVES:** Due to public health concerns regarding particulate matter from wood smoke that may be affecting air quality if the Property has a wood-burning appliance, Buyer should consult with appropriate experts as to the ability to use such appliances now or in the future. "Wood-burning appliance" includes, but is not limited to, a fireplace insert, a free-standing wood stove, or a wood heater or masonry fireplace, but does not include appliances or fireplaces that burn solely propane or natural gas or pellets as fuel,

8. **SEPTIC SYSTEM/WASTEWATER TREATMENT SYSTEM REGULATIONS:** If the Property has a septic system, it is essential that the Buyer secure a current, written report detailing the inspection of the tank and the leach field lines by a licensed, competent professional to determine the condition of the system as well as the adequacy of the system for the Buyer's specific needs. Visual inspection of the tank alone is insufficient. Brokers do not have the necessary expertise to make those determinations.

Expansion or remodeling of the dwelling may be restricted due to the existence of the septic system. Securing approval for changes in the dwelling may be conditioned upon testing, removal, repair, or other changes to the system which may be expensive. The septic system may not be in compliance with current or future code requirements and code compliance may be required for any future work done on the Property. Buyer should investigate these issues with appropriate experts. Brokers cannot determine these issues.

Buyer can get more information about OWTS/Septic System regulations by contacting the State Water Resources Control Board, 1001 I Street, Sacramento, California 95814 or at Post Office Box 100, Sacramento, California 95812; (916) 341-5250 and by reviewing the SWRCB's website: <http://www.swrcb.ca.gov/ab885/index.html>

9. **UNDERGROUND STORAGE TANKS (UST):** Many of the larger, older homes in this area built before 1935 may have or have had an Underground Storage Tank for the fuel oil that fired the property's furnace. As natural gas became the more common standard fuel for home furnaces, virtually all of the old furnaces have been replaced. However, many of the fuel oil tanks remain buried on the property. In residential applications, the California State Water Resources Control Board regulates all UST's in California. The licensing, inspection and regulation of UST's in residential application are currently exempt provided the tank is less than 750 gallons and was used for fuel oil only. However, this does not guarantee that the Property would be exempt from abatement if a UST is discovered upon your property. Each municipality has very different regulations concerning UST's that may include removal and soil clean-up of any toxic material that may have leaked from the tank. You are advised to speak directly to the Public Works Department, Building Department and/or Fire Department in your city concerning specific regulations affecting UST's.

10. **ENVIRONMENTAL HAZARDS:** The presence of certain environmental hazards, such as lead-based paint and other lead contaminants, asbestos, formaldehyde, radon, methane, or other gases, fuel oil or chemical storage tanks, contaminated soil or water, hazardous waste, waste disposal sites, electromagnetic fields, nuclear sources, urea formaldehyde, tri-chloro-ethane (a.k.a. "TCE"), and/or other conditions and materials may adversely affect the Property and may cause health problems to people and animals. Buyers should have qualified experts inspect the Property for existing and potential hazards during Buyer's inspection contingency period. Not all inspectors are licensed and licenses are not available for all types of inspection activities. Buyers and Sellers should also read the pamphlets entitled, "*Residential Environmental Hazards: A Guide for Homeowners, Homebuyers, Landlords and Tenants*" and "*Protect Your Family from Lead in Your Home.*"

Some of the third party Natural Hazards Disclosure ("NHD") companies may provide information regarding environmental hazards that are mapped by the federal government, state or local entities such as Super Fund Clean-Up sites. Buyers should consider discussing with the NHDS provider what environmental disclosures may be available.

11. **CONDOMINIUMS, COMMON INTEREST DEVELOPMENTS & HOMEOWNERS' ASSOCIATIONS:**

If the Property is located in a Common Interest Development, the Seller should request that the Homeowners' Association (HOA) provide all required documents regarding the HOA operation and expenses to meet the Seller's disclosure obligations under Civil Code Section 4525. Some neighborhoods have established HOAs that may charge dues and enforce their own restrictions. It is strongly recommended that Buyers receive the current HOA documents directly from the HOA rather than from any online service or from an earlier transaction. Buyers need to carefully examine all of the documents that are provided regarding the HOA and compare the documents with the list of required disclosures specified in the HOA form from the California Association of REALTORS®. If any document(s) are missing, Buyer should send a written request to the Seller that the Seller provide the missing documents and/or provide a written explanation for why the document(s) were not included with the other HOA documents. Buyers should retain the services of experts, such as attorneys, accountants or others who specialize in reviewing HOA documents to determine the adequacy of the reserves and whether or not the Property is suitable for the Buyer's intended uses.

Due to noise and other factors, an HOA may restrict the type of floor and/or wall material that can be used in certain units and/or the number of pets. Buyers should directly contact the HOA Board to determine whether or not the Property can be used for Buyer's intended purposes. Buyer should also determine whether or not the Property meets Buyer's subjective personal preferences.

Many Condominiums and other Common Interest Developments have been involved in or are presently involved in litigation regarding the design, construction, maintenance and/or condition of all or a part of the Development. Whether or not these lawsuits are successful, litigation is expensive and the cost of such legal actions may impact not only the adequacy of the HOA reserves but also the amount of current or future assessments. The existence of HOA insurance does not necessarily mean that there is insurance coverage for any given single interest or unit in the Development, an owner's remodeling or upgrade efforts, and/or the owner's contents. See Insurance information below.

Occasionally issues arise in the purchase of property in a Common Interest Development regarding parking and/or storage spaces associated with a single interest or unit in the Development. Buyers should determine for themselves whether or not the allotted parking space(s) are adequate to park the Buyers' vehicle(s) in the assigned spaces by actually parking in those spaces. Parking space(s) and storage space(s), if any, may be described in a Condominium Map or in the Preliminary Report issued by a Title Company. The actual markings, striping and numbering of these space(s) may not accurately reflect the actual spaces and may be in conflict with the space(s) designated in the recorded documents. It is therefore crucial that Buyer personally determine that the parking and storage space(s) that are designated in the recorded documents are actually being transferred to Buyer and that those space(s) are acceptable for the Buyers' intended needs and uses of the Property.

12. **PLASTIC PIPE:** Some builders in the Sacramento area used PEX water pipes in constructing homes. This type of pipe, manufactured under the name of KITEC®, has been alleged in a class action lawsuit to be faulty and a settlement of that suit has been reached. Buyer should investigate the presence of such pipes prior to removing their inspection contingency. For additional information about this particular product and any litigation go to: <http://www.kitecsettlement.com/faq.cfm>
13. **INSURANCE:** During the inspection contingency, Buyer should consult with an insurance broker to determine the cost of homeowners' insurance as well as the types of coverage that may be available and any conditions that the insurance company intends to impose. For example, many insurance companies are refusing to provide homeowners' insurance coverage unless certain retrofit requirements are met, such as installation of safety glass and/or fireproof spark arresters and a gas shut-off valve. The fact that an insurance company may require these repairs does not necessarily mean that the Seller is obligated to pay for and/or make the repairs requested by the insurer. In addition, prior claims submitted by Buyer on other properties may affect the final cost of the homeowners' insurance on the property being purchased by Buyer. Buyer should investigate these matters thoroughly prior to removing their inspection contingency.

14. **RE-KEYING:** All locks should be re-keyed immediately upon close of escrow so as to ensure the Buyers' safety and security of their persons as well as their personal belongings. Alarms, if any, should be serviced by professionals and codes should be changed. Garage door openers and remotes should be re-coded.
15. **ONLINE INFORMATION:** Online information regarding the property you are buying, or the neighborhood, may exist online in various blogs, discussion boards, Facebook pages, etc. For example, some neighborhood associations and homeowner associations (HOA's) have official sites; whereas other unofficial sites written by third parties may exist with postings about the community. Some of the online sites offer viewers the opportunity to express opinions and air complaints. The information contained on those sites may consist of opinion, speculation, unfounded assertions or rumor, making it difficult to determine what is factual and what is not. **Neither seller nor any of the real estate licensees may be aware of, nor will they conduct a search of, such online information and they are not obligated to verify or explain the posted issues and/or commentary of third parties.**
16. **ONLINE PHOTOS:** Sellers and Buyers are advised that photos of their property will be included in the MLS listings and, perhaps, on the listing broker's website. It is now common that such photos will subsequently be added to other brokers' websites, and various national listing aggregation sites such as Realtor.com, Trulia, Zillow, and others. From there, photos may be copied on to other websites as well, with or without the permission of the host site. After the close of escrow, or a termination of a listing, Sellers and Buyers are advised it is not possible for the listing or selling broker to remove these photos from websites over which they have no control.

C. FEDERAL, STATE AND REGIONAL CONDITIONS ADVISORIES

17. **A. UNSTABLE HILLSIDES:** Many hillside properties are active and potentially active landslide areas. Many of the geologic forces which have shaped California over the eons are still active today. The only way to determine the nature of the soil and bedrock under a structure, and how these forces may affect those structures, is with a geologic or geotechnical inspection and report.

B. EXPANSIVE SOIL: Some parts of the Sacramento area have expansive, or adobe, soil which will expand and contract with the wet and dry seasons. This expansion and contraction can cause movement or shifting of structures and their foundations.

C. HIGH WATER TABLES: Some parts of Sacramento County have high water tables that can intensify mold growth and compromise the stability of soil and/or foundation. In addition, high water tables may affect the use and enjoyment of the surrounding land, particularly during months of heavy rain. Buyers should consult the appropriate experts to help evaluate the effect of high water tables on the subject property and, when necessary, consider drainage modifications to protect the structure and improve the use and enjoyment of the surrounding landscape.

Reports from Natural Hazard Disclosure (NHD) companies may not contain all information from all sources regarding the Property and surrounding conditions, and cannot be relied on for all information regarding natural hazards which may affect the Property. Brokers recommend that Buyers have any Property they are purchasing inspected by a qualified geologist, geologic or geotechnical engineer, or other qualified professional.

18. **WET WEATHER CONDITIONS:** At times, this area may have months with heavier than usual rainfall. During these times, hillside properties may be susceptible to earth movement and drainage problems. Properties on flatlands may be susceptible to flooding. Properties which may not have experienced water intrusion into or under the property in the past may experience these conditions as a result of weather-related phenomena. Sellers are obligated to disclose to Buyers those material defects or conditions known to them which affect the value or desirability of the property; however, not all Sellers may be aware of recent changes in the conditions of the property or its improvements caused by unusually wet weather. Because of these factors, it is recommended that, in addition to a home

inspection, Buyer have such additional inspections by inspectors or engineers regarding these conditions as Buyer may desire.

19. **CLIMATE CONDITIONS:** The Sacramento area exhibits several micro climates. Buyer is advised that these areas are subject to frequent strong winds, wind-driven rain, fog and mist, and direct sunlight, any of which, alone or in combination, can impact the condition of the land as well as prematurely age the interior and exterior of structures. Erosion, 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 thus these properties require regular, thorough maintenance. Buyer is advised to fully investigate these conditions and the increased maintenance and repairs that may be needed for any Property located in these coastal areas.
20. **PERMIT ISSUES:** Improvements made to any property such as repairs, remodels and additions may have been built or used without all required permits. One such example would be where a second living unit ("in-law unit") is being rented by the Seller but the required permit was not obtained for this in-law unit. An improvement that is made without the required permit can, among other things, have a negative impact on value, require a retrofit, impact habitability, preclude insurance coverage and/or result in fees, penalties, government and/or civil enforcement actions. In some cities, there may be a lower standard applied in those circumstances where the property owner is obtaining the permits, as opposed to a contractor doing so. Buyer should investigate the permit status of all structures and uses; real estate licensees are not qualified to conduct such off-site investigations.
21. **NONCONFORMING USES, ROOMS, ALTERATIONS OR ADDITIONS:** Any rooms, alterations or additions to the Property which were done without necessary permits or certificates of completion ("nonconforming improvements") may be subject to fines, permit and construction costs, and other expenses to bring into conformity. Nonconforming improvements may be subject to removal by local building inspection and code enforcement agencies. Nonconforming rental units may be required to be vacated and possibly torn down. It may not be feasible to legalize nonconforming improvements because of zoning, permit and/or other legal or regulatory limitations. Some building inspection and code enforcement agencies may conduct random inspections of properties for permit, code and other violations while the Property is being marketed. Such nonconforming improvements may also be discovered when anyone applies for a permit to do work on the property either before or after escrow closes. Whenever nonconforming uses are discovered, the then-current owner could face expensive repairs, permit fees and other costs and/or even removal of the nonconforming improvement.

While Sellers are obligated to disclose any known nonconforming improvements, Seller may not be aware of some or all illegal improvements or uses especially those that were made prior to Seller's ownership of the Property. Real estate brokers and agents are not required by law to inspect public records and cannot determine the legal status of improvements based solely on their required visual inspection of the property. Thus, Buyers are strongly urged to investigate possible nonconforming improvements by personally contacting the local building inspection and code enforcement agencies as well as obtaining the advice of contractors, architects, engineers or other professionals regarding the status and condition of the Property prior to removing inspection contingencies.

22. **CODE COMPLIANCE AND ENFORCEMENT:** Even if the Property is new construction, not all aspects, components and structures on the property may comply with current code. This may be because code requirements have changed since the improvements were first constructed or, in some cases, improvements may have been made by the current owner, or even by prior owners without the knowledge of the current owner. Real estate brokers are not qualified to identify code violations. If the applicable city or county building department discovers the code violations, the current owner may be required to bring the property into current code compliance or remove or demolish the portion of the property that is in violation. Various building departments take different approaches to enforcement; some are stricter than others. Prior to removal of the inspection contingency, Buyers should have the home inspected by a qualified home inspector who can identify code violations and comment on local codes, regulations and practices regarding enforcement.

- 23. UNDERGROUND UTILITIES:** Some towns and cities have begun the process of burying utility lines underground in order to remove the utility poles in the neighborhood. These projects can result in special tax assessments and set-up costs for the individual homeowners. It is recommended that Buyer investigate this issue with the Pacific Gas and Electric Company ("PG&E").
- 24. CRIME:** The existence of crime is a fact of urban life. Some areas experience more crime than others. Crime statistics for various areas and municipalities may rise and fall over time and the incidence of various types of criminal activity may also increase or decrease. At times, local law enforcement agencies may target designated areas for special but temporary enforcement measures. Individual criminal acts may occur in any neighborhood or may occur close to a property that is being sold while other criminal acts may occur far away. Some crimes may be reported in the local news while others are ignored by the media. Because of the ever-changing nature of the statistics and information regarding crimes, neither Seller nor brokers will independently investigate crime or criminal activity in the area of any property being purchased by any means including, but not limited to, contacting the police or reviewing any internet data bases. If criminal activity is a factor in the decision to purchase a particular property, or in a particular neighborhood, Buyers are urged to check with the local law enforcement agencies and online information, prior to removing their inspection contingency.
- 25. WIRE FRAUD SCAM ALERT:** Recently there is a small but growing scheme in which buyers and sellers have received e-mails from their agent or an escrow company providing wire transfer information for money from buyer to escrow, or to seller for proceeds from escrow. Hackers intercept these e-mails and then alter the wire transfer instructions to re-direct the funds to the hacker's account with an off-shore bank. Buyers and sellers should confirm all e-mail wire transfer instructions directly with the escrow officer by calling the escrow officer and confirming verbal wire transfer instructions before taking any steps to have the funds transferred. If you believe that you have received questionable wiring instructions, you should promptly notify your bank, your real estate agent and the escrowholder, as well as the FBI at: www.fbi.gov and the Internet Crime Complaint Center at: www.ic3.gov
- 26. REAL PROPERTY TAXES AND ASSESSMENT DISTRICTS:** The Purchase Agreement addresses payment of real property taxes and assessments relating to the Property. As part of their negotiations for the Purchase Agreement, the parties may decide how to prorate such taxes and assessments; payments on bonds and assessments and their assumption by Buyer; and payment on Mello-Roos and other Special Assessment District bonds and assessments that are now a lien on the Property.
- The existence of Mello-Roos and 1915 Bond districts will be outlined in a report by a Natural Hazard Disclosure (NHD) company. Most other assessment districts will be reported in the Preliminary Report from the title company. Still others may be disclosed by Seller or local disclosure. The Seller's tax bill alone does not necessarily reflect all of the costs related to taxes and assessments on real property. If there is a question as to whether an existing bond or assessment will be prorated as of the close of escrow, or whether Seller will pay off the bond or assessment at close of escrow, Buyer is advised to discuss the matter with the appropriate District prior to removal of the appropriate inspection or title contingency, and to address responsibility for payment of taxes and assessments in the negotiations for the Purchase Agreement.
- 27. FIRPTA:** Federal law requires buyers to withhold and remit to the Internal Revenue Service 10% of the purchase price if a Seller is a non-resident alien, unless an exemption applies. Sellers may avoid this federal withholding requirement by providing buyers with a statement of non-foreign status. The statement must be signed by each Seller under penalty of perjury and include each Seller's taxpayer identification number, or by having a Qualified Substitute (the escrowholder) state under penalty of perjury that the Substitute has verified the required taxpayer identification information. Buyers can also avoid the federal withholding requirement if the Property purchase price is \$300,000 or less and the Buyers sign an affidavit stating that the Buyers intend to occupy the Property as their principal residence. Sellers and Buyers cannot agree to waive these federal requirements nor can they agree that FIRPTA does not apply.
- 28. FAIR HOUSING:** When rental properties are offered to the public, the owner and real estate agent must act in compliance with all Fair Housing laws and regulations including, but not limited to,

providing unrestricted access to potential tenants with service/companion animals. Landlords are required under Fair Housing laws to provide a "reasonable accommodation" for tenants with disabilities; in the case of tenants with disabilities, this includes allowing the tenant to occupy the rented residence with the service/companion animal. The landlord may not charge a "pet deposit" or otherwise charge the tenant for the service/companion animal in any manner different from a tenant without such an animal. Any property owner renting their property should consult with a California real estate attorney specializing in landlord/tenant and Fair Housing issues for advice on any matters related to Fair Housing and service/companion animals.

29. **SCHOOLS:** Some school districts have experienced financial and academic achievement difficulties and, as a result, may face bankruptcy, reorganization or takeover by a state administrator. Each school district has its own rules regarding school assignments, and these rules may change at any time with little notice. For these reasons, brokers cannot represent or guarantee that anyone who resides in any particular property will be able to attend any particular school or school district. These and any other factors or concerns of Buyers should be investigated by Buyers prior to removing inspection contingencies in a purchase agreement
30. **CONSTRUCTION DEFECTS AND LAWSUITS:** Question 2.C.16 of the Transfer Disclosure Statement asks Sellers to disclose if there are any "lawsuits by or against the Seller threatening to or affecting this real property." It then goes on to ask questions related to construction defects and references Civil Code Sections 900, 903, 910 and 914. These code sections are part of a law that is widely known as SB800 or Title 7, and which generally applies to residential real property built by a "Builder" (as defined in Section 911) and sold for the first time on or after January 1, 2003. Section 900 of that law provides for a limited one-year warranty from the Builder. Section 903 refers to an "enhanced protection agreement" if such is provided by the Builder. Sections 910 and 914 reference pre-litigation procedures and remedies in the event of a claim against the Builder. Sellers who have questions about how to answer this question should consult with a California real estate attorney for advice. Likewise, if lawsuits or claims are disclosed by Seller, Buyers should investigate such disclosures with a California real estate attorney. Brokers are not qualified to give you advice on these matters.

D. COUNTY AND CITY ADVISORIES

31. **MANDATORY WATER CUTBACKS:** The Governor of California recently issued an Executive Order that California is in a State of Emergency due to severe drought conditions and mandatory water restrictions are being imposed. In addition, water usage for various purposes has been restricted by many local municipalities and water authorities. Current and future restrictions may impact the Property in a number of ways, including limiting water usage and/or increasing water costs. These limitations may affect the quality of life at the Property and the ability to use water in the home or for landscaping, agricultural or livestock purposes. It is strongly recommended that Buyer thoroughly investigate this issue, including, but not limited to: contacting the local water authority; contacting the local government including City and County authorities; and searching various public websites as to whether there are any existing or planned water limitations. Buyer acknowledges that brokers do not have expertise in water usage rights or limitations, and that brokers do not have an obligation to research any water restrictions relating to the Property including, but not limited to, inspecting public records concerning water usage at the Property.
32. **GOLD RIVER AND RANCHO CORDOVA**
 - A. **Proposed Interchange:** There is a proposal to construct an interchange on Highway 50, between Hazel Avenue and Sunrise Blvd. to provide access to a planned development South of Highway 50. Traffic will not be able to enter Gold River from the interchange. Some Gold River residents have expressed opposition to this project. The actual impact of this project on traffic, noise and other factors is difficult to assess. Buyers should research this issue to determine for themselves if that project would negatively impact their use and enjoyment of the Property. Broker cannot make that determination.
 - B. **Water Quality:** The U.S. Environmental Protection Agency had determined that ground water and surface water in the area had been contaminated by manufacturing activities of Aerojet General

Corporation and its subsidiaries. The site was placed on the National Priorities List in 1983 to clean up and monitor the water quality. Buyers are strongly encouraged to carefully review all of the available information about the site, the various clean-up efforts that have been undertaken as well as the reported health studies which are accessible online at: <http://yosemite.epa.gov/r9/sfund/r9sfdocw.nsf>.

Broker has not researched or verified any of the information contained in the governmental records and makes no representations or warranties regarding the water quality in Gold River or Rancho Cordova. Buyers need to research this issue to satisfy themselves as to whether the water quality will negatively impact their use and enjoyment of the Property. Broker cannot make that determination.

33. **CAMPUS COMMONS VILLAGE 10:** Campus Commons Village 10 has amended its Covenants, Conditions and Restrictions (CC&Rs) so as to create a limitation on the ability of owners to rent or lease their units. The Second Amendment to the CC&Rs states, in part:

“No Residence may be rented or leased unless one or more of the Owners of Record of the Lot have resided in the Residence as their primary residence for a period of at least one continuous year. For the purposes of this section, the Owner of Record of property held in a revocable living trust created by the Owner of Record for the purpose of the Owner of Record’s estate planning shall be the trust’s trustor(s), trustee(s) and/or beneficiaries.”

Any questions regarding the Second Amendment to the CC&Rs or anything else about the Homeowners’ Association should be directed to the Homeowners’ Association Manager at (916) 722-8110. Seller(s) and Buyer(s) of units in Campus Commons Village 10 should carefully review all of the documentation provided by the Homeowners’ Association to determine for themselves their rights, duties and obligations.

34. **COUNTRY CLUB VILLAGE, LAGUNA SUBDIVISION, PRESLEY HOMES:** In 2001, the Developer of the Country Club Village at Laguna Subdivision, Presley Homes and others were sued by fifteen (15) homeowners. The homeowners claimed that homes in the subdivision had a number of construction defects including, but not limited to, problems with the drainage/grading systems, foundation systems, plumbing materials and other components. Since that lawsuit was filed, other homeowners in that subdivision have complained of construction defects, and at least one other lawsuit was filed in 2004 naming the Presley Companies and others in connection with alleged construction defects in a home in that Subdivision. Buyer(s) are encouraged to investigate the nature of these lawsuits prior to the close of escrow, preferably during their inspection contingency period, so as to satisfy themselves about the significance of the allegations and the future impact, if any, of these lawsuits on the use, value and/or condition of the Property that they are considering buying in that Subdivision. Buyer(s) may wish to review the Superior Court files and/or contact the law firm that filed two of the lawsuits, Salinger Law Firm at (916) 686-5788.

35. **MADISON WOODS CONDOMINIUMS:** The Madison Woods Condominium Owners Association (“HOA”) retained the law offices of Berding & Weil in connection with alleged construction deficiencies at the development. Berding & Weil generated a 3-page “Notice of Commencement of Legal Proceedings”, a copy of which was attached to a July 23, 2008 letter from Attorney Allison L. Andersen. Buyer(s) are strongly encouraged to contact Attorney Allison L. Andersen at aandersen@berding-weil.com to secure a full and complete copy of the legal proceedings as well as documentation regarding the construction issues.

Buyer(s) are encouraged to investigate the nature of this lawsuit prior to the close of escrow so as to satisfy themselves about the significance and future impact of that lawsuit on the use, value and condition of the Subject Property that they are acquiring and/or the homeowners’ association. Pending lawsuits can impact the amount of future fees and assessments. Thus, it is imperative that you thoroughly investigate this issue during your inspection contingency period.

36. **SACRAMENTO COUNTY EMERGENCY ALARM ORDINANCE:** In 2007, the Sacramento County Board of Supervisors approved revisions to the Emergency Alarm Ordinance affecting the unincorporated areas of Sacramento County. Effective October 4, 2007, homeowners and business

owners are required to obtain a permit if they have an alarm system and that permit must be renewed bi-annually. Existing alarm permits must have been renewed by December 1, 2007. The County Sheriff's Department also implemented an alarm response policy which went into effect on November 1, 2007. This change only affected the Department's response to burglary alarms in that there is no change to their response to robbery and panic alarms. After four (4) or more false alarms within any 12-month period, the Sheriff's Department will place the alarm location on a Verified Response status which will require the alarm company to verify that there is an unusual occurrence at the location of the alarm prior to a deputy being dispatched. If there are any questions regarding this change, contact the alarm provider and/or go to the Sacramento County's website at www.sacsheriff.com, and then select the link to the Ordinance Bureau.

F. ATTORNEY AND ACCOUNTANT RECOMMENDATIONS:

In addition to the professional service providers you will retain to inspect and analyze the property you are purchasing or selling, a situation may arise during the course of your purchase transaction that requires you to either make an important decision, or select a plan of action that could result in significant legal consequences and substantial impact on your personal finances. The most prudent and best plan is for you to identify a certified public accountant and real estate attorney in advance of the sale or purchase of your property so that you can quickly contact and seek the proper financial and/or legal advice and guidance if needed during the transaction. If you are considering a 1031 exchange, also contact an exchange accommodator to discuss the proper method and timing of the exchange.

G. THE PARTIES ACKNOWLEDGE THE FOLLOWING REGARDING BROKER:

- Broker does not warrant or guarantee the condition of the Property.
- Broker shall not be responsible for failure to disclose to Buyer facts regarding the condition of the property where the condition (i) is unknown to Broker or (ii) 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;
- **Broker has not verified square footage, size of structures, acreage or boundary lines of the property; representations made by others; information received from public records, Seller or other third parties; information contained in inspection reports or in the Multiple Listing Service, or that has been copied therefrom; or statements in advertisements, flyers or other promotional material; or any other matters described in this Disclosures and Disclaimers Advisory; unless otherwise agreed in writing;**
- 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;
- Broker does not decide what price Buyer should pay or Seller should accept;
- Broker is not qualified to give legal, tax, insurance or title advice; and
- Brokers lack professional expertise in the areas listed above, and do not verify the results of any inspections or guarantee the performance or reports of any inspection or professional services.

Buyers and Sellers are advised to investigate and choose their own service providers to conduct investigations and advise them on these and all matters related to the sale and purchase of real property.

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 real estate licensee may say will change the terms or effect of this Advisory.

This document may be signed in counterparts.

THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF ALL 13 PAGES OF THIS ADVISORY

Dated: _____

Buyer

Dated: _____

Buyer

Dated: _____

Seller

Dated: _____

Seller